

Corporate Credit & Issue Rating

New Update

Sector: MEP Contractor

Publishing Date: 13/06/2018

Analyst(s)

Abdurrahman Tutğaç

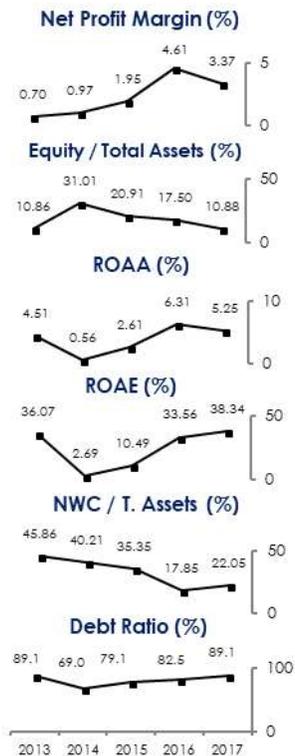
+90 212 352 56 73

Abdurrahman.tutgac@jcrer.com.tr

RATINGS

		Long	Short
International	Foreign Currency	BBB-	A-3
	Local Currency	BBB-	A-3
	Outlook	FC Stable	Stable
		LC Stable	Stable
National	Issue Rating	-	-
	Local Rating	A(Trk)	A-1(Trk)
	Outlook	Stable	Stable
Sovereign*	Issue Rating	A(Trk)	A-1(Trk)
	Sponsor Support	2	-
	Stand-Alone	B	-
	Foreign Currency	BBB-	-
	Local Currency	BBB-	-
	Outlook	FC Stable	-
	LC Stable	-	

*Affirmed by JCR on November 10, 2017



AE Arma-Elektropanç Elektromekanik San. Müh. Taah. ve Tic. A.Ş.

Company Overview

Financial Data	2017*	2016*	2015*	2014*	2013*
Total Assets (000 USD)	276,538	218,425	165,889	133,987	153,874
Total Assets (000 TRY)	1,043,073	768,681	482,338	310,703	328,413
Equity (000 TRY)	113,461	134,555	100,834	96,358	35,669
Net Profit (000 TRY)	45,170	36,770	8,948	3,767	2,318
Sales (000 TRY)	1,341,914	797,107	459,695	386,935	330,524
Net Profit Margin (%)	3.37	4.61	1.95	0.97	0.70
ROAA (%)	5.25	6.31	2.61	0.56	4.51
ROAE (%)	38.34	33.56	10.49	2.69	36.07
Equity / Total Assets (%)	10.88	17.50	20.91	31.01	10.86
Net Working Capital / T. Assets (%)	22.05	17.85	35.35	40.21	45.86
Debt Ratio (%)	89.12	82.50	79.09	68.99	89.14
Asset Growth Rate (%)	35.70	59.37	55.24	-5.39	44.91

*End of year

AE Arma-Elektropanç Elektromekanik Sanayi Mühendislik Taahhüt ve Ticaret A.Ş. was established in Turkey with operations covering Turkey, Russia, Dubai, Abu Dhabi, United Kingdom and Algeria. The Company is one of the leading technical engineering contractors in the Middle East. The Company provides electrical, electronic, and mechanical engineering solutions for large scale superstructure projects including multi-purpose office and housing complexes, educational and commercial buildings, hospitals, shopping centres, tourism and entertainment facilities, industrial facilities, and airports.

Business operations have extended to 8 countries on 3 continents through four subsidiaries and four branch offices. The Company currently maintains projects of 2.5 million m2 and contract value of around USD 1 billion. AE Arma-Elektropanç has completed over 7 million square metres of various projects up to the present. The Company undertakes projects following a tender process from main contractors most of which are globally/ domestically established prominent companies.

Strengths

- Diversified project base in terms of geography and project range
- High levels of return on equity
- Visible future sales and cash flow streams given on-going/shortlisted project base
- Growing cooperation with international financial institutions, vendors and contractors
- Strict risk management approach
- Hands on and experienced board
- Fairly diversified funding bundle
- Distinctive experience and know-how in the mechanical electrical and plumbing sector

Constraints

- Moderate decline in the gross profit margin
- Slightly increased Net Financial Debt to EBITDA and Net Financial Debt to Equity ratios
- Persistent headwinds in the medium term macroeconomic outlook despite significant incentives and solid growth
- Increasing interest rate environment with potential to limit funding opportunities and increasing financing costs