

Corporate Credit & Issue Rating

New Update

Sector: Construction
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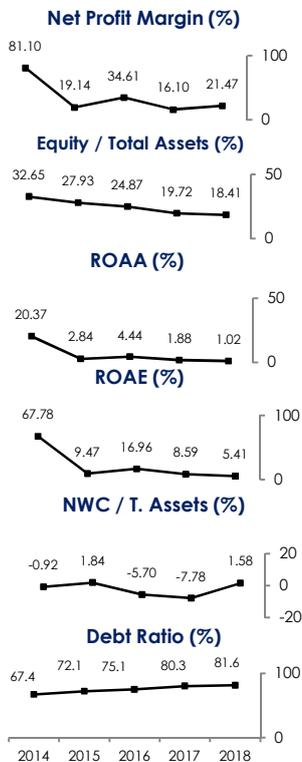
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RATINGS

		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 November 27, 2018



Sur Yapı, Gayrimenkul Geliştirme ve Enerji Şirketleri

Company Overview

Financial Data	2018*	2017*	2016*	2015*	2014*
Total Assets (000 USD)	1,201,452	1,138,173	916,096	857,280	846,605
Total Assets (000 TRY)	6,320,719	4,293,076	3,223,925	2,492,627	1,963,193
Equity (000 TRY)	1,163,904	846,798	801,778	696,080	640,902
Net Profit (000 TRY)	93,158	64,780	131,793	67,774	305,609
Sales (000 TRY)	433,839	402,370	380,758	354,034	376,811
Net Profit Margin (%)	21.47	16.10	34.61	19.14	81.10
ROAA (%)	1.02	1.88	4.44	2.84	20.37
ROAE (%)	5.41	8.59	16.96	9.47	67.78
Equity / Total Assets (%)	18.41	19.72	24.87	27.93	32.65
Net Working Capital / T. Assets (%)	1.58	-7.78	-5.70	1.84	-0.92
Debt Ratio (%)	81.59	80.28	75.13	72.07	67.35
Asset Growth Rate (%)	47.23	33.16	29.34	26.97	40.76

*End of year

Suryapı, Real Estate Development and Energy Companies (hereinafter referred to as "Sur Yapı" or "the Company" or "the Group"), is a leading real estate development company, founded under the trade name **Sur Yapı İnşaat Taahhüt Ticaret Limited Şirketi** on October 13, 1992 in Turkey. 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 27 years, the Group has built more than 4mn square meters living space and completed many remarkable residential real estate projects such as Exen İstanbul, İlkbahar, Mirage, Vitrin, İdilila, 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, Gölbahçe, Şehir Konakları, Muhit, and Yeşilmavi 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 m² consisting of approximately 19,000 independent units. The project is expected to reach TRY 8 bn in turnover. As of 31 December 2018, the Group employed a workforce of 553 (FYE2017:501). Company shares are fully owned by the Elmas Family.

Strengths

- Operations in different fields apart from housing sales creating revenue diversification and steady income generation
- Significant revenue growth mainly derived from the contribution of foreign currency denominated rental income and energy sales as renewable energy projects become operational and outputs are sold at guaranteed tariffs
- Continuous improvement in assets base and equity over the reviewed period
- Diversifying project base in terms of geography and designs
- Ability to fund large share of operations with customer advances, contributing to liquidity management despite being displayed as debt in accounting standards and accounting
- Prestigious and reputable brand granting robustness to market sensitivities
- Demographic figures underpinning the Turkish housing market

Constraints

- Relatively high 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
- Geopolitical and economic concerns along with persisting regional tensions harboring uncertainties and wielding pressure on business prospects