

Corporate Credit & Issue Rating

New Update

Sector: Energy

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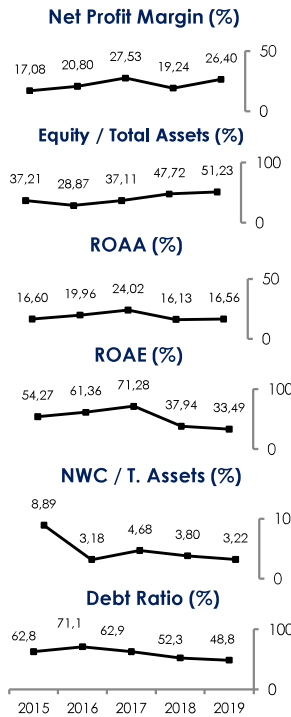
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RATINGS

		Long Term	Short Term	
International	Foreign Currency	BBB-	A-3	
	Local Currency	BBB-	A-3	
	Outlook	FC	Negative	Negative
		LC	Negative	Negative
Issue Rating	-	-		
National	Local Rating	A+ (Trk)	A-1 (Trk)	
	Outlook	Stable	Stable	
	Issue Rating	A+ (Trk)	A-1 (Trk)	
Sponsor Support	2	-	-	
Stand-Alone	AB	-	-	
Sovereign*	Foreign Currency	BB+	-	
	Local Currency	BB+	-	
	Outlook	FC	Negative	-
LC		Negative	-	

*Assigned by JCR on April 10, 2020



Çalık Enerji Sanayi ve Ticaret A.Ş.

JCR Eurasia Rating, in the periodic annual review, has evaluated “Çalık Enerji” and the “Cash Flows Relating to the Prospective Bond Issues” within an investment grade category and upgraded its credit rating to ‘A+ (Trk)’ from ‘A (Trk)’ on the Long Term National Scale with ‘Stable’ outlook. The Long Term International Local and Foreign Currency ratings have been determined as ‘BBB-’.

Çalık Enerji, since its establishment in 1987, is a Çalık Holding subsidiary which essentially continues operations under the main business lines of Engineering, Procurement and Construction (EPC), Independent Power Producer (IPP), and Utility (electric and gas distribution) across a wide area encompassing the Middle East, Central Asia, Africa, and the Balkans. The Strategic and Equity Partnership with Mitsubishi Corporation strengthened the shareholder structure in 2015. The Company entered the EPC business line in the early 2000s as the leading contractor for engineering, procurement, and construction (EPC) of gas fired power plants in Turkmenistan. During the Turkmenistan experience, the Company built an extensive know-how with completed projects. With this strong track record, the Company has been awarded with new EPC contracts in new markets which include Iraq, Uzbekistan, Libya, and Georgia. In the current situation, the Company successfully competes with global EPC companies. Çalık Enerji, with its investor side in Turkey, holds licenses of an energy generation portfolio consisting of hydro power plants, wind power plants, and solar power plants. Of the aforementioned licenses, the Adacami Hydroelectric Power Plant, equipped with a capacity of 30 MW, has generated power since 2013 and a 40 MW wind power plant Demircili located in Urla, a 32 MW wind power plant Sarpıncık located in Karaburun became operational as of 2016. As of September 2020, the total installed capacity of the company in the field of solar energy has reached 35 MW. In the Utility business, the Company serves a population of 5.3mn in Turkey and 1.8mn in Kosovo through YEDAŞ, ARAS and KEDS with high quality service.

Strengths

- Steady and robust core operating profitability supported with new EPC contracts and electricity sales and distribution revenues
- Reputable brand name with a proven track record in various countries with its position as a first-mover and market leader in the EPC Business
- High growth potential in the EPC business in target markets and established relationships and close ties with global brands, Original Equipment Manufacturers (OEMs)
- Operations in electricity generation and distribution apart from EPC projects creating revenue diversification and steady income generation
- High sectoral support encouraging the use of renewable energy
- Asset quality strengthened by reasonable collection risks
- Strategic and Equity Partnership with Mitsubishi Corporation

Constraints

- Ongoing uncertainties arising from the global Covid-19 pandemic, pressuring the global economic outlook
- Severe competition among EPC contractors in key markets, downwardly pressuring profit margins
- Abundant state support to Far Eastern rival contractors hardens the global competition environment for other EPC contractors
- Need for a separate and efficient risk management unit and risk committee in the Board of Directors
- Persistent political and economic stresses and insurgencies witnessed in neighboring regions restraining investment and business prospects and aggregating the riskiness of operations realized in the region

Considering the aforementioned points, the Company’s Long-Term National Rating has been upgraded to “A+ (Trk)”. On the other hand, probable changes on demand that might stem from developments in the global economy, and geopolitical risks, the trend of Company’s trade receivables’ risk and the profitability indicators are the major issues that will be kept under review in the upcoming period. No separate issue rating report has been prepared as the resources obtained via the debt issue will be carried in the Company’s balance sheet and issue rating analysis has been carried out in the credit rating report. The issue has no difference in comparison to the Company’s other liabilities with respect to legal status and collateralization structure as such the Company’s corporate credit ratings also reflect the issue rating.

In addition to JCR Eurasia Rating’s opinion that the major controlling entity, Çalık Holding, has the willingness and financial strength to supply long term liquidity or equity within its financial capability if required, taking into account the Company’s shareholding structure covering the Mitsubishi Corporation share, flagship positioning in the group, and the fact that the revenue generating activities of the Company and conditions related to these are determined by laws and regulatory authorities, the Sponsor Support note of Çalık Enerji has been assigned as (2) on JCR Eurasia Rating’s notation scale, denoting an adequate level.

On the other hand, we, as JCR Eurasia Rating, believe that Çalık Enerji has the sufficient experience and facilities to manage its obligations without any assistance from its shareholders taking into consideration the Company’s knowhow and long experience in domestic and overseas markets, the improved ability to create beneficial and collaborative international and local partnerships, current pipelined projects with relatively high cash and profit generation potential, asset size and quality, equity-debt level, diversification of revenues through projects in the field renewable energy, and experienced senior management team, provided that it maintains its efficiency in the market. Within this context, the Stand Alone note of Çalık Enerji has been determined as (AB) in the JCR Eurasia Rating notation system, indicating a strong level.