

Corporate Credit Rating

New Update

Sector: Fuel Distribution

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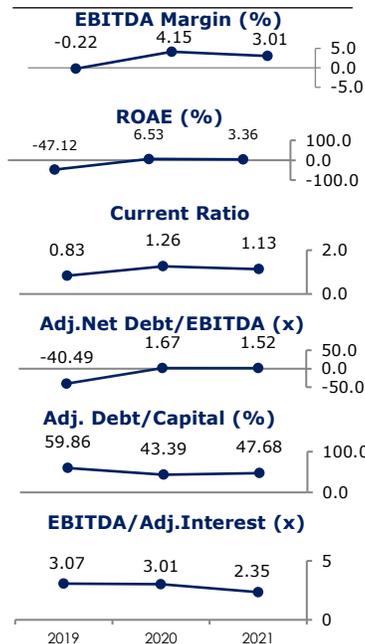
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RATINGS

RATINGS		Long Term	Short Term
ICRs (Issuer Credit Rating Profile)	National ICR	A- (tr)	J2 (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 LC ICR Outlooks	Negative	-
	National ISR	-	-
	International FC ISR	-	-
Sovereign*	International LC ISR	-	-
	Foreign Currency	BB (Negative)	-
	Local Currency	BB (Negative)	-

* Assigned by JCR on Aug 18 2022



BALPET PETROL ÜRÜNLERİ TAŞ. SAN. ve TİC. A.Ş.

JCR Eurasia Rating, has evaluated the "Balpet Petrol Ürünleri Taşımacılık Sanayi ve Ticaret A.Ş." in the high investment-level category and assigned the Long-Term National Issuer Credit Rating at 'A- (tr)' and the Short-Term National Issuer Credit Rating at 'J2 (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 Turkey.

Balpet Petrol Ürünleri Taşımacılık Sanayi ve Ticaret A.Ş. was established (hereinafter referred to as "Balpet" or "the Company") in 2003 so as to storage, supply, distribution and sell services of petroleum products. The Company carries out these activities at its facility in Mersin which has 154,679 m³ capacity and marine connected with 10, 12 and 14 inch pipelines. In addition, the Company operates in the sell and distribution of mineral oil under "BPET" brand in Kütahya facility and delivers fuel with reduced Special Consumption Tax(SCT) to ships carrying cargo and passengers, commercial yachts, service and fishing vessels. The Company's main products are diesel, fuel oils, LPG, mineral oil, industrial oil and other lubricant.

The Company's head office is located in Istanbul. Liaison offices were established in Mersin, İzmir, Antalya, Marmara Ereğlisi, Giresun, Samsun and Muğla for delivers fuel with reduced SCT. The Company's the number of fuel stations and gas station dealers is 315 and 194, respectively, ranking the Company as the 14th largest fuel distribution company in domestic fuel sales per Energy Market Regulatory Authority (EMRA) of Türkiye in 2021.

As of FYE2021, the shareholders of the Company were Mr. M. Emin Balkan with 45.20%, Mr. Mehmet Selahattin Balkan with 29.80% and Mr. M. Siddik Balkan with 25.00%. The staff force of the Company was 119 at FYE2021. (FYE2020:82)

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

Strengths

- Continuous increase in revenue in the pre-Covid-19 pandemic period and partial recovery in FY2021 and 1H2022,
- Positive net working capital easing liquidity management in last two years.
- Low level of net debt in comparison to EBITDA since FY2020,
- Relatively inelastic demand ensures a natural shield for the Company,
- Experience in the fuel distribution sector dating back to 2003,

Constraints

- Financing expenses mainly stemming from FX Losses pressuring on bottom line results,
- Limited profit margins in the industry,
- Deterioration in cash flow metrics in FY2021,
- Limited market share in the industry,
- Improvement needs in compliance level with corporate governance,
- Growing uncertainties along with geopolitical tensions.

Considering the aforementioned points, the Company's the Long-Term National Issuer Credit Rating has been assigned as 'A- (tr)'. The Company's revenue generation capacity, positive net working capital, capital adequacy, limited profit margins in line with the sector, ongoing uncertainties arising from geopolitical tensions and the 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 financial structure, sales and profitability performance, continuity of EBITDA generation capacity, adequacy of liquidity and growing uncertainties along with geopolitical tension 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.