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Moody's cuts debt-laden ArcelorMittal's credit rating to junk

Bloomberg

ARCELORMITTAL has had its credit rating cut to junk status by Moody's Investors Service as the world's largest steel-maker seeks to reduce its net debt of \$23.2 billion (R202bn).

ArcelorMittal's senior unsecured note rating was lowered to Ba1 from Baa3.

"We see challenging conditions continuing for ArcelorMittal over several quarters, with its operating environment

more likely to get worse before it gets better," Moody's said yesterday.

Standard & Poor's cut its rating on Luxembourg-based ArcelorMittal's debt to junk in August, citing a weakening industry and lack of clarity over the company's plans to curb borrowings. Moody's said at the time it would follow suit unless ArcelorMittal reduced debt by about \$5bn before the end of the year.

ArcelorMittal reported its

lowest quarterly profit in almost three years on October 31, despite cutting its 2013 dividend by 73 percent to save about \$1bn. It is also selling assets, moving output to cheaper sites and mothballing plants.

Moody's said the debt reduction required to maintain an investment grade rating "is so large as to be unachievable or, if attempted through asset disposals, will materially impact the core operations and earnings of the company".

Excluding the proceeds from any further asset sales, net debt would have been reduced to about \$22bn by the end of the year, ArcelorMittal said last week.

"We note the statement by Moody's, which reflects their view of a deteriorating macro-economic outlook," the company said yesterday.

"ArcelorMittal's financial position remains robust; the programmes we have in place to improve our credit metrics

remain on track and we expect to see further progress in the coming months."

ArcelorMittal's \$1.4bn of 4.5 percent notes due in 2017 dropped by 2.78c to 96.21c on the dollar, the lowest since August 10, according to Trace, the bond-price reporting system of the US's Financial Industry Regulatory Authority.

The cost of insuring ArcelorMittal debt increased by 3.5 basis points to 557 basis points, according to Bloomberg

prices for credit default swaps.

The company said in July it was selling 48 percent of engineering company Paul Wurth Group for €300 million (R3.36bn) and in May agreed to sell Skyline Steel to Nucor for about \$605m. It is also considering divesting a stake of about 30 percent in its Canadian iron-ore unit, according to a person with knowledge of the matter.

ArcelorMittal South Africa shares fell 3.24 percent to close at R34 on the JSE yesterday.