

Corporate Credit Rating

New Update

Sector: Refinery

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RATINGS		Long Term	Short Term
ICRs (Issuer Credit Rating Profile)	National ICR	AAA (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

Türkiye Petrol Rafinerileri A.Ş.

JCR Eurasia Rating has evaluated "Türkiye Petrol Rafinerileri A.Ş." in the investment level category with highest credit quality and affirmed the Long-Term National Issuer Credit Rating at 'AAA (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.

The roots of "Türkiye Petrol Rafinerileri A.Ş." (herein referred to as "Tüpraş" or "the Company") go back to the Batman Refinery, which was established in 1955 to process domestic crude oil. The operations of the four refineries established in İzmit, İzmir, Kırıkkale and Batman have been continuing under the umbrella of Tüpraş since 1983. Tüpraş registered the design capacities of its refineries as 30 million tons in 2019 following capacity increases and the conversion unit investments realized in its four refineries over the years. Tüpraş's main activity is the supply and refining of crude oil necessary to meet the country's need for petroleum products, the domestic / international sales and distribution of the petroleum products which it produces. As a result of its crude oil refining activities, Tüpraş produces petroleum products such as LPG, gasoline and naphtha, jet fuel, kerosene, diesel, fuel oil, bitumen and machine oils. The Company operates four refineries with a total capacity to handle an annual 30mn tons of crude oil and 8.2mn m³ total storage capacity including OPET. Tüpraş is registered at the Capital Markets Board ("CMB") of Türkiye and its shares have been quoted at Borsa İstanbul A.Ş. ("BIST") (previously known as Istanbul Stock Exchange ("ISE")) since 1991.

The company is owned by Enerji Yatırımları A.Ş. (46.4% as of 9M2023). Enerji Yatırımları A.Ş., the parent of the Company, is controlled by Koç Family. The Koç Group is Türkiye's largest industrial and services group in terms of revenues, exports, number of employees. Koç Group has leading brands in energy, automotive, consumer durables, finance sectors. Combined revenues of the Koç Group correspond to ~9% of Türkiye's GDP and Group's exports account for ~7% of Türkiye's total exports. As of FYE2022, Koç Holding and publicly traded companies of the Group at BIST 100 accounted for ~19% of the total market capitalization of the companies listed on BIST 100. Koç Holding's core energy business is congregated under TÜPRAŞ including Ditaş Deniz İşletmeciliği ve Tankerciliği A.Ş. 'Ditaş', OPET Petrolcülük A.Ş. 'Opet', Körfez Ulaştırma A.Ş., Entek Elektrik Üretimi A.Ş. Tupras Trading Ltd. and Tüpraş Ventures.

Strengths

- Robust EBITDA and cash flow generation capacity FY2022 and 9M2023 supported by strong operational results with favorable crack margins
- Consistent financial debt reduction in FX basis during analyzed periods
- Prominent cash surplus position as of 9M2023 easing liquidity management
- Maintaining high receivables quality
- Competitive advantages thanks to structural advantages and R&D capabilities
- Strategic transition plan and investing in new areas that supports sustainability approach
- Largest market share and successful track record in the industry
- High level of compliance regarding corporate governance implementations
- Being a subsidiary of one of the Türkiye's leading investment holding companies; Koç Holding

Constraints

- Import reliance in raw material supply coupled with exposure to volatile input prices due to global supply & demand dynamics
- Leading economic indicators signal global economic slowdown as 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 'AAA (tr)'. The Company's successful track-record in the sector, increasing trend of revenues and EBITDA, improving financial leverage metrics, solid liquidity structure and capability to access funding resources along with geopolitical risks-driven uncertainties as well as 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 sales and profitability performance, cash flow generation capacity, trend of financial indebtedness, asset and equity growth, FX position, regulation's effect on the performance, asset quality will be closely monitored by JCR Eurasia Rating in the upcoming periods.

