

Corporate Credit Rating

New Update

Sector : Shipyard
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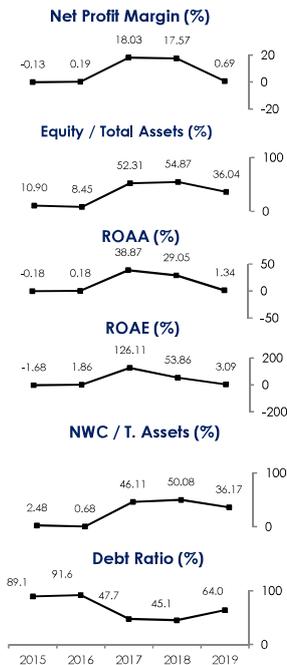
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RATINGS

		Long Term	Short Term
International	Foreign Currency	B	C
	Local Currency	B	C
	Outlook	FC Negative	Negative
		LC Negative	Negative
National	Local Rating	BBB+ (Trk)	A-2 (Trk)
	Outlook	Stable	Stable
	Issue Rating	-	-
	Sponsor Support Stand-Alone	2 B	-
Sovereign*	Foreign Currency	BB+	-
	Local Currency	BB+	-
	Outlook	FC Negative	-
		LC Negative	-

*Assigned by JCR on April 10, 2020



Cemre Marin Endüstri A.Ş.

JCR Eurasia Rating has evaluated the consolidated structure of “**Cemre Marin Endüstri A.Ş.**” and assigned the ratings on the Long-Term National Scale as ‘**BBB+ (Trk)**’ and the Short-Term National Scale as ‘**A-2 (Trk)**’ with ‘**Stable**’ outlooks. On the other hand, the Long Term International Foreign and Local Currency Ratings have been assigned as “**B/Negative**”.

Cemre Marin Endüstri A.Ş. (referred to as ‘**the Company**’ or ‘**Cemre Marin**’) was founded in 2011 and offers shipbuilding, maintenance and repairing services with Cemre I and Cemre II shipyards in Yalova. The building framework of shipyard of the Company consists of offshore vessels, passenger vessels and fishing vessels. Over the last 9 years, the Company has completed and delivered 50 ships, has 13 shipbuilding projects in progress currently. Cemre Marin has the capacity for 25,000 tons of steel construction and 8 new-building delivery annually. Cemre I has total area of 78,000 m², including 17,000 m² in closed area with lifting capacity up to 250 tons. Cemre II has total area of 70,000 m², including 25,000 m² in closed area with lifting capacity up to 500 tons.

The Company’s main controlling shareholders are Orhan Gülcek (44%), Hüseyin Toftar (34%) and Necmedin Çubuk (22%) as of FYE2019.

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

Strengths	Constraints
<ul style="list-style-type: none"> Predictable cash flow thanks to its strong business model and foreseeable sales revenues, Expansion of operational volume over the period, Low collection risk and high quality of accounts receivables supported by collaterals, Maintaining financial risk indicators via internal equity generation and manageable debt structure, Specialized knowledge of the shipyard sector, the services offered for niche markets and the level of technological capacity, Strictly regulated environment and environmentally friendly approach. 	<ul style="list-style-type: none"> Deterioration in profit margins due to lagged reflection of rising costs of sales, Relatively high level of the total debt reducing the headroom under the current financial position, High level of customer concentration, Structural vulnerability of the sector to global market conditions and intensive market competition, Need for further improvement in the level of compliance with Corporate Governance Practices.

Considering the aforementioned points, the Company’s the Long-Term National Rating has been assigned as ‘**BBB+ (Trk)**’. Taking into account balanced structure of financial statements, the rising level of cash flow from operations (CFO), the high value-added product portfolio and flexibility of meeting demand with different product base; the Company’s outlook for Long and Short-Term National ratings has been determined as “**Stable**”. The developments regarding to the operational strength of the Company, the level of net working capital need, the level of debt ratio and the sustainability of demand in the market are to be monitored in the upcoming period. The macroeconomic indicators at national and international markets, as well as market conditions and legal frame about the sector will be continued to be monitored.

It is considered that the controlling shareholders, Orhan Gülcek, Hüseyin Toftar and Necmedin Çubuk, have the willingness to ensure long-term liquidity and equity should such a need arise and the experience to provide efficient operational support to Cemre Marin Endüstri A.Ş. In this regard, the Company’s Sponsor Support Grade has been determined as (2). This grade signifies an adequate external support to the Company.

The Stand-Alone note is formed depending on the Company’s capacity utilization rate, operational efficiency, equity structure, growth rates of sales, existing risk position and risk associated with the environment and financial markets. It is assumed that Cemre Marin Endüstri A.Ş. has enough experience and accumulation of infrastructure to manage risks incurred in the balance sheet without shareholder support, provided that they monitor their existing customers’ positions. In this respect, the Stand-alone rating of Cemre Marin Endüstri A.Ş. has been assigned as (B) in JCR Eurasia Rating notation system.