

## Corporate Credit Rating

New Update

**Sector:** Petrochemical

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

\* Assigned by JCR on May 18, 2024

## Petkim Petrokimya Holding A.Ş.

JCR Eurasia Rating has evaluated the "Petkim Petrokimya Holding A.Ş." in the investment grade category with very high credit quality and revised the Long-Term National Issuer Credit Rating from 'AA+ (tr)' to 'AA (tr)' and affirmed the Short-Term National Issuer Credit Rating as 'J1+ (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/Stable' as parallel to international ratings and outlooks of Republic of Türkiye.

**Petkim Petrokimya Holding A.Ş.** (referred to as 'the Company' or 'Petkim'), with a foundation dating back to 1965, started its production activities in 1970 with 5 facilities in the Yarımca Complex in İzmit/Türkiye. Following additional investments carried out in the Yarımca Complex, the Aliağa Complex was brought into operation in 1985. With the privatization in 2008, Petkim has joined SOCAR Group, and as of the report date, 51% of the Company's shares are owned by SOCAR Turkey Petrokimya A.Ş., which is ultimately controlled by SOCAR Turkey Enerji A.Ş. As of the report date, the ultimate controlling party of Petkim is State Oil Company of Azerbaijan Republic (SOCAR). The rest of Petkim's shares (49%) have been traded on Borsa İstanbul Index (BIST) since 1990 under the ticker-name of "PETKM". Currently, with an annual average gross production capacity of 3.6 mn tonnes and nearly 60 petrochemical products in its 15 main production facilities and 6 auxiliary facilities. Petkim provides inputs to a wide range of industries such as plastic, chemical, packaging, piping, paint, construction, agriculture, automotive, electricity, electronics and textiles as well as the pharmaceuticals, detergents and cosmetics sectors. In addition to its core operating field of petrochemicals, the Company also engages in port operations and electricity generation from wind source. Petkim Limancılık Ticaret A.Ş. which is located in Aliağa/İzmir, has an annual container handling capacity of the port is 1.5 mn TEUs. Petkim ranked 36th in Fortune 500 Türkiye and 40th in the list of Türkiye's Top 1000 Exporters list published by the Turkish Exporters Assembly (TIM) in 2023. As of 1H2024, Petkim reached TRY 115.47bn in total asset size and TRY 61.67bn in equity in consolidated terms.

The total number of employees in the Company was 2,417 as of 1H2024 (FYE2023: 2,416).

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

### Strengths

- Strong partnership structure within SOCAR Group and a successful history of nearly 60 years in the sector,
- Exports and foreign currency indexed domestic sales provide hedge against exchange rate risk despite foreign currency denominated costs,
- Supported asset quality with high capability for receivable collection and low level of customer concentration,
- Supply security and cost advantage provided by the strong synergy between Group companies and the integrated structure of the Aliağa Petrochemical Complex,
- In addition to production, sales of commercial products also provide income diversification,
- Compliance with corporate governance practices and quality standards as a publicly traded company.

### Constraints

- Continued pressure on sales volumes and profit margins due to global oversupply/weakening demand conditions, rising freight costs and increasing geopolitical risks in 1H2024,
- Continuing increase in net debt level despite the extension of loan maturities in the analysed years,
- Volatility in the prices of petroleum products due to global conditions reducing predictability,
- In the shadow of geopolitical risks, leading economic indicators point to continued weakness in global demand conditions, whereas actions for a soft-landing are at the forefront.

Considering the aforementioned points, the Company's Long-Term National Issuer Credit Rating has been revised to 'AA (tr)'. The Company's profitability ratios, asset size, equity/shareholder structure, leverage ratios and geopolitical risks driven price fluctuations 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 affirmed as 'Stable'. The Company's profitability performance, asset quality, equity structure and debt level together with the industry specific developments 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.

