FitchRatings

RATING ACTION COMMENTARY

Fitch Affirms Calidda's IDRs at 'BBB'; Outlook Stable

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Fitch Ratings - Chicago - 10 Jun 2025: Fitch Ratings has affirmed Gas Natural de Lima y Callao S.A.'s (Calidda) Foreign and Local Currency Long-Term Issuer Default Ratings (IDR) at 'BBB'. The Rating Outlook is Stable.

Gas Natural de Lima y Callao S.A.'s (Calidda) ratings reflect the company's natural monopoly as the exclusive natural gas (NG) distributor for Lima and the Province of Callao, Peru. Cash flow stability is supported by a regulated tariff program designed to ensure an adequate return on investment, with the ability to fully pass through fixed costs related to NG supply and transportation. As a regulated distributor, Calidda is susceptible to Peru's operating environment. Fitch expects the leverage will remain in the 4.0x range.

KEY RATING DRIVERS

Strong Market Position: Calidda is Peru's largest NG distribution company and has the exclusive right to distribute NG in Lima and Callao per a 33-year Build-Own-Operate-Transfer (BOOT) concession awarded in 2000. The service territory under its concession has more than 33% of the country's population and represents roughly 48% of Peru's GDP. The concession term lasts through 2033 and may be renewed upon request by Calidda in 10-year increments until 2060. In case of an early concession renewal, Fitch will assess the new conditions to determine their impact on the company's credit profile.

The company's total network spans 18,156 km and the main grid has a distribution capacity of 540 million cubic feet per day (MMCFD). The company expects to continue to increase its network penetration, which was 79% as of 2024 and reached 2 million customers in 1Q25.

Parent-Subsidiary Linkage: Fitch revised its assessment of Calidda's relationship with Grupo Energia Bogota S.A. E.S.P. (GEB; FC and LC IDR BBB/Negative) from parent and subsidiary to that of a controlling shareholder following GEB's Outlook revision to Negative in March 2025. Per Fitch's "Parent and Subsidiary Linkage Rating Criteria", GEB has sufficient control of Calidda (60%) to establish a linkage. However, Calidda's 'bbb' Standalone Credit Profile and Stable Outlook make it the 'stronger subsidiary.' Based on open legal ringfencing and porous access and control, Fitch rates Calidda on a 'consolidated +1' basis relative to GEB, insulating its rating from GEB's current Negative Outlook.

Promigas S.A. E.S.P. (BBB-/Stable) owns the remaining 40% stake in Calidda. Promigas has a robust standing in the natural gas transportation and distribution sectors in Colombia (BB+/Negative) and Peru (BBB/Stable). These businesses are regulated and operate as natural monopolies within their markets, which results in relatively stable and predictable cash flows.

Modest Uptick in Leverage: Calidda's leverage is expected to increase from 3.7x in 2024 to 4.0x in 2025 and 2026 and remain near this level in the following years, primarily due to higher debt-to-fund capex for the completion of its five-year plan. The company generated Fitch-calculated EBITDA of USD247 million in 2024, a 7% YoY increase from USD231 million in 2023.

Stable Cash Flow Generation: Contracted revenues translate into a stable cash flow profile for the company. The 71% of volume are from take-or-pay, U.S. dollar-denominated contracts with top-tier power generators and large industrial companies. The company's regulated tariff, which is reviewed every five years and next due in 2026, ensures fixed cost recovery and a 12% fixed rate of return on approved capital investment and operational expenses. However, the company's exposure to volumetric risk in the regulated segment partially offset these benefits.

Adequate Gas Supply: Calidda's gas supply and transportation is secured through 2033 for regulated demand. The company has 220 and 221 MMCFD of NG supply and transportation contracts with the Camisea consortium and Transportadora de gas del Peru, S.A. (TGP; BBB+/Stable), respectively. Higher consumption clients, such as thermal power plants, contract directly with Camisea and TGP, so Calidda does not assume any supply risk. Single-source exposure is mitigated by consortium operator Pluspetrol S.A.'s concession agreement, which prioritizes NG supply to cover local demand.

PEER ANALYSIS

Calidda's business profile is similar to that of CMS Energy Corporation (CMS; BBB/Stable), Consorcio Transmantaro S.A. (CTM; BBB/Stable), Sociedad Transmision Austral S.A. (STA; BBB/Stable), and Transelec S.A. (BBB/Stable) due to low business risk from the companies' participation in the regulated utility business, leading to relatively predictable cash flow generation.

Calidda's operating environment is weaker, primarily due to governance issues stemming from political instability. CMS, STA, and Transelec have more favorable regulatory environments, less commodity exposure, and sizable scale and operations. However, the market position for all the companies is the same except CMS, which Fitch assesses as one-notch higher. Calidda's financial structure is assessed as better than most of its peers. Fitch expects debt/EBITDA for YE 2025 of 5.8x, 4.0x, 4.8x, and 6.4x for CMS, CTM, STA, and Transelec, respectively, compared with Calidda's 4.0x.

KEY ASSUMPTIONS

--Residential/commercial clients trending towards 2,2 million by 2027;

--YoY volume growth averaging roughly 1% annually from 2025;

--Pass-through of supply and transportation costs for regulated customers;

--Capex of USD93 million in 2025, USD49 million in 2026, declining to USD9 million by 2027;

--Additional debt needs of USD100 million in 2025, and refinancing of the USD430 million bullet 2026 maturities;

--Dividend payout equivalent to 100% of prior-year net income.

RATING SENSITIVITIES

Factors that Could, Individually or Collectively, Lead to Negative Rating Action/Downgrade

--Sustained total debt/EBITDA above 4.0x;

--Material negative changes in Calidda's BOOT agreement when/if renewed and/or tariff distribution methodology;

--Liquidity ratio around 1.0x as a result of concentrated funding;

--Downgrade of shareholders' ratings by multiple notches.

Factors that Could, Individually or Collectively, Lead to Positive Rating Action/Upgrade

--Significant and sustained deleveraging to below 3.0x on a gross basis;

--Structurally neutral to positive FCL across the investment cycle;

--Growth and consolidation of regulated demand, including the natural gas vehicle and residential and commercial segments.

LIQUIDITY AND DEBT STRUCTURE

Calidda's liquidity position is adequate and supported by cash on hand, cash flow from operations, a comfortable debt amortization profile, and adequate access to debt capital markets. The company relies on USD230 million of available short-term credit facilities as of YE 2024.

Total cash on hand was USD22million at YE 2024. Long-term debt mostly consists of USD430 million in loans with bullet maturities due in 2026, and USD162 million in local bonds due in 2028 and 2029. The company is planning a USD500 million operation to convert its debt to long-term and finance its current regulatory investment plan. Approximately 80% of Calidda's total debt is U.S. dollar-denominated, while its tariff is calculated in U.S. dollars and the balance is covered by a currency swap.

ISSUER PROFILE

Calidda is the largest natural gas distribution company in Peru. The company has a 33-year renewable BOOT concession (until 2033) that grants exclusive right to distribute natural gas in the Department of Lima and the Constitutional Province of Callao.

REFERENCES FOR SUBSTANTIALLY MATERIAL SOURCE CITED AS KEY DRIVER OF RATING

The principal sources of information used in the analysis are described in the Applicable Criteria.

MACROECONOMIC ASSUMPTIONS AND SECTOR FORECASTS

Click here to access Fitch's latest quarterly Global Corporates Macro and Sector Forecasts data file which aggregates key data points used in our credit analysis. Fitch's macroeconomic forecasts, commodity price assumptions, default rate forecasts, sector key performance indicators and sector-level forecasts are among the data items included.

ESG CONSIDERATIONS

The highest level of ESG credit relevance is a score of '3', unless otherwise disclosed in this section. A score of '3' means ESG issues are credit-neutral or have only a minimal credit impact on the entity, either due to their nature or the way in which they are being managed by the entity. Fitch's ESG Relevance Scores are not inputs in the rating process;

they are an observation on the relevance and materiality of ESG factors in the rating decision. For more information on Fitch's ESG Relevance Scores, visit https://www.fitchratings.com/topics/esg/products#esg-relevance-scores.

RATING ACTIONS

ENTITY / DEBT	RATING			PRIOR
Gas Natural de Lima y Callao S.A.	LT IDR	BBB	Affirmed	BBB
	LC LT IDR	BBB	Affirmed	BBB

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VIEW ADDITIONAL RATING DETAILS

Additional information is available on www.fitchratings.com

PARTICIPATION STATUS

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APPLICABLE CRITERIA

Parent and Subsidiary Linkage Rating Criteria (pub. 16 Jun 2023)

Corporate Rating Criteria (pub. 06 Dec 2024) (including rating assumption sensitivity)

Sector Navigators – Addendum to the Corporate Rating Criteria (pub. 06 Dec 2024)

APPLICABLE MODELS

Numbers in parentheses accompanying applicable model(s) contain hyperlinks to criteria providing description of model(s).

Corporate Monitoring & Forecasting Model (COMFORT Model), v8.2.0 (1)

ADDITIONAL DISCLOSURES

Dodd-Frank Rating Information Disclosure Form

Solicitation Status

Endorsement Policy

ENDORSEMENT STATUS

Gas Natural de Lima y Callao S.A.	EU Endorsed, UK Endorsed

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