



Tagging Info

Fitch Takes Rating Actions on Kazakh Corporates on Sovereign Downgrade Ratings

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Fitch Ratings-London-10 November 2008: Fitch Ratings has today downgraded the Long-term foreign currency ratings of three Kazakh energy companies and a railway group. The agency has simultaneously revised the foreign currency rating Outlooks on three separate energy groups and affirmed their ratings. All the rating actions follow a sovereign downgrade of Kazakhstan's Long-term foreign currency Issuer Default Rating (IDR) to 'BBB-' (BBB minus) from 'BBB' today.

Kazakhstan's Long-term local currency IDR has meanwhile been downgraded to 'BBB' from 'BBB+'. The sovereign downgrade reflects concern that a weakening bank sector and the government's intention to draw-down an oil fund, to support the banking system and potentially the real economy, will jeopardise public finances. The Outlooks on Kazakhstan's Long-term IDRs remain Negative. A full list of affected corporate ratings follows.

Kazakh companies whose foreign currency ratings have been downgraded are:

Kazakhstan Temir Zholy (KTZ)

Long-term (LT) foreign currency (FC) IDR: downgraded to 'BBB-' (BBB minus) from 'BBB'; Outlook remains Negative
Senior unsecured rating: downgraded to 'BBB-' (BBB minus) from 'BBB'

KTZ's ratings are aligned with the sovereign's, given the 100% state-owned railway company's strategic importance to Kazakhstan due to the country's vast terrain, land-locked position and underdeveloped road infrastructure.

KazMunaiGaz National Company (NC KMG)

LT FC IDR: downgraded to 'BBB-' (BBB minus) from 'BBB'; Outlook remains Negative
LT local currency (LC) IDR: affirmed at 'BBB'; Outlook remains Negative
Short-term (ST) FC IDR: affirmed at 'F3'
Senior unsecured rating: downgraded to 'BBB-' (BBB minus) from 'BBB'

NC KMG's ratings are aligned with the sovereign's given that it was established as a wholly state-owned enterprise to represent the interests of the government in Kazakhstan's oil and gas industry.

Kazakhstan Electricity Grid Operating Company (KEGOC)

LT FC IDR: downgraded to 'BBB-' (BBB minus) from 'BBB'; Outlook remains Negative
LT LC IDR: downgraded to 'BBB' from 'BBB+'; Outlook remains Negative
ST FC IDR: affirmed at 'F3'

KEGOC's ratings are aligned with the sovereign's given its 100% state ownership and strong state support resulting from the strategic nature of Kazakhstan's national transmission grid.

Mangistau Electricity Distribution Network Company (MEDNC)

LT FC IDR: downgraded to 'BB' from 'BB+'; Outlook revised to Negative from Stable.
FC senior unsecured rating: downgraded to 'BB' from 'BB+'
ST FC IDR: affirmed at 'B'
LC senior unsecured rating: affirmed at 'BB+'
National LT rating: upgraded to 'AA-(minus)(kaz)' from 'A+(kaz)', due to a recalibration of Fitch's National Kazakh scale; Outlook remains Stable

MEDNC's ratings are linked to the sovereign's, but notched down to reflect that little indication has been given by MEDNC's ultimate parent, Samruk, that it will provide timely financial assistance in case of financial distress. The company has a near-monopoly position in electricity transmission and distribution in Mangistau, one of Kazakhstan's strategic oil and gas regions.

Kazakh companies whose foreign currency rating Outlooks have been revised and ratings affirmed are:

JSC KazMunaiGas Exploration Production (KMG EP)

LT FC IDR: affirmed at 'BBB-' (BBB minus); Outlook revised to Negative from Stable. This rating Outlook is constrained by Kazakhstan's sovereign rating Outlook.
LT LC IDR: affirmed at 'BBB-' (BBB minus); Outlook revised to Negative from Stable.
ST FC IDR: affirmed at 'F3'

JSC KazTransOil (KTO)

LT FC IDR: affirmed at 'BBB-' (BBB minus); Outlook revised to Negative from Stable. This rating Outlook is constrained by Kazakhstan's sovereign rating Outlook.

ST FC IDR: affirmed at 'F3'

Fitch rates NC KMG's subsidiaries (including KMG EP and KTO) on a standalone basis, albeit with implicit state support via NC KMG being incorporated into the ratings, as well as their inter-dependencies. Fitch believes that the current strong financial profile of KMG EP and KTO will provide a cushion against the cyclical downturn in the global oil and gas markets and economic slowdown.

The ratings of other NC KMG's subsidiaries - KazTransGas and JSC Intergas Central Asia - are unaffected. They are as follows.

KazTransGas:

LT FC IDR: 'BB'; Outlook Stable

ST FC IDR: 'B'

LT LC IDR: 'BB'; Outlook Stable

JSC Intergas Central Asia:

LT FC IDR: 'BB+'; Outlook Stable

ST FC IDR: 'B'

LT LC IDR: 'BB+'; Outlook Stable

Senior unsecured rating: 'BB+'

JSC National Atomic Company Kazatomprom (Kazatomprom)

LT FC IDR: affirmed at 'BBB-' (BBB minus); Outlook revised to Negative from Stable. This rating Outlook is constrained by Kazakhstan's sovereign rating Outlook.

ST FC IDR: affirmed at 'F3'

Kazatomprom is Kazakhstan's national uranium operator. In Fitch's view, the company is well placed to withstand an economic slowdown given its solid financial profile which is underpinned by its position as one of the world's leading uranium producers. A resurgence of global nuclear activity should also help insulate Kazatomprom.

Fitch's commentary on Kazakhstan, "Fitch Downgrades Bulgaria, Hungary, Kazakhstan and Romania", dated 10 November 2008 is available on www.fitchratings.com.

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