FITCH AFFIRMS NOBLE GROUP'S RATINGS AT 'BBB-'

Fitch Ratings-Hong Kong-13 January 2016: Fitch Ratings has affirmed Noble Group Limited's (Noble) Long-Term Foreign-Currency Issuer Default Rating (IDR) and senior unsecured rating at 'BBB-'. The ratings on all its outstanding senior unsecured notes have also been affirmed at 'BBB-'. The Outlook for the IDR is Stable.

The affirmations are primarily driven by Noble's improved balance sheet and sufficient liquidity position following the disposal of its remaining 49% stake in Noble Agri Limited (Noble Agri) for USD750m, its commitment to reduce working capital for its metals business, and continued cash flow generation from its operations.

In addition, the affirmations are based on Noble's ability to maintain adequate access to unsecured committed bank facilities given its stronger balance sheet and reduced working capital requirements. Any signs of deterioration in the company's ability to access unsecured bank funding could result in negative ratings action.

KEY RATING DRIVERS

Unsecured Funding Access Crucial: We believe that access to unsecured committed banking facilities is a key trait of an investment grade-rated trading company. Noble's balance sheet position is stronger following the Noble Agri disposal, smaller working capital requirements for its metal business and other efforts to reduce debt, which would allow the company to maintain good access to funding from the banks. This is in spite the recent downgrades of the company's ratings to sub-investment grade by other rating agencies. In addition, Noble's management has informed us that its bank facilities do not have ratings triggers.

We do not consider Noble's current inability to access capital markets to have significant impact on the company's credit profile as its near-term debt maturity is small (USD360m of notes due in 1H16). This can be comfortably covered by Noble's existing liquidity, including unrestricted cash and cash equivalents and undrawn committed bank facilities.

Sufficient Liquidity: Fitch believes Noble has sufficient liquidity to cover requirements arising from any commodity price movements. Noble's liquidity at end-September 2015 was about USD1.9bn, (comprised of USD977m of unrestricted cash and cash equivalents and USD950m of undrawn committed facilities), or 1.1x of its inventory level.

We estimate Noble will generate USD1.0bn-1.4bn of cash in 4Q15 and 1Q16 from asset disposals, working capital reduction and cash inflow from operations. This and its USD1.9bn of liquid assets are sufficient to cover the USD100m-200m of additional contractual margin requirements that Noble estimates could arise from the recent ratings downgrades, USD458m of notes due in the 12 months to August 2016, and most of the USD2.2bn of short-term bank debt due in May 2016. This would mean that Noble would have to refinance around USD1bn-1.5bn of the maturing committed facilities to maintain its current liquidity position. This is after significantly improving its balance sheet in the interim.

Improving Balance Sheet: We expect Noble's financial profile to improve further after the Noble Agri disposal, which will increase its ratio of working capital (current assets minus non-debt current liabilities) to total debt (including 50% of perpetual capital securities as debt) to 1.33x from 1.16x at end-3Q15 (2014: 1.14x), after it receives the full sale proceeds. Fitch expects the decrease in working capital from the company's metals business and cash flow generated from operations to also help the company permanently reduce debt.

Fitch believes that commodity trading and processing companies, especially the ones pursuing an asset-light trading strategy, need to maintain the ratio of working capital to total debt at at no less than 1.0x to ensure sufficient working capital as liquid assets to cover all their debts. Higher-rated peers like Archer Daniels Midland Company (A/Stable) and Bunge Limited (BBB/Stable) have higher working capital to total debt ratios of 1.46x and 1.18x, at 3Q15, respectively. Furthermore, they have sizeable pools of non-current assets that are productive and valued higher than their current assets.

KEY ASSUMPTIONS

Fitch's key assumptions within our rating case for the issuer include:
- Sales volume to remain similar to that of 2015
- Capex and business acquisitions of USD100m-150m a year

RATING SENSITIVITIES

Positive: Future developments that may, individually or collectively, lead to positive rating action include:
- supply-chain earnings sustained above USD1.5bn per annum without a weakening of its current financial profile
- working capital/total debt sustained above 2.0x

Negative: Future developments that may, individually or collectively, lead to negative rating action include:
- failure to continue procuring committed bank facilities at competitive pricing levels and terms, especially the failure to refinance a large portion of the USD2.2bn facilities maturing in May 2016
- liquidity position (as defined by unrestricted cash and cash equivalent plus undrawn committed facility) to total inventory sustained below 1.0x (1.10x at end-3Q15)
- working capital/total debt sustained below 1.0x (1.16x at end-3Q15)
- sustained negative cash flow from operations (CFO was negative in 2014 and 2010 out of the past five years)
- weakened business strength as evidenced by reduced funding capacity to support working capital expansion over the cycle or sustained decline in tonnage volume that is more severe than industry performance, and evidence of weakening of risk management process
- sustained weakening of quarterly EBITDA / working capital below 4% (this ratio fell below 4% for four times in the past 32 quarters)

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Applicable Criteria
Corporate Rating Methodology - Including Short-Term Ratings and Parent and Subsidiary Linkage (pub. 17 Aug 2015)
https://www.fitchratings.com/creditdesk/reports/report_frame.cfm?rpt_id=869362