



Fitch Affirms EEB and TGI's IDRs at 'BB'; Outlook Stable

Ratings

24 Jan 2011 4:40 PM (EST)

Fitch Ratings-Chicago-24 January 2011: Fitch Ratings has affirmed Empresa de Energia de Bogota S.A.'s (EEB) foreign and local currency Issuer Default Ratings (IDRs) at 'BB' and its national scale rating at 'AA(col)'. In conjunction with this rating action, Fitch has affirmed the 'BB' foreign and local currency ratings of Transportadora de Gas Internacional S.A. E.S.P.'s (TGI). The Rating Outlook for both companies is Stable. Approximately USD750 million of TGI notes due 2017 and USD610 million of EEB notes due in 2014 are affected by this rating action.

These rating actions follow the announcement by EEB that Citi Venture Capital International (CVCI) will inject USD400 million of capital into TGI. This proposed equity increase in TGI by CVCI would decrease EEB's participation in the company to approximately 66.0% from 97.9%. Simultaneously, TGI will distribute approximately USD230 million to EEB to repay an intercompany loan issued to temporarily finance TGI's capital expenditures. EEB intends to use this cash plus additional liquidity to purchase, for USD350 million, a 15.6% non-controlling stake in Promigas S.A. E.S.P. (IDR 'BBB-') and a 60% stake in Gas Natural de Lima y Callao S.A. (Calidda).

EEB's pro forma credit metrics after the acquisition of stakes in Promigas and Calidda are expected to remain relatively unchanged. EEB should receive about USD15 million to USD20 million per year in dividends from Promigas. The consolidation of Calidda by EEB should add approximately USD50 million of debt and about USD20 million of EBITDA to EEB's consolidated financial statements. The resulting leverage for EEB, as measured by total debt to EBITDA is estimated to be approximately 3.3 times (x) on a pro forma basis. This ratio is similar to the 3.3x consolidated leverage ratio of the company for the LTM ended Sept. 30, 2010.

EEB will have high cash needs during 2011. In addition to the USD350 million of acquisitions, the company is expected to spend approximately USD155 million on capital expenses for projects in Colombia, Peru and Guatemala. These payments, coupled with dividend payments for the next 12 months would represent the bulk of the company's capital needs for 2011. The company expects to fund these payments with cash on hand of approximately USD158 million as of Sept. 30, 2010, proceeds from the USD230 million intercompany loan repayment from TGI and dividends received during 2011. Additional sources of cash could come from the sale of minority participations in other assets and additional debt to be raised at the holding company.

Promigas owns and operates directly and indirectly a 3,565 km natural gas pipeline transportation network located on the northern coast of Colombia, which represents approximately 48% of Colombia's natural gas transportation pipeline infrastructure. The company's maximum transportation capacity is 545 million cubic feet per day (mcf/d), and its pipeline is connected to Colombia's second largest natural gas production field (Ballena) located in the northern most part of Colombia, as well as to other production fields such as La Creciente and Chuchupa.

Calidda is a Peruvian natural gas distribution company that owns a 33-year build, operate, own and transfer (BOOT) concession to operate in Lima and Callao provinces of Peru. The company began distributing gas in 2005 and as of December 2009 had approximately 19,000 clients and 100 vehicular gas service stations.

EEB's ratings reflect the company's diversified portfolio of assets, which have a low business-risk profile, and stable and predictable cash flow generation. EEB's low business-risk profile stems from its diversified portfolio of energy assets, which for the most part operate as regulated natural monopolies. EEB owns non-controlling majority participations in Colombia's largest electric generation company, Emgesa (IDR 'BBB'), as well as in the country's largest electric distribution company, Codensa (IDR 'AAA(col)'), which operates in the city of Bogota. The company also owns a majority participation in TGI (IDR 'BB'), Colombia's largest natural gas pipeline transportation company, which provides natural gas to the country's major cities.

TGI's ratings reflect the company's low business risk profile, which stems from its stable and predictable cash flow generation, as well as its strong competitive position. TGI has favorable long-term take-or-pay contracts with approximately 70% of revenues coming from regulated, fixed capacity payments from a diversified portfolio of off-takers, which add to cash flow stability. The company has low exposure to volume risk as only 20% of revenue is linked to volume throughput. TGI's pipeline location and the importance of its service area, where 70% of the Colombian population resides, represent great growth potential and help support the company's credit profile and credit rating. As of Sept. 30, 2010, TGI had USD85 of cash and USD869 of total debt. TGI generated USD215 million of EBITDA during the LTM ended Sept. 30, 2010.

Contact:

Primary Analyst
Lucas Aristizabal
Director
+1-312-368-3260
Fitch, Inc.
70 West Madison St.

Chicago, IL 60602

Secondary Analyst
Milena Carrizosa
Director
+ (571) 326-9999

Committee Chairperson
Managing Director
Joe Bormann, CFA
+1-312-368-3349

Media Relations: Brian Bertsch, New York, Tel: +1 212-908-0549, Email: brian.bertsch@fitchratings.com.

Additional information is available at 'www.fitchratings.com'.

Applicable Criteria and Related Research:
--'Corporate Rating Methodology' (Aug. 16, 2010).

Applicable Criteria and Related Research:
Corporate Rating Methodology

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.

Copyright © 2011 by Fitch, Inc., Fitch Ratings Ltd. and its subsidiaries.