

## Corporate Credit Rating

New  Update

**Sector:** Energy

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

\* Assigned by JCR on August 18, 2022

## SOMA TERMİK SANTRAL ELEKTRİK ÜRETİM ANONİM ŞİRKETİ

JCR Eurasia Rating has evaluated the "Soma Termik Santral Elektrik Üretim Anonim Şirketi" in the highly speculative-grade category and affirmed the Long-Term National Issuer Credit Rating as 'B+ (tr)' and assigned the Short-Term National Issuer Credit Rating as 'J4 (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 'CCC/Negative'.

**Soma Termik Santral Elektrik Üretim Anonim Şirketi** (referred to as 'the Company' or 'Soma Termik '), operates the Soma Thermal Power Plant, located in Soma, Manisa, with an installed power of 990 MW and working with lignite coal within the scope of the "Soma Thermal Power Plant Sales and Operating Rights Transfer" agreement. This contract was signed on June 22, 2015 between the Republic of Turkey Prime Ministry Privatization Administration (Privatization Administration), Soma Elektrik Üretim ve Ticaret Anonim Şirketi ("SEAS") and Soma Termik in accordance with the Privatization High Council's decision dated March 17, 2015 and numbered 2015/15. The contract value is USD 685.5mn, of which USD 191.94mn has been paid in cash as of the date of transfer. Under the control of Elektrik Üretim Anonim Şirketi ("EÜAŞ"), the 1st unit of the facility was commissioned in 1981, the 2nd unit in 1982, the 3rd unit in 1985, the 4th unit in 1986, and the 5th and 6th units in 1992. Power plant consists of six units, each unit has a power of 165 MW. The annual production capacity of the power plant is 8,672,400 mWh and its nominal capacity is 6,435,000 mWh. The internal consumption rate of the power plant is around 12%. Approximately 8,000,000 tons of coal are burned annually at the power plant.

The Company's sole shareholder is Konya Şeker Sanayi ve Ticaret A.Ş. 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 845 as of FYE2021.

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

### Strengths

- One of the prominent players in the Turkish energy sector with its installed capacity,
- Maintaining revenue and EBITDA generation capacity in analyzed years,
- Low collection risk due to significant part of the sales to public institutions in Turkey.

### Constraints

- High level of debt burden limiting maneuvering capability,
- Sizable negative equity structure leading substantial cash injection,
- Deterioration in cash flow metrics,
- Having power plants portfolio that depends solely on fossil fuel as an energy source,
- Foreign currency risk exposure through financial liabilities despite providing natural hedge to a certain extent,
- High dependency of operations on regulations,
- Pressures of ESG factors on coal power plants.

Considering the aforementioned points, the Company's the Long-Term National Issuer Credit Rating has been affirmed as 'B+ (tr)'. Asset quality, business volume and experience in the sector, as well as, high level of debts and equity structure, 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 be monitored as well.

