

Corporate Credit Rating
Annual Review

Non-Financial & Industry
Natural Gas Distribution

		Long Term	Short Term
International	Foreign Currency	BBB-	A-3
	Local Currency	BBB-	A-3
	Outlook	Stable	Stable
National	Local Rating	BBB+(Trk)	A-1(Trk)
	Outlook	Positive	Positive
Sponsor Support		2	-
Stand-Alone		B	-
Sovereign*	Foreign Currency	BBB-	-
	Local Currency	BBB-	-
	Outlook	Stable	-

PALGAZ DOĞALGAZ DAĞITIM SANAYİ ve TİCARET A.Ş.					
Financial Data	2014*	2013*	2012*	2011*	2010*
Total Assets (000 USD)	144,827	129,502	139,429	96,366	94,475
Total Assets (000 TRY)	335,839	275,892	247,849	182,027	145,265
Equity (000 TRY)	62,684	53,477	55,015	34,374	32,523
Net Profit (000 TRY)	9,159	-1,605	17,369	1,851	2,075
Sales (000 TRY)	267,333	242,270	220,529	120,038	90,397
Net Profit Margin (%)	3.43	-0.66	7.88	1.54	2.29
ROAA (%)	3.61	-0.65	8.46	1.41	1.89
ROAE (%)	19.01	-3.16	40.69	6.92	8.03
Equity / Total Assets (%)	18.66	19.38	22.20	18.88	22.39
Net Working Capital / T. Assets (%)	-14.56	-14.80	-23.50	-33.05	-45.35
Debt Ratio (%)	81.34	80.62	77.80	81.12	77.61
Asset Growth Rate (%)	21.73	11.31	36.16	25.31	18.58

*End of year

Company Overview

Palgaz Dogalgaz Dagitim Sanayi ve Ticaret A.Ş. (referred to as **Palgaz** or the Company) holds an EMRA license for natural gas distribution following the tender for Gebze and the surrounding region in the Izmit province for a 30 year period from FY2004 onwards. Palmet Enerji A.Ş., an integrated energy group established in 1984, is the qualified shareholder of Palgaz while the remaining 10% of shares belong to local authorities in the service coverage zone of the Company. The number of active subscribers part of the distribution schemes managed by Palgaz currently exceeds 160k while 82 personnel were employed across Company operations (FYE2013: 46)

Palmet Enerji A.Ş. (referred to as **Palmet** or the **Group**), stepped into the energy sector through the construction of natural gas pipelines in the 1990s and has a diversity of operational fields including natural gas distribution & trade, electricity generation & trade, engineering and contracting services. In addition, it provides managerial support services in the areas of finance, strategy, human resources and budgeting to all Group subsidiaries and affiliates. Mr. Bülent Doganay **SAMURAY** is the largest qualified shareholder of the Company which employed 215 personnel as of March, 2015. (FYE2013: 199)

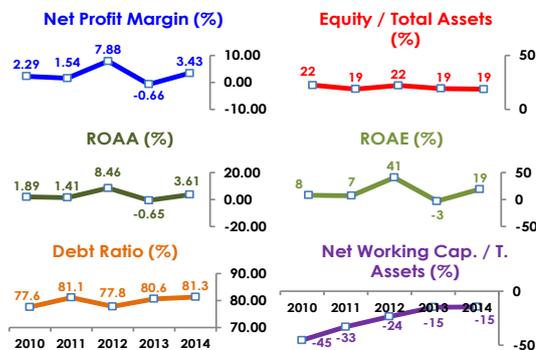
*Assigned by Japan Credit Rating Agency, JCR on July 11, 2014

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Strengths

- Recovery in the profitability performance as reflected by the increases in the indicators of ROAE and ROAA
- Reduction of exposure to foreign currency risk arising from financial liabilities decreasing volatility
- Stable and sustainable cash flow generation potential safeguarded by licensed monopoly status in its operating zone
- Future growth potential of Gebze and the surrounding region due to ongoing infrastructure projects and industrial growth
- Established presence and know-how of the major shareholder along with the presence of local authorities
- Potential positive contribution of the newly formed Palmet Gas Group to future growth and development

Constraints

- High level of financial leverage in order to fund the stable growth trend in operational expansion
- Despite the improvement in the past year, high cost of sale to total sales level primarily stemming from natural gas procurement costs
- Significant dependence on natural gas imports as domestic production remains insufficient
- Short-term weighted funding structure planned exerting pressure on working capital levels planned to be relieved by projected bond issuance
- Ongoing domestic and global market volatility and instability with the potential to impact future IPO plans of the Palmet Gas Group
- Need for further improvement in the level of compliance with Corporate Governance Practices

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