Corporate Credit Rating

☐New ☒Update

Sector: Wholesale Trading
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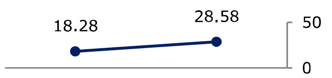
RATINGS		Long Term	Short Term
ICRs (Issuer Credit Profile)	National ICR	BBB- (tr)	J2 (tr)
	National ICR Outlooks	Stable	Stable
	International FC ICR	BB-	-
	International FC ICR Outlooks	Stable	-
	International LC ICR	BB-	-
	International LC ICR Outlooks	Stable	-
ISRs (Issue Specific Profile)	National ISR	-	-
	International FC ISR	-	-
	International LC ISR	-	-
Sovereign*	Foreign Currency	BB (Stable)	-
	Local Currency	BB (Stable)	-

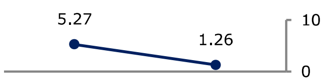
** Assigned by JCR on May 10, 2024*

EBITDA Margin (%)

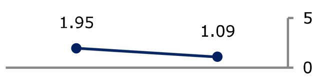


Gross Profit Margin (%)

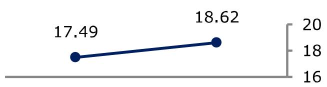
Current Ratio (x)



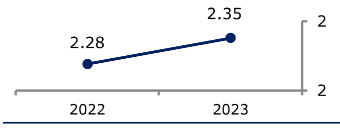
Adj.Net Debt/EBITDA (x)



Adj. Debt/Capital (%)



EBITDA/Adj.Interest (x)



Polat Madencilik Enerji Sanayi ve Ticaret A.Ş.

JCR Eurasia Rating, has evaluated the consolidated structure of **"Polat Madencilik Enerji Sanayi ve Ticaret A.Ş."** in investment grade category and revised the Long-Term National Issuer Credit Rating to **'BBB- (tr)'** from **'BB+ (tr)'** and the Short-Term National Issuer Credit Rating to **'J2 (tr)'** from **'J3 (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-'** with **'Stable'** outlooks.

Polat Madencilik Enerji Sanayi ve Ticaret A.Ş. (hereinafter referred to as 'Polat Madencilik' or 'the Company') was established in 1988 in Karaman. The Company, which started its operations in the Ermenek basin with the production and marketing of coal with "Underground and Open Mine" methods, continued its lignite coal production business for 17 years until 2005. In 2003, the Company started to operate in underground mines in the coal basin of Dursunbey District of Balıkesir and ended its activities at the end of 2012 as a result of the depletion of the reserve in the field. Currently, Polat Madencilik has been operating in coal trading and coal mining with four mining facilities belonging to two subsidiaries. Polat Madencilik employed a total workforce of 85 as of FYE2023 (FYE2022: 90).

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

Strengths

- Satisfactory financial leverage metrics as of FYE2022 and FYE2023
- Partial presence of hard currency revenue stream providing natural hedging to a certain extent
- Ability to access raw material resources through group companies
- Long-lasting experience and extensive know-how in coal sector

Constraints

- Losses from net monetary position pressuring bottom line in FY2023
- Slump in sales volume and revenue growth in FY2023, despite maintaining gross profit margin
- Low level of interest coverage metrics despite decline in the indebtedness level as of FYE2023
- Notably long cash conversion cycle leading external financing need
- Inadequacy of disclosures in the 2023 independent auditor's report limiting analysis
- Pressures of ESG factors on coal industry along with exposure to operational and maintenance risks due to nature of mining business
- Improvement need in corporate governance practices
- 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 Long-Term National Issuer Credit Rating has been revised to **'BBB- (tr)'**. The Company's satisfactory leverage metrics, partially hard currency revenue cash inflow and long experience in the sector along with ongoing uncertainties arisen from geopolitical tensions as well as global tight financial 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'**. The Company's investment progress and financing process, the cash flow to be obtained after the investment, growth strategy, profitability indicators, financial leverage and asset quality 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.