

Structured Finance Rating

Asset Lease Certificates – Sukuk (Preliminary Report)

New Update

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Aktif Bank Sukuk Varlık Kiralama A.Ş. Lease Certificate Issue for KCETAŞ Electricity Distribution Investment Revenues

Type of Securities	Asset Lease Certificates - Sukuk
Asset Lease Company	Aktif Bank Sukuk Varlık Kiralama A.Ş.
Issuer	Aktif Bank Sukuk Varlık Kiralama A.Ş.
Originator	Kayseri ve Cıvan Türk Elektrik Dağıtım A.Ş. (KCETAŞ)
1 st Musharik	Kayseri ve Cıvan Elektrik Türk A.Ş. (KCETAŞ)
2 nd Musharik	Aktif Bank Sukuk Varlık Kiralama A.Ş.
Type of Sukuk	Sukuk al-Musharaka Contractual Partnership (Shirkat al-aqd)
Specific Applicable Laws	The CMB Communiqué "III-61.1 Kira Sertifikaları Tebliği" named "Lease Certificates" Electricity Market Law No.6446
Trustee	Aktif Bank Sukuk Varlık Kiralama A.Ş.
Listing	Merkezi Kayıt Kuruluşu A.Ş.
Investment Bank	Aktif Yatırım Bankası A.Ş.
Takaful	None
Underlying Revenues / Assets	Electricity Distribution Investment Revenues over Regulated Asset Base
Issue Principal Size	TRY 500 million (aggregated in 4 tranches)
Expected Rate of Return	Differing between 41.25% to 47.25% (Annual)
Payment Frequency – Principal	At maturity
Payment Frequency – Return	At maturity
Tenor (Year)/ Final Maturity	3, 6, 9 and 12 Months
Expected Offering Date	November 22, 2023

RATINGS

Aktif Bank Sukuk Varlık Kiralama A.Ş. TRY 500 million Lease Certificates		Long Term	Short Term	
International Local Currency		BB	-	
National Note		AAA (tr)	J1+ (tr)	
Sovereign *	Foreign Currency	BB	-	
	Local Currency	BB	-	
	Outlook	FC	Negative	-
		LC	Negative	-

*Assigned by JCR on Aug 18, 2022

OVERVIEW

"Aktif Bank Sukuk Varlık Kiralama A.Ş." (hereinafter referred to as "Asset Lease Company" or "2nd Musharik") was established on April 22, 2013, for an infinite term by Aktif Yatırım Bankası A.Ş. (Aktif Bank) (the latest rating action by JCR-ER on 19 June 2023, denoting AA+(tr) Stable outlook in the Long-Term National Scale) solely to issue asset lease sukuk certificates.

The lease certificates issuance has been based on Electricity Distribution Investment Revenues over the Regulated Asset Base owned by Kayseri ve Cıvan Türk Elektrik A.Ş. (KCETAŞ) through the Project (Subject of Partnership) of collection of electricity bills from individual consumers by incumbent supply company Kayseri Elektrik Perakende Satış A.Ş. (KEPSAŞ) and transfer of these amounts to the Originator, collection and monitoring of project revenues, and realization and management of electricity distribution investments within the framework of the investment program approved by EPDK (EMRA-Energy Market Regulatory Authority).

Within a framework of a contractual partnership based on a Sukuk al-Musharaka structure, KCETAŞ is the Originator and the 1st Musharik. Aktif Bank Sukuk Varlık Kiralama A.Ş. is the Issuer, Trustee and the 2nd Musharik. The Project Revenues have already been accrued and construction of the assets regarding the revenues has already been completed within the relevant applicable law.

The lease certificates to be issued will be offered to qualified investors.

Strengths	Constraints
<ul style="list-style-type: none"> Regulated Asset Base constituting the baseline for the Project Revenues already having been completed & owned by the Originator, Cash inflows secured to a great extent through EMRA approval for the investment and CPI-linked revenues and homogeneous & multitudinous profile of individual invoice payers, Existence of an assignment agreement to establish rights for the ALC to predetermined parts of revenues flowing to KCETAŞ, Surplus OC over-committed one, Originator, with regard to the performance of 1st Musharik title, possessing necessary expertise, sufficient know-how and management skills to manage the project revenues with a high collection capacity of invoices supported by the vitality of electricity usage, ALC, with regard to the performance of its 2nd Musharik title, possessing a structure and experience to act in the favor of the investors, Well track record and redemption performance of the previous issuances of ALC. 	<ul style="list-style-type: none"> Recourse facility only limited to the assets of the Fund and not to cover any other obligors, Project revenues partially exposed to market risk, Narrow scope and diversity of default events.