

Corporate Credit Rating

New Update

Sector: Factoring

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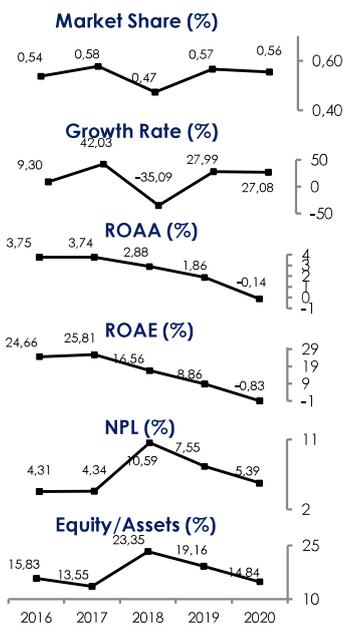
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RATINGS

		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	BBB+ (trk)	A-2 (trk)	
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



Devir Faktoring A.Ş.

JCR Eurasia Rating, has evaluated **Devir Faktoring A.Ş.** in investment-level category on the national scale and determined the ratings on the Long-Term National Scale as '**BBB+ (Trk)**' and the Short Term National Scale to '**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.

Devir Faktoring Anonim Şirketi (referred to as 'the Company' or 'Devir Faktoring') was founded in 1991 by a partnership with Demirbank to operate in the Turkish Factoring Sector having been regulated and supervised by the Banking Regulation and Supervision Agency (BRSA) since 2006. Following its foundation, the Levi Family acquired all of the shares in 1993 and has since been the sole ultimate shareholder of the Company.

The Company maintains its operations by an average staff force of 62 employees as of FYE2020 (FYE2019: 62) through its headquarters in Istanbul as well as through its five branches in Istanbul (Pendik), Ankara (Ostim), Izmir (Bornova), Istanbul (Ikitelli) and Istanbul (Topcular).

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

Strengths

- Majority of the balance sheet items being composed of earning assets contributing to asset quality
- High level of collateral coverage diminishing the credit risk
- Stable and experienced management team with an emphasis on adoption of corporate governance practices and efficient internal control mechanisms
- Diversified funding base with bond issuances

Constraints

- Pressure on the global economic outlook and asset quality of lenders due to ongoing uncertainties arising from the global Covid-19 pandemic
- Continuation of declining trend in net profitability indicators depending to high OPEX level with the effect of Covid-19
- Short term borrowing profile of the sector
- NPL ratios - though improved - still exceeding the sector averages
- Intensive competitive environment dominated by bank-owned companies which have a comparative advantage with wide branch networks and low borrowing costs

Considering the aforementioned points, the Company's the Long-Term National Rating has been determined at '**BBB+ (Trk)**'. Considering Devir Faktoring's long business track record and high level of sustainability of activities bolstered by particularly the Company's low level of risk appetite, capitalization level, net interest margin level, expected high growth trend in the Company's projections and improvement in risk management implementations together with low level of risk exposure and the general outlook of the sector as well as, Covid-19 pandemic and geopolitical risks-driven uncertainties; the Company's outlook for Long and Short-Term National ratings has been affirmed as '**Stable**'. Resources management for projected high growth rates particularly with regard to financing therein through enhancement of internal equity generation capacity, collection performance of the NPLs and profitability indicators as well as market conditions regarding the sector and the negative effects of the Covid-19 pandemic are some of the priority issues to be monitored by JCR Eurasia Rating.

It is considered that the Company's main shareholder, **Levi Family** has the propensity to offer financial support within their financial capability when liquidity needs arise in the short or long-term perspective. In this regard, the Company's Sponsor Support grade has been affirmed as **(2)** on JCR Eurasia Rating's notation scale.

Devir Faktoring's 'stand-alone rating' has been determined with regard to the Company's organizational structure, level of capitalization, asset quality, risk management policies, corporate governance practices, market shares, growth rates, profitability ratios and the trends of the existing risks in the markets and the business environment. Within this context, the Stand Alone note of Devir Faktoring has been determined as **(B)** in the JCR Eurasia Rating notation system.