

Moody's slashes Steinhoff credit rating

Credit ratings agency Moody's downgraded debt held by embattled South Africa-based home retail giant Steinhoff on Thursday and warned of further downgrades amid "increasing pressure" on the company's cashflow.



Moody's said in a statement it was cutting Steinhoff's credit rating from "B1", or speculative with a high credit risk, to "Caa1", or poor quality and a very high risk.

Earlier this month, Steinhoff revealed it was under criminal and tax investigations over [suspicions of accounting irregularities](#), with a reported €6 billion (\$7 billion) hole in its accounts.

German investigators have been conducting an inquiry into possible "falsification of a balance sheet" since the European summer, according to media there. That news sent the stocks of the Frankfurt-listed firm tumbling more than 80%, with South African authorities, where the company has a secondary listing, calling for action against the company.

Moody's had already cut Steinhoff's credit rating by four notches to "B1" after the scandal was revealed. Moody's said that the decision to further cut Steinhoff's credit worthiness to "Caa1" was intended to "reflect the increasing pressure on the company's liquidity profile".

"The situation has been compounded by its operating companies placing an additional liquidity burden on Steinhoff's centralised treasury," the statement said. "Moody's notes that the operating companies have experienced a reduction or

cancellation of credit insurance lines in recent weeks, with credit facilities increasingly being suspended or withdrawn."

Steinhoff had been a darling of fund managers with its eclectic, sprawling, consumer-focused empire with outposts in 30 countries. Its businesses include British high street discounter Poundland, France's Ligue 1 sponsor Conforama and Pep Africa, which runs the continent's largest clothing factory.

Chief executive [Markus Jooste](#) and chairman [Christo Wiese](#) both resigned in the wake of the scandal.



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David Shapiro, the deputy chairman of the Sasfin Securities brokerage, told the *eNCA* broadcaster that Steinhoff remains mired in uncertainty following the downgrade.

"This is big. We've had other (corporate scandals) but this is big... They're not quite sure the magnitude of these irregularities," he said. "So you sit back and say 'hold on a second, what happened around those board tables?'."

On Tuesday, 5 December, Steinhoff shares were changing hands for three euros a piece in Frankfurt, but by the market open on Thursday they were selling for just 30 cents.

Source: AFP

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