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@fcc.kz

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

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на № ____________ от ____________

АО «Казахстанская фондовая биржа»

Акционерное общество «Национальная компания «Продовольственная контрактная корпорация» (далее – Корпорация) сообщает о подтверждении рейтинговым агентством Moody's Investors Service 17 июля 2017 года корпоративного рейтинга и рейтинга по облигациям Корпорации
НИН KZ2C0Y01F533 и НИН KZ2C0Y07E152 на уровне Ba3.

Приложение кредитное заключение Moody's Investors Service 17 июля 2017 года на 7 листах

Управляющий директор –
член Правления **С. Кабдулов**

исп. Жумажанова И.А.
тел. (7172) 591-298

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CORPORATES

MOODY'S
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CREDIT OPINION
17 July 2017

Update

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RATINGS

National Company Food Contract Corp JSC

Domicile	Kazakhstan
Long Term Rating	Ba3
Type	LT Corporate Family Ratings - Fgn Curr
Outlook	Stable

Please see the ratings section at the end of this report for more information. The ratings and outlook shown reflect information as of the publication date.

Contacts

Ekaterina Lipatova 7-495-228-6090
AVP-Analyst
ekaterina.lipatova@moodys.com

Victoria Maisuradze 7-495-228-6067
Associate Managing Director
victoria.maisuradze@moodys.com

National Company Food Contract Corp JSC

Update following recent affirmation of Ba3 rating with stable outlook

Summary rating rationale

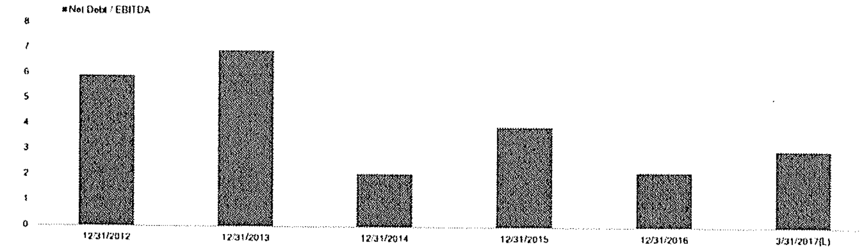
National Company Food Contract Corp JSC's (FCC) Ba3 corporate family rating is determined in accordance with our rating methodology for Government-Related Issuers (GRIs), published in October 2014. The rating factors in the following inputs: (1) the company's Baseline Credit Assessment (BCA) of b3, which is a measure of its underlying fundamental credit strength, excluding any extraordinary government support; (2) the Baa3 local-currency rating of the Government of Kazakhstan; (3) the high default dependence between the company and the government; and (4) the probability of strong support from the government.

FCC's BCA of b3 is constrained by the company's small scale and heavy dependence on the Kazakh grain sector, which exacerbate its exposure to the inherent cyclicality of the agricultural industry and the volatility of commodity prices. This exposure results in lack of visibility and significant swings in FCC's earnings and cash flow, and, hence, its financial metrics. Although FCC has shifted to more profit-oriented operations since 2016, it remains an important tool for the government to support the agricultural sector and ensure national food security, which may still involve substantial non-commercial market interventions.

At the same time, FCC's rating benefits from the company's status as the state grain trader, with a long track record of operations in domestic and international markets, and its established relationships with farmers, grain storage companies, key grain importers and foreign banks. We also factor in the state support that FCC receives on an ongoing basis to perform its market-support functions.

The rating also reflects major uncertainties related to the ongoing transition of FCC's business model, which envisages the transformation of the company into the national agricultural export center.

Exhibit 1



Source: Moody's Investors Service

Credit strengths

» Shift to a more profit-oriented business, while retaining its status as a state tool to regulate the market

» History of strong government support

» Competitive advantage in domestic and export markets as the state grain trader

Credit challenges

» Small size and reliance on the Kazakh grain sector

» Inherent volatility of the company's financial profile

» The risk of significant non-commercial market interventions required by the state

» Uncertainties related to the ongoing transformation of the business model

Rating outlook

The outlook on FCC's rating is stable, reflecting our expectation that despite uncertainties related to the current transformation of the company's business model, it will maintain its credit metrics within our guidance. Additionally, we expect banks and the Kazakh government to remain supportive of FCC in meeting its future financial commitments in a timely manner.

Factors that could lead to an upgrade

The rating could be upgraded if the company demonstrates a consistent track record of improving financial and operating performance under its new business model, with greater stability in earnings and cash flow.

Factors that could lead to a downgrade

The rating could be downgraded if support from the Kazakh government fails to materialize in a timely manner, when needed. In addition, a downgrade of the sovereign rating could potentially have an effect on FCC's corporate family rating. Increased gearing (adjusted debt/book capitalization) above 70% on a sustained basis and a material deterioration of liquidity could exert strain on the company's BCA and, in turn, on the rating.

Key indicators

Exhibit 2

KEY INDICATORS [1]

National Company Food Contract Corp JSC

	3/31/2017(L)	12/31/2016	12/31/2015	12/31/2014	12/31/2013
Revenue (USD Billion)	$0.1	$0.1	$0.2	$0.3	$0.3
Total Assets (USD Billion)	$0.3	$0.3	$0.4	$0.8	$1.0
Fixed Assets (USD Billion)	$0.0	$0.0	$0.0	$0.1	$0.1
Debt / Book Capitalization	37.1%	39.3%	44.6%	52.8%	61.6%
Net Debt / EBITDA [2]	3.0x	2.1x	3.9x	2.1x	6.9x
FFO / Debt	9.5%	10.1%	12.6%	13.8%	-0.4%

[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] Net 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).

Source: Moody's Investors Service

Detailed rating considerations

Strong government support

In accordance with our GRI rating methodology, FCC's rating incorporates an uplift to the company's BCA of b3. This uplift is driven by (1) the credit quality of the state as the company's ultimate shareholder, (2) our assessment of strong support from its shareholder in the event of financial distress, and (3) the high default dependence between the company and the state.

FCC's high level of default dependence reflects (1) the company's full state ownership; (2) the high concentration of its operations in the domestic market; and (3) the sensitivity of its 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 its willingness to support the continued existence of the company).

Despite the recent market liberalization efforts by the state (under which FCC lost its official mandate to maintain the state grain reserves and regulate domestic grain prices), the government's strong support is predicated on the preserved role of the company as an important state tool in (1) regulating and supporting the domestic grain market, (2) guaranteeing national food security, and (3) developing strategic export operations of agricultural products. The importance of FCC for the government was, in particular, illustrated by the exclusion of the company from a privatization plan in 2016.

The strong support also factors in (1) the economic and social significance of agriculture to the country, as well as the sector's contribution to national exports, albeit secondary to the importance of the oil and gas sector; (2) the reputation risk to the state if it failed to support FCC in servicing its financial debts in a timely manner; and (3) the actual state support that the company has received to date in the form of interest-free loans, capital injections and subsidies. However, our assessment of support is lowered by the lack of an explicit guarantee of FCC's financial liabilities by the Kazakh government.

Inherent volatility of operations

FCC is exposed to the inherent cyclicality of the agricultural industry and volatility of commodity grain prices. The company's earnings and cash flow remain highly volatile, as grain prices vary because of imbalances between demand and supply, driven largely by weather conditions.

The company's small size and reliance on the Kazakh grain sector further increase its susceptibility to changes in supply and demand, biological risks and foreign trade disputes. These risks are exacerbated by the application of outdated technologies by Kazakh farmers and the undeveloped nature of the grain sector in the country overall. FCC is also exposed to economic and regulatory risks in a single emerging market.

Although FCC plans to develop operations in other agricultural products (in 2016, the company commenced trial operations in oilseeds), this will not bring any meaningful diversification from the grain sector in the short term.

A more profit-oriented business model, but still in major transformation

Historically, the volatility of FCC's operating and financial profile was further reinforced by its mandate to maintain state grain reserves and act as the government's arm for regulating domestic grain prices. This mandate often implied operating against market trends. However, under the market liberalization, which commenced in 2016, the company's business model has become more focused on commercial operations.

Following the expiration of the trust management agreement between the Ministry of Agriculture and FCC, concerning state grain reserves, in 2017, the ownership for these reserves was transferred to FCC, which provide the company with more flexibility in their usage. Nevertheless, under FCC's mandate to ensure the country's food security, the company still has to maintain the minimum required level of grain reserves at the year end, although fluctuations within a year are allowed. Moreover, in 2016, FCC switched from the direct regulation of domestic grain prices in the government's interest to profit-oriented market making. This move should allow the company to materially increase the share of commercially driven trade operations, including attractive exports.

Although the above changes may have somewhat reduced the magnitude of swings in FCC's operations, the company still retains its regulatory and support functions for the market, which limit its operating flexibility, and might still imply non-commercial operations under the government's instructions, particularly in a distress situation.

In addition, under the new state development program for the industry (introduced in 2017), FCC is now in the process of transforming into the national agricultural export center, responsible for developing and facilitating exports operations, and exploring new export markets for a range of agricultural products, apart from grain. However, the exact impact this business change may have on the company's operating and financial profile is yet to be seen.

Volatile financial profile

FCC's business specifics drive the volatility of its financial metrics, with material fluctuations depending on prevailing grain market conditions in the domestic and international markets in the period. The company's significant working capital requirements and their cyclical nature further adds to its cash flow and credit metrics volatility, and implies reliance on short-term funding. The company is also exposed to poor credit quality of farmers, which translates into significant bad debts historically remaining on its balance sheet.

At the same time, we positively factor in FCC's very liquid, readily marketable grain inventories, which may be easily used to repay debt and, thus, somewhat reduce the strain on the company's financial profile (we adjust the company's total debt for 50% of the value of its commercial inventories).

FCC's new business strategy should also allow for higher operating flexibility to manage the company's grain inventories and its payment terms with farmers in a more efficient manner. In addition, FCC fully relies on state funding, mainly in the form of shareholder loans and loans from the Ministry of Agriculture, to provide non-commercial support to domestic farmers, which reduces financial and credit risks for the company.

Moreover, in 2016, FCC continued to reduce its debt levels supported by fairly stable conditions in the domestic market - the company generated strong margins and cash flow, despite a material reduction in export revenue, given weak global grain prices and an import ban in Iran, one of the key export markets for the company. Lower leverage and healthy cash balance should provide some cushion in view of the less favorable market conditions, which will likely prevail through 2017.

Liquidity analysis

A strong cash flow allowed FCC to visibly improve its liquidity position in 2016. The company now has a very comfortable debt maturity profile, as it has repaid most of its short-term debt, and is now less reliant on rolling over short-term working capital facilities with banks. A healthy cash balance of around KZT20 billion as of end of the first quarter of 2017 should further support the company's liquidity over the next 12 months.

In addition, FCC plans to collect around KZT22 billion (including penalties) in 2017, under the restructuring of KZT30.5 billion overdue receivables commenced in 2016 (KZT12 billion was already received in 2016).

A history of regular government support, FCC's critical role in the Kazakh agricultural sector and the company's long-established relationships with banks provide additional comfort, particularly in view of significant volatility of the company's earnings and working capital movements, which limit the visibility of its operating cash flow generation in the longer term.

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

Corporate profile

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

FCC is the Kazakh state grain trader, with a prominent position in the domestic market and in key export markets for the country, including Iran, China and Central Asia. In addition, under the recent agricultural reform, the company is now assuming the new role of the national agricultural export center, which implies developing exports operations for other agricultural products. FCC also retains its regulatory functions for the domestic grain market to (1) ensure the food security of the country by maintaining sufficient grain reserves; (2) guarantee the stability of the country's grain market, acting as a market maker and, to a lesser extent, via potential market interventions orchestrated by the government in case of market shocks; and (3) support domestic agricultural producers by providing them spring-to-summer financing for sowing crops, in the form of forward purchase of grain.

Rating methodology and Scorecard factors

We determine FCC's underlying credit quality, reflected in the company's BCA, by applying our Trading Companies rating methodology, published in June 2016. FCC's current BCA of b3 is lower than the grid-indicated outcome of b1 mainly because of (1) the company's exposure to the Commonwealth of Independent States market environment, which is characterized by a less developed regulatory, political and legal framework; (2) the significant volatility of its operations and a high reliance on state regulation; and (3) uncertainties related to the ongoing transformation of its business model.

Exhibit 3

Rating Factors				
National Company Food Contract Corp JSC				
Trading Companies Industry Grid [1][2]	Current LTM 3/31/2017		Moody's 12-18 Month Forward View As of 7/10/2017 [3]	
Factor 1: Scale (20%)	**Measure**	**Score**	**Measure**	**Score**
a) Revenue (USD Billion)	$0.1	Ca	$0.1	Ca
b) Total Assets (USD Billion)		N/A	$0.3	Ca
b) Fixed Assets (USD Billion)	$0.0	Ca	$0	Ca
Factor 2: Business Profile (30%)				
a) Business Profile	B	B	B	B
Factor 3: Leverage (20%)				
a) Debt / Book Capitalization	37.1%	A	25% - 35%	Aa
b) Net Debt / EBITDA [4]	3.0x	Baa	3x - 4x	Ba
c) FFO / Debt	9.5%	Ba	5% - 10%	Ba
Factor 4: Financial Policy (30%)				
a) Financial Policy	Ba	Ba	Ba	Ba
Rating:				
a) Indicated Rating from Grid		B1		B1
b) Actual Baseline Credit Assessment Assigned				b3
Government-Related Issuer	**Factor**			
a) Baseline Credit Assessment	b3			
b) Government Local Currency Rating	Baa3			
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 3/31/2017(L);

[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] Net 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).

Source: Moody's Investors Service

Ratings

Exhibit 4

Category	Moody's Rating
NATIONAL COMPANY FOOD CONTRACT CORP JSC	
Outlook	Stable
Corporate Family Rating	Ba3
Senior Unsecured -Dom Curr	Ba3/LGD4

Source: Moody's Investors Service

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