

Corporate Credit Rating

New Update

Sector: Energy

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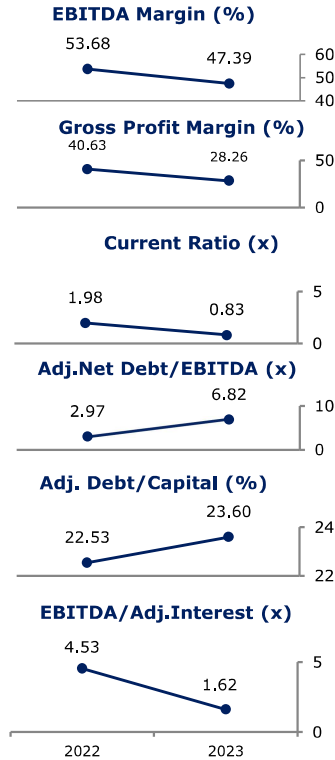
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RATINGS		Long Term	Short Term
ICRs (Issuer Credit Profile)	National ICR	A (tr)	J1 (tr)
	National ICR Outlooks	Stable	Stable
	International FC ICR	BB	-
	International FC ICR Outlooks	Negative	-
	International LC ICR	BB	-
ISRs (Issue Specific Profile)	International FC ISR	-	-
	International LC ISR	-	-
	Foreign Currency	BB (Negative)	-
Sovereign*	Local Currency	BB (Negative)	-

* Assigned by JCR on August 18, 2022



Margün Enerji Üretim Sanayi Ve Ticaret A.Ş.

JCR Eurasia Rating, has evaluated **Margün Enerji Üretim Sanayi Ve Ticaret A.Ş.** in the investment-level category on the national scales and revised the Long-Term National Issuer Credit Rating to '**A (tr)**' from '**A+ (tr)**' and the Short-Term National Issuer Credit Rating to '**J1 (tr)**' from '**J1+ (tr)**' with '**Stable**' outlooks. On the other hand, the Long Term International Foreign and Local Currency Issuer Credit Ratings and outlooks were assigned as '**BB/Negative**' as parallel to international ratings and outlooks of Republic of Türkiye.

Margün Enerji Üretim Sanayi Ve Ticaret A.Ş. (hereinafter referred to as '**Margün Enerji**' or '**the Company**') was founded in Kahramanmaraş in 2014 then moved the company headquarters to Ankara in 2018. The Company's main field of operation consists of installation, operation, maintenance and contracting works of renewable energy generation facilities. Margün Enerji operates 89 different solar energy power plants with a total installed power of 118.03 MWp within Türkiye. Within the Renewable Energy Resource Areas (RERA) SPP-3 competitions, the Company won tenders for a total of 157,50 MWe capacity in addition to existing production capacity in 2021. The Company also carries out EPC projects in Italy with a total contract amount of EUR 66.5Mn. In addition, the Company has an ongoing application process to EMRA (Energy Market Regulatory Authority) for battery solar power plant investments through its subsidiaries. The Company acquired 30,39 % shares of the Enda Enerji Holding A.Ş. which has production portfolio of 4 HEPP, 5 WEPP, and 1 GPP with a total installed power of 180,1 MWe in January 2023, with an acquisition amount of TRY 1.12Bn.

Margün Enerji has been quoted on the Borsa Istanbul Stock Exchange (BIST) since September, 2021. As of the report date, the shareholders are Esenboğa Elektrik Üretim A.Ş. (75.61%), Yusuf Şenel (6.38%), Naturel Holding A.Ş. (5.08%), while the remaining 12.93% share is publicly traded on the BIST with the ticker symbol "MAGEN".

Key rating drivers, as strengths and constraints, are provided below.

Strengths

- Diversified solar powerplants portfolio within Türkiye's different regions mitigates concentration risk to a certain extent
- Asset quality strengthened by the low collection risks
- Cash flow visibility to a certain degree thanks to RERSM
- Hard currency revenue stream providing natural hedge against currency risk to a certain extent
- Sectoral authority support encouraging the use of renewable energy sources and increasing global demand for solar powerplants
- High level of compliance with comprehensive corporate governance practices as a publicly traded company

Constraints

- Despite the sustained electricity production level, decline in sales revenue in 2023 due to the contraction in the energy construction section income
- Volatile EBITDA and operating profitability margins during the reviewed period
- Deterioration in financial leverage indicators and decline in interest coverage ratio in 2023
- High interest expenses due to unrealized FX-loss arising from FX-denominated borrowings
- Extension in cash conversion cycle in 2023 and high operating ratio figures limiting efficiency
- High level of pledge and mortgages on tangible assets provided for financial obligations
- Susceptibility of renewable power generation to climatic conditions
- Leading economic indicators signal global economic slowdown whereas quantitative tightening actions aim to restrict consumption growth and achieve a soft-landing in the domestic side

Considering the aforementioned points, the Company's Long-Term National Issuer Credit Rating has been revised to '**A (tr)**'. The Company's diversified SPP portfolio, asset quality, FX denominated revenue stream, visibility on cash low arising from guaranteed price mechanism, sectoral authority support, high level of compliance with corporate governance practices, maintained electricity production figures in 2023, deterioration in financial leverage indicators and interest coverage ratio along with ongoing uncertainties arisen from geopolitical tensions as well as global tight financial conditions have been evaluated as important indicators for the stability of the ratings and the outlooks for Long and Short-Term National Issuer Credit Ratings are determined as '**Stable**'. The Company's revenue and profitability performance, cash generation capacity, debt structure, financial leverage indicators, liquidity position and asset quality will be closely monitored by JCR Eurasia Rating in upcoming periods. The macroeconomic indicators at national and international markets, as well as market conditions and legal framework about the sector will be monitored as well.