

Corporate Credit Rating

New Update

Sector: Electricity Generation

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Analyst

Muhammed Recep Durupinar

+90 212 352 56 73

recep.durupinar@jcrer.com.tr

RATINGS		Long Term	Short Term
ICRs (Issuer Credit Rating Profile)	National ICR	B (tr)	J4 (tr)
	National ICR Outlooks	Stable	Stable
	International FC ICR	CCC	-
	International FC ICR Outlooks	Stable	-
	International LC ICR	CCC	-
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

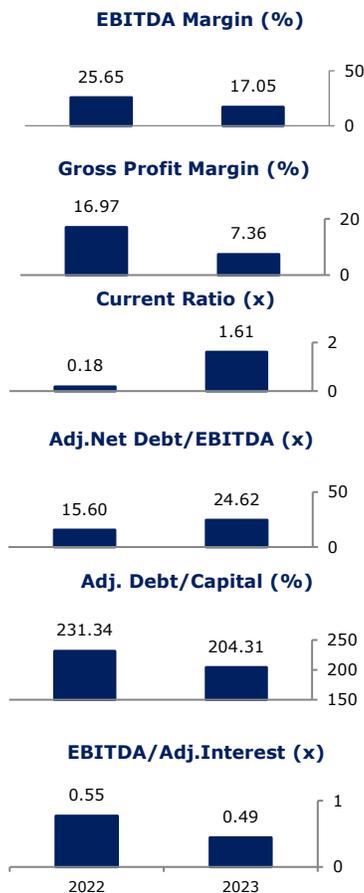
KANGAL TERMİK SANTRAL ELEKTRİK ÜRETİM ANONİM ŞİRKETİ

JCR Eurasia Rating has evaluated "Kangal Termik Santral Elektrik Üretim Anonim Şirketi" in the speculative grade category and affirmed the Long-Term National Issuer Credit Rating at 'B (tr)' and the Short-Term National Issuer Credit Rating at 'J4 (tr)' with 'Stable' outlooks. On the other hand, the Long Term International Foreign and Local Currency Issuer Credit Ratings and outlooks were determined as 'CCC/Stable'.

Kangal Termik Santral Elektrik Üretim Anonim Şirketi (referred to as "the Company" or "Kangal Termik"), operates the Kangal Thermal Power Plant, located in Kangal, Sivas, with an installed power of 457 MW and working with lignite coal within the scope of the "Sales and Operating Rights Transfer" agreement. This contract was signed on August 14, 2013 between the Republic of Türkiye Prime Ministry Privatization Administration (Privatization Administration) and Elektrik Üretim Anonim Şirketi ("EÜAŞ") and Kangal Termik in accordance with the decision of the Privatization High Council dated April 25, 2013 and numbered 2013/62. The construction of the facility, which was under the control of EÜAŞ before this transfer, was completed in 1989 and started to produce electricity with its two units. In 2000, the third unit was completed and included in the facility. Kangal Termik Power Plant has a total of 91,717,598 tons of usable coal in a single license with a total area of 8,045 hectares.

The Company's sole shareholder is Konya Şeker Sanayi ve Ticaret A.Ş. ("Konya Şeker") with the share of 100%. Konya Şeker with its subsidiaries have operations in different sectors such as the manufacturing of energy, sugar, milk & meat products, chocolate, cake, biscuits, fresh & frozen foods, fresh beverages, sunflower oil, seeds, sapling, fodder, bioethanol and livestock breeding. The Company employed a staff force of 556 as of FYE2023.

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



Strengths

- Long-term profile of financial debt and payment capacity in line with cash flow thanks to financial restructuring,
- One of the players on the Turkish energy sector with installed capacity,
- Asset quality strengthened by the low collection risks due to significant part of the sales to public institutions in Türkiye.

Constraints

- High level of leverage indicators and debt burden limiting maneuvering capability,
- High financing expenses, derived from continuing debt burden, mainly stemming from unrealized FX losses pressuring bottom line results in FY2023,
- Continued sizeable negative equity due to previous year's loss,
- Having power plants portfolio that depends solely on fossil fuel as an energy source,
- High dependency of operations on regulations,
- Pressures of ESG factors on coal power plants,
- 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 'B (tr)'. Taking into account, the Company's asset quality, business volume and experience in the sector, as well as, high level of debts and equity structure, cash flow metrics, high dependency on banks and energy market conditions 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'. An achievement of budget targets of the Company, debt ratio, profit margins and regulations, as well as market conditions regarding the sector 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 also be monitored.