

Corporate Credit Rating

New Update

Sector: Liquid Petroleum Gas

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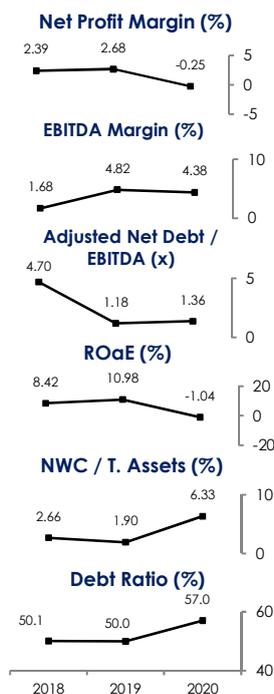
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RATINGS

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

*Assigned by JCR on May 31, 2021



Aygaz A.Ş.

JCR Eurasia Rating has evaluated consolidated financials of **Aygaz A.Ş. (Aygaz /Company)** in an investment-grade category and assigned the ratings as **“AA+ (Trk)”** on the Long-Term National Scale and as **“A-1+ (Trk)”** on the Short-Term National Scale with **“Stable”** outlooks. On the other hand, the Long Term International Foreign and Local Currency Ratings have been assigned as **“BB/ Stable”**.

Aygaz, founded in 1961 as Koç Group’s first company in the energy sector, operates in the LPG industry with activities including the procurement, storage, filling and sale of LPG, as well as production and sales of pressurized containers and LPG equipment. Aygaz is also engaged in maritime transportation of LPG through its own vessel fleet operating companies. Aygaz operates with six filling plants, seven distribution centers, five sea terminals and a pressurized container and accessory manufacturing plant at the company’s disposal. With total 178.4 thousand cubic meters, Aygaz has the largest LPG storage capacity in Turkey. The Company manufactures the products such as cylinders, valves, regulators, bulk gas and autogas station tanks at the Gebze Plant, which is spread on 52 thousand square meters of land and an enclosed area of 25 thousand square meters. Aygaz has distribution network consisting of nearly 2,300 cylinder gas dealers and over 1,700 autogas stations across Turkey at the end of 2020. In addition, Aygaz has the largest LPG truck fleet in Turkey with more than 300 tanker trucks, nearly 200 cylinder gas transportation trucks. The Company also operates in LPG trade by opening a branch office in London in 2019 with the aim of increasing trade volume with third parties in international markets, supporting its domestic operations. As of December 31, 2020, the consolidated asset size was approximately TRY 5,395mn, the turnover amounted to TRY 10,145mn. The Company had a work force of 1,326 people as of YE2020 (YE2019: 1,309). Aygaz shares have been traded on Borsa Istanbul since 1988 with ticker symbol “AYGAZ” and 24,27% of its shares have been quoted at Borsa Istanbul. The Company is included in the BIST Sustainability Index since 2018.

The Koç Group is Turkey’s largest industrial and services group in terms of revenues, exports, number of employees and market capitalization. Koç Group has leading brands in energy, automotive, consumer durables, finance sectors. Combined revenues of the Koç Group correspond to 6.4% of Turkey’s GDP and Group’s exports account for 6.7% of Turkey’s total exports. As of 31st of December 2020, Koç Holding and publicly traded companies of the Group at BIST 100 accounted for 19.4% of the total market capitalization of the companies listed on BIST 100.

Strengths

- Leading profile in LPG industry with its long-lasting presence in the sector and strong brands
- Cash flow generation capacity from operations in analyzed years
- Moderate financial leverage profile with low level of net financial debt compared to business volume
- Liquid asset level exceeding short-term financial liabilities and mainly long-term structure of financial debt easing liquidity management
- Distinguished position in the sector through having one of the few R&D centers in Turkey’s LPG sector and strong supply chain, sales & distribution network
- Growth potential with Bangladesh and Aykargo investment plans, both in the foreign LPG market and in other business fields that may create synergies with its existing domestic activities
- Being subsidiary of Koç Holding which is the Turkey’s leading diversified conglomerates
- High level of compliance regarding corporate governance implementations

Constraints

- Deterioration in revenue growth and profitability metrics in 2020 mainly due to pandemic effect and shares of investments’ losses valued by equity method
- Import dominance in product supply and fluctuations of the procured commodity prices
- Possibility of changes in legislation and regulatory environment creating uncertainty for the sector
- Covid-19 outbreak creating vagueness on global and local economic activity

Considering the aforementioned points, Aygaz’s Long-Term National Rating has been assigned as **‘AA+ (Trk)’**. The Company’s leading profile in the industries in which the Company operates and reputable brands, proven successful track record with high experience, cash generating capacity from operations, capability to access funding resources, and new product creation power with strong R&D along with ongoing uncertainties due to the Covid-19 pandemic have been evaluated as important indicators for **‘Stable’** outlooks of long and short-term national ratings. In the upcoming period, the Company’s sales and profitability performance, trend of financial indebtedness, asset quality, debt-equity ratio, FX position, local and global macroeconomic indicators during Covid-19 pandemic will be closely monitored by JCR Eurasia Rating.

JCR Eurasia Rating has maintained its opinion that Koç Holding, the parent Company of Aygaz, has the capacity to provide financial as well as effective operational support should such a need arise considering its proven track record and investments and operations in diverse sectors. Within this context, the Company’s Sponsor Support note has been assigned as **(1)**.

The Stand-Alone Grade has been constituted particularly with respect to Aygaz’s reputable brands with proven successful track record, leading market shares, cash generation capacity, significant level of exports in sales, competitive advantages provided by having strong R&D power and wide sales & distribution network, adequate liquidity profile, capability to access financing sources, experienced management team and know-how level. Within this context, the Stand Alone note of Aygaz has been determined as **(A)** in the JCR Eurasia Rating notation system.