

Corporate Credit Rating

☒ New ☐ Update

Sector: Regulated Utilities & Energy Supply

Publishing Date: 27/07/2022

Chief Analyst

Bora Pakyürek

+90 212 352 56 73

bora.pakyurek@jcrer.com.tr

Team Leader

Deniz Ustabas

+90 212 352 56 73

deniz.ustabas@jcrer.com.tr

Analyst

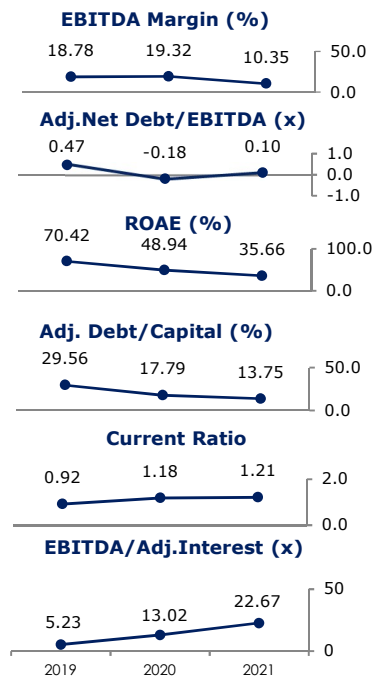
Elif Kirlangıç Keçeli

+90 212 352 56 73

elif.keceli@jcrer.com.tr

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	J3
	International FC ICR Outlooks	Stable	Stable
	International LC ICR	BB	J3
ISRs (Issue Specific Rating Profile)	International LC ICR Outlooks	Stable	Stable
	National ISR	-	-
	International FC ISR	-	-
Sovereign*	International LC ISR	-	-
	Foreign Currency	BB (Stable)	-
	Local Currency	BB (Stable)	-

* Assigned by JCR on May 31, 2021



Doğu Aras Enerji Yatırımları Anonim Şirketi

JCR Eurasia Rating, has evaluated "Doğu Aras Enerji Yatırımları A.Ş." in the high investment-level category and assigned 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' according to JCR-ER's national-global mapping methodology.

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. (Aras EDAŞ) and Aras Elektrik Perakende Satış A.Ş. (Aras EPSAŞ). 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. (Çalık Enerji), 40% Kiler Holding A.Ş. (Kiler Holding) and 20% publicly held.

In 2021, Doğu Aras provided electricity distribution and retail sales services to 1.095.704 subscribers. The headquarter of the Company is located in Erzurum. Doğu Aras employed a workforce of 716 as of March 31, 2022.

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

Strengths

- Secured business profile with a long-term electricity distribution and retail sales licenses,
- Low level of financial leverage,
- Outperforming theft/loss ratio target set by EMRA,
- 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 the corporate governance implementations due to the listed status,
- Proven track record and experience of ultimate parents

Constraints

- Increasing external financing need for the extensive investment plan in 2022,
- High dependence on changes in regulations, agreements and policies that may suppress visibility

Considering the aforementioned points together with such additional support factors as resilience to exchange rate fluctuations and ability to obtain additional funding resources, the Company's the Long-Term National Issuer Credit Rating has been assigned at 'AA-(tr)'. The Company's reputable shareholder structure and group synergy, regulated income stream, sustainable EBITDA generation capacity, steady progress in the sales volume and experienced senior management 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 indebtedness volume, sales growth, profitability and liquidity indicators 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.