



Tagging Info

Fitch Affirms 7 Kazakh Corporates; Revises Outlooks to Stable Ratings

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Fitch Ratings-London/Moscow-16 December 2009: Fitch Ratings has today affirmed seven Kazakh corporates' Long-term foreign currency Issuer Default Ratings (IDRs) and revised their rating Outlooks to Stable from Negative. A full rating breakdown is provided below.

The rating actions reflect the agency's affirmation today of Kazakhstan's Long-term foreign and local currency IDRs at 'BBB-' and 'BBB', respectively, and the affirmation of the sovereign's Short-term foreign currency IDR at 'F3'. The agency has revised the Outlooks on Kazakhstan's Long-term foreign and local currency IDRs to Stable from Negative (for further information, please see the 16 December 2009 comment, entitled 'Fitch Revises Kazakhstan's Outlook to Stable; Affirms 'BBB-', available on the agency's website, www.fitchratings.com.)

The rating actions affecting the seven Kazakh companies are as follows.

KazMunaiGaz National Company (NC KMG)

Long-term foreign currency IDR: affirmed at 'BBB-'; Outlook revised to Stable from Negative
Long-term local currency IDR: affirmed at 'BBB'; Outlook revised to Stable from Negative
Short-term foreign currency IDR: affirmed at 'F3'
Senior unsecured rating: affirmed at 'BBB-'

NC KMG's ratings are aligned with the sovereign's because 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: affirmed at 'BBB-'; Outlook revised to Stable from Negative
Long-term local currency IDR: affirmed at 'BBB-'; Outlook revised to Stable from Negative
Short-term foreign currency IDR: affirmed at 'F3'

JSC KazTransOil (KTO)

Long-term foreign currency IDR: affirmed at 'BBB-'; Outlook revised to Stable from Negative
Short-term foreign currency IDR: affirmed at 'F3'

Fitch rates NC KMG's subsidiaries (including KMG EP and KTO) on a standalone basis, as the legal, operational and strategic ties between the parent (NC KMG) and its subsidiaries are considered to be limited, according to Fitch's Parent and Subsidiary Rating Linkage methodology.

JSC National Atomic Company Kazatomprom (Kazatomprom)

Long-term foreign currency IDR: affirmed at 'BBB-'; Outlook revised to Stable from Negative
Short-term foreign currency IDR: affirmed at 'F3'

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

Kazakhstan Temir Zholy (KTZ)

Long-term foreign currency IDR: affirmed at 'BBB-'; Outlook revised to Stable from Negative
Senior unsecured rating: affirmed at '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. Fitch notes that KTZ's YE09 leverage (1.3x at YE08) will increase markedly, but it is expected to remain within its covenant level of 2.5x.

Kazakhstan Electricity Grid Operating Company (KEGOC)

Long-term foreign currency IDR: affirmed at 'BBB-'; Outlook revised to Stable from Negative
Long-term local currency IDR: affirmed at 'BBB'; Outlook revised to Stable from Negative
Short-term foreign currency IDR: affirmed at 'F3'

KEGOC's ratings are aligned with the sovereign's given its 100% state ownership, state guarantees for some of its debt, and strong state support resulting from the strategic nature of Kazakhstan's national electricity transmission grid. Fitch notes that KEGOC is

expected to breach its 5x debt to EBITDA covenant with the European Bank for Reconstruction and Development at YE09 as a result of the Kazakh tenge's devaluation in February 2009 (the company's debt is largely USD-denominated), weaker cash flow generation and debt-funded capex. Fitch understands that the government is in the process of providing additional equity capital to the company which will improve liquidity and help address covenant waivers.

Mangistau Electricity Distribution Network Company (MEDNC)

Long-term foreign currency IDR: affirmed at 'BB'; Outlook revised to Stable from Negative

Foreign currency senior unsecured rating: affirmed at 'BB'

Short-term foreign currency IDR: affirmed at 'B'

Long-term local currency IDR: affirmed at 'BB+'; Outlook revised to Stable from Negative

Local currency senior unsecured rating: affirmed at 'BB+'

National Long-term Rating: affirmed at 'AA-(kaz)'; Outlook revised to Stable from Negative

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 need. The company has a near-monopoly position in electricity transmission and distribution in Mangistau, one of Kazakhstan's strategic oil and gas regions. MEDNC's debt is denominated in Kazakh tenge and its revenues have not been significantly affected by the economic slowdown.

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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.

Additional information is available at www.fitchratings.com.

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