

Corporate Credit Rating

New Update

Sector: Solar Panel Production
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Team Leader

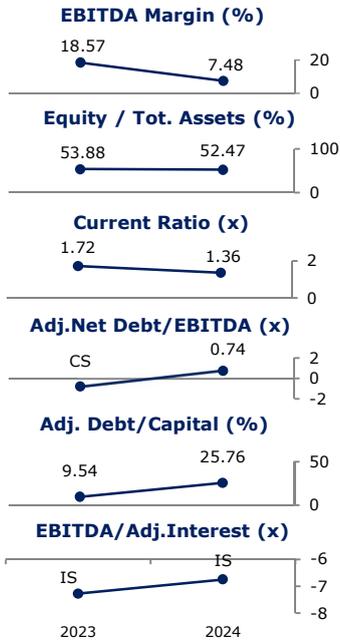
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| RATINGS | | Long Term | Short Term |
|--------------------------------------|-------------------------------|-------------|------------|
| ICRs (Issuer Credit Rating Profile) | National ICR | A+ (tr) | J1 (tr) |
| | National ICR Outlooks | Stable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

* Assigned by JCR on May 10, 2024



IS: Interest Surplus
CS: Cash Surplus

ALFA SOLAR ENERJİ SANAYİ VE TİCARET ANONİM ŞİRKETİ

JCR Eurasia Rating, has evaluated 'Alfa Solar Enerji Sanayi ve Ticaret A.Ş.' in the investment grade category with high credit quality and revised the Long-Term National Issuer Credit Rating from 'AA (tr)' to 'A+ (tr)' and the Short-Term National Issuer Credit Rating from 'J1+ (tr)' to 'J1 (tr)' with 'Stable' outlooks. On the other hand, the Long Term International Foreign, Local Currency Issuer Credit Ratings, and outlooks have been affirmed as 'BB/Stable' according to JCR-ER's national-global mapping methodology, as parallel to international ratings and outlooks of the Republic of Türkiye.

Alfa Solar Enerji Sanayi ve Ticaret A.Ş. (hereinafter referred to as 'the Company', 'the Group' or 'Alfa Solar') was established with the current company title in Ankara on October 21, 2011. The Company's main operating field is both production and sales of photovoltaic (PV) panels (half-cut, half-cut black, bifacial, TOPCon), excluding EPC services. Alfa Solar has two manufacturing facilities which are located in Kırıkkale Industrial Zone with closed area of 40,000m² in total and equipped with high-tech robotic production lines. With the completion of capacity increase and renovation of production line in its one of the production facilities, total production capacity reached to 1,980 MWp/year as of rating report date. Besides, Alfa Solar has started to expand its operating area regarding energy production since 2023 by acquiring various firms and establishing solar power plants in Türkiye as well as Greece and Romania within the scope of 1GW renewable energy installed capacity goal. In addition, the Company and 'Zorlu Holding A.Ş.' established a joint venture company called 'Zorlu Alfa Solar Hücre Üretimi A.Ş.' in order to build a domestic PV solar panel cell production facility (an integrated production structure from ingot slicing to wafer and cell production) assessed positively by Republic of Türkiye Ministry of Industry and Technology within the scope of high tech investment programme ('HİT-30', in Turkish). Estimated investment cost is around USD 400mn, and the investment process is still in the evaluation and feasibility stage.

The Company's paid in capital as of the rating report date is TRY 368mn, registered headquarter is located in Çankaya/Ankara as of the rating report date. The Company's shares have been publicly traded on BIST since November, 2022 with the ticker name 'ALFAS'. The Company's 77.00% of shares are controlled by 'Alfa Kazan Enerji ve Çevre Yatırımları A.Ş.' and the rest are publicly traded as of 1Q2025.

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

Strengths

- Strong equity level mainly supported by retained earnings compared to asset size in the analyzed periods
- Net interest receiver position from financing activities over the reviewed periods
- Relatively manageable leverage profile despite loss of net cash surplus position as of 1Q2025
- Natural hedge mechanism provided by FX denominated sales to some extent, despite short FX position over the reviewed periods
- Advance receiving capability enhancing trade receivables quality and cash conversion cycle
- Tendency towards clean energy sources supports the industry
- Compliance with the corporate governance practices as a publicly listed company

Constraints

- Decline in revenue, despite increasing sales volume in FY2024
- Deterioration in EBITDA generation capability and other profitability figures due to contracted gross profit margin in FY2024, despite slight recovery in 1Q2025 results
- Changes in raw material prices and possible anti-dumping measures on photovoltaic panel semi-finished products along with the domestic competitive environment, may put pressure on profit margins
- Regular dividend payments together with both ongoing and upcoming investments, may put pressure on cash flow figures and leverage metrics
- As actions for a global soft landing gain prominence, decisions with the potential to adversely affect global trade are engendering considerable uncertainty

Considering the aforementioned points, the Company's Long-Term National Issuer Credit Rating has been revised from 'AA (tr)' to 'A+ (tr)'. The Company's strong equity level compared to asset size, net interest receiver position, relatively manageable leverage metrics despite deteriorated cash surplus position, natural hedge mechanism through FX denominated sales, low level of doubtful trade receivables, satisfactory cash conversion cycle have been evaluated as important indicators for the stability of the ratings and the outlooks for Long and Short-Term National Issuer Credit Ratings are determined as 'Stable'. The Company's revenue trend, capacity utilization rates, profitability metrics, leverage profile, cash flow metrics, impact of planned solar cell investment plan to both financials and operations, potential import regulations of solar panel products, and incentive terms for solar power plant investments in domestic market 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.