

### **Corporate Credit Rating**

□ New ⊠Update

Sector: Energy

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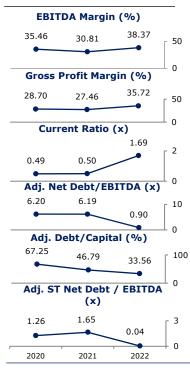
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RATINGS		Long Term	Short Term
ICRs (Issuer Credit Rating Profile)	National ICR	BBB+ (tr)	J2 (tr)
	National ICR Outlooks	Stable	Stable
	International FC ICR	BB	-
	International FC ICR Outlooks	Negative	-
	International LC ICR	ВВ	-
	International LC 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			



## ÇAN2 TERMİK A.Ş.

JCR Eurasia Rating, has evaluated "Çan2 Termik A.Ş." (referred to as "the Company" or "Çan2 Termik") in the investment-level category and upgraded the Long-Term National Issuer Credit Rating from 'BBB (tr)' to 'BBB+ (tr)' and assigned 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 Türkiye.

Founded in 2003, Çan2 Termik is engaged in the electricity generation activities with Çan2 Coal Fired Power Plant ("CFPP") which is located in Çanakkale-Çan. The Company's power plant with 340MW installed capacity uses locally sourced fuel. The power plant investment was made as a relocation of another facility located in Austria and total investment cost was circa EUR 260mn. Power plant investment started in 2014 and completed in 2018. Between August/2018 and March/2019 test generations were made and since April/2019 power plant has started to main generation. Throughout 2022, the power plant was operating at a capacity utilization rate (CUR) of 80%, while in 2021 of 69%.

92% of the Company's shares were purchased by Odaş Group in 2013 and the remaining was purchased 8% in 2020. The Company was listed on Borsa Istanbul on April 30, 2021. In 2023, the paid in capital of the Company was increased to TRY 800mn via bonus issue from the net profit of FY2022.

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

#### **Strengths**

# Improvement in leverage indicators • Repthanks to high EBITDA generation in the

 Remarkable liquidity metrics owing to long-term weighted borrowing structure

2022

- Increased energy generation that contributes to operational performance
- Low collection risks due to nature of energy sector
- Structural support to domestic coal fuelled power plants via capacitybased subsidy mechanism
- High level of compliance with the corporate governance practices as a publicly listed company

#### Constraints

- Repression of the profitability due to the maximum settlement price application, started in 2022 and still continues
- The suppression of liquidity and leverage metrics due to the cash outflow within the scope of Energy Market Regulatory Authority ("EMRA") decision regarding the maximum settlement price application
- Pressure of ESG factors on coal power plants
- 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 the Long-Term National Rating has been upgraded from **`BBB (tr)'** to **'BBB+ (tr)'**. The Company's improvement in leverage indicators, EBITDA generation capacity and high collection ability have been evaluated as important indicators for the stability of the ratings and the outlooks for long- and short-term national ratings are determined as **`Stable'**. Sustainability of the Company's profitability performance, changes in market share and equity level together with the trends in financing opportunity and energy sectors are going to be monitored by JCR Eurasia Rating, as well as the macroeconomic indicators at national and international markets and legal frame about the sector.