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Research Update:

Five Colombian Corporate And Infrastructure Companies Downgraded To 'BBB-' From 'BBB' On Same Action On The Sovereign

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Overview

- On Dec. 11, 2017 we lowered our foreign and local currency sovereign credit rating on the Republic of Colombia to 'BBB-' and 'BBB' from 'BBB' and 'BBB+', respectively. We also lowered our short-term foreign currency rating to 'A-3' from 'A-2', and affirmed our local currency short-term rating at 'A-2'.
- As a result, we're lowering our corporate credit ratings on Ecopetrol, Oleoducto Central, Grupo de Inversiones Suramericana, Interconexión Eléctrica, and ISAGEN to 'BBB-' from 'BBB'.
- The stable outlook on these companies mirrors that on the sovereign.

Rating Action

On Dec. 11, 2017, S&P Global Ratings lowered its long-term corporate credit rating on Ecopetrol S.A., Grupo de Inversiones Suramericana S.A. (Sura), Oleoducto Central, S.A. (OCENSA), Interconexión Eléctrica S.A. E.S.P. (ISA), and ISAGEN, S.A. E.S.P. to 'BBB-' from 'BBB'. The outlook on these entities is stable. At the same time, we lowered our issue-level ratings on Ecopetrol, Gruposura Finance, and OCENSA to 'BBB-' from 'BBB'.

Rationale

The rating action on these companies follows a similar rating action on the Republic of Colombia (foreign currency: BBB-/Stable/A-3; local currency: BBB/Stable/A-2) (see "Colombia Foreign Currency Issuer Credit Ratings Lowered To 'BBB-/A-3' On Weaker Policy Flexibility; Outlook Stable"). We believe that these companies won't be able to overcome a sovereign default stress test scenario. Therefore, if a sovereign's foreign currency default occurs, there is a high likelihood that these companies would default as well.

The downgrade of Colombia mainly reflect that its economy continues to suffer from the knock-on effects of lower commodity prices, reflected in the high level of external debt and pronounced volatility in the country's terms of trade. Additionally, the combination of weaker-than-expected growth in 2017 and reliance on one-off revenues this year to offset revenue underperformance from the 2016 tax reform demonstrate the difficulty of gradually reducing the general government deficits to comply with Colombia's fiscal rule.

The stable outlook on Colombia reflects our expectation that established political institutions and track record of pro-growth economic policies will contribute to economic stability and continuity after national elections in 2018.

Related Criteria

- Criteria - Corporates - General: Reflecting Subordination Risk In Corporate Issue Ratings, Sept. 21, 2017
- General Criteria: Methodology For Linking Long-Term And Short-Term Ratings , April 7, 2017
- Criteria - Corporates - Industrials: Methodology: Investment Holding Companies, Dec. 1, 2015
- General Criteria: Rating Government-Related Entities: Methodology And Assumptions, March 25, 2015
- Criteria - Corporates - General: Methodology And Assumptions: Liquidity Descriptors For Global Corporate Issuers, Dec. 16, 2014
- Criteria - Corporates - General: The Treatment Of Non-Common Equity Financing In Nonfinancial Corporate Entities, April 29, 2014
- Criteria - Corporates - Industrials: Key Credit Factors For The Unregulated Power And Gas Industry, March 28, 2014
- Criteria - Corporates - Industrials: Key Credit Factors For The Midstream Energy Industry, Dec. 19, 2013
- Criteria - Corporates - Industrials: Key Credit Factors For The Oil And Gas Exploration And Production Industry, Dec. 12, 2013
- General Criteria: Group Rating Methodology, Nov. 19, 2013
- General Criteria: Country Risk Assessment Methodology And Assumptions, Nov. 19, 2013
- Criteria - Corporates - Utilities: Key Credit Factors For The Regulated Utilities Industry, Nov. 19, 2013
- Criteria - Corporates - Industrials: Key Credit Factors For The Transportation Infrastructure Industry, Nov. 19, 2013
- Criteria - Corporates - General: Corporate Methodology: Ratios And Adjustments, Nov. 19, 2013
- Criteria - Corporates - General: Corporate Methodology, Nov. 19, 2013
- General Criteria: Ratings Above The Sovereign--Corporate And Government Ratings: Methodology And Assumptions, Nov. 19, 2013
- General Criteria: Methodology: Industry Risk, Nov. 19, 2013
- General Criteria: Methodology: Management And Governance Credit Factors For Corporate Entities And Insurers, Nov. 13, 2012
- General Criteria: Stand-Alone Credit Profiles: One Component Of A Rating, Oct. 1, 2010
- General Criteria: Use Of CreditWatch And Outlooks, Sept. 14, 2009
- Criteria - Corporates - General: 2008 Corporate Criteria: Rating Each Issue, April 15, 2008

Related Research

- Colombia Foreign Currency Issuer Credit Ratings Lowered To 'BBB-/A-3' On Weaker Policy Flexibility; Outlook Stable, Dec. 11, 2017

Ratings List

Ratings Lowered; Outlook Action

	To	From
Ecopetrol S.A.		
Corporate Credit Rating	BBB-/Stable/--	BBB/Negative/--
Senior Unsecured	BBB-	BBB
Oleoducto Central, S.A.		
Corporate Credit Rating	BBB-/Stable/--	BBB/Negative/--
Senior Unsecured	BBB-	BBB
Interconexion Electrica S.A. E.S.P		
Corporate Credit Rating	BBB-/Stable/--	BBB/Negative/--
ISAGEN S.A. E.S.P		
Corporate Credit Rating	BBB-/Stable/--	BBB/Negative/--
Grupo de Inversiones Suramericana S.A.		
Corporate Credit Rating	BBB-/Stable/--	BBB/Negative/--
Gruposura Finance		
Senior Unsecured	BBB-	BBB

Certain terms used in this report, particularly certain adjectives used to express our view on rating relevant factors, have specific meanings ascribed to them in our criteria, and should therefore be read in conjunction with such criteria. Please see Ratings Criteria at www.standardandpoors.com for further information. Complete ratings information is available to subscribers of RatingsDirect at www.capitaliq.com. All ratings affected by this rating action can be found on the S&P Global Ratings' public website at www.standardandpoors.com. Use the Ratings search box located in the left column.

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