

Corporate Credit Rating

New Update

Sector: Holding

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RATINGS

		Long Term	Short Term	
International	Foreign	BB+	B	
	Local Currency	BB+	B	
	Outlook	FC	Negative	Negative
		LC	Negative	Negative
	Issue Rating	-	-	
National	Local Rating	AA- (Trk)	A-1+ (Trk)	
	Outlook	Stable	Stable	
	Issue Rating	-	-	
Sponsor Support	2	-	-	
Stand-Alone	AB	-	-	
Sovereign*	Foreign	BB+	-	
	Local Currency	BB+	-	
	Outlook	FC	Negative	-
		LC	Negative	-

*Assigned by JCR on April 10, 2020

Tekfen Holding A.Ş.

JCR Eurasia Rating, has evaluated **Tekfen Holding A.Ş.** in investment-level category on the national scale and assigned the ratings on the Long Term National Scale at '**AA- (Trk)**' with '**Stable**' outlook, and Long Term International Foreign Currency Scale as '**BB+**'.

With an operating track record dating back to 1956, '**Tekfen Holding A.Ş.**' (hereinafter referred to as **the Holding, the Group or Tekfen Holding**) was established in İstanbul in 1971 and is one of the country's leading diversified conglomerates with operations in the fields of engineering & construction, agricultural production, chemical industry, service and investment through its subsidiaries and affiliates which steers operations in various countries including Azerbaijan, Saudi Arabia, Qatar, Iraq, Kazakhstan, Georgia and Russia in addition to Turkey.

Tekfen İnşaat ve Tesisat A.Ş. (Tekfen Construction), the flagship company of the Group, is one of the Turkey's most established construction companies with 64 years of history and has extensive experience in petroleum, gas, and petrochemical facilities and serves customers in such areas as pipelines, land and sea terminals, tank farms, oil refineries, off-shore platforms, pumping and compressor stations, power plants, industrial facilities, highways, metro and railroad projects, sports complexes, infrastructure, and other civil engineering projects. Additionally, Toros Tarım Sanayi ve Ticaret A.Ş. is the second largest company in the group while it is the country's biggest manufacturer of nutrients in terms of output and market share.

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

Strengths

- Sustainable operational profitability and long term growth model in EBITDA
- Operating in diverse markets and industries compensating for potential volatility in economic conditions at a certain level
- Strong brand reputation at inter/national level
- Natural hedging maintained through FX revenue generation capacity from construction operations
- Compliance with corporate governance principles

Constraints

- Deterioration in business indicators in the current year and modest expectations for the year-end results
- Weakening in revenue visibility, emanated from the decline in backlog of contracting business line
- Uncertainties due to pandemic and geopolitical risks that may cause serious deepening contraction on the global and local economy in the upcoming periods, impairs the visibility of future revenues.

Considering the aforementioned points, the Company's Long Term National Rating has been assigned as '**AA- (Trk)**'. The Company's cash generation ability, strong plan of action, position in the business and operational profitability with possible negative impacts of the pandemic and decrease in backlogs have been evaluated as significant indicators for the stability of the ratings and the outlooks for long and short term national ratings are determined as '**Stable**'. Sustainability of the Company's profitability performance, debt cycle, EBITDA, changes in market share, developments in the global economy, effects of the Covid-19 pandemic, volatilities in the exchange rates, equity level and financial liabilities together with the ongoing operations in various countries are the main issues to be monitored by JCR Eurasia Rating 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.

The main shareholders of Holding are considered to have the willingness and experience to ensure long-term liquidity and equity within their financial capability when required and to provide efficient operational support to Tekfen Holding. In this regard, the Company's Sponsor Support Grade has been assigned as **(2)** in **JCR Eurasia Rating's** notation. Taking into account the Company's equity level, ongoing operations, liquidity reachability and internal resource generation capacity, The Stand Alone grade has been determined as **(AB)** in the JCR Eurasia Rating notation system.

