

## Corporate Credit & Issue Rating

New  Update

Sector: Construction  
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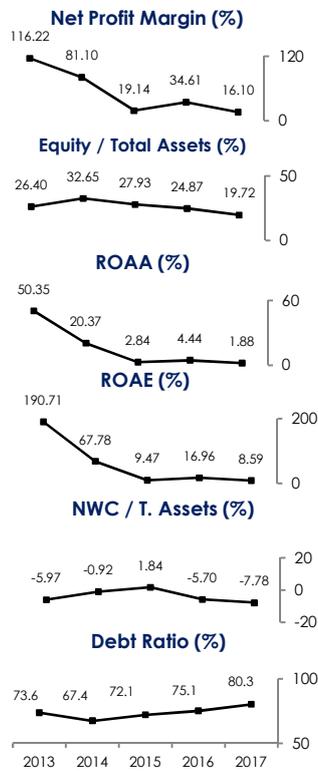
### Analyst

Bora Pakyürek  
 +90 212 352 56 73  
 bora.pakyurek@jcrer.com.tr

### RATINGS

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

\*Affirmed by JCR on August 14, 2018



## Sur Yapı, Gayrimenkul Geliştirme ve Enerji Şirketleri Company Overview

Financial Data	2017*	2016*	2015*	2014*	2013*
Total Assets (000 USD)	1,138,173	916,096	857,280	846,605	653,466
Total Assets (000 TRY)	4,293,076	3,223,925	2,492,627	1,963,193	1,394,693
Equity (000 TRY)	846,798	801,778	696,080	640,902	368,244
Net Profit (000 TRY)	64,780	131,793	67,774	305,609	314,293
Sales (000 TRY)	402,370	380,758	354,034	376,811	270,440
Net Profit Margin (%)	16.10	34.61	19.14	81.10	116.22
ROAA (%)	1.88	4.44	2.84	20.37	50.35
ROAE (%)	8.59	16.96	9.47	67.78	190.71
Equity / Total Assets (%)	19.72	24.87	27.93	32.65	26.40
Net Working Capital / T. Assets (%)	-7.78	-5.70	1.84	-0.92	-5.97
Debt Ratio (%)	80.28	75.13	72.07	67.35	73.60
Asset Growth Rate (%)	33.16	29.34	26.97	40.76	n.a

\*End of year

**Suryapı, Real Estate Development and Energy Companies** (hereinafter referred to as "Sur Yapı" or "the Company" or "the Group"), was founded under the trade name **Sur Yapı İnşaat Taahhüt Ticaret Limited Şirketi** on October 13, 1992 in Turkey to operate in the real estate development. The Group's main operation is to develop residential real estate projects primarily for sale and to undertake construction contracts. In addition, the Group develops office buildings and other commercial real estate projects, lease and manage shopping malls and has investments in the renewable energy production sector. With an operational track record spanning 25 years, the Group has built more than 4mn square meters living space and completed many remarkable residential real estate projects such as Exen İstanbul, Vitrin, İdilia, Tilia, Metrogarden, and Corridor. The Company has also built the outstanding shopping center projects of Axis İstanbul, Axis Kağıthane, Marka Bursa and Metrogarden.

Core projects expected to generate revenue in the upcoming years include the Antalya Urban Transformation Project in Antalya Kepez-Santral region, prestigious Kosuyolu Excellence project in Kadıköy, the Tempo City, Bahçekent, Bahçeyaka and Topkapı Residentials on the European side and the Lavender, Gölbağçe, Şehir Konakları, Muhit, Yeşilmavi, and İlkbahar projects on the Anatolian side of İstanbul. The Antalya Urban Transformation Project in the Kepez and Santral districts of Antalya is Europe's largest urban transformation project with a construction area of 2,500,000 m<sup>2</sup> consisting of approximately 19,000 independent units. The project is expected to reach TRY 6.3 bn in turnover. As of 31 December 2017, the Group employed a workforce of 501 (FYE2016:477). Company shares are fully owned by the Elmas Family.

### Strengths

- Increased visibility for future revenues arising from the Company's proven track record, expanding business territory, sound project backlog, and contribution of foreign currency denominated rental income
- Diversifying project base in terms of geography and designs
- Continuous improvement in assets base and equity over the reviewed period
- High share of received advances, contributing to the liquidity level despite being displayed as debt in accounting standards and accounting
- Distinguished brand recognition in the sector and need-oriented marketing serving as a buffer against sales risk
- Operations in different fields apart from housing sales creating revenue diversification and steady income generation
- Opportunities for growth and market expansion regarding housing demand provided by population growth, urbanization, and young demographic

### Constraints

- Increasing interest rate environment, upward pressure on exchange rates, and increase in mortgage interest rates temporarily constraining the investor appetite
- Foreign currency positions exerting pressure on profit and profitability ratios despite increasing foreign currency denominated rental income
- Highly competitive and fragmented market structure and price competition among national contractors in the key markets such as İstanbul, limiting the sector profit margin
- Considerable commitments and contingencies on asset portfolio
- Need for a separate and efficient risk management unit and risk committee in the Board of Directors
- High correlation with macroeconomic dynamics in the sector
- Persistent political and economic stresses along with regional tensions hosting uncertainties and exerting downward pressure on risk appetite of investors possibly resulting in a contraction of construction sector and pressure on profit