

DJ Mexico's Elektra To Redeem Notes, Seeks Upgrade

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MEXICO CITY (Dow Jones)--Grupo Elektra SA (EKT), Mexico's largest specialty retailer and consumer finance company, is gunning for a better debt rating.

The company, owned by local magnate Ricardo Salinas Pliego, is planning to redeem \$275 million in notes next month in an effort to improve its profile after placing peso-denominated debt last week.

The debt transactions should result in debt-servicing savings of \$40 million within the next four years, boosting annual profits by 10%, according to chief financial officer Rodrigo Pliego.

"We have eliminated foreign-exchange exposure risks," Pliego said in an interview.

The following step for the company is to get a debt rating upgrade that would result in lower borrowing costs, Pliego added.

Elektra, which operates close to 900 stores across Mexico, placed on Friday 2.6 billion pesos (\$1=MXN10.9750) in bonds due in 2012, paying a floating rate of less than 9%.

The proceeds will be used to buy back \$275 million in more-expensive, dollar-denominated notes due 2008 that carry a 12% coupon.

Elektra's total debt will drop more than 11% to MXN3.38 billion after the debt buyback, according to company estimates.

When Standard & Poor's Corp. affirmed its single-`B'-plus corporate credit and senior unsecured ratings on Elektra's debt last August, the agency said it expected Elektra to continue reducing its debt levels.

Slashing exposure to foreign exchange risk "improves the financial profile," said Federico Mora, an analyst at S&P in Mexico City. "But the overall rating is still constrained by (Elektra's) business profile," he added.

Moody's Investors Service, which downgraded Elektra's 2008 notes last May to B3 from B2, is currently evaluating Elektra's new debt profile, after which it will decide whether to make a ratings move.

Friday's domestic debt placement in Mexican markets is backed by future cash flows of Dinero Express, Elektra's local money transfer unit.

Dinero Express has been one of Elektra's fastest growing divisions. Its revenue expanded 40% last year to MXN285 million, according to research and brokerage firm Deutsche/Ixe.

With MXN1.15 billion in profits last year, Elektra plans to double its floor space in the next five years by opening 800 new stores.