

Corporate Credit Rating

New Update

Sector: Energy, Mining
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Analyst

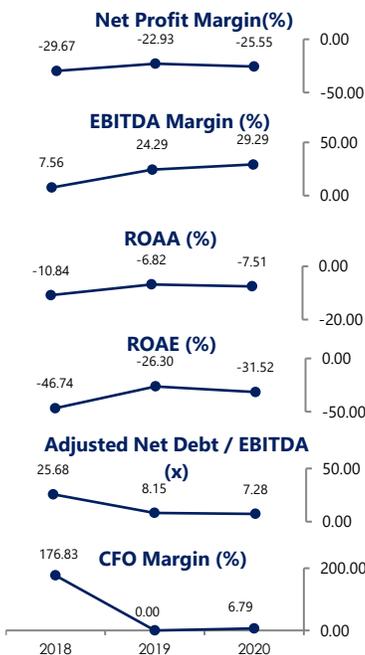
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RATINGS

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

*Assigned by JCR on May 31, 2021



Odaş Elektrik Üretim San. Tic. A.Ş. and Its Subsidiaries

JCR Eurasia Rating, has evaluated Odaş Elektrik Üretim San. Tic. A.Ş. (referred to as Odaş, the Company, or the Group) in investment-level category on the national scale and upgraded the ratings on the Long-Term National Scale from 'BBB- (Trk)' to 'BBB (Trk)' and affirmed the Short-Term National ratings as 'A-3 (Trk)' with 'Stable' outlooks.

Odaş Elektrik Üretim Sanayi Ticaret A.Ş. is a consolidated group operating in electricity generation, distribution and mining of minor and precious metals. The Company is founded in 2010, and embarked on various investments ranging from energy generation and mining projects. The Company was listed on Borsa Istanbul on May 21, 2013. Also, the Company's subsidiary Çan2 Termik A.Ş. was listed on Borsa Istanbul on April 30, 2021.

The Group's electricity generation arm consists of a diversified portfolio of base load coal fired power (CFPP) with a capacity of 340 MW in Çanakkale, a natural gas combined cycle (NGCC) facility investment plan in Uzbekistan with a capacity of 174MW, and a hydroelectric power plant (HEPP) with 8.2MW in Trabzon. The flagship operation is Çan-2 CFPP, which is operating nominally and producing the vast majority of revenue stream and EBITDA. Çan-2 CFPP investment started in 2014 and completed in 2018. Between June/2018 and April/2019 test productions were made and after test productions the working capacity has been increased to 75% gradually. Currently, the plant is operating with 75% capacity. Energy distribution business comprises sales to the energy exchange, bilateral contracts and to end consumers. Mining division consists of coal, gold, silver and antimony reserves with the latter ore being actively mined.

The NGCC plant in Şanlıurfa has recently loss operating profitability due to market conditions. Therefore, there is a relocation project to Uzbekistan to make the facility more profitable. As part of the project, the capacity of the plant will be increased from 140 MW to 174 MW. The facility is expected to begin its operations in January 2022.

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

Strengths

- Sizeable capital injections in 2021
- Long term contract enabling visibility of future revenues and additionally price incentive due to environmental permit and license
- High EBITDA generation capacity with the improving EBITDA margins
- Natural hedging opportunity derived from USD and USD indexed currency denominated contracts
- Low collection risks of electricity sales
- Strong structural support to domestic coal fueled power plants such as capacity-based subsidy mechanism
- Long term spread of borrowings
- Off-balance precious metal reserves and positive outlook for gold and antimony markets in the near term

Constraints

- Leveraged balance sheet particularly after adjusting for the revaluation gains reported in equity
- Low liquidity metrics and external financing requirements
- Debt metrics standing at high side
- Long term spread FX financed investments and currency depreciation weighing on the net income and leverage

Considering the aforementioned points, The Company's Long-Term National Rating has been upgraded to **BBB (Trk)**. EBITDA generation capacity, visibility of future revenues, asset quality, natural hedging opportunity and strong structural support to domestic coal fuelled power plants such as capacity-based subsidy mechanism have been evaluated as important indicators for the stability of the ratings and the outlooks for Long- and Short-Term National ratings are determined as 'Stable'. On the other hand, the Company's revenue and profitability performance, trend of trade receivables, risk impacts of the TRY's depreciation on activities and local and global macroeconomic indicators during Covid-19 pandemic will be closely monitored by JCR Eurasia Rating in upcoming periods. The macroeconomic indicators at national and international markets, as well as market conditions and legal framework about the sector will be monitored as well.

Sponsor support rating of the Company indicates the financial capacity and willingness of the shareholders to provide Odaş with operational and financial assistance if need be. In this sense in August/2021, the Company's paid in capital was increased to TRY 1.4bn from TRY 600mn with right issue method. In addition, in April/2021, 23.23% of the Company's subsidiary Çan2 Termik A.Ş.'s share was offered to the public and its paid in capital was increased to TRY 320mn with public offering revenues. In this sense, we consider the possibility of another funding round conservatively as we do not have conclusive information about the retail investors. On the other hand, expected support of the main shareholder of the Company, Özal Family with respect to willingness is deemed notable. In this context, the Sponsor Support Note is affirmed as (2).

The Company's Stand-Alone class demonstrates its financial strength to cover its commitments and obligations through internally generated funds without resorting to the help of shareholders. The capital structure of Company's Stand Alone Grade is determined as (B) accounting for the projected cash flows to be received from the energy and mining activities.