

## Corporate Credit Rating

New  Update

**Sector:** Fuel Distribution

**Publishing Date:** 21/08/2023

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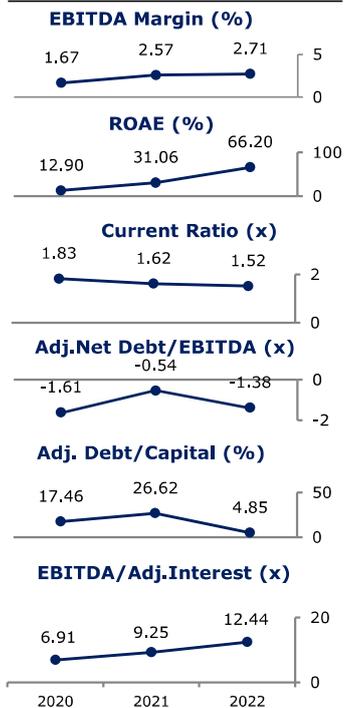
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RATINGS		Long Term	Short Term
ICRs (Issuer Credit Rating Profile)	National ICR	A (tr)	J1 (tr)
	National ICR Outlooks	Stable	Stable
	International FC ICR	BB	-
	International FC ICR Outlooks	Negative	-
	International LC ICR	BB	-
ISRs (Issue Specific Rating Profile)	International FC ISR	-	-
	International LC ISR	-	-
	Foreign Currency	BB (Negative)	-
Sovereign*	Local Currency	BB	-
	Currency (Negative)	BB (Negative)	-

\* Assigned by JCR on Aug 18, 2022



## Teco Petrolçülük Sanayi ve Ticaret A.Ş.

JCR Eurasia Rating, has evaluated "Teco Petrolçülük Sanayi ve Ticaret Anonim Şirketi" in the investment-level category and upgraded the Long-Term National Issuer Credit Rating from 'A- (tr)' to 'A (tr)' and assigned 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 were assigned as 'BB/Negative' as parallel to international ratings and outlooks of Republic of Türkiye.

Teco Petrolçülük Sanayi ve Ticaret Anonim Şirketi (referred to as 'Teco Petrol' or 'the Company') was established on April 7, 2008, in Aliağa/İzmir. Teco Petrol, an integrated fuel Company, is engaged in fuel oil supply, transportation, stocking, filling, wholesale and retail sale. The Company's main operation is wholesale of fuel to its dealers. The Company also stores the fuel in the filling facility and sells it to non-dealer customers. Apart from these, the Company sells marine diesel to ships carrying international cargo and passengers as export registered. As of 2022 The Company has 3 branches (Kocaeli/Körfez, İzmir/Bayraklı, İzmir/Aliağa) and, 4 liaison offices (İzmir/Aliağa, Giresun/Espiye, Kırıkkale/Hacılar, Mersin). According to the petroleum market sector report of the Turkish Energy Market Regulatory Authority (EMRA), Teco Petrol is in the 14<sup>th</sup> place with a market share of 0.99% in the list of Domestic Sales Amounts by Licensee Companies as of May 2023.

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

### Strengths

- Strong growth in sales revenues and EBITDA generation capacity due to increased fuel prices in 2022 despite the stagnation in sales volume,
- Continuing cash surplus position against financial borrowings due to growing liquid assets and decreasing financial liabilities in FYE2022,
- Steady increase in profitability metrics during the review periods,
- Satisfactory equity level supported by internal resource generation,
- Stations and distribution network throughout Türkiye,
- Stable sales expectations despite the increase in prices due to the low-price sensitivity of demand in the fuel sector.

### Constraints

- Receivable quality suppressed due to the size of doubtful trade receivables,
- Relatively weak position in the market share competition in the sector,
- Intense cost-based competition in the market due to the bargaining power of dealers to switch to alternative brands,
- Low level of profit margins due to the nature of the business,
- Improvement needs in corporate governance,
- Global economic growth slows down evidenced by commodity prices and trade figures on the back of rapid monetary tightening, whereas domestic restrictive financial conditions limit access to finance.

Considering the aforementioned points, the Company's Long-Term National Issuer Credit Rating has been upgraded from 'A- (tr)' to 'A (tr)'. Growth in sales revenues and EBITDA generation capacity, notable equity level in asset financing, and steady increase in profitability metrics, along with ongoing uncertainties arising from geopolitical tensions as well as the global interest rate hiking cycle, 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 profitability performance, cash level and cash generation capacity, and leverage profile together with the trends in the industry 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 frame about the sector will be monitored as well.