

## Corporate Credit Rating

New  Update

**Sector:** Automotive Suppliers  
 Industry

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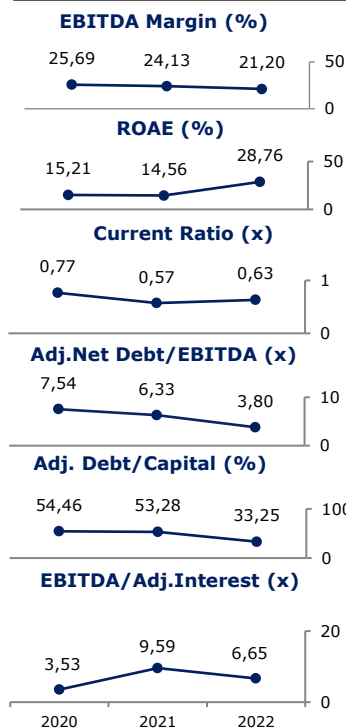
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RATINGS		Long Term	Short Term
ICRs (Issuer Credit Rating Profile)	National ICR	A- (tr)	J2 (tr)
	National ICR Outlooks	Stable	Stable
	International FC ICR	BB	-
	International FC ICR Outlooks	Negative	-
ISRs (Issue Specific Rating Profile)	International LC ICR	BB	-
	International LC ICR Outlooks	Negative	-
Sovereign*	National ISR	-	-
	International FC ISR	-	-
	International LC ISR	-	-
Sovereign*	Foreign Currency	BB (Negative)	-
	Local Currency	BB (Negative)	-

\* Assigned by JCR on Aug 18, 2022



## PARSAN MAKİNA PARÇALARI SANAYİİ A.Ş.

JCR Eurasia Rating, has evaluated the consolidated structure of "Parsan Makina Parçaları Sanayii A.Ş." in the investment level category and upgraded the Long-Term National Issuer Credit Rating from 'BBB+ (tr)' to 'A- (tr)' and the Short-Term National Issuer Credit Rating at 'J2 (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 Turkey.

**Parsan Makina Parçaları Sanayii A.Ş.** (referred to as 'the Group' or 'Parsan Makina') began its operations in 1968. Parsan Makina is involved in manufacturing of spare parts such as rear axle shafts, front axle, axle, crankshaft, flange studs, aluminum, titanium, stainless steel materials and all kind of forged products. Parsan Makina operates on 94k m<sup>2</sup> closed and total 420k m<sup>2</sup> 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 co-operative partnerships.

The main shareholder of Parsan Makina is Çelik Holding with the share of 66.73% as of FYE2022 which belongs to Gürış İnşaat ve Mühendislik A.Ş. (88.33%) and Gürış 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 1,233 as of FYE2022 (FYE2021: 1,210).

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

### Strengths

- Robust recovery in leverage ratios and cash flow metrics in FYE2022,
- Long-term contracts with well-reputed clientele provide predictability and consistency of sales revenues,
- Increasing export dominated sales growth reflecting the Group's revenue generation capacity and balancing FX dominated debts,
- Recovery in efficiency thanks to decrease in operational ratio and cash conversion cycle,
- Notable increase in bottom line result thanks to income from subsidiaries in FYE2022,
- High and latest technology investments supporting the future revenue and profit growth expectations,
- Having competitive advantages via accessing markets thanks to operational synergy with Gürış Group.

### Constraints

- Remarkable share of revaluation and FX translation gains in equity in the reviewed periods,
- Continuing net working capital deficit and short-term funding structure pressuring liquidity management,
- Despite high asset quality and low collection risk, customer concentration limits the income channels diversity,
- Global semi-conductor chip shortage effecting revenue and supply figures of corporations,
- Global recession and geopolitical risks stemming from the Russia-Ukraine tension increasing uncertainty and monetary tightening across the globe deteriorating growth projections.

Considering the aforementioned points, the Group's the Long-Term National Issuer Credit Rating has been upgraded from 'BBB+ (tr)' to 'A- (tr)'. Sustainable operational performance, predictability and consistency of sales revenues, maintaining export sales preventing balance of income stream and FX dominated debts, recovery in leverage ratios and cash flow metrics, focusing technological R&D investments, synergic relationship with Gürış Group, as well as, leverage ratios, cash flows from completed investments 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 Group's level of debt ratio, profitability ratios, cash flow generation and the attainability of the Group's budgeted projections and geopolitical risks stemming from the Russia-Ukraine tension will be closely monitored by JCR Eurasia Rating in 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.