

Corporate Credit Rating

New Update

Sector : Shipyard
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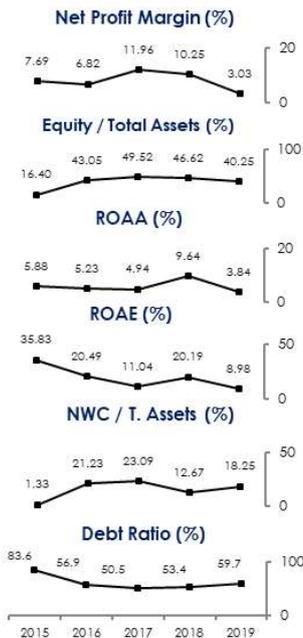
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RATINGS

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

*Assigned by JCR on April 10, 2020



Tersan Tersanecilik San. Tic. A.Ş.

JCR Eurasia Rating has evaluated “**Tersan Tersanecilik San. Tic. 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**’ with ‘**Negative**’ outlooks.

Tersan Tersanecilik San. Tic. A.Ş. was founded in Tuzla, Istanbul in 2000 in the name of Boğaziçi Orman Ürünleri Sanayi ve Dış Tic. A.Ş. The Company is active in new ship building and ship repair, docking & conversion. The product portfolio consists of offshore supply vessels, fishing vessels, ferries, stainless steel tankers, tugboats and complex tailor made state-of-the-art new building projects. The Company has completed and delivered 54 ships, has 20 projects in progress currently. Tersan Shipyard in Yalova has total area of 300,000 m², including 47,000 m² in closed area with 50,000 tons of steel construction capacity annually and lifting capacity up to 550 tons.

The Company’s main controlling shareholder is Osman Nurettin Paksu with 75% share ownership as of FYE2019.

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

Strengths	Constraints
<ul style="list-style-type: none"> Foreseeable cash flow resulting from strong business model, Widened revenue streams via new shipbuilding orders and high production volume, Low collection risk and high quality of accounts receivables supported by collaterals, Internal equity generation, Complex tailor-made production supported by specialized knowledge of the shipyard sector. 	<ul style="list-style-type: none"> Deterioration in profit margins due to costly prototype development, Relatively high level of the total debt inhibiting the Company’s financial position, Fluctuating structure at the fund level depending on the projects, 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 international brand identity via upward sales figures, the high value-added product portfolio, maintaining of asset quality, as well as, deterioration in profit margins and vulnerability of the sector to macroeconomic conditions; the Company’s outlook for Long and Short-Term National ratings has been determined as “**Stable**”. The level of debt ratio, cash flows to meet debt payments, the attainability of the Company’s budgeted projections and 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 possible negative effects of Covid-19 pandemic about the sector will be continued to be monitored.

It is considered that the controlling shareholders, Paksu Family has the willingness to ensure long-term liquidity and equity should such a need arise and the experience to provide efficient operational support to Tersan Tersanecilik San. Tic. 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 sustained increase in internal equity generation capacity, growth potential, operational efficiency and effective market position. It is assumed that Tersan Tersanecilik San. Tic. 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 Tersan Tersanecilik San. Tic. A.Ş. has been assigned as (B) in JCR Eurasia Rating notation system.