FITCH AFFIRMS CENTRAL PUERTO S.A.'S FOREIGN CURRENCY IDR AT 'B'; OUTLOOK STABLE

Fitch Ratings-Chicago-03 October 2016: Fitch Ratings has affirmed Central Puerto S.A.'s (CPSA) Long-Term Foreign Currency Issuer Default Rating (IDR) at 'B' and upgraded its Long-Term Local Currency IDR to 'BB-' from 'B'. Fitch has concurrently withdrawn the 'B/RR4' long-term rating for the company's USD100 million notes due 2017 as these have been called and paid in full. The Rating Outlook is Stable.

KEY RATING DRIVERS

CPSA's foreign currency rating is constrained by the 'B' country ceiling of the Republic of Argentina, which limits the foreign currency rating of most Argentine corporates. Country ceilings are designed to reflect the risks associated with sovereigns placing restrictions upon private sector corporates that may prevent them from converting local currency to any foreign currency under a stress scenario and/or may not allow the transfer of foreign currency abroad to service foreign currency debt obligations.

The upgrade of CPSA's local currency rating reflects: the industry's improving regulatory risk; the company's robust cash flow generation potential supported by its dominant market position and diversified portfolio of assets; expected increase in dollar linked cash inflows from past due receivables as well as the company's conservative capital structure.

Regulatory Risk Remains High:

CPSA's ratings reflect high regulatory risk given strong government influence in both the Electric/ Utilities and Energy sectors. CPSA operates in highly strategic sectors where the government both has a role as the price/tariff regulator and also controls subsidies for industry players. In the electricity sector, CPSA depends on payments from government agency Compania Administradora de Mercado Mayorista Electrico S.A. (CAMMESA). Payments from CAMMESA can be volatile given that it depends on the national government for funds to make the payments, and Argentina is currently suffering through a significant economic slowdown. In 2015, CAMMESA received approximately USD10 billion in funds from the Argentine treasury, which was an increase from the USD8.7 billion injection in 2014.

High Counterparty Risk:

CPSA's financial profile is negatively affected by the weak credit quality of CAMMESA as its main counterparty, since the agency is highly vulnerable to Argentina's current credit situation. Electric companies in Argentina are not only exposed to delays in the payment of CAMMESA but also to risks in fuel supply, as the government's agency centralizes the country's fuel imports, and therefore the company could face serious difficulties if CAMMESA changes its role. This is partly mitigated by the strategic position CPSA has to provide electricity to the Buenos Aires city, Mendoza City and three of YPF's refineries.

Strong Competitive Position:

CPSA owns a portfolio of well diversified generation assets in terms of operational technologies and geographical presence, allowing the company to mitigate risks associated with machine stops and the exposure to hydrological risk faced by its hydroelectric plant. This, combined with a significant generation capacity of close to 4 GW and a market share of 15% in the Argentine matrix as the largest local private generator in the country, gives CPSA a significant competitive advantage compared to other players of smaller scale. Additionally, the geographic location of CPSA's generation plants provides a relevant advantage in terms of access to fuel and nearness to the capital city and some YPF's refineries.

Solid Metrics:

As of June 2016, CPSA financial metrics were strong with a limited leverage and good coverage figures. Debt to EBITDA, including debt with CAMMESA, stood at 1.3x, while EBITDA/Interest expenses was 8.5x. Net of the debt with CAMMESA, leverage ratio stands at 0.4x. Fitch expects leverage to remain below 3.0x level in the short to medium term, although it might temporarily surpass this number as the company funds a portion of its expansion plan with debt. The company's future capital structure and cash flow generation hinges on tariff increases and its ability to win contracts for new capacity.

KEY ASSUMPTIONS
Fitch's key assumptions within the rating case for CPSA include:

--CPSA increases installed capacity by approximately 550MW over the rating horizon;
--The company receives payments for past-due receivables from CAMMESA on annual instalments that average approximately USD68 million per year;
--Electricity prices increase progressively to a level more consistent with international peers;
--Leverage stays below 3.0x in the long term.

RATING SENSITIVITIES
An upgrade to Argentina's ratings could result in a positive rating action.

CPSA's ratings could be negatively affected by a combination of the following: a downgrade of the Republic of Argentina's sovereign ratings, economic deterioration that affects CPSA ability to convert and transfer foreign exchange; given high dependence on the subsidies by CAMMESA from the Treasury, any further weakening of Argentina's fiscal accounts could have a negative impact on the company's collections/cash flow; a significant deterioration of credit metrics.

LIQUIDITY

Solid Liquidity: As of June 2016, CPSA's total debt reached USD183 million, more than half of which was with CAMMESA. As of June 2016, the company reported cash and equivalents totalling USD134 million, versus a short-term debt of USD123 million, giving CPSA a good liquidity profiles. A portion of CPSA's cash and equivalent as of June 2016 was invested in diversified high-yield fixed income funds, which Fitch's discounts by 60% when calculating readily available cash. As a result of this, the company's estimated readily available liquidity amounts to approximately USD60 million. Going forward, the company's liquidity will depend on its ability to generate and collect revenues from CAMMESA as the company will likely use existing liquidity to pay dividends in 2016.

FULL LIST OF RATING ACTIONS

Fitch has taken the following rating actions:

Central Puerto S.A.
--Long-term Foreign Currency IDR affirmed at 'B'; Outlook Stable;
--Long-term Local Currency IDR upgraded to 'BB-' from 'B'; Outlook Stable;
--Long-term senior unsecured notes rating of 'B/RR4' withdrawn.

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Date of Relevant Rating Committee: Sept. 30, 2016

In accordance with Fitch's policies the issuer appealed and provided additional information to Fitch that resulted in a rating action that is different than the original rating committee outcome.

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

Applicable Criteria
Country Ceilings (pub. 16 Aug 2016)
https://www.fitchratings.com/site/re/885997
Country-Specific Treatment of Recovery Ratings (pub. 28 Apr 2016)
https://www.fitchratings.com/site/re/880875
Criteria for Rating Non-Financial Corporates (pub. 27 Sep 2016)
https://www.fitchratings.com/site/re/885629