



Tagging Info

**Fitch Takes Rating Actions on Seven Kazakh Corporates** Ratings

19 Feb 2009 11:03 AM (EST)

Fitch Ratings-London/Moscow-19 February 2009: Fitch Ratings has today placed the Long-term foreign currency Issuer Default Ratings (IDRs) of seven Kazakh companies on Rating Watch Negative (RWN). The rating action follows the placement of Kazakhstan's Long-term foreign and local currency IDRs of 'BBB-' (BBB minus) and 'BBB', respectively, and Short-term foreign currency IDR of 'F3' on RWN. A full breakdown of the rating actions with respect to the seven companies is provided below.

The sovereign rating action reflects Fitch's concern that the authorities' obligation to manage worsening problems in the banking system and broader economy is likely to have an adverse impact on the sovereign's finances in the relatively near-term.

The rating actions are as follows:

**Kazakhstan Temir Zholy (KTZ)**

Long-term foreign currency IDR 'BBB-' (BBB minus) placed on RWN  
Senior unsecured rating of 'BBB-' (BBB minus) placed on RWN

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.

**Kazakhstan Electricity Grid Operating Company (KEGOC)**

Long-term foreign currency IDR 'BBB-' (BBB minus) placed on RWN  
Long-term local currency IDR 'BBB' placed on RWN  
Short-term foreign currency IDR 'F3' placed on RWN

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.

**KazMunaiGaz National Company (NC KMG)**

Long-term foreign currency IDR 'BBB-' (BBB minus) placed on RWN  
Long-term local currency IDR 'BBB' placed on RWN  
Short-term foreign currency IDR 'F3' placed on RWN  
Senior unsecured rating of 'BBB-' (BBB minus) placed on RWN

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.

**JSC KazMunaiGas Exploration Production (KMG EP)**

Long-term foreign currency IDR of 'BBB-' (BBB minus) placed on RWN. (The rating is constrained by Kazakhstan's sovereign rating.)  
Long-term local currency IDR 'BBB-' (BBB minus) placed on RWN  
Short-term foreign currency IDR 'F3' placed on RWN

**JSC KazTransOil (KTO)**

Long-term foreign currency IDR 'BBB-' (BBB minus) placed on RWN. (The rating is constrained by Kazakhstan's sovereign rating.)  
Short-term foreign currency IDR 'F3' placed on RWN

Fitch rates NC KMG's subsidiaries (including KMG EP and JSC KazTransOil) primarily 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 solid financial profile of KMG EP underpinned by strong profitability, its low debt level, ample cash position and moderate capex programme will provide a cushion against the cyclical downturn in the global oil and gas markets and the worldwide economic slowdown. Nevertheless, the ultimate state ownership of KMG EP and its reliance on Kazakh banks for large cash deposits make the company more vulnerable to any potential government actions directed to support the weakening economy through state-owned enterprises, especially in the event of a significant deterioration of the Kazakh economy.

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

**KazTransGas:**

Long-term foreign currency IDR: 'BB'; Outlook Stable

Short-term foreign currency IDR: 'B'  
Long-term local currency IDR: 'BB'; Outlook Stable

JSC Intergas Central Asia:  
Long-term foreign currency IDR: 'BB+'; Outlook Stable  
Short-term foreign currency IDR: 'B'  
Long-term local currency IDR: 'BB+'; Outlook Stable  
Senior unsecured rating: 'BB+'

JSC National Atomic Company Kazatomprom (Kazatomprom)  
Long-term foreign currency IDR of 'BBB-' (BBB minus) placed on RWN. (The rating is constrained by Kazakhstan's sovereign rating.)  
Short-term foreign currency IDR 'F3' placed on RWN

Kazatomprom is a 100% state-owned uranium operator. Kazatomprom's ratings reflect the company's leading position in the world uranium market, its strategic importance to Kazakhstan and its relatively strong financial profile.

Mangistau Electricity Distribution Network Company (MEDNC)  
Long-term foreign currency IDR 'BB' placed on RWN  
Foreign currency senior unsecured rating of 'BB' placed on RWN  
Short-term foreign currency IDR affirmed at 'B'  
Long-term local currency IDR assigned at 'BB+' and placed on RWN  
Local currency senior unsecured rating of 'BB+' placed on RWN  
National Long-term Rating of 'AA-(kaz)' (AA minus) placed on RWN

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.

Fitch's 19 February 2009 commentary on Kazakhstan's sovereign ratings is available on the agency's public website, [www.fitchratings.com](http://www.fitchratings.com).

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Note to Editors: Fitch's National ratings provide a relative measure of creditworthiness for rated entities in countries with relatively low international sovereign ratings and where there is demand for such ratings. The best risk within a country is rated 'AAA' and other credits are rated only relative to this risk. National ratings are designed for use mainly by local investors in local markets and are signified by the addition of an identifier for the country concerned, such as 'AAA(kaz)' for National ratings in Kazakhstan. Specific letter grades are not therefore internationally comparable.

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