

Corporate Credit Rating

New Update

Sector: Fuel Trade

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R A T I N G S		Long Term	Short Term
ICRs (Issuer Credit Rating Profile)	National ICR	BB+ (tr)	J3 (tr)
	National ICR Outlooks	Stable	Stable
	International FC ICR	B+	-
	International FC ICR Outlooks	Negative	-
ISRs (Issue Specific Rating Profile)	International LC ICR	B+	-
	International LC ICR Outlooks	Negative	-
	National ISR	-	-
Sovereign*	International FC ISR	-	-
	International LC ISR	-	-
	Foreign Currency	BB (Negative)	-
	Local Currency	BB (Negative)	-

* Assigned by JCR on Aug 18, 2022

Modođlu Enerji Sanayi ve Ticaret A.Ş.

JCR Eurasia Rating, has evaluated "Modođlu Enerji Sanayi ve Ticaret A.Ş." in the speculative-level category and assigned the Long-Term National Issuer Credit Rating as 'BB+ (tr)' with 'Stable' outlook and the Short-Term National Issuer Credit Rating as 'J3 (tr)' with 'Stable' outlook. On the other hand, the Long Term International Foreign and Local Currency Issuer Credit Ratings and outlooks were assigned as 'B+/Negative' in line with the global and national scale rating matching published by JCR Eurasia Rating.

Modođlu Enerji Sanayi ve Ticaret A.Ş.(hereinafter referred to as 'Modođlu Enerji' or 'the Company') was established on 08.03.2006, in İstanbul. The Company operates in fuel oil, gasoline, diesel, biodiesel LPG and CNG trading as dealerships with 14 gas station for different companies like Petrol Ofisi, BP, Shell and Türkiye Petrolleri in different cities in Türkiye. The Company's current paid-in capital amount is 65mn TRY. Modođlu Enerji's headquarters is in Kartal/İstanbul. According to the audit report, as of FY2022, the Company employed an average of 78 personnel (FY2021:44). The Company's current shares belong to Mustafa Modođlu at 100%.

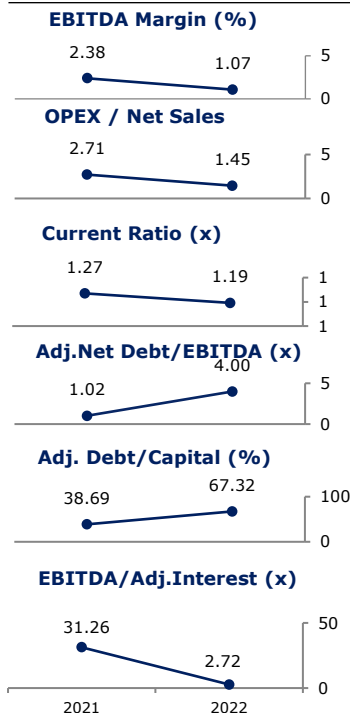
The key rating drivers, as strengths and constraints, are provided below.

Strengths

- Notable increase in sales revenues in FY2022 and continued sales performance as of FY2023,
- Inelastic fuel demand provides relative demand stability in the sector.

Constraints

- Limited trend analysis due to the absence of financial statements for the previous periods,
- Weak EBITDA generation capacity as a result of narrowing EBITDA margin despite the strong increase in sales revenues,
- Deterioration in financial leverage ratios due to the impact of financial debts trending upward,
- Low profitability margins during review periods due to the nature of the sector,
- Low paid-in capital compared to the increasing size of operations,
- Improvement needs in compliance with corporate governance practices along with key-person risk stemming from the ownership and management of the company by one individual,
- Leading economic indicators signal global economic slowdown as 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 assigned as 'BB+ (tr)'. Satisfactory revenue growth backed by relatively inelastic demand, , short cash conversion cycle due to the nature of the industry, along with domestic interest rate hiking cycle and taxes, 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 profitability performance changes in financial debts, cash level and cash generation capacity, together with the trends in the fuel industry, 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.