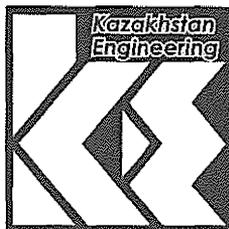


«ҚАЗАҚСТАН
ИНЖИНИРИНГ» ҰЛТТЫҚ
КОМПАНИЯСЫ» АҚ



АО «НАЦИОНАЛЬНАЯ
КОМПАНИЯ «КАЗАХСТАН
ИНЖИНИРИНГ»

JSC «NATIONAL COMPANY «KAZAKHSTAN ENGINEERING»

№ 1518-а 2016 ж. «01» қараша

«Қазақстан қор биржасы» АҚ

«Қазақстан инжиниринг» ҰК» АҚ (бұдан әрі – Компания) 2016 жылғы 28 қазанда Fitch Ratings халықаралық рейтинг агенттігі эмитентінің ұзақ мерзімді дефолтының рейтингін «BB+» деңгейінде, ұлттық валютада «BB+» деңгейінде, 2016 жылдың желтоқсан айында өтеу мерзімімен 200 млн АҚШ доллары сомасына Компанияның еурооблигациялар (ISIN XS0997708051) рейтингін «BB+» деңгейінде дәлелдегенін хабарлайды. Рейтингтердің болжамы «тұрақты».

Басқарма төрағасының
орынбасары

 С. Мыңшәріпова

Орынд.: Б. Әскеров
Тел.: 8-7172-69-55-99 ішкі 1707

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АО «Казахстанская фондовая биржа»

АО «НК «Казахстан инжиниринг» (далее – Компания) сообщает, что 28 октября 2016 года международное рейтинговое агентство Fitch Ratings подтвердило долгосрочные рейтинги дефолта эмитента (РДЭ) Компании в иностранной валюте на уровне «ВВ+», в национальной валюте на уровне «ВВ+», рейтинг еврооблигаций Компании на сумму 200 млн долларов США со сроком погашения в декабре 2016 года (ISIN XS0997708051) на уровне «ВВ+». Прогноз по рейтингам «стабильный».

**Заместитель
Председателя Правления**

 **С. Мыншарипова**

Исп.: Б. Аскеров
8-7172-69-55-99 вн. 1707





Fitch Affirms Kazakhstan Engineering at BB+; Outlook Stable

Fitch Ratings-Warsaw/London-28 October 2016: Fitch Ratings has affirmed JSC National Company Kazakhstan Engineering's (KE's) Long-Term Issuer Default Rating (IDR) at 'BB+' with a Stable Outlook. A full list of the ratings is at the end of the release.

JSC National Company Kazakhstan Engineering's (KE's) ratings are based on Fitch's parent and subsidiary linkage methodology and are notched down two notches from the rating of KE's ultimate 100% shareholder, the Republic of Kazakhstan (Foreign- and Local-Currency IDR BBB/Stable). The Stable Outlook on the Long-Term IDR reflects that on the Long-Term Foreign-Currency IDR of the Republic of Kazakhstan.

KEY RATING DRIVERS

Strategic Importance

Fitch deems KE's links with its parent to be moderate to strong due to the state's control, the strategic importance of the company to the government's ambition to expand the country's industrial base and diversify the national economy, as well as the tangible financial support that has been demonstrated and pledged by the state.

The two-notch differential reflects the lack of debt guarantees provided by the state and the slightly lower priority KE would probably receive compared with key natural resources, utilities or infrastructure companies, whose ratings are notched down by one notch from the sovereign.

Refinancing Risks

The company has adequate cash as well as loans from the major Kazakh bank in order to repay the USD200m Eurobond maturing in December 2016. Should the company experience any financial difficulties, we expect the government would step in with tangible support.

Forex Difficulties

The company has repaid all of its local bond issuance, totalling over KZT10bn. However, its total debt has increased to KZT69.5bn at end-2015 from KZT47.5bn at end-2014 as a result of the devaluation of the tenge in 2015. Almost all of the debt (98%) is denominated in US dollars. The outstanding Eurobond issuance is due to be repaid in December 2016 and the company has pre-funded the maturity with tenge-denominated bank loans.

Sole Operator for Government Contracts

The company is Kazakhstan's sole operator for defence contracts. Hence, KE now buys everything the department of defence (DoD) needs and sells to the DoD at a small margin. The appointment of KE as the sole operator for defence contracts increased revenue by KZT36.3bn, although the margin on these operations is very small. The appointment further signals the importance of KE to the country.

Weak Standalone Rating

Fitch believes KE's rating on a standalone basis to be weak, reflecting its business profile, negative free cash flow (FCF) generation, high leverage and adequate liquidity.

Weak Financial Profile

KE's financial profile is volatile. It is characterised by negative FCF generation, adequate underlying profitability, volatile working-capital flows and heavy investment needs. Given the expansion projected in the short to medium term, the capex requirements of the company are unlikely to be met from internally generated cash and may rely on external funding.

For 2016, Fitch expects the funds from operations (FFO) margin to be around the low single digits while FFO adjusted gross and net leverage are expected to be around 8.5x and 8.3x, respectively. The company's USD200m bond maturing in December 2016 is expected to be repaid with cash reserves and the loans already acquired from the local banks.

DERIVATION SUMMARY

KE's business profile is characterised by the company's small size, limited product range, lack of long-term high-tech development and little customer diversification, all of which are the evidence of the company's weak standalone rating. Nevertheless, the group is likely to grow in the coming years as the Kazakhstan government makes KE the focal point of the nation's industrialisation and export drive. This, together with the technological know-how KE is acquiring from various joint venture partners, should help visibly improve the business profile over the medium to long term.

KEY ASSUMPTIONS

Fitch's key assumptions within our rating case for the issuer include:

- Solid revenue growth in 2016 driven by the defence sector sales increase, with limited single-digit growth in 2017-2019
- EBITDA margins are expected to be lower than previously at 7%, as the company has become the sole operator for the DoD contracts basis. This will lead to lower FFO and subsequently higher than previously expected leverage
- Capex in line with the historical average
- No dividends from the JVs, due to the low economic growth forecasts
- No equity injections from the shareholder but support in case of need to be maintained

RATING SENSITIVITIES

Future developments that could lead to positive or negative rating actions include:

- Change to the sovereign's ratings, which could prompt a review of the company's IDRs, National Ratings and Outlook.
- Strengthening of support, such as a provision of written guarantees for KE's debt from the Kazakhstan Ministry of Finance, which would probably lead to closer rating linkage. A weakening of support, such as a reduction in the state's shareholding in KE, waning commitment to and support of the company's projects, or a change in the treatment by the state that KE receives relative to other state-owned companies, could lead to a widening of the rating gap between Kazakhstan and KE.

LIQUIDITY

Adequate Liquidity: Fitch believes that KE's cash balances, coupled with new bank loans should be sufficient to repay the USD200m Eurobond, which amounts to KZT68bn. KE reported KZT50bn at end-1H16. We assume that all cash is immediately available. The term deposit is for 12 months but the company can withdraw the funds upon request, sacrificing the accrued interest. The company borrowed KZT21.6bn from Halyk Bank (BB/Stable) to pre-fund the outstanding US dollar-denominated Eurobond due 3 December 2016.

FULL LIST OF RATING ACTIONS

JSC National Company Kazakhstan Engineering

- Long-term local currency IDR affirmed at 'BB+'; Outlook Stable
- Long-term foreign currency IDR affirmed at 'BB+'; Outlook Stable
- Local currency senior unsecured rating affirmed at 'BB+'
- Foreign currency senior unsecured rating affirmed at 'BB+'
- Short-term foreign currency IDR affirmed at 'B'
- National Long-term rating affirmed at 'AA(kaz)'; Outlook Stable
- National senior unsecured rating affirmed at 'AA(kaz)'

-National Short-term rating affirmed at 'F1+(kaz)'

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Date of Relevant Rating Committee: 27, October, 2016

Summary of Financial Statement Adjustments - Fitch adjusts year-end cash balances by KZT5bn to account for intra-year operational needs and treats it as not readily available cash.

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Additional information is available on www.fitchratings.com. For regulatory purposes in various jurisdictions, the supervisory analyst named above is deemed to be the primary analyst for this issuer; the principal analyst is deemed to be the secondary.

Applicable Criteria

Criteria for Rating Non-Financial Corporates (pub. 27 Sep 2016) (<https://www.fitchratings.com/site/re/885629>)

Parent and Subsidiary Rating Linkage (pub. 31 Aug 2016) (<https://www.fitchratings.com/site/re/886557>)

Additional Disclosures

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