

## Corporate Credit Rating

New  Update

**Sector:** Regulated Utilities & Energy Supply

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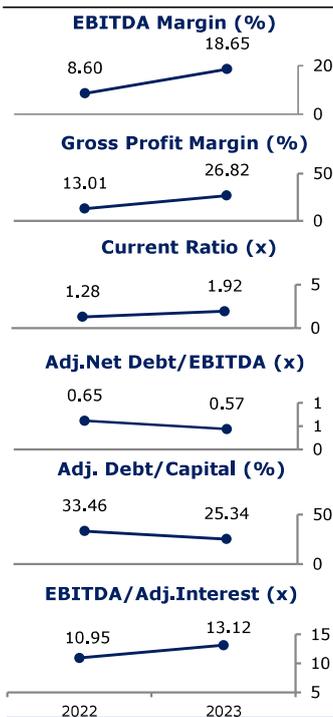
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RATINGS		Long Term	Short Term
ICRs (Issuer Credit Rating Profile)	National ICR	AA-(tr)	J1+(tr)
	National ICR Outlooks	Stable	Stable
	International FC ICR	BB	-
	International FC ICR Outlooks	Stable	-
	International LC ICR	BB	-
ISRs (Issue Specific Rating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

\*Assigned by JCR on May 10, 2024



## Doğu Aras Enerji Yatırımları A.Ş.

JCR Eurasia Rating, has evaluated "Doğu Aras Enerji Yatırımları A.Ş." in the investment grade 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/Stable' as parallel to international ratings and outlooks of Republic of Türkiye.

**Doğu Aras Enerji Yatırımları A.Ş.** (hereinafter referred to as "Doğu Aras", "the Company" or "the Group") was established on 16 May 2013 by Çalık Enerji and Kiler Group 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 Türkiye 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. The headquarter of the Company is located in Erzurum. Doğu Aras employed a workforce of 98 as of March 31, 2024.

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

### Strengths

- Enhancement in profitability margins in 2023, mainly thanks to the performance of regulated distribution activities,
- Maintaining a reasonable level of financial leverage profile supported by an adequate EBITDA generation,
- Solid business profile backed by the Group's long-term electricity distribution and supply licenses,
- Achieving consistent performance with the theft/loss ratio target set by EMRA,
- Improvement in equity level in the analyzed years resulting from internal sources,
- Practices of sectoral authority that encourage the infrastructural investments of distribution companies and support revenue and profit generation capacities of retail electricity sale companies,
- High level of compliance with corporate governance implementations,
- Operational strength and extensive experience of the ultimate parent companies.

### Constraints

- Negative FFO and CFO metrics entail the need for external financing,
- Leading economic indicators signal global economic slowdown whereas quantitative tightening actions aim to restrict consumption growth and achieve a soft-landing in the domestic side.

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, satisfactory equity level, sustainable EBITDA generation capacity and adequate financial leverage profile as well as high dependency on changes in 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.