

Corporate Credit Rating

New Update

Sector: Investment Holding
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Manager

Çiğdem Küçükbakırcı
 +90 212 352 56 73
cigdem.kucukbakirci@jcrer.com.tr

Team Leader

Hulusi Girgin
 +90 212 352 56 73
hulusi.girgin@jcrer.com.tr

Assistant Analyst

Kamil Eldek
 +90 212 352 56 73
kamil.eldek@jcrer.com.tr

R A T I N G S		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	Negative	-
	International LC ICR	BB	-
ISRs (Issue Specific Rating Profile)	International LC ICR Outlooks	Negative	-
	National ISR	-	-
	International FC ISR	-	-
Sovereign*	International LC ISR	-	-
	Foreign Currency	BB (Negative)	-
	Local Currency	BB (Negative)	-

* Assigned by JCR on Aug 18, 2022

TURCAS PETROL A.Ş.

JCR Eurasia Rating, has evaluated "Turcas Petrol A.Ş." in the investment grade category and assigned the Long-Term National Issuer Credit Rating as 'AA- (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'.

Turcas Petrol A.Ş. (Turcas Petrol or "the Company") is an investment company that participates in companies operating in fuel retail, lubricants and energy sector since 1931.

Turcas Petrol, operates in two businesses via its main associates, Shell Turcas Petrol A.Ş. and RWE & Turcas Güney Elektrik Üretim A.Ş. In 2006, Royal Dutch Shell and Turcas Petrol A.Ş. have merged their fuel retail operations in Türkiye under the name of Shell & Turcas Petrol A.Ş. (Shell & Turcas). Newly established company Shell & Turcas, started its operations in July, 2006 and operates in purchase, sale, import and export, storage and distribution of all kinds of fuel and lubricants. 30% of Shell & Turcas belongs to Turcas Petrol A.Ş. and 70% to the Shell Company Türkiye Ltd. (Shell Türkiye). Shell & Turcas is one of the leading companies in the Turkish Petroleum industry operating with 1,145 fuel stations, lubricant production facilities, retail and commercial sales as of March 2023.

In 2009, Turcas and Germany based energy company RWE established a joint venture under the name of RWE & Turcas Güney Elektrik Üretim A.Ş. (RWE & Turcas). RWE & Turcas is the owner and operator of the natural gas combined cycle power plant with an installed capacity of 800 MW in Denizli. The power plant became operational after the temporary acceptance process was completed as of June 24, 2013. 30% of RWE & Turcas belongs to Turcas Petrol A.Ş. and remaining 70% belongs to RWE Generation SE.

The Company's main shareholders are Aksoy Girişimcilik Enerji ve Turizm A.Ş. with 54.45% share, free float with 28.34% share and individual & corporate local investors with 17.21% as of FYE2022. As of March 2023, the Company has 38 employees totally (FYE2022: 42).

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

Strengths

- Ongoing growth in the last two years in the fuel industry through rising demand,
- Improvement of leverage indicators following a significant reduction in total debt in line with the sale of subsidiary in 2022,
- Substantially increased dividend income in 2022,
- Business partnership in the fuel retail sector with Shell which has high international brand recognition,
- Long-lasting presence and successful track-record in the sector,
- High level of compliance with the corporate governance practices as a publicly listed company.

Constraints

- FX risks associated with foreign currency-based liabilities causing short FX position, though its long-term weighted structure,
- Even if there is strengthening in 2022, equity structure mostly composed of net income of associates and one-off income related with sale of affiliate,
- Disadvantaged position of natural gas plants in terms of cost and sales prices compared to YEKDEM participants,
- Decreasing share of natural gas plants due to increase in installed capacity of Türkiye, especially on the renewable energy side,
- Slowdown in global economic growth on the back of rapid monetary tightening as well as domestic restrictive financial conditions limiting access to finance.

Considering the aforementioned points, the Company's Long-Term National Issuer Credit Rating has been assigned as 'AA- (tr)'. Turcas Petrol's co-operation with companies with high brand recognition, improved leverage indicators, increased dividend income, long track record in the sector, and rising demand in the fuel industry are 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 foreign currency risk, debt service capacity, natural gas power plant operations and global banking concerns 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.

