

Corporate Credit Rating

New Update

Sector: Energy

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Chief Analyst

Bora Pakyürek

+90 212 352 56 73

bora.pakyurek@jcrer.com.tr

Senior Analyst

Deniz Ustabas

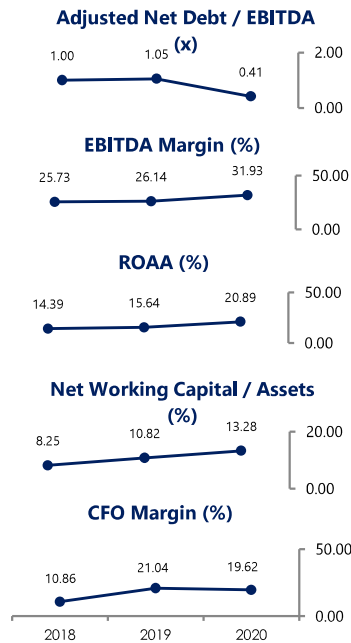
+90 212 352 56 73

deniz.ustabas@jcrer.com.tr

RATINGS

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

*Assigned by JCR on May 31, 2021



Çalık Enerji San. ve Tic. A.Ş. and its Subsidiaries

JCR Eurasia Rating, has evaluated **Çalık Enerji Sanayi ve Ticaret A.Ş.** in investment-level category on the national scale and upgraded the ratings on the Long-Term National Scale from **'A+ (Trk)'** to **'AA- (Trk)'** and the Short Term National Scale from **'A-1 (Trk)'** to **'A-1+ (Trk)'** with **'Stable'** outlooks. On the other hand, the Long Term International Foreign and Local Currency Ratings have been assigned as **'BB'** with **'Stable'** outlooks, capped with Turkey's sovereign rating.

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, Europe and the Balkans. Çalık Enerji has fourteen branches in these regions. The strategic and equity partnership with Mitsubishi Corporation strengthened the shareholder structure in 2015. 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. In the Utility business, the Group currently owns two electricity distribution and trade companies in Turkey and one in Kosovo. As of FYE2020, the Group had 28 subsidiaries and 6 joint ventures (FYE2019: 34 subsidiaries and 4 joint ventures). The Group employed a workforce of 2,135 as of December 31, 2020 (FYE2019: 2,157).

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

Strengths	Constraints
<ul style="list-style-type: none"> • EBITDA generation capability with satisfactory margins and resilient cash flow generation • Operations in electricity generation and distribution apart from EPC projects creating revenue diversification and steady income generation • Strong equity level promising further room for growth • High sectoral support encouraging the use of renewable energy • Solid know-how and track record in EPC businesses with reputable brand name and being in the ENR's top 250 ranking • Strategic and equity partnership with Mitsubishi Corporation 	<ul style="list-style-type: none"> • Severe competition among EPC contractors in key markets • Existence of challenging market conditions prevailing in the regions where the Company operates • Need for a separate and efficient risk management unit and risk committee in the Board of Directors • Covid-19 outbreak creating vagueness on global and local economic activity

Considering the aforementioned points, the Company's the Long-Term National Rating has been upgraded at **'AA- (Trk)'**. Considering the Company's capacity of internal equity generation, the competitive advantage obtained through its predictable cash flows, asset quality, competition and market efficiency in the inter/national market, EBITDA generation capacity and experience in the sector and past credentials as well as Covid-19 pandemic and geopolitical risks-driven uncertainties; the Company's outlook for Long and Short-Term National ratings has been determined as **'Stable'**. 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 priority issues to be followed by JCR Eurasia Rating in the upcoming period. The macroeconomic indicators at national and international markets, as well as market conditions and legal frame about the sector will be continued to be monitored.

The controlling shareholder, Çalık Holding A.Ş., is thought to possess the financial strength and willingness to provide long term liquidity and equity depending on the adequacy of their financial strength when required and to provide efficient operational support to Çalık Enerji. In this scope, the Sponsor Support Grade has been affirmed as **(2)** on JCR Eurasia Rating's notation scale.

Çalık Enerji's 'stand-alone rating' has been determined with regard to Company's know-how track record in domestic and overseas markets, the improved ability to create beneficial and collaborative partnerships, current projects, asset size and quality, equity-debt level, diversification of revenues and the trends of the existing risks in the markets and the business environment by taking its internal sources into account. Within this context, the Stand Alone Note of Çalık Enerji has been determined as **'A'**.