

Corporate Credit & Issue Rating

New Update

Sector: Fuel Distribution
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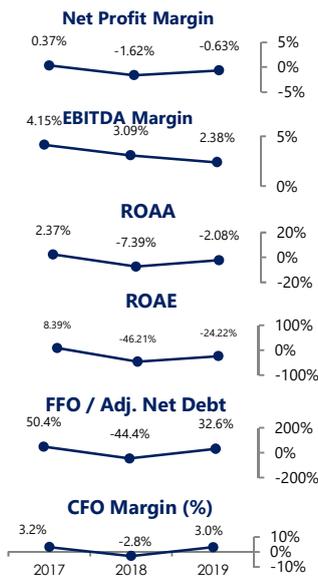
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RATINGS

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

*Assigned by JCR on April 10, 2020



TP Petrol Dağıtım A.Ş.

JCR Eurasia Rating has determined the Long Term National credit rating of **TP Petrol Dağıtım A.Ş.** ('TP Petrol' or 'the Company') in the investment-level category of **'BBB- (Trk)'** on the long-term national scale and **'A-3 (Trk)'** on the short-term national scale with **'Stable'** outlooks. International ratings of the Company are determined with respect to the global to local mapping methodology of JCR-ER and Term International Foreign and Local Currency Ratings and their Outlooks have been assigned at **'CCC/Negative'**

TP Petrol Dağıtım A.Ş.' (hereinafter referred to as 'TP Petrol' or 'the Company') was established in 1963, as a state-owned enterprise. Turkuaz Petrol, a fuel distribution company under Zülfikarlar Holding took over the management of Turkish Petroleum Distribution Corporation in April 2017.

TP Petrol's main activity is the sale of gasoline, diesel, kerosene, mineral oil and LPG through dealers. The Company manages its supply chain and stocks by its directly owned storage terminals in eight different locations which are Kırıkkale, İstanbul, Kocaeli, Antalya, Samsun, and Hatay.

The Company has a total of approximately 242,900 m3 diesel, 900 m3 gasoline storage capacity and 8 filling facilities. TP Petrol has approx. 700 contracted dealers operating as gas stations, ranking the Company as the 6th largest fuel distribution company in domestic fuel sales per Energy Market Regulatory Authority (EMRA) of Turkey.

Zülfikarlar Holding had been active in the fuel distribution sector with Turkuaz Petrol Ürünleri A.Ş., which was established in 1994. The Group acquired TP Petrol in 2017 and merged two companies under TP Petrol in 2019. Since the acquisition, TP Petrol has shown rapid growth in terms of widespread customer network, number of contracted dealers, industry experience and sales volume. As of FYE2019, TP Petrol has a market share of % 4.3 in the sector,

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

Strengths

- Improving sales performance and expansion plans despite headwinds
- Reasonable net debt to EBITDA metrics
- The development of the industry and its potential to grow constantly
- Decreasing level of informality in the sector thanks to the regulatory measures
- Increase in the Company's market share despite the tight competition

Constraints

- High leverage ratio due to low equity level relative to balance sheet size
- Shrinking profit margins (integrated margin) in the industry
- Strong competitive forces in the market due to the strong bargaining power of the dealers and its impacts on cost management
- High level of exposure to the exchange rate risk due to the financial liabilities and trade payables denominated in foreign currencies

Considering the aforementioned factors, Company's the Long Term National Rating has been assigned at **'BBB- (Trk)'**. The Company's revenue generation capacity, leverage level, liquidity profile, term structure of existing debt facilities and the Sector's dynamics are primary pillars of the rating. JCR-ER will monitor the global and domestic macroeconomic indicators, in particular with respect to the size and scope of the post-pandemic recovery and energy prices.

The owners of TP Petrol are Zülfikari Family, represented by conglomerate Zülfikarlar Holding. Considering the long-track record of the Group, existing capital structure, Sponsor Support Rating is assigned as **(2)**. As a major cash investment in Group's operations, TP Petrol's Stand-Alone rating has been determined as **(BC)** in the **JCR Eurasia Rating** notation system.