



## RATING ACTION COMMENTARY

# Fitch Revises Petkim's and Tupras's Outlooks to Negative on Sovereign Rating Action

Thu 24 Feb, 2022 - 8:48 AM ET

Fitch Ratings - Warsaw - 24 Feb 2022: Fitch Ratings has revised two Turkish corporates' Outlooks to Negative from Stable, following our recent sovereign rating action on Turkey. (see 'Fitch Downgrades Turkey to 'B+'; Outlook Negative' dated 11 February 2022 at [www.fitchratings.com](http://www.fitchratings.com)). A full list of rating actions is below.

Fitch has revised the Outlook on Petkim Petrokimya Holdings A.S.'s (Petkim) Long term Foreign Currency (LT FC) Issuer Default Rating (IDR) to Negative from Stable, while affirming the 'B+' rating. Petkim's LT FC IDR is constrained by the Country Ceiling, due to the company's sizeable exposure to Turkish economy.

Fitch has also revised the Outlooks on Turkiye Petrol Rafinerileri A.S.'s (Tupras) LT FC and Long-Term Local-Currency (LT LC) IDRs to Negative from Stable and affirmed the 'B+' ratings. Tupras's LT LC IDR is constrained by Turkey's LT LC IDR, due to the company's large domestic operations and significant cash holdings in Turkish banks due to preferable interest rates. Weakening of the credit profiles of Turkish banks could also affect Tupras's access to liquidity sources.

The Outlooks revision follows the downgrade of Turkey's IDRs and Country Ceiling to 'B+' with Negative Outlooks on Turkey's LT FC and LC IDRs.

## KEY RATING DRIVERS

For full key ratings drivers and ESG considerations for each issuer, see the rating action commentaries (RACs) listed below:

'Fitch Upgrades Petkim to 'B+'; Outlook Stable' dated 12 October 2021

'Fitch Revises Tupras's Outlook to Stable; Affirms at 'B+' 'dated 20 October 2021

## DERIVATION SUMMARY

See relevant RACs for each issuer.

## KEY ASSUMPTIONS

See relevant RACs for each issuer.

## RATING SENSITIVITIES

Petkim:

Factors that could, individually or collectively, lead to positive rating action/upgrade:

-The rating is on Negative Outlook, therefore, positive rating action is unlikely at least in the short-term. The revision of the Outlook to Stable on Turkey would be replicated for the company.

Factors that could, individually or collectively, lead to negative rating action/downgrade:

- A downgrade of Turkey's Country Ceiling
- Funds from operations (FFO) net sustainably above 3.0x
- Prolonged downturn in petrochemical market leading to sustained erosion in margins
- Aggressive financial policies increasing debt quantum/leading to negative free cash flow (FCF) over a sustained period

Tupras

Factors that could, individually or collectively, lead to positive rating action/upgrade:

-The ratings are on Negative Outlook, therefore, positive rating action is unlikely at least in the short-term. The revision of the Outlook to Stable on Turkey would be replicated for the company.

Factors that could, individually or collectively, lead to negative rating action/downgrade:

- Downgrade of Turkey's ratings
- FFO net leverage consistently above 5.0x
- Worsening liquidity
- Consistently negative FCF

## **BEST/WORST CASE RATING SCENARIO**

International scale credit ratings of Non-Financial Corporate issuers have a best-case rating upgrade scenario (defined as the 99th percentile of rating transitions, measured in a positive direction) of three notches over a three-year rating horizon; and a worst-case rating downgrade scenario (defined as the 99th percentile of rating transitions, measured in a negative direction) of four notches over three years. The complete span of best- and worst-case scenario credit ratings for all rating categories ranges from 'AAA' to 'D'. Best- and worst-case scenario credit ratings are based on historical performance. For more information about the methodology used to determine sector-specific best- and worst-case scenario credit ratings, visit <https://www.fitchratings.com/site/re/10111579>.

## **LIQUIDITY AND DEBT STRUCTURE**

See relevant RACs for each issuer.

## **Sources of Information**

The principal sources of information used in the analysis are described in the Applicable Criteria.

## **REFERENCES FOR SUBSTANTIALLY MATERIAL SOURCE CITED AS KEY DRIVER OF RATING**

The principal sources of information used in the analysis are described in the Applicable Criteria.

## **ESG CONSIDERATIONS**

See relevant RACs for each issuer.

## RATING ACTIONS

ENTITY / DEBT ↕	RATING ↕	RECOVERY ↕	PRIOR ↕
Turkiye Petrol Rafinerileri A.S. (Tupras)	LT IDR  B+ Rating Outlook Negative  Affirmed		B+ Rating Outlook Stable
	LC LT IDR  B+ Rating Outlook Negative  Affirmed		B+ Rating Outlook Stable
	Natl LT  A(tur) Rating Outlook Stable  Affirmed		A(tur) Rating Outlook Stable
senior unsecured	LT B+ Affirmed	RR4	B+
Petkim Petrokimya Holdings A.S.	LT IDR  B+ Rating Outlook Negative  Affirmed		B+ Rating Outlook Stable

senior  
unsecured

LT B+ Affirmed

RR4

B+

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[VIEW ADDITIONAL RATING DETAILS](#)

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## **APPLICABLE CRITERIA**

[National Scale Rating Criteria \(pub. 22 Dec 2020\)](#)

[Corporates Recovery Ratings and Instrument Ratings Criteria \(pub. 09 Apr 2021\)](#)  
(including rating assumption sensitivity)

[Corporate Rating Criteria \(pub. 15 Oct 2021\)](#) (including rating assumption sensitivity)

[Sector Navigators - Addendum to the Corporate Rating Criteria \(pub. 15 Oct 2021\)](#)

[Parent and Subsidiary Linkage Rating Criteria \(pub. 01 Dec 2021\)](#)

## **APPLICABLE MODELS**

Numbers in parentheses accompanying applicable model(s) contain hyperlinks to criteria providing description of model(s).

Corporate Monitoring & Forecasting Model (COMFORT Model), v8.0.1 (1)

## **ADDITIONAL DISCLOSURES**

[Dodd-Frank Rating Information Disclosure Form](#)

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## ENDORSEMENT STATUS

Petkim Petrokimya Holdings A.S.

EU Issued, UK Endorsed

Turkiye Petrol Rafinerileri A.S. (Tupras)

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