

Corporate Credit Rating

New Update

Sector: Automotive Suppliers

Industry

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R A T I N G S		Long Term	Short Term
ICRs (Issuer Credit Rating Profile)	National ICR	A- (tr)	J2 (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	-
Sovereign*	National ISR	-	-
	International FC ISR	-	-
Sovereign*	International LC ISR	-	-
	Foreign Currency	BB (Negative)	-
Sovereign*	Local Currency	BB (Negative)	-

* Assigned by JCR on August 18, 2022

PARSAN MAKİNA PARÇALARI SANAYİİ ANONİM ŞİRKETİ

JCR Eurasia Rating has evaluated the consolidated structure of "**Parsan Makina Parçaları Sanayii A.Ş.**" in the investment category and affirmed the Long-Term National Issuer Credit Rating as '**A- (tr)**' and the Short-Term National Issuer Credit Rating as '**J2 (tr)**' with '**Stable**' outlooks. On the other hand, the Long Term International Foreign and Local Currency Issuer Credit Ratings and outlooks are determined as '**BB/Negative**' in line with the sovereign ratings and outlooks of Republic of Türkiye.

Parsan Makina Parçaları Sanayii A.Ş. (hereinafter referred to as "**the Group**" or "**Parsan Makina**") began its operations in 1968. Parsan Makina is involved in the manufacturing spare parts such as rear axle shafts, front axles, axles, crankshafts, flange studs, aluminum, titanium, stainless steel materials and all kinds of forged products. Parsan Makina operates on 94k m² closed and a total 420k m² area. The Group has established business partnerships with internationally well-known local and foreign players through its wide sectoral experience, know-how and network along with the ability to establish beneficial and cooperative partnerships.

The main shareholder of Parsan Makina is Çelik Holding A.Ş. with a share of 66.73% as of FYE2023 which belongs to Güriş İnşaat ve Mühendislik A.Ş. (88.33%) and Güriş Holding (11.67%). Çelik Holding was established in 1974 and operates in the fields of industry, energy, tourism and mining sectors. 31.20% of the Group shares have been publicly traded on the Borsa İstanbul (BIST) under the ticker symbol "**PARSN**" since 1990. The Group employed a staff force of 1,278 as of FYE2023 (FYE2022: 1,233).

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

Strengths

- The growth in export-oriented sales thanks to reputable clients reflects the Group's ability to generate revenue while also mitigating the impact of foreign exchange-dominated debts,
- Adequate profitability margins which are maintained at a certain level throughout the analyzed years,
- Well-managed operational efficiency indicated by a short cash conversion cycle,
- Sufficient coverage indicators over the reviewed periods,
- Investments in advanced technology underpinning expectations for future revenue growth,
- Leveraging operational synergy with Güriş Group providing competitive advantages in accessing markets.

Constraints

- Relatively high adjusted net debt to EBITDA along with the volatility over the reviewed periods,
- Continuing net working capital deficit and short-term funding structure,
- Despite strong asset quality and low collection risk, reliance on limited number of customers,
- Susceptibility to sectoral risks and raw material prices may pressure on profitability metrics,
- Leading economic indicators signal global economic slowdown whereas quantitative tightening actions aim to restrict consumption growth and achieve a soft-landing in domestic side.

Considering the aforementioned points, the Group's Long-Term National Issuer Credit Rating has been affirmed as '**A- (tr)**'. Taking into account, the Group's sustainable operational performance, predictability and consistency of sales revenues, maintaining export sales preventing balance of income stream and FX dominated debts, sufficient profitability ratios, adequate coverage indicators, focusing technological R&D investments, synergic relationship with Güriş Group, as well as, leverage ratios, funding structure, cash flows from completed investments and volatility in raw materials and worsening in local and global economic conditions have been evaluated as important indicators for the stability of the ratings and the outlooks for Short and Long-Term National Issuer Credit Ratings are determined as '**Stable**'. The Group's revenue generation performance, leverage profile, liquidity metrics and profitability margins will be closely monitored by JCR Eurasia Rating in the upcoming periods. The macroeconomic indicators at national and international markets, as well as market conditions and legal framework about the sector will also be monitored.

