HD **Fitch Affirms Bharat Petroleum Corporation at 'BBB-'; Outlook Stable 05 June 2014**

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[Company Release]

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Fitch Ratings-Singapore/Mumbai-05 June 2014: Fitch Ratings has affirmed Bharat Petroleum Corporation Limited's (BPCL) Long-Term Issuer Default Rating at "BBB-". The Outlook is Stable. At the same time, the agency has affirmed BPCL's senior unsecured rating of "BBB-" and the "BBB-" ratings on its USD500m and CHF200m senior unsecured notes.

KEY RATING DRIVERS

Strong Government Linkage: BPCL has very strong linkages - operationally and strategically - with its 54.9% shareholder, the Indian state (BBB-/Stable). Its rating is equalised with that of India based on Fitch's Parent Subsidiary Linkage criteria. The prices of around two thirds of the petroleum products (including retail diesel, public distribution kerosene and household LPG) marketed by BPCL are regulated by the government, and sold at prices lower than international market prices. The government funds the under recoveries (UR; difference between market prices and regulated prices) partly through direct budgetary support and by directing upstream oil companies to provide discounts to BPCL.

Significant Player: BPCL is the third-largest refiner in the country with a capacity of 30.5 million tonnes per annum (mtpa) that accounted for 14% of capacity in India, and the second-largest marketer of petroleum products with a 21% market share. In the financial year ended March 2014 (FY14), BPCL marketed 34.3mtpa (FY13: 33.7mtpa) domestically and exported 3.1mtpa (FY13: 3.2mtpa) and refined 28.7mtpa (FY:13 28.6mtpa) of petroleum products.

Under Recoveries Impact Working Capital and Debt: BPCL's gross UR in FY14 was INR345bn (FY13: INR390bn), which was covered by government subsidies of INR184bn (FY13: INR219bn) and discounts from upstream players of INR156bn (FY13: INR168bn). BPCL shouldered INR5.1bn of the UR (FY13: INR2.5bn). BPCL's working capital position has been impacted because of delays in the receipt of subsidy payments from the state.

Diesel accounted for 52% of BPCL's FY14 UR. In the first two months of FY15, the diesel UR has fallen to an average of INR4.9 per litre compared with INR8.4 in FY14 and INR11.0 in FY13. Fitch expects the government to continue to gradually increase the price of diesel. Provided there is no further weakening of the Indian rupee nor a sustained increase in oil prices, the proportion and quantum of the subsidy payment will reduce, which will have a positive impact on BPCL's working capital and related debt requirement.

High Capex Plans: BPCL has outlined a fairly high capex plan of more than INR300bn over the next four years. The largest part of the capex is for the expansion of the Kochi refinery to 15.5mtpa from the current 9.5mtpa at a cost of around INR142bn. The high capex is likely to lead to continued negative free cash flows over the next four to five years.

Upstream Discoveries: BPCL has 20 upstream blocks (eight in India and 12 abroad), of which it has some successful discoveries - notably in the Rovuma Basin in Mozambique (in which it has 10% participating interest), in its Brazilian assets (20% participating interest), and West Australian onshore assets in Perth (27.8% stake). The Mozambique asset is assessed at having recoverable resources of 50trn-70trn cubic feet of natural gas, and the investors in the project also plan to set up a natural gas liquefaction plant with two trains with an initial capacity of 5mmtpa each.

Credit Profile to Weaken: At FYE14, BPCL had a net leverage (net debt/EBITDA) of 2.8x (FYE13: 3.8x) and interest cover of 4.7x (FYE13: 2.6x). With BPCL expected to generate negative free cash flows, Fitch expects the company's net leverage to increase to around 5x over the next two to three years. BPCL has a comfortable liquidity position with cash and cash equivalents of INR69bn at FYE14 (FYE13: INR80bn). The company also enjoys good access to international and domestic capital markets.

RATING SENSITIVITIES

Positive: Future developments that may, individually or collectively, lead to positive rating action include

-An upgrade of India's sovereign rating provided that BPCL's current linkages with the state are maintained

Negative: Future developments that may, individually or collectively, lead to negative rating action include

-A downgrade of India's sovereign rating

-A weakening of BPCL's linkages with the state

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COMPANY BACKGROUND

ACTIVITIES

Fitch Training Ltd. designs, develops, and delivers credit, risk, and corporate finance training courses for individuals and corporate clients in the United Kingdom and internationally. Its training courses include workshops for corporate; non-bank financial institutions, insurance, and banks courses; risk and capital, and risk applications courses; and securitization courses. The company was founded in 1987 and is based in London, United Kingdom with locations in Dubai, Frankfurt, London, Paris, Riyadh, Stockholm, Beijing, Hong Kong, Singapore, Sydney, Chicago, New York, San Francisco, Sao Paulo, and Toronto; and Washington, D.C. Fitch Training Ltd. operates as a subsidiary of Fitch Group, Inc.

BUSINESS NEWS ROUND UP

05 June 2014: Fitch Publishes Rating on CTBC Bank's Basel III Tier 1 Bond at "A(twn)"/RWN

[Company Release] Fitch Ratings-Taipei/Hong Kong/Singapore-05 June 2014: Fitch Ratings has published the National Long-Term Rating on CTBC Bank Co., Ltd.'s (CTBC Bank) upcoming TWD20bn perpetual non-cumulative subordinated bonds of "A(twn)", on Rating Watch Negative (RWN). The company's subordinated bonds will be issued in two tranches of TWD10bn each.

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04 June 2014: Fitch Affirms Pacnet at "B" with Stable Outlook

[Company Release] Fitch Ratings-Hong Kong/Sydney/Singapore-04 June 2014: Fitch Ratings has affirmed Pacnet Limited's (Pacnet) Long-Term Foreign-Currency Issuer Default Rating (IDR) and senior secured rating at "B". At the same time, Fitch has affirmed the company's USD350m guaranteed senior secured notes due 2018 at "BB/RR1".

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04 June 2014: Fitch: Singapore REITs Have Refinancing Flexibility Despite High Leverage

[Company Release] Link to Fitch Ratings' Report: Singapore REITs Sector - Refinancing Flexibility Counterbalances High Leverage Fitch Ratings-Singapore-03 June 2014: Fitch Ratings says in a report published today that the refinancing flexibility of Singapore's real estate investment trusts (SREITs) counterbalances the sector's high leverage. The report used the financial results of 29 of the 31 listed SREITs and it found that their loans to property value ratios are well below the regulatory limit, while their unencumbered assets comfortably cover their unsecured creditors.

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04 June 2014: Fitch Training Ltd. Fitch Affirms 6 STFCL ABS PTCs at "BBB-sf"; Outlook Stable

[Company Release] Fitch Ratings-Hong Kong-04 June 2014: Fitch Ratings has affirmed six pass-through certificates (PTCs) from five Indian ABS transactions, namely CV Loan Trust 2012, India

Vehicle Trust - March 2012, Novo XI Trust - Chassis, Small Operators Trust 2013, and STFCL CV Trust 2012.

Click here for the full original announcement

04 June 2014: Correction: Fitch Affirms Pacnet at "**B**" with Stable Outlook

[**Company** Release] Fitch Ratings-**Hong Kong**/Sydney/Singapore-04 June 2014: This announcement replaces the version published earlier on 4 June 2014 to remove the senior secured rating, which Fitch Ratings has not assigned to the issuer. Fitch Ratings has affirmed Pacnet Limited's (Pacnet) Long-Term Foreign-Currency Issuer Default Rating (IDR) at "**B**".

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