

Corporate Credit Rating

☑ New □ Update

Sector: Industrial Machinery

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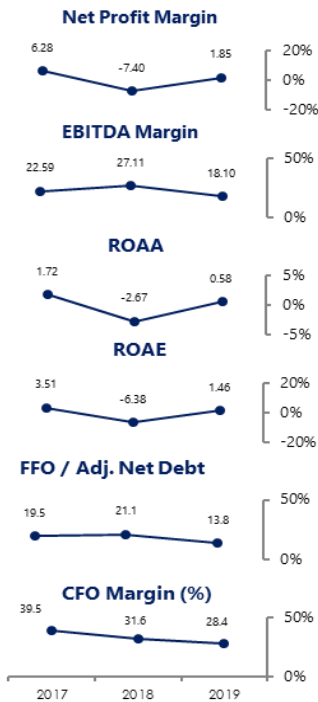
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RATINGS

		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-3 (Trk)
	Outlook	Stable	Stable
	Issue Rating	-	-
Sovereign*	Sponsor Support	2	-
	Stand-Alone	B	-
	Foreign Currency	BB+	-
	Local Currency	BB+	-
	Outlook	FC Negative	-
		LC Negative	-

*Assigned by JCR on April 10, 2020

RATIOS



Parsan Makina Parçaları Sanayii A.Ş

JCR Eurasia Rating evaluated the consolidated structure of “**Parsan Makina Parçaları Sanayii A.Ş.**” in an investment grade category at national level and assigned the ratings as “**BBB (Trk)**” on the Long-Term National Scale and as “**A-3 (Trk)**” on the Short-Term National Scale with ‘**Stable**’ outlooks. On the other hand, the Long Term International Foreign and Local Currency Ratings have been assigned as ‘**B-/ Negative**’.

The origins of **Parsan Makina Parçaları Sanayii A.Ş.** (referred to as ‘**the Group**’ or ‘**Parsan**’) began its operations in 1968. Parsan Makina is involved in manufacturing of spare parts such as rear axle shafts, front axle, axle, crankshaft, flange studs, aluminium, titanium, stainless steel materials and all kind of forged products. The Company operates on 420k m² open, 96k m² closed and total 516k m² area. The Group has established business partnerships with internationally well-known local and foreign players through its wide sectoral experience, know-how and network along with the ability to establish beneficial and co-operative partnerships.

The main shareholder of Parsan Makina is Çelik Holding with the share of 68.20% as of 3Q2020 which belongs to Gürış Holding 99.3 %. Çelik Holding was established in 1974 and operates in the fields of industry, energy, tourism and mining sectors. 29.7% of Company shares have been publicly traded on the Borsa İstanbul (BIST) under the ticker symbol “**PARSN**” since 1990. The Group employed a staff force of 1,076 as of 3Q2020.

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

Strengths

- Predictability and consistency of sales revenues via long-term contracts with well-reputed clientele,
- Sustainable operational performance thanks to automotive sector demand,
- Maintaining export sales preventing balance of income stream and FX dominated debts,
- Focusing technological R&D investments supporting market position,
- Having competitive advantages via accessing markets thanks to operational synergy with Gürış Group,
- Benefiting from a highly experienced team in the sector.

Constraints

- Operations in capital-intensive industries squeezing net working capital indicators,
- Debt burden squeezing financial room,
- Global economic slowdown exacerbated by the covid19 pandemic, affecting steel prices, demand and investment plans.

Considering the mentioned drivers, the Company’s the Long-Term National Rating has been assigned as “**BBB (Trk)**”. Sustainable operational performance, predictability and consistency of sales revenues, maintaining export sales preventing balance of income stream and FX dominated debts, focusing technological R&D investments, synergic relationship with Gürış Group, highly experienced team, as well as increasing demand to the automotive industry and cash flows from completed investments; the Company's outlook for Long and Short-Term National ratings has been determined as “**Stable**”. Related party receivables, level of debt ratio, profitability ratios, the attainability of the Company’s budgeted projections 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 monitored.

It is considered that the major controlling Gürış Holding which is ultimate parent of Parsan, has the willingness and experience to the ensure long term liquidity and equity within their financial capability when required and to provide efficient operational support to Parsan Makina Parçaları Sanayii A.Ş. and Its Subsidiaries. In this regard, the Group's Sponsor Support grade has been assigned as (2).

The Stand-Alone Note is constituted regarding assets quality, equity structure, risk management practices, market shares, growth rates and development of market and operational condition risk. JCR Eurasia Rating has determined that Parsan and its subsidiaries have reached sufficient knowledge and experience to manage the risk in their balance sheet without shareholder support. The Stand-Alone grade has been assigned as (B) considering the ability of the Company to manage its undertaken incurred risks based on its own and current capitalization.