JCR Eurasia Rating

"JCR-ER, Group of Japan Credit Rating Agency, Ltd."

Petkim Petrokimya Holding A.Ş. and Its Subsidiaries

Corporate Credit Rating

☒New ☐Update

Sector: Petrochemical

Publishing Date: 26/10/2021

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JCR Eurasia Rating evaluated **"Petkim Petrokimya Holding A.Ş. and Its Subsidiaries"** (referred to as 'Petkim' or 'the Company') in the highest investment level category and assigned the Long-Term National Note at **'AAA (Trk)'** and the Short-Term National Note at **'A-1+ (Trk)'** with 'Stable' outlooks. The Long Term International Foreign and Local Currency ratings and outlooks were also assigned at **'BB/Stable'**.

With foundation dating back 1965, Petkim started its production activities in 1970 with 5 facilities in the Yarımca Complex. Following additional investments carried out in the Yarımca Complex, the Aliağa Complex was brought into operation in 1985. With the privatization in 2008, Petkim has joined SOCAR Group and as of report date 51% of the Company's share are owned by SOCAR Turkey Petrokimya A.Ş. which is ultimately controlled by SOCAR Turkey Enerji A.Ş. The rest of the Petkim's shares (49%) have been traded on Borsa İstanbul Index (BIST) since 1990 under ticker-name of "PETKM".

Currently with an annual average gross production capacity of 3.6 million tons and nearly 60 petrochemical products in its 15 main production facilities and 6 auxiliary facilities, Petkim provides inputs to a wide range of industries such as plastic, chemical, packaging, piping, paint, construction, agriculture, automotive, electricity, electronics and textiles as well as the pharmaceuticals, detergents and cosmetics sectors. In addition to its core operating field of petrochemical, the Company also engages in port operations and electricity generation from wind source. Petlim Limancılık Ticaret A.Ş. ("Petlim") which is located in Aliağa, İzmir has annual container handling capacity of the port is 1.5 million TEUs. Petkim WEPP commenced operations with an installed capacity of 51 MW in 2017. 38 MW of Petkim WEPP benefits from renewable energy resources supporting mechanism with determined price of 7.3 UScent/kWh until FY2027 and 0.48 UScent/kWh additional contribution until FY2022. As of June 30, 2021, the Company reached TRY 24.61bn in total asset size and TRY 9.72bn in equity in consolidated terms. The total number of employees in the Company was 2,351 (FYE2020: 2,448).

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

Strengths

- Noteworthy growth in profitability via petrochemical products spread
- Robust cash position covering short term financial debt effortlessly
- Sustainable financial leverage along with solid equity structure
- High capability for receivable collection through credit risk management practices
- Supportive main shareholder, strong synergy between group companies along with ensuring supply security via Star Refinery
- Over 50 years of experience in sector and successful track record
- High compliance with corporate governance practices owing to listed status

Constraints

- The volatility caused by the fact that the prices of petroleum products are determined in global markets reducing predictability
- Covid-19 outbreak still containing high uncertainty for the upcoming period, despite vaccination efforts which started all over the world

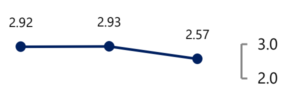
Considering the aforementioned points, the Company's the Long Term National Rating has been assigned at **'AAA (Trk)'**. The Company's profitability indicators, asset size, solid equity structure and robust cash position has been evaluated as important indicators for the stability of the ratings. In this regard, JCR Eurasia Rating has assigned a **'Stable'** outlook on the long and short term national ratings of Petkim. The Company's profitability performance, asset quality, equity structure and debt level together with the industry specific development are to be monitored by JCR Eurasia Rating in the upcoming period. The main shareholders of the Company are considered to have the willingness and experience to ensure long-term liquidity and equity when required and to provide efficient operational support to Petkim. In this regard, the Company's Sponsor Support Grade has been assigned at **(1)**, denoting high level of external support in JCR Eurasia Rating's notation system. Taking into account the Company's successful track record, many years experiences in petrochemical industry, sustainable indebtedness, asset quality, equity structure, risk management practices, Petkim own financial structure is determined as satisfactory to manage the risks it faces through internal means. In this context, the Stand-Alone grade of the Company has been assigned at **(A)** in the JCR Eurasia Rating notation system.

RATINGS

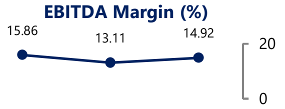
			Long Term	Short Term
National	Local Rating		AAA (Trk)	A-1+ (Trk)
National	Outlook		Stable	Stable
National	Issue Rating		-	-
International	Foreign Currency		BB	B
International	Local Currency		BB	B
International	Outlook	FC	Stable	Stable
International	Outlook	LC	Stable	Stable
Sponsor Support			1	-
Stand-Alone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

*Assigned by JCR on May 31, 2021

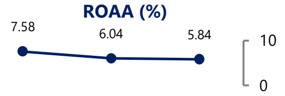
Adj. Net Debt / EBITDA (x)



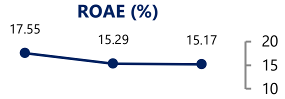
EBITDA Margin (%)



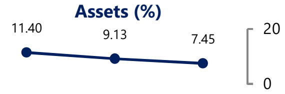
ROAA (%)



ROAE (%)



Net Working Capital / Assets (%)



CFO Margin (%)