

Corporate Credit Rating

New Update

Sector: Liquid Petroleum Gas
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Team Leader

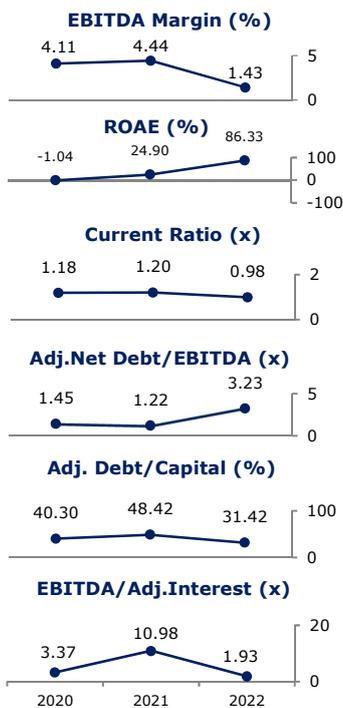
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RATINGS		Long Term	Short Term
ICRs (Issuer Credit Rating Profile)	National ICR	AA (tr)	J1+ (tr)
	National ICR Outlooks	Stable	Stable
	International FC ICR	BB	-
	International FC ICR Outlooks	Negative	-
	International LC ICR	BB	-
ISRs (Issue Specific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

* Assigned by JCR on Aug 18, 2022



Aygaz A.Ş.

JCR Eurasia Rating has evaluated "Aygaz A.Ş." (Aygaz/the Company) in the investment level category with very high credit quality and revised the Long-Term National Issuer Credit Rating from 'AA+ (tr)' to 'AA (tr)' and affirmed the Short-Term National Issuer Credit Rating at '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' as parallel to international ratings and outlooks of Republic of Türkiye.

Aygaz, founded in 1961 as Koç Group's first company in the energy sector, operates in the LPG industry with activities including the procurement, storage, filling and sale of LPG, as well as production and sales of pressurized containers and LPG equipment. Aygaz is also engaged in maritime transportation of LPG through its own vessel fleet operating companies. Aygaz operates with five filling plants, five distribution centers, five sea terminals and a pressurized container and accessory manufacturing plant at the Company's disposal. The Company manufactures the products such as cylinders, valves, regulators, bulk gas and autogas station tanks at the Gebze Plant. Aygaz has distribution network consisting of nearly 2,198 cylinder gas dealers and over 1,830 autogas stations across Türkiye at the end of 2022. Aygaz shares have been traded on Borsa Istanbul since 1988 with ticker symbol "AYGAZ" and 24,27% of its shares have been quoted at Borsa Istanbul. The Company is included in the BIST Corporate Governance and Sustainability Index.

The Koç Group is Türkiye's largest industrial and services group in terms of revenues, exports, number of employees and market capitalization. Koç Group has leading brands in energy, automotive, consumer durables, finance sectors. Combined revenues of the Koç Group correspond to ~9% of Türkiye's GDP and Group's exports account for ~7% of Türkiye's total exports. As of 31st of December 2022, Koç Holding and publicly traded companies of the Group at BIST 100 accounted for ~19% of the total market capitalization of the companies listed on BIST 100.

Strengths

- Sales volume growth in FY2022 despite the contraction of cylinder sales in line with the sector and favourable sales volume in 1Q2023
- Decreasing net financial debt level as of 1Q2023 with received dividends and cash flow from operations
- Liquid asset level exceeding short-term financial liabilities as of 1Q2023, easing liquidity management in a certain extent
- Competitive advantages provided through having one of the few R&D centers in Türkiye's LPG sector and strong supply chain, sales & distribution network
- Leading profile in LPG industry with dominant market share in the sector and strong brand recognition through long lasting presence
- High level of compliance regarding corporate governance implementations
- Being a subsidiary of one of the Türkiye's leading investment holding companies; Koç Holding

Constraints

- Contraction in operational profit margins in FY2022 and negative effect of Sendeo investment's ramp up period on the profitability
- Notable increase in financial leverage as of FYE2022 accompanied by increasing share of short-term financial debt
- Considerable tightening of Turkish cylinder market in 2022
- Import dominance in commodity supply and fluctuation of commodity prices
- Depreciation of TRY against USD may put a strain on domestic demand
- Global economic growth slows down on the back of rapid monetary tightening

Considering the aforementioned points, the Company's the Long-Term National Issuer Credit Rating has been revised from 'AA+ (tr)' to 'AA (tr)'. Leading profile of the Company in LPG sector, proven successful track record with high experience, considerable liquid asset level and capability to access funding resources as well as geopolitical risks-driven uncertainties and global interest rate hiking 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 sales and profitability performance, cash flow generation capacity, trend of financial indebtedness, asset and equity growth, inventory level, FX position, regulation's effect on the performance, asset quality will be closely monitored by JCR Eurasia Rating in the upcoming periods.