

Corporate Credit & Issue Rating

ENERGY
Regulated Utilities/Electricity Distribution

			Long Term	Short Term	YEDAŞ-Yeşilirmak Elektrik Dağıtım A.Ş.							
					Financial Data		Sept. 2017**	1H2017**	2016*	2015*	2014*	2013*
International	Foreign Currency		BBB-	A-3	Total Assets (000 USD)	348,357	333,239	338,003	267,835	235,854	217,600	454,666
	Local Currency		BBB-	A-3	Total Assets (000 TRY)	1,237,399	1,171,936	1,189,501	778,758	546,922	464,423	808,214
	Outlook	FC	Stable	Stable	Equity (000 TRY)	587,875	584,689	554,267	365,155	313,986	246,558	350,143
		LC	Stable	Stable	Net Profit (000 TRY)	149,044	117,363	298,003	146,947	67,428	63,769	148,565
	Issue Rating		n.a	n.a	Sales (000 TRY)	500,826	296,468	694,055	561,775	472,702	413,739	1,169,175
National	Local Rating		A (Trk)	A-1 (Trk)	Net Profit Margin (%)	29.76	39.59	42.94	26.16	14.26	15.41	12.71
	Outlook		Stable	Stable	ROAA (%)	15.82	13.07	38.38	26.74	18.53	13.46	23.53
	Issue Rating		A (Trk)	A-1 (Trk)	ROAE (%)	33.15	27.96	82.17	52.19	33.43	28.72	45.37
Sponsor Support			2	-	Equity/Total Assets (%)	47.51	49.89	46.60	46.89	57.41	53.09	43.32
Stand Alone			B	-	Net Working Capital/T. Assets (%)	-11.42	1.81	-4.26	-20.92	-5.77	-1.19	24.62
Sovereign*	Foreign Currency		BBB-	-	Debt Ratio (%)	52.49	50.11	53.40	53.11	42.59	46.91	56.68
	Local Currency		BBB-	-	Asset Growth Rate (%)	10.28	22.96	52.74	42.39	17.76	-42.54	4.84
	Outlook	FC	Stable	-								
		LC	Stable	-								

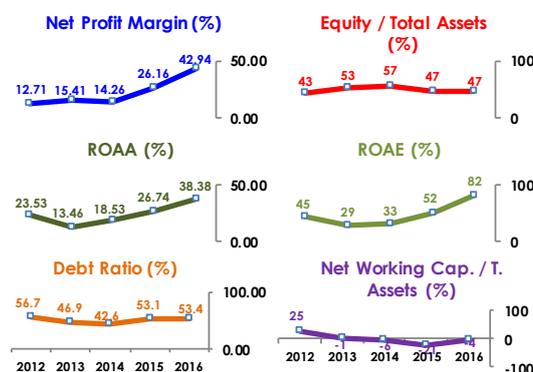
*Assigned by Japan Credit Rating Agency, JCR on Nov 10, 2017
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Overview

The origins of Yeşilirmak Elektrik Dağıtım A.Ş. (referred to as "YEDAŞ" or "the Company") date back to 2004 following the separation of Türkiye Elektrik Dağıtım A.Ş. (TEDAŞ) into 21 different distribution regions across Turkey within the scope of the privatization program adoption by the Privatization Administration. Following the completion of the privatization tender, Çalık Enerji became the qualified shareholder of the Company in December, 2010 and has been providing electricity distribution and retail sales services to nearly 2mn subscribers in the mid-Blacksea region including the provinces of Samsun, Çorum, Ordu, Amasya and Sinop.

Following the changes in EMRA regulations in 2013, the retail sales and distribution functions of YEDAŞ were separated from February, 2013 onwards and Yeşilirmak Elektrik Perakende Satış A.Ş. (YEPAŞ) was established with the aim of carrying out electricity retail sales services. YEDAŞ holds an EMRA issued distribution license that is valid until September, 2036 and is currently in the third regulatory phase of the electricity distribution sector which covers the years of FY2016-2020.

Çalık Elektrik Dağıtım A.Ş. (CEDAŞ) and ultimately Çalık Enerji Sanayi ve Ticaret A.Ş. (Çalık Enerji) is the qualified shareholder of YEDAŞ that has a paid-in capital of TRY 368mn as of the reporting date. Çalık Enerji was established in 1998 and operates principally in the Engineering, Procurement, Construction segment of the energy sector. Regionally headquartered in Samsun, YEDAŞ employed a workforce of 652 across its operations. (FYE2016:677)



Strengths

- Licensed monopoly status in the operating region contributing to cash flow visibility and stability in the given tariff period
- Robust operational volume growth over the examined period along with downward trend in the theft/loss ratio that is currently below the national average
- Supportive tariff methodology at the regulatory level across the electricity distribution sector ensuring sustainable returns
- High share of equity along with the low levels of financial leverage setting a suitable base for further expansion
- Significant levels of investment in technological infrastructure and R&D and compliance with quality standards
- Achievement of full liberalization in the distribution segment through completion of privatization tenders supported by IPOs and foreign investor interest

Constraints

- Despite improving trend throughout FY2016, contribution of sector-wide network maintenance requirements to the cost base that is integrated into EMRA revenue requirements
- Increase in financing expenses over the last 2 years stemming from interest expenses on related party payables
- Short-term weighted funding composition leading to negative net working capitals expected to be improved via planned bond issuance
- Sector wide utilization of high FX leverage mitigated by YEDAŞ via the local currency based re-financing of privatization loan in FY2017
- Ongoing global and domestic market volatility exerting upward pressure on borrowing costs
- Improvement needs in the level of compliance with Corporate Governance Practices in the medium and long-term

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