

Corporate Credit Rating

☐ New ☒ Update

Sector: Regulated Utilities & Energy Supply

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Team Leader

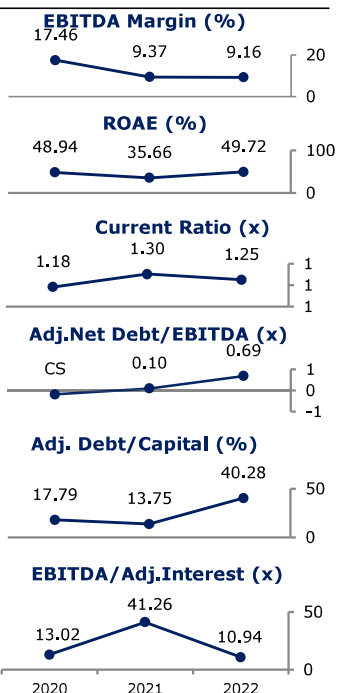
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RATINGS		Long Term	Short Term
ICRs (Issuer Credit Rating Profile)	National ICR	AA- (tr)	J1+ (tr)
	National ICR Outlooks	Stable	Stable
	International FC ICR	BB	-
	International FC ICR Outlooks	Negative	-
	International LC ICR	BB	-
ISRs (Issue Specific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

*Assigned by JCR on Aug 18, 2022



Doğu Aras Enerji Yatırımları A.Ş.

JCR Eurasia Rating, has evaluated "Doğu Aras Enerji Yatırımları A.Ş." in the investment level category with very high credit quality and affirmed the Long-Term National Issuer Credit Rating at 'AA- (tr)' and 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 have been assigned as 'BB/Negative' as parallel to international ratings and outlooks of Republic of Türkiye.

Doğu Aras Enerji Yatırımları A.Ş. (hereinafter referred to as "Doğu Aras" or "the Company") was established on 16 May 2013 by Çalık Enerji and Kiler Groups as a special purpose company for the acquisition of the privatized shares of Aras Elektrik Dağıtım A.Ş. and Aras Elektrik Perakende Satış A.Ş. The tender process for the privatization resulted with a cost of USD 128.5m. The share transfer agreement was signed with the Administration on June 28, 2013. While Aras EDAŞ has the right to distribute electricity till September 01, 2036 within the provinces of Ağrı, Ardahan, Bayburt, Erzincan, Erzurum, Iğdır and Kars, Aras EPSAŞ, as an incumbent supplier, has the right to provide retail electricity to regulated consumers with same region and license expiry date. Aras EPSAŞ's license covers also electricity sales to eligible customers in any region of Turkey via bilateral agreements.

The shares of Doğu Aras have been publicly traded on Borsa İstanbul since November 11, 2021. The ownership breakdown of Doğu Aras is 40% Çalık Enerji ve Tic. A.Ş., 40% Kiler Holding A.Ş. and 20% publicly held. 2.5% of publicly traded shares are owned by Çalık Enerji as of July 2023. In 2022, Doğu Aras provided electricity distribution and retail sales services to 1,129,277 subscribers. The headquarter of the Company is located in Erzurum. Doğu Aras employed a workforce of 844 as of March 31, 2023.

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

Strengths

- Secured business profile with a long-term electricity distribution and retail licenses supporting EBITDA generation capacity despite decreasing margins,
- Practices of sectoral authority that encourage the infrastructural investments of distribution companies and support revenue and profit generation capacities of retail electricity sale companies,
- Outperforming theft/loss ratio target set by EMRA,
- Improvement in liquidity position in 1Q2023 through generating positive CFO,
- Adequate equity ratio supported by net profit generation capability despite a decline in FY2022 due to rapid asset growth,
- High level of compliance regarding corporate governance implementations,
- Proven track record and experience of ultimate parents.

Constraints

- Increase in indebtedness owing to financial debts used for the ongoing extensive investment plan,
- High dependence on changes in regulations, agreements and policies that may suppress visibility.

Considering the aforementioned points, the Company's the Long-Term National Issuer Credit Rating has been affirmed at 'AA- (tr)'. The Company's reputable shareholder structure and group synergy, regulated income stream, sustainable EBITDA generation capacity and steady progress in the sales volume as well as the dependence on regulations and macroeconomic risks-driven uncertainties 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 and profitability performance, cash flow generations, liquidity and financial leverage 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.