

Announcement: Moody's issues annual credit report on Ekurhuleni Metropolitan Municipality

Global Credit Research - 14 Aug 2013

Johannesburg, August 14, 2013 -- In its annual report on Ekurhuleni Metropolitan Municipality, Moody's Investors Service says that Ekurhuleni's Aa3.za/Prime-1.za national scale issuer and debt ratings, with negative outlook, are underpinned by the city's historically conservative approach to financial management and its large economic base with an industrial vocation.

"Consistent fiscal discipline, accompanied by Ekurhuleni's focus in improving revenue collection over the past few years, enabled the city to consolidate a strong financial position and further strengthen its already robust liquidity position," says Kenneth Morare, Moody's lead analyst for Ekurhuleni.

Moody's notes that, including the recent ZAR800 million bond issuance, Ekurhuleni's debt stock was estimated to amount to ZAR4.7 billion (\$474 million) or a moderate 21% operating revenues as at 30 June 2013. Debt levels are expected to moderately increase in the medium-term, due to growing capital expenditure and the anticipated draw-downs by its waste water treatment company, ERWAT (A2.za negative) on the ZAR550 million debt guaranteed by the city.

"Whilst Ekurhuleni was able to prudently manage its spending dynamics over the past few years, the city's intention to increase annual capex in the medium-term will likely suppress financial performance and exert modest pressure on financial leverage" adds Mr. Morare.

Ekurhuleni is one of South Africa's largest metropolitan municipalities, with total revenue of ZAR20.8 billion (US\$2.1 billion) for FYE2012. The city has a population of 3.2 million, accounting for 26% of Gauteng Province's and 6.2% of South Africa's total population.

The rating agency's report is an update to the markets and does not constitute a rating action.

Subscribers can access the report at https://www.moodys.com/research/Ekurhuleni-Metropolitan-Municipality-of-Analysis--PBC_157271

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