

Eskom faces possible ratings downgrade

Eskom says it will continue engaging with Moody's after the credit agency announced it was putting the power utility's Ba1 senior unsecured and (P)Ba1 senior unsecured medium-term note (MTN) ratings on credit review.

The review is based on the "rising funding challenges faced by Eskom in the context of an adverse regulatory framework and an evolving political environment," Moody's said.



Source: Eskom

Part of the reason referred to by the credit agency was the North Gauteng High Court ruling that the National Energy Regulator of South Africa (NERSA) should review its decision to allow the power utility to increase electricity tariffs by 9,4% from April. Therefore Eskom would likely continue to see a material growth in debt levels because cost-reflective tariffs were yet to be implemented.

"The review by Moody's is unfortunate given the progress made towards improving the company's financial profile, successful implementation of the operations turnaround plan and Eskom's healthy liquidity position. We remain confident that continued engagements with all relevant stakeholders and government will contribute towards a positive outcome for Eskom and the country", said Anoj Singh, chief financial officer at Eskom.

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