

Corporate Credit Rating

New Update

Sector: Holding

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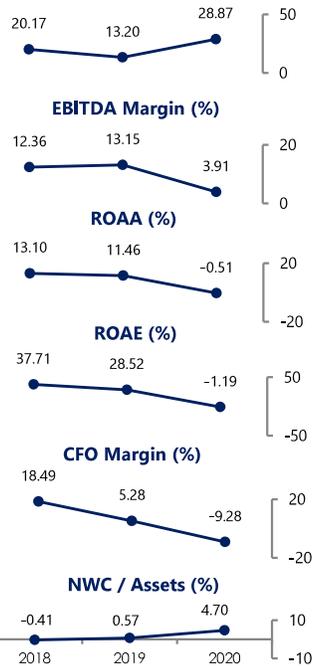
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RATINGS

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

*Assigned by JCR on May 31, 2021

Adjusted Debt / Capital (%)



Tekfen Holding A.Ş. and Its Subsidiaries

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

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

Tekfen İnşaat ve Tesizat A.Ş. (Tekfen Construction), the flagship company of the Group, is one of the Turkey's most established construction companies with 65 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. Tekfen Construction completed nearly 400 different projects since the foundation. In Engineering News-Record's 2021 list of the 'World's 250 Biggest International Contractors', Tekfen Construction ranked in 80th position. 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 fertilizer in terms of output and market share. While the Holding generated TRY 11.73bn of sales revenue in 2020 down by 19.68% YoY, engineering & contracting and chemical industry segments' shares in total recorded 60.6% and 33.1%, respectively.

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

Strengths

- High receivable quality stimulates the cash generation capacity
- Solid balance sheet structure with satisfactory equity and cash level despite the decline seen in 2020
- Hard currency cash flow stream provides resilience to the Holding
- Diversified portfolio compensates for potential volatility in economic conditions at a certain level
- Prominent positions in sub-segments
- Compliance with corporate governance principles

Constraints

- Decline in overall contracting backlog of contracting business line, undermines revenue visibility
- Deterioration in cash flow from operating activities, led by net loss recorded in 2020
- Raw material prices may put pressure on profitability margins
- Hazy outlook in macroeconomic environment as an impediment to new megaprojects
- Pandemic on global and local economies overhang as a systematic risk

Considering the aforementioned points, Tekfen Holding's Long Term National Rating has been affirmed at **'AA- (Trk)'**. The Holding's cash generation ability from different sectors, sufficient equity level, debt service capacity, recovery in profitability indicators as of Q3 2021, immunity against FX losses with deterioration in business indicators arising from Covid-19 pandemic 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'**. Sustainability of the Holding's profitability performance, cash generation capacity, change in backlog level, effects of the Covid-19 pandemic, volatilities in the exchange rates, equity level and financial liabilities together with the trends in the industries are to be monitored by JCR Eurasia Rating. 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.

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