

Fitch Takes Rating Actions on Two Peruvian Corporates Following Sovereign Downgrade

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Fitch Ratings - New York - 18 Oct 2021: Fitch Ratings has downgraded Petroleos del Peru - Petroperu S.A.'s (Petroperu) Long-Term Foreign and Local Currency Issuer Default Ratings (IDR) to 'BBB' from 'BBB+'. The Rating Outlook has been revised to Stable from Negative. The company's USD3 billion outstanding notes have also been downgraded to 'BBB' from 'BBB+'.

As a state-owned company, Petroperu's ratings are equalized with its sovereign's. Petroperu's ratings reflect its close linkage with Peru's ratings, due to its strong government ownership and control, and the very strong incentives to support the company as one of the country's largest liquids fuels suppliers. In Fitch's view, Petroperu's Standalone Credit Profile (SCP) is commensurate with a 'b-' rating. Absent the support and ownership from the Peruvian Government, the SCP reflects the long-term rating if the company were not owned by the state, reflecting Petroperu's slow deleveraged metrics derived from delays in the construction of PMRT's high complexity new refinery.

Fitch has also affirmed Enel Americas S.A.'s Long-Term Foreign and Local Currency IDRs at 'A-' and Long-Term National Scale rating at 'AA+(cl)'. In addition, Fitch has affirmed the company's National Equity Rating at 'Primera Clase Nivel 1 (cl)'. The Rating Outlook is Stable.

KEY RATING DRIVERS

The sovereign downgrade reflects the steady erosion of Peru's sovereign balance sheet and other key rating metrics, as a result of a series of shocks; this has accelerated since 2020 due to the pandemic-related recession and fiscal response. The government's debt ratio is materially higher than in 2013 when Fitch upgraded Peru to 'BBB+' and liquid fiscal buffers have since been depleted, eroding the strength of Peru's government balance sheet relative to peers. Economic growth has been in decline over this period and Fitch believes that Peru's medium-term investment and economic outlook has weakened as a result of political volatility in recent years.

The 'BBB' rating reflects still-moderate public indebtedness relative to peers, the product of a long-standing record of prudent fiscal policy with a fiscal rule and a debt anchor. Fitch believes that the macro-policy framework is in line with 'BBB' peers, given the steady deterioration of Peru's growth prospects and fiscal metrics since 2013. Peru's income per capita, social and governance indicators are below the current 'BBB' medians. High commodity export dependence and a low government revenue base are additional rating constraints.

The affirmation of Enel Americas reflects the company's adequate cash and cash flow from operations located in Colombia and Panama that exceed consolidated hard-currency external interest expense for both the consolidated group and at Enel Americas holding level. Per Fitch's Non-Financial Corporates Exceeding the Country Ceiling Rating Criteria, Enel America's FC IDR can be rated at least one notch above the applicable country ceiling of Peru, which is now 'BBB+' if offshore cash available and cash flow that originates from countries that are up to three notches lower than the applicable country ceiling is greater than 1.0x-1.5x consolidated hard-currency interest expense for at least 12 months. Fitch estimates that ratio to be greater than 1.5x for more than two years

Petroperu has an ESG Relevance Score of '4' for Governance Structure, due to its nature as a majority government-owned entity and the inherent governance risk that arise with a dominant state shareholder. This has a negative impact on the credit profile, and is relevant to the ratings in conjunction with other factors.

The score reflects its ownership by the Peruvian government, the company's strong strategic ties with the state, and its strategic importance to maintaining the country's energy supply. As a state-owned company, Petroperu's ratings are strongly linked with the credit profile of the Peruvian sovereign, and reflects the sovereign's incentive to provide financial support to the company, given its strategic importance for the country. The company is 100% owned by the Peruvian government, through the Ministry of Energy and Mines (60%) and the Ministry of Economy and Finance (40%).

RATING SENSITIVITIES

Petroperu

Factors that could, individually or collectively, lead to positive rating action/upgrade:

--A positive rating action on the Peruvian sovereign could lead to a positive rating action on Petroperu.

Factors that could, individually or collectively, lead to negative rating action/downgrade:

--A downgrade of Peru's sovereign rating;

--Additional overrun costs or significant delays from Fitch's assumptions on PMRT's construction not met with Government support that would lower Petroperu's SCP to 'ccc' category from its current 'b-' level, will result in a negative rating action;

--A sustained deterioration of Petroperu's financial flexibility, combined with government inaction to support the company's liquidity restricting the access to capital markets.

Enel Americas

Factors that could, individually or collectively, lead to positive rating action/upgrade:

--Although a positive rating action is not expected in the short to medium term given the company's exposure to countries with below-investment-grade ratings, a positive rating action might be considered if credit metrics improve on a sustained basis with a gross debt to EBITDA consistently below 1.5x;

--An improvement in the mix of cash flow generation towards higher credit quality markets would be viewed positively.

Factors that could, individually or collectively, lead to negative rating action/downgrade:

--A multi notch downgrade of Peru's country ceiling from 'BBB+';

--Hard-currency cash and committed credit lines does not cover consolidated hard-currency interest expense by 1.5x;

--A material and sustained deterioration of credit metrics (reflected in a debt to EBITDA ratio greater than 2.5x and EBITDA to interest coverage below 5.0x;

--A change in Enel Americas' power generation business' commercial policy that results in an imbalanced long-term contractual position;

--Further acquisition by Enel Americas' increasing its exposure to non-investment-grade countries;

--Any divestments by Enel Americas of its assets in investment-grades countries (Panama and Peru);

--The deterioration of the macroeconomic conditions and respective sovereign ratings, in the company's key markets, including Peru.

BEST/WORST CASE RATING SCENARIO

International scale credit ratings of Non-Financial Corporate issuers have a best-case rating upgrade scenario (defined as the 99th percentile of rating transitions, measured in a positive direction) of three notches over a three-year rating horizon; and a worst-case rating downgrade scenario (defined as the 99th percentile of rating transitions, measured in a negative direction) of four notches over three years. The complete span of best- and worst-case scenario credit ratings for all rating categories ranges from 'AAA' to 'D'. Best- and worst-case scenario credit ratings are based on historical performance. For more information about the methodology used to determine sector-specific best- and worst-case scenario credit ratings, visit <https://www.fitchratings.com/site/re/10111579>.

REFERENCES FOR SUBSTANTIALLY MATERIAL SOURCE CITED AS KEY DRIVER OF RATING

The principal sources of information used in the analysis are described in the Applicable Criteria.

PUBLIC RATINGS WITH CREDIT LINKAGE TO OTHER RATINGS

Enel Americas and its subsidiaries generate, transport and distribute energy in Argentina, Brazil, Colombia, Peru, and Central America. Enel Americas is Latin America's largest privately-owned energy company. As of end of 1H21, Enel Americas had an installed capacity of 15.2 GW and supplies more than 25.9 million clients.

Petroleos del Peru S.A. (Petroperu) is a Peruvian state-owned petroleum company under private law and dedicated to transportation, refining, distribution and marketing of fuels and other petroleum-derived products.

ESG CONSIDERATIONS

Petroperu has an ESG Relevance Score of '4' for Governance Structure, due to its nature as a majority government-owned entity and the inherent governance risk that arise with a dominant state shareholder. This has a negative impact on the credit profile, and is relevant to the ratings in conjunction with other factors.

Unless otherwise disclosed in this section, the highest level of ESG credit relevance is a score of '3'. This means ESG issues are credit-neutral or have only a minimal credit impact on the entity, either due to their nature or the way in which they are being managed by the entity. For more information on Fitch's ESG Relevance Scores, visit www.fitchratings.com/esg.

ENTITY/DEBT	RATING ACTIONS			PRIOR
		RATING		
Enel Americas S.A.	LT IDR	A-	Affirmed	A-
	LC LT IDR	A-	Affirmed	A-
	Natl LT	AA+(cl)	Affirmed	AA+(cl)
	Nat Equity Rating	Primera Clase Nivel 1(cl)	Affirmed	Primera Clase Nivel 1(cl)
senior unsecured	LT	A-	Affirmed	A-
senior unsecured	Natl LT	AA+(cl)	Affirmed	AA+(cl)
Petroleos del Peru - Petroperu S.A.	LT IDR	BBB	Downgrade	BBB+

ENTITY/DEBT	RATING ACTIONS			PRIOR
	LC	LT	RATING	
		BBB	Downgrade	BBB+
	IDR			
senior unsecured	LT	BBB	Downgrade	BBB+

VIEW ADDITIONAL RATING DETAILS

Additional information is available on www.fitchratings.com

PARTICIPATION STATUS

The rated entity (and/or its agents) or, in the case of structured finance, one or more of the transaction parties participated in the rating process except that the following issuer(s), if any, did not participate in the rating process, or provide additional information, beyond the issuer's available public disclosure.

APPLICABLE CRITERIA

- [Country Ceilings Criteria \(pub. 01 Jul 2020\)](#)
- [Parent and Subsidiary Linkage Rating Criteria \(pub. 26 Aug 2020\)](#)
- [Metodología de Vínculo de Calificación entre Matriz y Subsidiaria \(pub. 29 Sep 2020\)](#)
- [Government-Related Entities Rating Criteria \(pub. 30 Sep 2020\)](#)
- [Corporate Rating Criteria -- Effective from 21 December 2020 to 15 October 2021 \(pub. 21 Dec 2020\) \(including rating assumption sensitivity\)](#)
- [National Scale Rating Criteria \(pub. 22 Dec 2020\)](#)
- [Metodología de Calificaciones en Escala Nacional \(pub. 22 Dec 2020\)](#)
- [Non-Financial Corporates Exceeding the Country Ceiling Rating Criteria \(pub. 08 Jan 2021\)](#)
- [Metodología de Calificación de Finanzas Corporativas \(pub. 13 Apr 2021\)](#)
- [Sector Navigators - Addendum to the Corporate Rating Criteria - Effective from 30 April 2021 to 15 October 2021 \(pub. 30 Apr 2021\)](#)
- [Chilean Equity Rating Criteria \(pub. 10 Aug 2021\)](#)
- [Metodología de Clasificación de Acciones en Chile \(pub. 10 Aug 2021\)](#)

APPLICABLE MODELS

Numbers in parentheses accompanying applicable model(s) contain hyperlinks to criteria providing description of model(s).

- Corporate Monitoring & Forecasting Model (COMFORT Model), v7.9.0 (1)

ADDITIONAL DISCLOSURES

- [Dodd-Frank Rating Information Disclosure Form](#)
- [Solicitation Status](#)
- [Endorsement Policy](#)

ENDORSEMENT STATUS

Enel Americas S.A. EU Endorsed, UK Endorsed
Petroleos del Peru - Petroperu S.A. EU Endorsed, UK Endorsed

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ENTITIES

- [Enel Americas S.A.](#)
- [Petroleos del Peru - Petroperu S.A.](#)

ISSUER CONTENT

- [Enel Américas S.A.](#)
- [Enel Americas S.A.](#)
- [Fitch Ratifica Clasificaciones de Enel Américas en 'AA+\(cl\)'; Perspectiva Estable](#)
- [Fitch Affirms Enel Americas at 'A-'; Outlook Stable](#)
- [Petroleos del Peru - Petroperu S.A.](#)
- [Acuerdo entre Enel y GEB es Positivo](#)
- [Fitch Ratings Views Agreement Between Enel Americas and GEB Positively](#)
- [Latin American Corporates Sovereign Rating and Country Ceiling Exposure \(Excel\)](#)
- [Latin American Corporates Sovereign Rating and Country Ceiling Exposure \(How Sovereign Downgrades Affect Corporate Issuer Ratings\)](#)

RECOMMENDED CONTENT

- [Fitch Downgrades Flender to 'B+'; Outlook Stable](#)
- [GEMS Menasa \(Cayman\) Limited](#)
- [United Utilities Water Limited](#)
- [Fitch Affirms Poland's Tauron at 'BBB-'; Outlook Stable](#)
- [Fitch Rates SAUR's EUR950 million Sustainability Notes Final 'BBB-'](#)
- [Fitch Rates Lukoil Capital DAC's Notes 'BBB+'](#)
- [U.S. Leveraged Finance and CLO Weekly \(Weak CLO Asset Exposure Down, HY Default Rate Falls Below 1%\)](#)
- [Buy Now Pay Later Gains Share But Credit Quality, Regs Remain Unclear](#)
- [Buy Now Pay Later Not Yet a Major Threat to Credit Cards \(Credit Performance Untested as Regulation Evolves\)](#)

FITCH RATINGS ANALYSTS

Saverio Minervini

Senior Director

Primary Rating Analyst

+1 212 908 0364

saverio.minervini@fitchratings.com

Fitch Ratings, Inc.

Hearst Tower 300 W. 57th Street New York, NY 10019

Paula Bunn

Associate Director

Primary Rating Analyst

+1 312 368 3218

paula.bunn@fitchratings.com

Fitch Ratings, Inc.
One North Wacker Drive Chicago, IL 60606

Jose Ramon Rio
Associate Director
Secondary Rating Analyst
+56 2 2499 3316
joseramon.rio@fitchratings.com

Lucas Aristizabal
Senior Director
Committee Chairperson
+1 312 368 3260
lucas.aristizabal@fitchratings.com

MEDIA CONTACTS

Elizabeth Fogerty
New York
+1 212 908 0526
elizabeth.fogerty@thefitchgroup.com

RATINGS KEY OUTLOOK WATCH
POSITIVE
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EVOLVING
STABLE

* **Long Term/Short Term Issuer Default Rating** displayed in **orange** denotes EU or UK Unsolicited and Non-Participatory Ratings

Where there was a review with no rating action (Review – No Action), please refer to the “Latest Rating