FitchRatings

RATING ACTION COMMENTARY

Fitch Affirms JSC Kazakhstan Temir Zholy at 'BBB-'; Outlook Stable

Tue 09 Dec, 2025 - 11:47 ET

Fitch Ratings - Dubai - 09 Dec 2025: Fitch Ratings has affirmed JSC National Company Kazakhstan Temir Zholy's (KTZ) Long-Term Issuer Default Rating (IDR) at 'BBB-' with a Stable Outlook. A full list of rating actions is below.

The affirmation reflects Fitch Ratings' view that extraordinary support from Kazakhstan (BBB/Stable) is 'Extremely Likely' for JSC National Company Kazakhstan Temir Zholy (KTZ) under its Government-Related Entities Rating Criteria, given KTZ's close ties with the state and strategic importance in the country's economic development. KTZ's SCP is 'bb-', four notches below the sovereign rating under Fitch's Public Policy Revenue-Supported Entities Criteria. These assessments result in KTZ's 'BBB-' Issuer Default Rating (IDR), one notch down from the sovereign rating.

KEY RATING DRIVERS

Support Score Assessment 'Extremely likely'

We consider that extraordinary support from Kazakhstan to KTZ would be 'Extremely likely' in case of need, reflecting a support score of 35 (out of a maximum 60) under our Government-Related Entities Rating Criteria. This reflects a combination of responsibility to support and incentive to support factors assessment as below.

Responsibility to Support

Decision Making and Oversight 'Very Strong'

This assessment is underpinned by the government's full indirect ownership of KTZ through Sovereign Wealth Fund Samruk-Kazyna JSC (SK; BBB/Stable), and KTZ's status as a strategic state enterprise that as a natural monopoly means tight regulation and monitoring. The state exercises control directly by setting strategy and tariffs on regulated activities, and indirectly through SK's representatives on the board of directors. The company's long-term development goals follow national strategic policies and programmes.

The government previously announced plans to bring KTZ to IPO in 2025; however, this has since been postponed to 2026. Details regarding the privatisation process remain unspecified. In Fitch's view, should the privatisation occur, it would be unlikely to materially dilute the state's control over KTZ's operations. Privatisation may require adjustments to the tariff-setting process or the financing of strategic investments, which could have a moderately positive impact on KTZ's financial profile.

Precedents of Support 'Strong'

KTZ receives sustainable state support via subsidies and subsidised debt. Annual subsidies (KZT41.1 billion, or 2% of KTZ's 2024 operating revenue) partially compensate for losses in KTZ's passenger transport services. The state also provides below-market-rate funds to support infrastructure projects and help KTZ's financing. At end-2024, state-related debt was 55% of total debt, as KTZ received more than KZT400 billion over the year. In 9M25 KTZ received a KZT65.5 billion loan from SK, which also extended the maturity of its USD883 million bond from 2025 to 2028.

Incentives to Support

Preservation of Government Policy Role 'Strong'

More than 60% of cargo transportation and about 20% of passenger transportation is via rail in Kazakhstan, and in Fitch's view KTZ's default could materially undermine economic activity. KTZ is a vital part of the state's development programme, fostering transit and export growth potential, and serving as the nation's transportation backbone, connecting a dispersed population.

Contagion Risk 'Strong'

In our view, a default by KTZ would damage the country's reputation. KTZ and the state treasury tap international capital markets and receive loans from international financial institutions for infrastructure investments. At end-2024, 43% of its outstanding debt was in foreign currency. KTZ used to be among the top national issuers in external bond markets, but it made an early repayment of a US dollar Eurobond in 2022, and its last Swiss franc Eurobond matured in December 2023. External financing is large and consists of bank loans. A default by KTZ could materially impair government credibility, leading to an increase in the cost of debt for the state and other state-related entities.

Standalone Credit Profile

Fitch assesses KTZ's 'bb-' Standalone Credit Profile (SCP) under its Public Policy Revenue-Supported Entities Rating Criteria. It reflects the combination of a 'Low Midrange' risk profile and a financial profile at lower end of the 'a' category.

Risk Profile: 'Low midrange'

Fitch assesses KTZ's risk profile as 'Low Midrange', reflecting the combination of the assessments below.

Revenue Risk: 'Weaker'

This assessment reflects 'Midrange' demand and 'Weaker' pricing characteristics. The company's position as the monopolistic owner and operator of the country's rail infrastructure supports demand, with freight operations remaining the main revenue driver. The company benefits from the country's strategic reliance on rail, but it is exposed to external risks such as commodity price swings, currency volatility, and geopolitical developments in neighbouring Russia and China.

The lack of a systematic, rule-based mechanism for tariff indexation remains a key constraint on pricing. Historically, tariff adjustments have been set by government rather than transparent formulae, resulting in long-term indexation below inflation until 2022. Since 2023, tariff increases have significantly outpaced inflation and we expect them to remain high during 2026, before likely reverting to levels closer to inflation. However, the regulatory environment has yet to adopt a predictable framework, and pricing still depends on ad hoc interventions. Our view remains unchanged that the company's revenue risk profile is constrained by the absence of stable, rules-based regulation.

Expenditure Risk: 'Midrange'

KTZ's cost structure is fairly stable and dominated by salaries (49% of cash operating expenses in 2024), followed by goods and services (27%). Most of KTZ's operating expenses are well identified and fixed. From 2022, KTZ greatly expanded its capex programme, which is funded by cheap, state-related loans, market borrowing and operational cash flow from a rise in regulated tariffs. Fitch expects further capex growth in 2025-2026.

Liabilities and Liquidity Risk: 'Midrange'

KTZ maintains good access to domestic and international financing markets, with a credit portfolio comprising a balanced mix of local market bonds, loans from local and international banks, and low-cost funding from the parent and other state institutions via bonds, loans, and leases. Some parent financing is sourced from the state budget. KTZ's debt maturity profile is generally smooth - apart from the USD883 million bond held by SK (12.6% of end-2024 total debt at nominal values), for which maturity was extended from 2025 to 2028 - with a weighted-average life of debt of 8.8 years. KTZ also has access to credit lines from local banks to support liquidity.

Financial Profile 'a'

Under Fitch's rating case, the financial metrics suggest a financial profile at the lower end of the 'a' category. We expect the primary metric, Fitch's net adjusted debt to EBITDA, to average 4.7x in 2025-2029 (2024: 6.0x), reflecting a significant increase in EBITDA already evident in 9M25, supported by ongoing tariff increases. This improvement is partially offset by high capex related to investments in rolling stock and infrastructure construction and renovation, which we expect to drive increases in debt in 2025-2026.

KTZ's financial profile is constrained by large debt, exposure to commodity markets, the geopolitical environment of its primary trading partners and limited pricing power. KTZ is moderately exposed to domestic competition in passenger transportation, while its financial profile is supported by a monopolistic position, large operations in freight and the long and established history of state support.

Secondary metrics (debt service coverage ratio, gross interest coverage ratio and liquidity coverage) with reference values of 1.6x, 3.6x and 0.3x, respectively, correspond to 'a', 'bbb' and 'b' assessments, notably low for the liquidity coverage ratio. KTZ's financial profile remains driven by the primary metric, but weaker liquidity coverage is taken into account in notch-specific SCP positioning.

PEER ANALYSIS

The peer railway companies JSC Georgian Railway and Deutsche Bahn AG are rated one notch below their respective sovereign ratings, similar to KTZ. PKP Intercity S.A. (Poland) is rated at the same level as the sovereign, due to its stronger SCP, which reflects lower revenue risks associated with its long-term public service contract. Other peers such as the railway infrastructure managers French SNCF Reseau and Spanish ADIF - Alta Velocidad, are considered reference issuers for their respective governments. This leads to higher contagion risk assessments and the equalisation of their IDRs with their sovereign ratings.

Issuer Profile

KTZ is a national transportation and logistics holding company. KTZ's core operations are centred on its monopolistic position as an integrated railway group, supplemented by the management of other transport infrastructure on behalf of the state.

KEY ASSUMPTIONS

Fitch's rating case is a "through-the-cycle" scenario, which incorporates a combination of revenue, cost and financial risk stresses. It is based on 2020-2024 historical figures and 2025-2029 scenario assumptions:

- Operating revenue growth on average at 14.0% a year, supported by economic growth and increase of regulated tariffs

- Opex growth on average at 14.5% a year, driven by inflation and expansion of operations

- Average net capex of KTZ767.2 billion a year for construction and modernisation of existing lines, and renovation of rolling stock

- Cost of debt on average at 5.8%, driven by mix of foreign- and local-currency market debt, as well as subsidised debt from the government

RATING SENSITIVITIES

Factors that Could, Individually or Collectively, Lead to Negative Rating Action/Downgrade

- A downgrade of Kazakhstan's sovereign rating by two or more notches

- Dilution of linkage with the sovereign, resulting in a support score of less than 35 points and leading to the ratings being notched down further from the sovereign's

Factors that Could, Individually or Collectively, Lead to Positive Rating Action/Upgrade

- An upgrade of Kazakhstan's sovereign rating, coupled with the maintenance of sufficiently strong financial metrics

- Tighter integration with the sovereign, resulting in a support score of 45 points or more and leading to the equalisation of KTZ's ratings with the sovereign's

- Upward revision of the SCP, due to an improvement in KTZ's net debt/EBITDA below 4x on a sustained basis, or improvements in coverage ratios or a reassessment of revenue risk to 'Midrange'

ESG Considerations

The highest level of ESG credit relevance is a score of '3', unless otherwise disclosed in this section. A score of '3' means ESG issues are credit neutral or have only a minimal credit impact on the entity, either due to their nature or the way in which they are being managed by the entity. Fitch's ESG Relevance Scores are not inputs in the rating process; they are an observation on the relevance and materiality of ESG factors in the rating decision. For more information on Fitch's ESG Relevance Scores, visit https://www.fitchratings.com/topics/esg/products#esg-relevance-scores.

PUBLIC RATINGS WITH CREDIT LINKAGE TO OTHER RATINGS

KTZ's IDRs are linked to Kazakhstan's IDRs.

References for Substantially Material Source Cited as Key Driver Rating

The principal sources of information used in the analysis are described in the Applicable Criteria.

RATING ACTIONS

ENTITY / DEBT	RATING		PRIOR
JSC National Company Kazakhstan Temir Zholy	LT IDR	BBB- Rating Outlook Stable	BBB- Rating Outlook Stable
	Affirmed		

VIEW ADDITIONAL RATING DETAILS

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APPLICABLE CRITERIA

Public Policy Revenue-Supported Entities Rating Criteria (pub. 13 Jan 2024) (including rating assumption sensitivity)

Government-Related Entities Rating Criteria (pub. 19 Jul 2025)

ADDITIONAL DISCLOSURES

Dodd-Frank Rating Information Disclosure Form

Solicitation Status

Endorsement Policy

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