

06-Jul-2022 | 19:11 EDT

Several Rating Actions Taken On Eight Mexican Infrastructure Entities Following The Sovereign Outlook Revision

- On July 6, 2022, S&P Global Ratings revised its outlook on the sovereign ratings on Mexico to stable from negative, reflecting that we expect Mexico's cautious fiscal and monetary policy execution to continue during the remainder of the López Obrador administration and the net general government debt ratio to hold fairly steady. At the same time, we affirmed our 'BBB' long-term foreign currency and 'BBB+' long-term local currency ratings on the sovereign.
- As a result, on July 6, 2022, we revised our global scale outlooks to stable from negative on Comision Federal de Electricidad (CFE), CFE International LLC (CFEi), the Mexico City Airport Trust (MEXCAT), Red de Carreteras de Occidente S.A.B. de C.V. (RCO), Concesionaria Mexiquense S.A. de C.V. (Conmex), Libramiento de Matehuala (Matehuala), Fermaca Enterprises S. de R.L. de C.V. (Fermaca), and Impulsora del Desarrollo y el Empleo en America Latina S.A.B. de C.V. (IDEAL) following the same rating action on the sovereign.
- At the same time, we affirmed our global scale ratings on all these entities and their debt issuances and affirmed our 'mxAAA' national scale ratings on CFE.

MEXICO CITY (S&P Global Ratings) July 6, 2022--S&P Global Ratings today took the rating actions detailed above.

The global scale ratings affirmation, global scale outlook revision, and the affirmation of the 'mxAAA' national scale ratings on government-related entity CFE follows our similar action on Mexico (see "[Mexico Outlook Revised To Stable On Cautious Policy Execution; 'BBB' Foreign Currency Rating Affirmed](#)," July 6, 2022), which mainly reflects the strengths and weaknesses on its democracy and institutional framework, which have brought political stability and regular changes of government over the last two decades. Political support has underpinned cautious fiscal and monetary policies and a floating exchange-rate regime. These are key to our view of sovereign creditworthiness and have maintained investor confidence and access to global capital markets even in times of adverse global trends. The credibility of Mexico's independent central bank (Banxico) and its ability to pursue an inflation-targeting monetary policy in the face of challenging circumstances plays a prominent role in our analysis. We assume an ongoing commitment to sound, independent, and timely monetary policy decision amid the current uptick in local and global inflation, and as the U.S. Federal Reserve adjusts its policy course with some knock-on effects for emerging market volatility.

In our view, CFE continues to play a critical role in public policy for the Mexican government--it provides a key service as the only company allowed by law to transmit and distribute electricity in Mexico and own strategic assets for the national electric grid. Moreover, CFE is the only company that provides electricity to low-consumption residential users and is also the main provider to high-consumption users. In addition, we expect the company to remain a leading player in the country's power generation industry. Moreover, the tight relationship--or integral link--between CFE and the Mexican government considers the fact the sovereign is the sole owner of CFE and, in our view, will continue to have control of the company, appoint its senior management, and drive its strategic and financial policies. CFE also has a special public status and we considered it as an extension of the government. We expect no change in the relationship between the sovereign and the company in the next 12 to 24 months given CFE's prominence in the domestic electricity industry. Because of all these factors, we align our ratings on CFE with those on the sovereign, and we expect this to remain unchanged in the next few years.

We also revised our outlook to stable from negative on CFEi, which we consider to be a core subsidiary of CFE. We continue to view CFEi's operations as fully integrated into CFE. CFEi focuses on ensuring that Mexico, and specifically CFE, has sufficient supply of natural gas for power generation. CFE wholly owns CFEi, driving the management strategy of the U.S.-based subsidiary. We expect Mexican natural gas imports from the U.S. to continue to grow due to the rising natural gas demand in the power sector and expect CFE to significantly increase its gas-fired combined-cycle capacity in the upcoming years. We think this rising demand will be covered by imports from the U.S. because domestic production continues

to stagger; therefore, CFEi will keep operating in line with the parent's objective and will continue to be a relevant provider of natural gas. Finally, CFEi's fuel supply and gas transportation agreements with U.S. counterparties have guarantees from CFE. Given these factors, we continue to assess CFEi as a core subsidiary of CFE and equalize our ratings on CFEi with those on the parent. We expect it to remain a core subsidiary in the next few years.

The revision of the outlook on Mexcat reflects our view of the airport's very important role because of the project's economic and political importance to the government and the very strong link with it, as seen in the tender offer on the former notes at the end of 2018. In our view, the Mexico City Airport will continue to provide an essential service to the country's population because it's the main gateway to Mexico City, despite the future capacity the two alternative airports could provide. Finally, we believe the project's link to the government points to the latter's permanent involvement in the airport's supervision, management, and strategic decisions. In addition, the overall rating on the project reflects the credit quality of the sponsor of the transaction, Grupo Aeroportuario de la Ciudad de Mexico S.A. de C.V. (GACM; not rated), which in turn mirrors the sovereign rating on Mexico and the outlook. This is because we consider GACM as a material counterparty that isn't easily replaceable without significant time or cash flow implications, and given GACM's critical role in operating and maintaining the airport.

For RCO, Conmex, and Matehuala, we revised their outlooks in line with the sovereign outlook revision (our ratings on them remain aligned with that on the sovereign). This is because, in our view, the domestic regulator has significant influence on the toll-road rate-setting mechanism. Moreover, the traffic volumes of these projects are correlated to the country's GDP growth pace. Consequently, we believe they could suffer from heavier regulation in a sovereign stress scenario and wouldn't generate or maintain sufficient cash to honor their financial obligations under such a scenario.

The outlook revision on Fermaca and the ratings affirmation reflects that we consider CFE to be a key counterparty and main credit driver for this project. CFE accounts for 90% of Fermaca's total capacity under the gas transportation agreements.

Finally, the outlook revision and ratings affirmation on the project developer IDEAL reflects our view of the company's large exposure in Mexico, specifically in the transportation sector, which has a performance highly correlated to the country's GDP. Moreover, for certain projects, IDEAL receives availability payments from government entities. In this context, we do not consider that we could rate IDEAL above the sovereign.

ESG Credit Indicators

Impulsora del Desarrollo y el Empleo en America Latina S.A.B. de C.V.:E-2, S-2, G-2

Related Criteria

- [General Criteria: Environmental, Social, And Governance Principles In Credit Ratings](#), Oct. 10, 2021
- [General Criteria: Group Rating Methodology](#), July 1, 2019
- [Criteria | Corporates | General: Corporate Methodology: Ratios And Adjustments](#), April 1, 2019
- [Criteria | Structured Finance | General: Counterparty Risk Framework: Methodology And Assumptions](#), March 8, 2019
- [General Criteria: Methodology For National And Regional Scale Credit Ratings](#), June 25, 2018
- [Criteria | Corporates | General: Reflecting Subordination Risk In Corporate Issue Ratings](#), March 28, 2018
- [Criteria | Corporates | Industrials: Commodities Trading Industry Methodology](#), Jan. 19, 2017
- [Criteria | Corporates | Industrials: Methodology For Rating Project Developers](#), March 21, 2016
- [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 | Project Finance: Project Finance Framework Methodology](#), Sept. 16, 2014
- [Criteria | Corporates | Project Finance: Key Credit Factors For Oil And Gas Project Financings](#), Sept. 16, 2014
- [Criteria | Corporates | Project Finance: Project Finance Transaction Structure Methodology](#), Sept. 16, 2014
- [Criteria | Corporates | Project Finance: Project Finance Operations Methodology](#), Sept. 16, 2014

- [Criteria | Corporates | Project Finance: Key Credit Factors For Road, Bridge, And Tunnel Project Financings](#), Sept. 16, 2014
- [Criteria | Corporates | Utilities: Key Credit Factors For The Regulated Utilities Industry](#), Nov. 19, 2013
- [General Criteria: Country Risk Assessment Methodology And Assumptions](#), Nov. 19, 2013
- [General Criteria: Methodology: Industry Risk](#), Nov. 19, 2013
- [General Criteria: Ratings Above The Sovereign--Corporate And Government Ratings: Methodology And Assumptions](#), Nov. 19, 2013
- [Criteria | Corporates | General: Corporate Methodology](#), Nov. 19, 2013
- [General Criteria: Methodology: Management And Governance Credit Factors For Corporate Entities](#), Nov. 13, 2012
- [Criteria | Corporates | Project Finance: Project Finance Construction And Operations Counterparty Methodology](#), Dec. 20, 2011
- [General Criteria: Principles Of Credit Ratings](#), Feb. 16, 2011
- [General Criteria: Stand-Alone Credit Profiles: One Component Of A Rating](#), Oct. 1, 2010

Related Research

- [Mexico Outlook Revised To Stable On Cautious Policy Execution; 'BBB' Foreign Currency Rating Affirmed](#), July 6, 2022

Ratings List

RATINGS AFFIRMED; CREDITWATCH/OUTLOOK ACTION

TO

FROM

COMISION FEDERAL DE ELECTRICIDAD

Issuer credit rating

Foreign currency

BBB/Stable/--

BBB/Negative/--

Local currency

BBB+/Stable/--

BBB+/Negative/--

CFE INTERNATIONAL LLC

Issuer credit rating

BBB/Stable/--

BBB/Negative/--

MEXICO CITY AIRPORT TRUST

Issuer credit rating

BBB/Stable/--

BBB/Negative/--

RED DE CARRETERAS DE OCCIDENTE S.A.B. DE C.V.

Issuer credit rating

BBB/Stable/--

BBB/Negative/--

CONCESIONARIA MEXIQUENSE S.A. DE C.V.

Issuer credit rating

BBB/Stable/--

BBB/Negative/--

LIBRAMIENTO DE MATEHUALA

Issuer credit rating

BBB/Stable/--

BBB/Negative/--

FERMACA ENTERPRISES S. DE R.L. DE C.V.

Issuer credit rating	BBB/Stable/--	BBB/Negative/--
----------------------	---------------	-----------------

IMPULSORA DEL DESARROLLO Y EL EMPLEO EN AMERICA LATINA S.A.B. DE C.V.

Issuer credit rating	BBB/Stable/--	BBB/Negative/--
----------------------	---------------	-----------------

RATINGS AFFIRMED

COMISION FEDERAL DE ELECTRICIDAD

Issuer credit rating

CaVal (Mexico) National Scale	mxAAA/Stable/--
-------------------------------	-----------------

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 S&P Global Ratings' public website at www.standardandpoors.com. Use the Ratings search box located in the left column.

European Endorsement Status

Global-scale credit rating(s) have been endorsed in Europe in accordance with the relevant CRA regulations. Note: Endorsements for U.S. Public Finance global-scale credit ratings are done per request. To review the endorsement status by credit rating, visit the spglobal.com/ratings website and search for the rated entity.

No content (including ratings, credit-related analyses and data, valuations, model, software or other application or output therefrom) or any part thereof (Content) may be modified, reverse engineered, reproduced or distributed in any form by any means, or stored in a database or retrieval system, without

the prior written permission of Standard & Poor's Financial Services LLC or its affiliates (collectively, S&P). The Content shall not be used for any unlawful or unauthorized purposes. S&P and any third-party providers, as well as their directors, officers, shareholders, employees or agents (collectively S&P Parties) do not guarantee the accuracy, completeness, timeliness or availability of the Content. S&P Parties are not responsible for any errors or omissions (negligent or otherwise), regardless of the cause, for the results obtained from the use of the Content, or for the security or maintenance of any data input by the user. The Content is provided on an "as is" basis. S&P PARTIES DISCLAIM ANY AND ALL EXPRESS OR IMPLIED WARRANTIES, INCLUDING, BUT NOT LIMITED TO, ANY WARRANTIES OF MERCHANTABILITY OR FITNESS FOR A PARTICULAR PURPOSE OR USE, FREEDOM FROM BUGS, SOFTWARE ERRORS OR DEFECTS, THAT THE CONTENT'S FUNCTIONING WILL BE UNINTERRUPTED OR THAT THE CONTENT WILL OPERATE WITH ANY SOFTWARE OR HARDWARE CONFIGURATION. In no event shall S&P Parties be liable to any party for any direct, indirect, incidental, exemplary, compensatory, punitive, special or consequential damages, costs, expenses, legal fees, or losses (including, without limitation, lost income or lost profits and opportunity costs or losses caused by negligence) in connection with any use of the Content even if advised of the possibility of such damages.

Credit-related and other analyses, including ratings, and statements in the Content are statements of opinion as of the date they are expressed and not statements of fact. S&P's opinions, analyses and rating acknowledgment decisions (described below) are not recommendations to purchase, hold, or sell any securities or to make any investment decisions, and do not address the suitability of any security. S&P assumes no obligation to update the Content following publication in any form or format. The Content should not be relied on and is not a substitute for the skill, judgment and experience of the user, its management, employees, advisors and/or clients when making investment and other business decisions. S&P does not act as a fiduciary or an investment advisor except where registered as such. While S&P has obtained information from sources it believes to be reliable, S&P does not perform an audit and undertakes no duty of due diligence or independent verification of any information it receives. Rating-related publications may be published for a variety of reasons that are not necessarily dependent on action by rating committees, including, but not limited to, the publication of a periodic update on a credit rating and related analyses.

To the extent that regulatory authorities allow a rating agency to acknowledge in one jurisdiction a rating issued in another jurisdiction for certain regulatory purposes, S&P reserves the right to assign, withdraw or suspend such acknowledgment at any time and in its sole discretion. S&P Parties disclaim any duty

whatsoever arising out of the assignment, withdrawal or suspension of an acknowledgment as well as any liability for any damage alleged to have been suffered on account thereof.

S&P keeps certain activities of its business units separate from each other in order to preserve the independence and objectivity of their respective activities. As a result, certain business units of S&P may have information that is not available to other S&P business units. S&P has established policies and procedures to maintain the confidentiality of certain non-public information received in connection with each analytical process.

S&P may receive compensation for its ratings and certain analyses, normally from issuers or underwriters of securities or from obligors. S&P reserves the right to disseminate its opinions and analyses. S&P's public ratings and analyses are made available on its Web sites, www.spglobal.com/ratings (free of charge), and www.ratingsdirect.com (subscription), and may be distributed through other means, including via S&P publications and third-party redistributors. Additional information about our ratings fees is available at www.spglobal.com/usratingsfees.

Any Passwords/user IDs issued by S&P to users are single user-dedicated and may ONLY be used by the individual to whom they have been assigned. No sharing of passwords/user IDs and no simultaneous access via the same password/user ID is permitted. To reprint, translate, or use the data or information other than as provided herein, contact S&P Global Ratings, Client Services, 55 Water Street, New York, NY 10041; (1) 212-438-7280 or by e-mail to: research_request@spglobal.com.

Contact the analysts:

Daniel Castineyra

Candela Macchi

Juan Barbosa

Primary Credit Analyst,
Mexico City

P. + 52(55)5081-4497

E. daniel.castineyra@spglobal.com

Secondary Contact, Buenos
Aires

P. + 54 11 4891 2110

E. candela.macchi@spglobal.com

Secondary Contact, Mexico
City

P. (54) 114-891-2108

E. juan.barbosa@spglobal.com

Jafet Perez

Secondary Contact, Mexico
City

P. (52) 55-5081-4507

E. jafet.perez@spglobal.com

Carlosemiliano Huescas

Secondary Contact, Mexico
City

P. +52 (55) 50814454 x5

E. c.huescas@spglobal.com