ПРОДОВОЛЬСТВЕННАЯ КОНТРАКТНАЯ КОРПОРАЦИЯ
АЗЫҚ-ТҮЛІК КЕЛІСІМ ШАРТ КОРПОРАЦИЯСЫ
FOOD CONTRACT CORPORATION

Қазақстан Республикасы, 010000, Астана қаласы,
Мәскеу көшесі 29/3. Тел.: 59-12-21, Факс: 31-73-66
E-mail: mail@foodcorp.kz

Республика Казахстан, 010000, г. Астана,
ул. Московская 29/3. Тел.: 59-12-21, Факс: 31-73-66
E-mail: mail@foodcorp.kz

03-1-09/1978
от 17.07.2015

АО «Казахстанская фондовая биржа»

Акционерное общество «Национальная компания «Продовольственная контрактная корпорация» (далее – Корпорация) сообщает о подтверждении рейтинговым агентством Moody's Investors Service 06 июля 2015 года корпоративного рейтинга и рейтинга по облигациям Корпорации

НИН KZ2C0Y05D869 и НИН KZ2C0Y07E152 на уровне Ba3.

Приложение кредитное заключение Moody's Investors Service 06 июля 2015 года на 6 л.

Председатель Правления **Р. Байнаков**

исп. Амантаев Е.И.,
тел. (7172) 591-292

09544

MOODY'S
INVESTORS SERVICE

Credit Opinion: National Company Food Contract Corporation JSC

Global Credit Research - 06 Jul 2015

Astana, Kazakhstan

Ratings

Category	Moody's Rating
Outlook	Stable
Corporate Family Rating	Ba3
Senior Unsecured -Dom Curr	Ba3/LGD4

Contacts

Analyst	Phone
Ekaterina Lipatova/Moscow	7.495.228.6060
Julia Pribytkova/Moscow	
Victoria Maisuradze/Moscow	

Key Indicators

[1]National Company Food Contract Corporation JSC	12/31/2014	12/31/2013	12/31/2012	12/31/2011	12/31/2010
Revenue (USD Billion)	$0.3	$0.3	$0.5	$0.4	$0.5
Total Assets (USD Billion)	$0.9	$1.2	$1.6	$1.6	$1.1
Fixed Assets (USD Billion)	$0.1	$0.1	$0.1	$0.1	$0.1
Debt / Book Capitalization	58.3%	66.2%	74.0%	74.4%	63.5%
Net Debt / EBITDA [2]	2.0x	6.9x	5.9x	8.7x	2.2x
FFO / Debt [2]	13.9%	-0.5%	3.9%	-1.0%	9.1%

[1] All quantitative measures, except for Fixed Assets, are based on 'As Adjusted' financial data and incorporate Global Standard Adjustments for Non-Financial Corporations. Fixed Assets are based on "As Reported" financial data for Gross Property, Plant, and Equipment. [2] Debt includes an adjustment for Readily Marketable Inventories (RMI), which is typically between 20%-75% of inventory depending on the business mix of the company (see the published rating methodology for a detailed description of this adjustment).

Note: For definitions of Moody's most common ratio terms please see the accompanying User's Guide.

Opinion

Rating Drivers

- Inherent volatility of the company's revenues, operating profit, cash flows, and leverage

- Dependence on government budget programme for agricultural segment

- Elevated gearing and reliance on short-term debt financing

- History of strong government support

Corporate Profile

Headquartered in Astana, Kazakhstan, JSC National Company Food Contract Corporation (FCC) is fully owned by the state of Kazakhstan through JSC National Holding Company KazAgro. By virtue of its current ownership structure, we consider FCC to be a government-related issuer (GRI).

FCC is the largest grain trader in Kazakhstan. Its principal mandate is to maintain state grain reserves at levels required to supply the Kazakh population and to ensure timely grain replenishment. The company is also responsible for keeping accounting records and monitoring the quality, quantity and security of state grain resources. Since 2002, the company has been permitted to perform commercial operations on behalf of the state related to grain sales.

FCC also acts as the main governmental tool in development and supporting the stability of the country's grain market, and grain prices in particular, through large-scale purchases and sales of grain on the domestic market. The company also provides spring-summer financing for crop sowing to farmers in the form of forward purchases as another form of support to domestic agricultural producers. In addition, starting June 2013, the company has been acting as a managing company of the newly established United Grain Holding (UGH) which includes grain producers, including small and medium farmers, on a voluntary principle. Under the UGH, FCC sells grain supplied by members of the UGH on the open market including for export and distributes income proportionally.

At the end of December 2014, FCC reported revenues of KZT55.2 billion (approximately $295 million) and adjusted EBIT of KZT11.3 billion (approximately $60 million).

SUMMARY RATING RATIONALE

FCC's Ba3 corporate family rating is determined in accordance with our rating methodology for GRIs (Government-Related Issuers: Methodology Update, published in July 2010), which comprises the following inputs (1) a baseline credit assessment, or BCA - a measure of the company's underlying fundamental credit strength, excluding any government support - of b3; (2) the Baa2 local currency rating of the government of Kazakhstan; (3) high default dependence between the GRI and the government; and (4) the probability of strong support from the government.

The b3 BCA is constrained by FCC's (1) volatile revenues, operating profit and cash flows with significant working capital requirements; (2) high dependence on the state for funding; (3) history of weak and highly volatile credit metrics, in particular high gearing, and (4) substantial share of short term loans in the debt portfolio.

However, FCC's ratings benefit from the state support it receives on an ongoing basis, mainly in the form of shareholder loans, loans from the Ministry of Agriculture of Kazakhstan, and, to a lesser extent, equity injections. The ratings also factor in (1) the company's long track record of operations in domestic and international grain markets; and (2) its long-term relationships with grain storage companies in Kazakhstan, grain traders and foreign banks.

We also take into account that FCC's weak operating and financial profile is mainly driven by the company's mandate to maintain state grain reserves and act as a government's arm to regulate domestic grain prices, which often implies operating against the market trends, i.e., selling grain at below-the-market prices and buying grain at above-the-market prices.

DETAILED RATING CONSIDERATIONS

STRONG GOVERNMENT SUPPORT EXPECTED TO BE MAINTAINED

As per our GRI rating methodology, FCC's ratings incorporate uplift to the company's standalone credit quality, measured by a BCA of b3. The uplift to the BCA is driven by the credit quality of the state as the sole shareholder, and our assessment of strong support from its shareholder in the event of financial distress, as well as high default dependence between the company and the state.

The high level of default dependence reflects (1) FCC's full state ownership, and its high reliance on the government for operational support, both directly and indirectly as the company acts as a government agent; (2) the high concentration of the company's operations in the domestic market; and (3) the sensitivity of FCC's financials to the same sources of risk as the government, as political events might affect the willingness of the government to support the company (or even willingness to support the continued existence of the company).

Strong support is predicated on (1) the significance of agriculture to the Kazakh economy, as well as the sector's contribution to national exports, albeit secondary to the importance of the oil and gas sector; (2) reputation risk to the state if it failed to support the company in servicing its financial debts in a timely manner; (3) the role played by the company in underpinning national economic growth that favours non-oil-related sectors; and (4) the actual state support that FCC has received to date, in the form of interest-free loans, capital injections and subsidies. The degree of support is constrained by the lack of an explicit guarantee of FCC's financial liabilities by Kazakhstan, although we expect the government will ensure that FCC is in a position to honour its financial obligations in a timely manner.

COMPANY'S REVENUES, OPERATING PROFIT AND CASH FLOWS ARE INHERENTLY VOLATILE

The company's earnings and cash flow remain volatile, as grain prices vary owing to imbalances between demand and supply. These imbalances are driven by weather conditions and exacerbated by the application of outdated technologies by Kazakh farmers and the overall undeveloped nature of the grain sector in the country.

This volatility is further reinforced by the company's special mandate to maintain state grain reserves, regulate domestic grain prices, and provide financing to farmers, which often implies selling grain at below-the-market prices and buying grain at above-the-market prices. The nature of the company's mandate and industry seasonality also suggest significant changes in working capital, which requires substantial investments.

ELEVATED GEARING WITH DEPENDENCE ON SHORT-TERM DEBT FINANCING

FCC is highly dependent on the government's financial support in performing its main functions as a regulator of domestic grain prices and provider of financing to farmers. Although FCC's ratings benefit from the ongoing state support, we note that it mainly comes in the form of short-term reduced-interest shareholder loans and interest-free loans from the Ministry of Agriculture of Kazakhstan, and, to a lesser extent, in the form of equity injections. In addition, FCC is reliant on short-term commercial bank loans to fund its high working capital requirements. As a result, the company's balance sheet has historically remained highly indebted with ongoing refinancing pressure, which is however, partly offset by FCC's very liquid, readily marketable grain inventories.

Considering that FCC is not a cash-flow driven business, we see the main risk for the company in equity not being sufficient to cover growing balance sheet, and in particular increase in inventories, loans to farmers and accounts receivable, or to be affected by losses on inventories or bad debts. As a result, FCC's credit standing is primarily driven by the capacity of its equity base to represent a sufficient cushion to support its debt.

In 2014, the company's adjusted gearing (measured as adjusted debt/book capitalisation) stood at 58% (2013: 66% and 2012: 74%). A decrease in gearing was driven by stronger operating results and cash flow generation amid more favourable market and substantial increase in profitable export sales, which, coupled with moderate grain purchases during the period, allowed FCC to visibly reduce its adjusted debt position to KZT93 billion, or approximately $0.5 billion (2013: KZT120 billion and 2012: KZT177 billion). We expect that the company's gearing will remain fairly elevated, owing to specifics of the company's business model albeit with some fluctuations depending on prevailing grain market conditions in the period and its ability to maintain and further develop export operations.

Liquidity Profile

STATE FUNDING IS CRITICAL TO LIQUIDITY

We expect that the company will be able to maintain a satisfactory liquidity position over the next 12 months, based on the assumption of planned support from the Kazakhstan government in the form of interest-free loans from Kazakhstan's Ministry of Agriculture, as well as loans from KazAgro to finance grain purchases and provide financing to the country's farmers.

We note that FCC remains highly reliant on timely state funding, as well as on its ability to roll over short-term working capital facilities with banks. However, the history of regular government support, FCC's critical role in the Kazakh agricultural sector and the company's long-established relationships with banks provide some comfort that it will maintain satisfactory liquidity.

We understand that none of FCC's existing debt facilities have financial covenants.

Rating Outlook

The outlook on FCC's rating is stable, reflecting our expectation that the banks and the government will remain supportive of the company in meeting its future financial commitments in a timely manner.

What Could Change the Rating - Up

Upward pressure is unlikely to be exerted on the rating over the intermediate term in light of FCC's weak balance-sheet structure, reflected in the company's BCA.

What Could Change the Rating - Down

Downward pressure could be exerted on the rating if support from the Kazakh government fails to materialise in a timely manner when needed. In addition, any downgrade of the sovereign rating could have a direct effect on FCC's CFR. Increased gearing to above 70% on sustained basis could exert negative pressure on the BCA and, in turn, on the rating.

Rating Factors

National Company Food Contract Corporation JSC

Trading Companies Industry Grid [1][2]	**Current FY 12/31/2014**		**[3]Moody's 12-18 Month Forward ViewAs of 6/18/2015**	
Factor 1: Scale (20%)	**Measure**	**Score**	**Measure**	**Score**
a) Revenue (USD Billion)	$0.3	Ca	$0.1 - $0.3	Ca
b) Total Assets (USD Billion)		N/A		
b) Fixed Assets (USD Billion)	$0.1	Ca	$0.1	Ca
Factor 2: Business Profile (30%)				
a) Business Profile	B	B	B	B
Factor 3: Leverage (20%)				
a) Debt / Book Capitalization	58.3%	Ba	60% - 65%	Ba
b) Net Debt / EBITDA [4]	2.0x	Baa	4.5x - 5.5x	B
c) FFO / Debt [4]	13.9%	Ba	7.5% - 9.5%	Ba
Factor 4: Financial Policy (30%)				
a) Financial Policy	Ba	Ba	Ba	Ba
Rating:				
a) Indicated Rating from Grid		B1		B2
b) Actual Rating Assigned				b3

Government-Related Issuer	**Factor**
a) Baseline Credit Assessment	b3
b) Government Local Currency Rating	Baa2
c) Default Dependence	High
d) Support	Strong
e) Final Rating Outcome	Ba3

[1] All quantitative measures, except for Fixed Assets, are based on 'As Adjusted' financial data and incorporate Global Standard Adjustments for Non-Financial Corporations. Fixed Assets are based on "As Reported" financial data for Gross Property, Plant, and Equipment. [2] As of 12/31/2014; Source: Moody's Financial Metrics [3] This represents Moody's forward view; not the view of the issuer; and unless noted in the text, does not incorporate significant acquisitions and divestitures [4] Debt includes an adjustment for Readily Marketable Inventories (RMI), which is typically between 20%-75% of inventory depending on the business mix of the company (see the published rating methodology for a detailed description of this adjustment).

action information and rating history.

MOODY'S
INVESTORS SERVICE