

Research

Mexichem's Proposed \$750 Million Senior Unsecured Notes Rated 'BBB-'

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MEXICO CITY (Standard & Poor's) Sept. 9, 2014--Standard & Poor's Ratings Services assigned its 'BBB-' issue-level rating to Mexichem S.A.B. de C.V.'s (BBB-/Stable/--) proposed 30-year 144 A/Reg. S dollar-denominated senior unsecured notes for up to \$750 million. We expect the company to use the proceeds for the repurchasing of outstanding debt, partial funding of Vestolit and Dura-Line acquisitions, and other corporate purposes. The notes will benefit from upstream guarantees from Mexichem's operating subsidiaries, which, as of June 30, 2014, accounted for 55.1% of consolidated EBITDA. We believe these factors mitigate potential structural subordination, and therefore, the rating on the notes is the same as the corporate credit rating. We expect the proposed issuance to improve Mexichem's debt maturity schedule to about sixteen years from about ten years and improve its interest rate. Our recent research update on Mexichem, published on Aug. 26, 2014, already incorporated a potential debt increase to partially finance recent acquisitions.

Our 'BBB-' corporate credit rating on Mexichem reflects our assessment of the company's business risk profile as "satisfactory" and financial risk profile as "intermediate." In our view, Mexichem's credit metrics will remain commensurate with its financial risk profile, despite a potential temporary and slight increase in leverage levels, which are in line with the company's target ratios, particularly, its mandate to keep net debt to EBITDA at less than 2.0x, which constitutes a key rating factor.

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RELATED CRITERIA AND RESEARCH

- Mexichem 'BBB-' Ratings Affirmed Following Its Plans To Acquire Vestolit And Dura-Line; Outlook Stable, Aug. 26, 2014
- Corporate Methodology, Nov. 19, 2013

RATINGS LIST

Mexichem S.A.B. de C.V. BBB-/Stable/--

Rating Assigned

\$750 mil 144 A/Reg. S sen unsecd due 2034 BBB-

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