

Corporate Credit Rating

New Update

Sector: Factoring

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Manager

Ömer Sucu

+90 212 352 56 73

omer.sucu@jcrer.com.tr

Analyst

Ezgi Çiçek Yılmaz

+90 212 352 56 73

ezgi.yilmaz@jcrer.com.tr

Assistant Analyst

Barbaros Dişci

+90 212 352 56 73

barbaros.disci@jcrer.com.tr

R A T I N G S		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	-
ISRs (Issue Specific Rating Profile)	International LC ICR	BB	-
	International LC ICR Outlooks	Negative	-
	National ISR	A- (tr) (Stable)	J1(tr) (Stable)
	International FC ISR	-	-
Sovereign *	International LC ISR	-	-
	Foreign Currency	BB (Negative)	-
	Local Currency	BB (Negative)	-

* Assigned by JCR on August 18, 2022

Parafinans Faktoring Anonim Şirketi

JCR Eurasia Rating, has evaluated the "Parafinans Faktoring A.Ş." in the investment level category with high credit quality and assigned the Long-Term National Issuer Credit Rating as 'A- (tr)' and assigned the Short-Term National Issuer Credit Rating as 'J1 (tr)' with 'Stable' outlooks. On the other hand, the Long-Term International Foreign and Local Currency Issuer Credit Ratings and outlooks were determined as 'BB/Negative', as parallel to international ratings and outlooks of Republic of Türkiye.

Parafinans Faktoring A.Ş. (hereinafter referred to as 'the Company' or 'Parafinans Faktoring') has operated in the Turkish Factoring sector since 1997 as a non-bank owned factoring company. The Turkish Factoring Sector has been regulated and supervised by the Banking Regulation and Supervision Agency (BRSA) since 2006. The Company sustains its cautious growth on a local basis with its 92 employees through seven branch network within the structure. As a factoring services provider, Parafinans Faktoring's operations include revocable factoring services, guaranteeing, intermediating to collection and consulting by purchase, sale, assignment or acquisition of the customer receivables based on invoices or other certifying documents representing the domestic or international commercial sales of goods and services.

Değirmenci Family is the primary shareholder of the Company as of December 31, 2022.

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

Strengths

- Sustainability of income and profit generation capacity,
- Contributions to asset quality with the significantly below sector NPL ratios,
- Refactoring facility contributing volume growth,
- Manageable customer concentration risk,
- Attached importance to risk focused structure and to investments in digital IT infrastructure.

Constraints

- Net interest margin and other profitability ratios standing below the sector averages,
- Capital adequacy ratios standing below sector average despite being compatible with the requirements,
- Short-term borrowing profile in parallel with the sector,
- Declining collateral coverage standing below sector average in FYE2022,
- High competition in the sector dominated by bank-owned factoring companies with wide branch network and lower borrowing costs,
- Global recession and monetary tightening across the globe deteriorating growth projections.

Considering the aforementioned factors, the Company's the Long-Term National Issuer Credit Rating has been assigned 'A- (tr)'. The risk management infrastructure supported by internal control systems, experienced management team, the Company's NPL levels, sustainable income and profit generation capacity, provision level and equity quality together with the general outlook of the sector have been evaluated as important indicators for the stability of the ratings and the outlooks for Long and Short-Term Issuer Credit Ratings has been determined as "Stable". Parafinans Faktoring's turnover and asset development, attainability of the Company's budgeted projections, net interest margin trend, market share, profitability indicators, capitalization level, funding structure, the growth in the number of customers in the competitive market, improvements in receivable portfolio granularity to reduce the concentration exposure to be monitored by JCR Eurasia Rating.

