

Corporate Credit Rating

New Update

Sector: Air Conditioning

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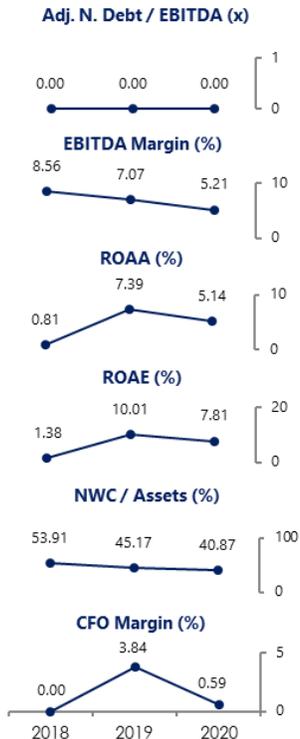
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RATINGS

| | | Long Term | Short Term |
|---------------|------------------|------------------------|------------------|
| National | Local Rating | AA (Trk) | A-1+ (Trk) |
| | Outlook | Stable | Stable |
| | Issue Rating | - | - |
| International | Foreign Currency | BBB+ | A-2 |
| | Local Currency | BBB+ | A-2 |
| | Outlook | FC Stable LC Stable | Stable Stable |
| Sovereign | Foreign Currency | BB | - |
| | Local Currency | BB | - |
| | Outlook | FC Stable LC Stable | - - |

*Assigned by JCR on May 31, 2021



Daikin Isıtma ve Soğutma Sistemleri San. Tic. A.Ş.

JCR Eurasia Rating, has evaluated **Daikin Isıtma ve Soğutma Sistemleri Sanayi Ticaret Anonim Şirketi** in high investment-level category on the national scale and assigned the ratings on the Long-Term National Scale as **'AA (Trk)'** and Short-Term National Scale as **'A-1+ (Trk)'** with **'Stable'** outlooks.

Daikin Isıtma ve Soğutma Sistemleri Sanayi Ticaret Anonim Şirketi (referred to as 'the Company', 'Daikin Turkey' or 'Daikin') was initially established in 2011 with the acquiring of "Airfel Isıtma ve Soğutma Sistemleri Sanayi Ticaret Anonim Şirketi" by Daikin Europe N.V. ("Daikin Europe"). On the other hand, Daikin which has been operating in Turkey for 43 years through distributors since 1978 and currently holds six regional offices (Adana, Ankara, Antalya, Gaziantep, İzmir, Trabzon) in various provinces in the country also maintains 300 dealers, 500 sales points and 501 authorized services within its structure meanwhile the head office being located in Istanbul, Turkey. The Company holds broad range of products and services such as air conditioners, combi, air cleaner devices and multifarious engineering solutions. As of 31 March 2021, the average number of personnel employed by the Company during the year is 1.344 (31 March 2020: 1.208 personnel). Moreover, Daikin Europe N.V is the main partner of the Company likewise as the party holding the main control.

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

| Strengths | Constraints |
|---|---|
| <ul style="list-style-type: none"> Low financial debt and steady operational profitability performance supported by cash surplus High paid in capital supported by current and previous year's profits strengthening the equity structure in the balance sheet Prudent collection policy enhances the asset quality at large extent Providing natural hedge through high export sales mainly to European countries Robust and sustainable net working capital contributing to liquidity position Decreasing trend in cash conversion cycle indicating recovery in operational efficiency Successful track record in terms of manufacturing and export volumes High industry experience thanks to operations in national and international markets along with multifarious products promoting the brand name | <ul style="list-style-type: none"> High level of cost of sales resulting with increasing raw material prices supported by depreciation in TRY Variability in cash generated from operating activities Worldwide uncertainty increases after Covid-19 pandemic pressuring the local and global economic outlook |

Considering the above given points, Daikin's Long-Term National Rating has been assigned as **'AA (Trk)'**. Low financial debt and steady operational profitability, solid equity structure, strengthened equity structure, prudent collection policy, natural hedge via high export sales, robust and sustainable net working capital, decreasing trend in cash conversion cycle, successful track record in terms of manufacturing and export volumes and high industry experience supported broad product range have been evaluated as important indicators for the stability of the ratings and the outlooks for Long- and Short-Term National ratings are determined as **'Stable'**. On the other hand, the Company's high level of cost of sales, variability in cash generated from operating activities, worldwide uncertainty increases in the wake of Covid-19 pandemic and other possible emerging risks due to new developments in the sector and macroeconomy will be monitored by JCR Eurasia Rating in upcoming periods.

The Sponsor Support notes and associated risk assessments reflect the financial and non-financial positions of the shareholders of the Company. It is considered that the sole shareholder of the company, Daikin Europe, intends to maintain its dominance over Daikin in the long term and have the willingness and experience to ensure long-term liquidity and equity within their financial capability when required to the Company. In this regard, the Company's Sponsor Support Grade has been assigned as **(1)** in JCR Eurasia Rating's notation.

On the other hand, the Stand Alone note of the Company has been constituted particularly with respect to the Company's internal resource generation capacity, sales performance, equity structure, market shares, liquidity profile, profitability ratios, risk management practices, development of existing risks in the business environment and capability to access financing sources in times of need. As a result, our opinion is that the Company has reached the level of sufficient experience, facilities along with its low financial debt to manage the incurred risks on its balance sheet regardless of any help from the shareholders. Within this context, the Stand Alone note of Daikin has been determined as **(A)** in the JCR Eurasia Rating notation system.