

## Corporate Credit Rating

☑New ☐Update

**Sector:** Fuel Distribution

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

\* Assigned by JCR on Aug 18, 2022

## Teco Petrolcülük Sanayi ve Ticaret A.Ş.

JCR Eurasia Rating, has evaluated the "Teco Petrolcülük Sanayi ve Ticaret A.Ş." in the investment-level category and assigned the Long-Term National Issuer Credit Rating at 'A-(tr)' and 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 Petrolcülük Sanayi ve Ticaret A.Ş. (Teco or "the Company") began its operations in 2009 as the last firm of the Yalçinkaya family in the fuel distribution sector. The Company's main shareholder, Yalçinkaya family, has a long history in the industry, dating back to the 1990s, especially in the Aegean region. Teco, an integrated fuel Company, is engaged in the supply, transportation, stocking, filling, wholesale and retail sale of fuel oil. The Company's main operation is selling the fuel to its dealers wholesale. Teco, 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.

The Company headquartered in İzmir/Aliağa, has 3 branches (Kocaeli/Körfez, İzmir/Bayraklı, İzmir/Aliağa), 4 liaison offices (İzmir/Aliağa, Giresun/Espiye, Kırıkkale/Hacılar, Mersin) as of 2021. The Company continues in its storage and filling facility in Aliağa/İzmir, which has built 20k m<sup>2</sup> area and marine connected 34k m<sup>3</sup>. As of 2021, it employs nearly 54 people per month and continues its activities with 32 tankers belonging to the group Company. The Company has 373 gas stations, ranking the Company as the 13th largest fuel distribution company in domestic fuel sales per Energy Market Regulatory Authority (EMRA) of Türkiye in 2021.

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

### Strengths

- Cash surplus against financial debts,
- Long lasting experience in the fuel distribution sector,
- Sustainable positive net working capital over the years and satisfactory level of current ratio,
- Uptrend in sales turnover and volume with normalization after the pandemic,
- Satisfactory level of equity supported by retained earnings during the periods reviewed,
- Relatively inelastic demand ensures a natural shield for the Company.

### Constraints

- Notable level share of doubtful trade receivables although decreased in last years,
- High competition in the market due to the strong bargaining power of the dealers and its impacts on cost management,
- Low level of profit margins due to the nature of the business,
- Further improvement needs in corporate governance practices,
- The geopolitical risks stemming from the Russia-Ukraine tension increasing uncertainty.

Considering the aforementioned points, the Company's the Long-Term National Issuer Credit Rating has been assigned as 'A-(tr)'. Sustainable operational performance, strong equity structure and liquid assets, net cash position, preservation of asset quality, and wide distribution network, 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 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.

