Fitch Ratings affirmed Hungarian oil and gas company MOL’s long-term issuer default rating at ‘BBB-’ with a negative outlook. The negative outlook “reflects pressures on the company’s operations from the challenging upstream environment and uncertainties over management rights in its Croatian subsidiary INA”, Fitch said.

The outlook also takes into account potential risks associated with acquisitions in the upstream segment which could “bring the leverage metrics above our guidance depending on the size and timing of possible transactions as well as their contribution to EBITDA”, it added. Fitch noted that tensions between the Croatian government and MOL over the corporate governance structure of INA “intensified”, “but so far with limited consequences for the financial profile and operations of both companies”.

“Fitch treats the potential loss of management control over INA arising from the conflict between the Croatian government and MOL as an event risk with probable negative credit implications,” Fitch said. “Pressure on MOL’s ratings may also arise if INA’s performance deteriorates further due to unfavourable regulatory changes imposed by the Croatian government,” it added.

Fitch’s outlook revision reflects growing pressures on MOL’s operations on a number of fronts, and the limited headroom under Fitch’s forecasts for the group to take action, Reuters reported. Pressures include monetising resources in Kurdistan, where the company faces material capital expenditures and an extended development and production timeframe, possibly stretching out to 2018. Moreover, upstream revenue and EBITDA declines that materialised in 2012 seem unlikely to rebound quickly as a result of the prolonged conflict in Syria.

source: hungarytoday.hu