Fitch Says It May Cut Eaton Rating On Cooper Deal

The Associated Press

NEW YORK (AP) — Fitch Ratings said Tuesday that it may downgrade its credit rating of manufacturer Eaton Corp. after Eaton agreed to buy electric products company Cooper Industries PLC for about $11.46 billion.

Fitch said Eaton will take on around $5.1 billion in long-term debt as part of the acquisition, and it will assume $1.4 billion in outstanding debt held by Cooper. The firm has an 'A-' rating on Eaton's credit and said it may lower its rating one notch, to 'BBB+'. It said a downgrade of two notches to 'BBB' is possible but not likely because the combined company should have enough financial flexibility to reduce its debt over the next few years.

The 'A-' rating is below midway between the top investment grade and "junk" status, but it's four notches above "junk."

The combined company would make products for a wide range of electrical uses, from power grids and lighting to electrical, hydraulic and transmission systems for vehicles, the aerospace industry and the military. Shareholders of both companies and the Irish High Court need to approve the deal before it can close. The companies say that should happen in the second half of 2012.

Fitch also put its assessments of Cooper Industries' debt on "ratings watch negative."

Eaton shares rose 58 cents to close Tuesday at $42.67. The stock lost 10 cents to $42.57 in aftermarket trading.

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