

Fitch Affirms Interpipe at 'RD'

Fitch Ratings-London/Moscow-06 April 2011: Fitch Ratings has affirmed Ukraine-based pipes and railway wheels producer Interpipe Limited's (Interpipe) Long-term Issuer Default Rating (IDR) of 'RD' (Restricted Default). The agency has simultaneously affirmed Interpipe's senior unsecured rating of 'C' and Recovery Rating of 'RR6'. Fitch has withdrawn the company's Short-term IDR of 'D'.

The rating actions reflect Interpipe's ongoing negotiations with its lenders to restructure existing debt. The downgrade to 'RD' in December 2009 reflected the uncured payment default on some of Interpipe's bank debt facilities, and the company's confirmation of its cross-default on its major bank debt facilities and USD200m Eurobonds, which were due to mature on 2 August 2010 (see "Fitch Downgrades Interpipe to 'RD'; Off RWN", dated 18 December 2009 at www.fitchratings.com). The 'RR6' Recovery Rating on Interpipe's senior unsecured notes indicates poor recovery prospects in the event of default. The Short-term IDR has been withdrawn due to lack of relevance to the rated entity.

In September 2010, the company received consent from bondholders to reschedule the bond's maturity to 2017 and increase the coupon rate to 10.25% from 8.75%. In addition, the company paid a one-off payment equal to 1.25% of the par value of outstanding bond to bondholders for their early consent to the proposed terms by 25 August 2010 and a 0.5% payment for consenting after that date. In November 2010, Interpipe and its lenders agreed on the main terms and conditions with regard to restructuring the company's bank liabilities with the new interest rate of Libor + 600bp adjustable in line with changes in the debt/LTM EBITDA ratio (for all facilities except the USD93m SACE group-backed facility). The agreement also envisages that the company's shareholders will inject USD65m of cash equity and provide additional financial support, bringing the total value of assistance to over USD100m, while the bank has agreed to extend the loan maturities to 2015-2017. The agreement is yet to be finalised.

As at end-2010, Interpipe had total debt of USD887m, of which 51% was secured by company assets and future sales proceeds. Fitch is concerned about the company's liquidity due to the significant capital commitments under its electrical arc furnace (EAF) construction programme and uncertainties regarding final details of the restructuring of its bank debt. The company has not yet published signed 2008 and 2009 IFRS accounts.

Contact:

Primary Analyst
Peter Archbold
Senior Director
+44 20 3530 1172
Fitch Ratings Limited
30 North Colonnade
London E14 5GN

Secondary Analyst
Alexei Fadyushin
Director
+7 495 956 99010

Committee Chairperson
Frederic Gits
Managing Director
+44 20 3530 1296

Media Relations: Anna Bykova, Moscow, Tel: + 7 495 956 9903, Email:
anna.bykova@fitchratings.com; Peter Fitzpatrick, London, Tel: +44 20 3530 1103, Email:
peter.fitzpatrick@fitchratings.com.

Additional information is available at www.fitchratings.com.

Applicable criteria, 'Corporate Rating Methodology', dated 13 August, 2010 and 'Short-Term Ratings Criteria for Corporate Finance', dated 2 November 2010, are available on www.fitchratings.com.

Applicable Criteria and Related Research:

[Corporate Rating Methodology](#)

[Short-Term Ratings Criteria for Corporate Finance](#)

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