

S&P cuts troubled Toshiba's credit rating

March 17 2017



Standard & Poor's has cut its credit rating on embattled Japanese industrial giant Toshiba to 'CCC-' and warned the company's finances were quickly deteriorating

Standard & Poor's cut its credit rating on Toshiba again Friday, warning that the troubled company's finances were quickly deteriorating owing to huge losses at its US nuclear unit.

The ratings agency slashed its outlook on the Japanese industrial giant by two notches to 'CCC-', pushing it further into junk status after earlier downgrades in December and January.

Loss-hit Toshiba, a pillar of corporate Japan, could be running out of options for turning around its business or securing emergency bank funding, it added.

"There is a growing likelihood that Toshiba will become unable to fulfil its financial obligations in a timely manner or will undertake a debt restructuring we classify as distressed in the next six months," S&P said.

Toshiba's multi-billion-dollar losses are likely to multiply, it added, as it faces the embarrassing prospect of being delisted from the Tokyo Stock Exchange.

"The heavy losses and financial burden related to Toshiba's US nuclear power business will grow further, increasing uncertainty about (its) prospects for restructuring and bank support," S&P said.

The downgrade comes after Toshiba's beleaguered shares rebounded earlier Friday, closing 3.5 percent higher, on reports that Tokyo is mulling using state money to support the spin off of its prized memory chip business.

The government denied the reports.

"The specifics of its plan to sell its (memory chip) business have yet to be determined and it will be some time before the proceeds of a sale materialise," S&P said.

Toshiba shares have been hammered this year, losing more than half their value since late December when it first warned of eye-popping losses at atomic division Westinghouse Electric—and pointed to a possible accounting fraud.

The company is probing a whistleblower's claims that one or more

Westinghouse executives exerted "inappropriate pressure" on the division's accounts.

This week, Japanese financial regulators gave Toshiba until April 11 to publish its fourth-quarter results, which were originally due in mid-February.

Toshiba had said it needed more time to probe claims of misconduct at Westinghouse and gauge the impact on its finances before reporting its numbers.

Toshiba has previously warned it was on track to report a net loss of 390 billion yen in the fiscal year to March, as it faced a writedown topping 700 billion yen at Westinghouse.

The crisis comes less than two years after Toshiba's reputation was badly damaged by separate revelations that top company executives pressured underlings to cover up weak results after the 2008 global financial meltdown.

© 2017 AFP

Citation: S&P cuts troubled Toshiba's credit rating (2017, March 17) retrieved 26 June 2024 from <https://phys.org/news/2017-03-sp-toshiba-credit.html>

This document is subject to copyright. Apart from any fair dealing for the purpose of private study or research, no part may be reproduced without the written permission. The content is provided for information purposes only.