

Corporate Credit Rating

New Update

Sector: Energy Generation
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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	-
	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 Aug 18, 2022

İZDEMİR ENERJİ ELEKTRİK ÜRETİM A.Ş.

JCR Eurasia Rating, has evaluated "İzdemir Enerji Elektrik Üretim A.Ş." in the investment level category and affirmed 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 affirmed as 'BB/Negative' as parallel to international ratings and outlooks of Republic of Türkiye.

İzdemir Enerji Elektrik Üretim A.Ş. (hereinafter "the Company" or "İzdemir Enerji") was established in 2007 in İzmir. On June 6, 2009, the Company obtained a Generation License valid for 49 years from the Energy Market Regulatory Authority (EMRA). The main activities of the Company include generation, and trading of electricity. Operating in Aliağa/İzmir, the Company manages the Supercritical Thermal Power Plant (TPP) with an installed capacity of 370 MW. The construction of the TPP commenced in 2011 and was completed in April 2014. Production activities at the power plant began in April 2014, and according to Energy Exchange Istanbul (EXIST) data, it achieved an annual gross electricity generation of 2.7 billion kWh as of the end of 2023. The primary fuel source for the TPP is imported coal. The main shareholder is İzmir Demir Çelik Sanayi A.Ş., and the ultimate main partner is Şahin Şirketler Grubu Holding. While the Company sells a portion of the electricity to other group companies, the remaining part is sold to EXIST. The Company's shares were offered to the public in August 2023 and have been traded on the BIST since then with the ticker name 'IZENR'. The Company's headquarter is located in İzmir, Türkiye. The average number of personnel employed within the Company as of the end of September 2023 was 234 (2022: 240).

The shareholders of the Company are İzmir Demir Çelik Sanayi A.Ş. (63,32%), IDÇ Liman İşletmeleri A.Ş. (6,48%) and others (30,20%).

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

Strengths

- Cash surplus and strong liquidity position in 3Q2023 thanks to increased cash assets after the IPO and low level of financial liabilities,
- High level of receivables quality and revenue visibility through intra-group sales and sales to the public entities,
- Adequate cash generation ability from activities in 3Q2023,
- Reasonable interest coverage metrics over the analysed periods,
- Satisfactory level of paid-in capital and strong equity through revaluation gains and share premium.

Constraints

- Contraction in profit margins in 3Q2023 despite operating at full capacity,
- Maintaining a high level of import dependency on coal, which is the main raw material used in electricity generation,
- Power plant dependent on fossil fuel as sole energy source and ESG pressures on coal plants,
- Possible changes in the regulatory environment may give rise to uncertainty in the sector,
- 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 the Long-Term National Issuer Credit Rating has been affirmed at 'A- (tr)'. Additionally, strong liquidity structure and cash surplus position in 3Q2023, asset quality and revenue visibility, ability to generate reasonable cash from operations and satisfactory equity level 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 affirmed as 'Stable'.

The Company's production volume, debt and equity level, cash flow and liquidity metrics, asset quality, financial risk indicators, profit margins, solar energy investments, customer portfolio and sectoral regulations and the outlook of the energy generation 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 framework about the sector will be monitored as well.

