

**Rating Action: Moody's downgrades eight Turkish corporates to B2 following sovereign downgrade, outlook negative**

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17 Sep 2020

London, 17 September 2020 -- Moody's Investors Service, ("Moody's") today downgraded the ratings on eight non-financial corporates domiciled in Turkey and maintained the negative rating outlooks.

Today's rating actions follow the weakening of the Turkish government's credit profile, as captured by Moody's recent decision to downgrade Turkey's government bond ratings to B2 from B1 while maintaining a negative outlook. Moody's also lowered Turkey's foreign currency bond ceiling to B2 from B1. For further information, refer to the sovereign press release published on 11 September 2020: [https://www.moody's.com/research/--PR\\_431146](https://www.moody's.com/research/--PR_431146).

Moody's has downgraded the ratings of the following eight Turkish corporates to B2 with negative outlooks:

- Anadolu Efes Biracilik ve Malt Sanayii A.S. (Efes)
- Coca-Cola Icecek A.S. (CCI)
- Eregli Demir ve Celik Fabrikalari T.A.S. (Erdemir)
- Koc Holding A.S. (Koc Holding)
- Ordu Yardimlasma Kurumu (OYAK)
- Turkcell Iletisim Hizmetleri A.S. (Turkcell)
- Turkiye Petrol Rafinerileri A.S. (Tupras)
- Turkiye Sise ve Cam Fabrikalari A.S. (Sisecam)

Moody's has also downgraded the national scale CFR of Erdemir to A2.tr from Aa2.tr to reflect the mapping of Global Scale Ratings to NSR.

The ratings and outlook on Petkim Petrokimya Holding A.S. (B2 negative), Ronesan Gayrimenkul Yatirim A.S. (B2 negative) and Turk Hava Yollari Anonim Ortakligi (B3 negative) are unchanged because the ratings are already at or below the country's foreign currency ceiling.

Please click on this link [https://www.moody's.com/viewresearchdoc.aspx?docid=PBC\\_ARFTL432749](https://www.moody's.com/viewresearchdoc.aspx?docid=PBC_ARFTL432749) for the List of Affected Credit Ratings. This list is an integral part of this Press Release and identifies each affected issuer.

#### RATINGS RATIONALE

The rating actions on these corporates are a direct consequence of the downgrade of the Government of Turkey and the lowering of Turkey's foreign currency bond ceiling, both to B2. As a result, corporates which were previously constrained at the B1 ceiling are now constrained at B2. The negative outlooks continue to reflect the negative outlook on the sovereign rating.

Most rated corporates continue to have prudent financial policies, adequate liquidity, moderate leverage and strong business profiles which in some cases is supported by geographic diversification outside of Turkey or export revenues. However, their ratings are constrained by the foreign currency bond ceiling because these companies are materially exposed to Turkey's political, legal, fiscal and regulatory environment. In particular, the risk of government-imposed measures to preserve the country's foreign exchange reserves is increasingly likely to crystalize. This could prevent corporates from accessing their foreign currency cash deposits or servicing their foreign currency debt obligations.

For OYAK, the negative outlook also reflects a deterioration in liquidity. This stems from an increase in short-

term debt and lower dividend income due to temporary restrictions imposed by the Turkish government that currently limits dividends to 25% of net profits. Dividends from its investee companies form OYAK's main source of income. However, the rating assumes that OYAK will restore to a more adequate liquidity by leveraging on its investment portfolio.

#### FACTORS THAT COULD LEAD TO AN UPGRADE OR DOWNGRADE OF THE RATINGS

The ratings of the above-listed corporates could be upgraded if Turkey's foreign currency bond ceiling is raised. This would also require no material deterioration in the companies' operating and financial performance, market positions and liquidity.

Their ratings are likely to be downgraded in case of a further downgrade of Turkey's sovereign rating or a lowering of the foreign currency bond ceiling. In addition, downward rating pressure could arise if there are signs of a deterioration in liquidity or if government-imposed measures were to have an adverse impact on corporate credit quality.

In addition to the above, the following company specific rating guidance applies.

#### Erdemir

Erdemir's rating could come under negative rating pressure if leverage increased materially from current levels on a sustained basis or there is a shift towards higher risk financial policies. Specifically, if distribution to shareholders (including OYAK) lead to inadequate liquidity.

#### OYAK

The rating could be downgraded if the company fails to establish an adequate liquidity profile over the coming months by way of refinancing debt, upstreaming dividends or monetize a portion of its investment holdings.

#### Tupras

Tupras' ratings could experience downward ratings pressure if plant utilisation and net refining margins remain low, leading to depressed operating cash flow in 2021. Specifically, the ratings could be downgraded if Moody's adjusted debt/ EBITDA (including inventory gains/losses) remains above 5.5x or adjusted EBITDA/interest remains below 1.25x, on a sustained basis.

#### PRINCIPAL METHODOLOGY

The principal methodology used in rating Turkiye Sise ve Cam Fabrikalari A.S. was Manufacturing Methodology published in March 2020 and available at [https://www.moodys.com/researchdocumentcontentpage.aspx?docid=PBC\\_1206079](https://www.moodys.com/researchdocumentcontentpage.aspx?docid=PBC_1206079) . The principal methodology used in rating Coca-Cola Icecek A.S. was Global Soft Beverage Industry published in January 2017 and available at [https://www.moodys.com/researchdocumentcontentpage.aspx?docid=PBC\\_1053179](https://www.moodys.com/researchdocumentcontentpage.aspx?docid=PBC_1053179) . The principal methodology used in rating Ordu Yardimlasma Kurumu (OYAK) and Koc Holding A.S. was Investment Holding Companies and Conglomerates published in July 2018 and available at [https://www.moodys.com/researchdocumentcontentpage.aspx?docid=PBC\\_1125855](https://www.moodys.com/researchdocumentcontentpage.aspx?docid=PBC_1125855) . The principal methodology used in rating Eregli Demir ve Celik Fabrikalari T.A.S. was Steel Industry published in September 2017 and available at [https://www.moodys.com/researchdocumentcontentpage.aspx?docid=PBC\\_1074524](https://www.moodys.com/researchdocumentcontentpage.aspx?docid=PBC_1074524) . The principal methodology used in rating Turkiye Petrol Rafinerileri A.S. was Refining and Marketing Industry published in November 2016 and available at [https://www.moodys.com/researchdocumentcontentpage.aspx?docid=PBC\\_1040610](https://www.moodys.com/researchdocumentcontentpage.aspx?docid=PBC_1040610) . The principal methodology used in rating Turkcell Iletisim Hizmetleri A.S. was Telecommunications Service Providers published in January 2017 and available at [https://www.moodys.com/researchdocumentcontentpage.aspx?docid=PBC\\_1055812](https://www.moodys.com/researchdocumentcontentpage.aspx?docid=PBC_1055812) . The principal methodology used in rating Anadolu Efes Biracilik ve Malt Sanayii A.S. was Alcoholic Beverages Methodology published in February 2020 and available at [https://www.moodys.com/researchdocumentcontentpage.aspx?docid=PBC\\_1212834](https://www.moodys.com/researchdocumentcontentpage.aspx?docid=PBC_1212834) . Alternatively, please see the Rating Methodologies page on [www.moodys.com](http://www.moodys.com) for a copy of these methodologies.

Moody's National Scale Credit Ratings (NSRs) are intended as relative measures of creditworthiness among debt issues and issuers within a country, enabling market participants to better differentiate relative risks. NSRs differ from Moody's global scale credit ratings in that they are not globally comparable with the full universe of Moody's rated entities, but only with NSRs for other rated debt issues and issuers within the same country. NSRs are designated by a ".nn" country modifier signifying the relevant country, as in ".za" for South

Africa. For further information on Moody's approach to national scale credit ratings, please refer to Moody's Credit rating Methodology published in May 2016 entitled "Mapping National Scale Ratings from Global Scale Ratings". While NSRs have no inherent absolute meaning in terms of default risk or expected loss, a historical probability of default consistent with a given NSR can be inferred from the GSR to which it maps back at that particular point in time. For information on the historical default rates associated with different global scale rating categories over different investment horizons, please see [https://www.moody.com/researchdocumentcontentpage.aspx?docid=PBC\\_1216309](https://www.moody.com/researchdocumentcontentpage.aspx?docid=PBC_1216309).

The local market analyst for Turkcell Iletisim Hizmetleri A.S., Koc Holding A.S. and Turkiye Petrol Rafinerileri A.S. ratings is Dion Bate, +971 (423) 795-04. The local market analyst for Turkiye Sise ve Cam Fabrikalari A.S., Anadolu Efes Biracilik ve Malt Sanayii A.S. and Coca-Cola Icecek A.S. ratings is Thomas Le Guay, +971 (423) 795-45.

## REGULATORY DISCLOSURES

The List of Affected Credit Ratings announced here are a mix of solicited and unsolicited credit ratings. Additionally, the List of Affected Credit Ratings includes additional disclosures that vary with regard to some of the ratings. Please click on this link [https://www.moody.com/viewresearchdoc.aspx?docid=PBC\\_ARFTL432749](https://www.moody.com/viewresearchdoc.aspx?docid=PBC_ARFTL432749) for the List of Affected Credit Ratings. This list is an integral part of this Press Release and provides, for each of the credit ratings covered, Moody's disclosures on the following items:

- Rating Solicitation
- Issuer Participation
- Participation: Access to Management
- Participation: Access to Internal Documents
- Disclosure to Rated Entity
- Endorsement
- Lead Analyst
- Releasing Office

For further specification of Moody's key rating assumptions and sensitivity analysis, see the sections Methodology Assumptions and Sensitivity to Assumptions in the disclosure form. Moody's Rating Symbols and Definitions can be found at: [https://www.moody.com/researchdocumentcontentpage.aspx?docid=PBC\\_79004](https://www.moody.com/researchdocumentcontentpage.aspx?docid=PBC_79004).

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Regulatory disclosures contained in this press release apply to the credit rating and, if applicable, the related rating outlook or rating review.

Moody's general principles for assessing environmental, social and governance (ESG) risks in our credit analysis can be found at [https://www.moody's.com/researchdocumentcontentpage.aspx?docid=PBC\\_1133569](https://www.moody's.com/researchdocumentcontentpage.aspx?docid=PBC_1133569) .

The below contact information is provided for information purposes only. Please see the ratings tab of the issuer page at [www.moody's.com](http://www.moody's.com), for each of the ratings covered, Moody's disclosures on the lead rating analyst and the Moody's legal entity that has issued the ratings.

The relevant office for each credit rating is identified in "Debt/deal box" on the Ratings tab in the Debt/Deal List section of each issuer/entity page of the website.

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Denis Perevezentsev, CFA  
VP - Senior Credit Officer  
Corporate Finance Group  
Moody's Investors Service Limited, Russian Branch  
7th floor, Four Winds Plaza  
21 1st Tverskaya-Yamskaya St.  
Moscow 125047  
Russia  
JOURNALISTS: 44 20 7772 5456  
Client Service: 44 20 7772 5454

Mario Santangelo  
Associate Managing Director  
Corporate Finance Group  
JOURNALISTS: 44 20 7772 5456  
Client Service: 44 20 7772 5454

Releasing Office:  
Moody's Investors Service Ltd.  
One Canada Square  
Canary Wharf  
London E14 5FA  
United Kingdom  
JOURNALISTS: 44 20 7772 5456  
Client Service: 44 20 7772 5454

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