

Corporate Credit Rating

New Update

Sector: Solar Panel Production

Publishing Date: 11/08/2023

Manager

Fatih Lap

+90 212 352 56 73

fatih.lap@jcrer.com.tr

Senior Analyst

Nazim Candan

+90 212 352 56 73

nazim.candan@jcrer.com.tr

| RATINGS | | Long Term | Short Term |
|--------------------------------------|-------------------------------|---------------|------------|
| ICRs (Issuer Credit Rating Profile) | National ICR | AA (tr) | J1+ (tr) |
| | National ICR Outlooks | Stable | Stable |
| | International FC ICR | BB | - |
| | International FC ICR Outlooks | Negative | - |
| | International LC ICR | BB | - |
| | International LC ICR Outlooks | Negative | - |
| ISRs (Issue Specific Rating Profile) | National ISR | - | - |
| | International FC ISR | - | - |
| | International LC ISR | - | - |
| Sovereign* | Foreign Currency | BB (Negative) | - |
| | Local Currency | BB (Negative) | - |

* Assigned by JCR on August 18, 2022

Alfa Solar Enerji Sanayi ve Ticaret A.Ş.

JCR Eurasia Rating has evaluated **Alfa Solar Enerji Sanayi ve Ticaret A.Ş.** in the investment level category and affirmed the Long-Term National Issuer Credit as '**AA (tr)**' and the Short-Term National Issuer Credit Rating as '**J1+ (tr)**' with '**Stable**' outlooks. On the other hand, the Long Term International Foreign and Local Currency Issuer Credit Ratings and outlooks were assigned as '**BB/Negative**' in line with the sovereign ratings and outlooks of the Republic of Türkiye.

Alfa Solar Enerji Sanayi ve Ticaret A.Ş. (hereinafter referred to as "Alfa Solar Enerji" or "the Company") was founded in 2011 as a manufacturer of photovoltaic (PV) panels that can generate electricity from solar energy. The Company is headquartered in Ankara and the production facility of the Company is located in Kırıkkale Industrial Zone includes high-tech robotic production lines with 1,290MW/year module production capacity as of reporting date.

The Company made its public offering in November 2022 and the shares are traded on Istanbul Stock Exchange under the symbol "ALFAS". The main shareholder of the Company is Alfa Kazan Enerji ve Çevre Yatırımları A.Ş. with a share of 80%, the remaining share publicly traded as of reporting date. The number of personnel of the Company is 746 as of 2Q2023 (FYE2022: 356).

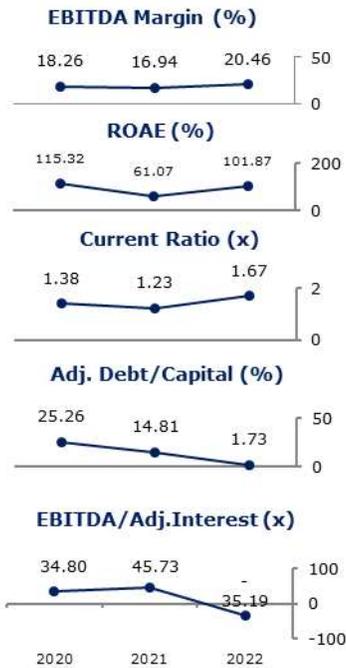
Key rating drivers, as strengths and constraints, are provided below.

Strengths

- Steady improvement in EBITDA generation capacity through new production facility investments and satisfactory utilization rate during the review period
- Mainly foreign currency denominated revenue stream providing a natural hedging mechanism for FX risk to a certain extent
- Strong liquidity indicators supported by favorable cash cycle and steady improvement in cash generation metrics
- Cash surplus position and strong leverage ratios
- Sustained a satisfactory level of debt ratio although a high level of increase in capital expenditure and dividend payments during the review period
- Collection of trade receivables in advance provides a mitigated credit risk exposure to a certain extent
- Increasing global demand for solar powerplants within the context of trend towards sustainable and clean energy

Constraints

- Possible fluctuations in production costs may exert pressure on profitability margins
- Regular dividend payments may put pressure on cash flow management
- Global economic growth slows down evidenced by commodity prices and trade figures on the back of rapid monetary tightening, whereas domestic restrictive financial conditions limit access to finance



Considering the aforementioned points, the Company's Long-Term National Issuer Credit Ratings has been affirmed as '**AA (tr)**'. The Company's EBITDA generation performance, indebtedness level, liquidity and leverage metrics, level of foreign currency risk exposure and global interest rate hiking cycle have been evaluated as important indicators for the stability of the ratings, and outlooks for Long and Short-Term National Issuer Credit Ratings are affirmed as '**Stable**'. The Company's profitability performance, borrowing structure, equity level, and liquidity level 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.