

# Fitch Downgrades IMPSA and WPEI's IDRs to 'CCC'; Ratings Placed on Negative Watch

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Fitch Ratings-New York: Fitch Ratings has downgraded the foreign and local currency Issuer Default Ratings (IDRs) of Industrias Metalurgicas Pescarmona S.A.I.C. y F. (IMPISA) and WPE International Cooperatief U.A. (WPEI) to 'CCC' from 'B+'. These rating actions affect IMPISA's USD225 million senior unsecured international bonds due October 2014 and WPEI's USD390 million senior unsecured international bonds due September 2020. The bonds' ratings are being downgraded to 'CCC/RR4' from 'B+/RR4'. In addition, given the reorganization of the issuers' organizational structure, Fitch is assigning a new rating of 'CCC' for Venti S.A., the group's ultimate holding company that acts as guarantor of the IMPISA and WPEI notes. The ratings for IMPISA and WPEI have been placed on Rating Watch Negative. For Venti S.A., the local and foreign currency L-T IDR of 'CCC' has also been placed on Rating Watch Negative.

**KEY RATING DRIVERS** Weak Liquidity The downgrade reflects the company's stretched liquidity. At the IMPISA level, which encompasses the company's Argentina business, the company's cash and marketable securities were equivalent to USD28 million as of YE2013 versus short-term debt obligations of USD411 million or 7% of short-term obligations. As of 1Q'13, cash and marketable securities declined to USD16 million while short-term debt obligations of USD406 million means cash and equivalents declined to 4% as a percentage of short-term debt. At the Venti S.A. holding company level, the company's cash position is still stretched, though relatively better than at the IMPISA operating company level, as it held USD50 million in cash which is 17% of USD299 million in short-term debt as of 1Q'14. The company's financial strategy has revolved around meeting its debt obligations with a mix of cash from operations and the rollover of existing debt, however IMPISA's recent struggle to make minor interest payments suggest difficulties in raising additional financing to roll-over its obligations. Meaningful upcoming debt payments for the company over the next two months total approximately USD45 million including USD9 million in interest/amortization payments for its local bonds due in September and a USD20 million amortization payment on its WPEI international bond also due in September. A failure to make these payments could trigger a subsequent ratings downgrade.

Delayed Interest Payment in June Company's recent delayed interest payment highlights liquidity weakness at the company. On June 25, 2014, the company disclosed to the Comision Nacional de Valores (CNV) that it would be missing an interest payment for its local bonds, ON Class 8/9, due on June 26. The company cited administrative reasons for the delay in payments, and subsequently on July 3, 2014 the company notified the CNV that it fulfilled its financial obligations and made the interest/principal payments totaling approximately USD\$7 million. The administrative delays stemmed from a late payment from client Corpoelec (IDR rated 'B'; Outlook Negative by Fitch) in Venezuela, though in Fitch's view this event further highlighted the company's deteriorating credit position and reliance on cash flow payments from clients with weak credit profiles to fulfill its financial obligations.

Reorganization Reflected in New Ratings The rated international notes are held at the WPEI and IMPISA entity levels. WPEI is a direct subsidiary of Wind Power Energia S.A. (WPE), which in turn is wholly owned by Venti S.A. In 2014, the company reorganized under a new corporate structure, whereby Venti S.A. is the overall holding company separately owning 100% of WPE in Brazil and 100% of IMPISA in Argentina. Previously, IMPISA owned 100% of WPE, but with the 2014 reorganization the Brazilian and Argentinian businesses were put under separate umbrellas. Given the reorganization, Fitch is assigning new IDR ratings for the holding company, Venti S.A., at 'CCC', which are identical to the IMPISA and WPEI ratings. The WPEI international notes are irrevocably and unconditionally guaranteed by Venti, IMPISA and WPE on a senior unsecured basis. WPEI's ratings reflect the credit levels of the guarantors. The IMPISA international notes' ratings also reflect the credit

levels of its guarantor, Venti S.A. The 'CCC' IDR assumes all WPEI and IMPSA's future debt issuances would be fully and unconditionally guaranteed by IMPSA, WPE and Venti S.A. Difficulties at Brazilian Operations IMPSA's previous ratings incorporated the company's growing business presence in Brazil. However, the company's Argentine operations continue to be a significant driver for free cash flow generation at the company while Fitch estimates that the Brazilian operations are negatively impacting cash flow at the company. The company's high leverage, aggressive capital expenditure program and its backlog concentration on a few large projects in developing countries has contributed to the company's current difficulties, and should continue to have these effects in the short-to-medium term. RATING SENSITIVITIES The company's ratings could be downgraded if further amortization/interest payments are delayed or missed altogether, and if liquidity metrics continue to deteriorate. In addition, any material performance problems that threaten future projects and cash flow, or a failure to comply with the terms for the operation of the wind farms (for which long-term PPAs have been signed with Eletrobras and the CCEE and are financed by BNDES) could also result in a downgrade. Cash generation exceeding Fitch forecasts, which allows the company to meet its financial obligations and de-lever, would be viewed positively. Contact: Primary Analyst Xavier Olave Associate Director +1-212-612-7895 Fitch Ratings, Inc. 33 Whitehall Street New York, NY 10004 Secondary Analyst Paula Garcia Uriburu Director 56-2-499 3300 Committee Chairperson Lucas Aristizabal Senior Director +1-312-368-3260 Media Relations: Elizabeth Fogerty, New York, Tel: +1 (212) 908 0526, Email: elizabeth.fogerty@fitchratings.com. Additional information is available at 'www.fitchratings.com'. Applicable Criteria and Related Research: -- 'Corporate Rating Methodology' (May 28, 2014). Applicable Criteria and Related Research: Corporate Rating Methodology - Including Short-Term Ratings and Parent and Subsidiary Linkage Additional Disclosure Solicitation Status ALL FITCH CREDIT RATINGS ARE SUBJECT TO CERTAIN LIMITATIONS AND DISCLAIMERS. PLEASE READ THESE LIMITATIONS AND DISCLAIMERS BY FOLLOWING THIS LINK: [HTTP://FITCHRATINGS.COM/UNDERSTANDINGCREDITRATINGS](http://fitchratings.com/understandingcreditratings). IN ADDITION, RATING DEFINITIONS AND THE TERMS OF USE OF SUCH RATINGS ARE AVAILABLE ON THE AGENCY'S PUBLIC WEBSITE 'WWW.FITCHRATINGS.COM'. PUBLISHED RATINGS, CRITERIA AND METHODOLOGIES ARE AVAILABLE FROM THIS SITE AT ALL TIMES. FITCH'S CODE OF CONDUCT, CONFIDENTIALITY, CONFLICTS OF INTEREST, AFFILIATE FIREWALL, COMPLIANCE AND OTHER RELEVANT POLICIES AND PROCEDURES ARE ALSO AVAILABLE FROM THE 'CODE OF CONDUCT' SECTION OF THIS SITE. FITCH MAY HAVE PROVIDED ANOTHER PERMISSIBLE SERVICE TO THE RATED ENTITY OR ITS RELATED THIRD PARTIES. DETAILS OF THIS SERVICE FOR RATINGS FOR WHICH THE LEAD ANALYST IS BASED IN AN EU-REGISTERED ENTITY CAN BE FOUND ON THE ENTITY SUMMARY PAGE FOR THIS ISSUER ON THE FITCH WEBSITE.