JCR-ER JCR Eurasia Rating
"JCR-ER, Group of Japan Credit Rating Agency, Ltd." JCR

Corporate Credit Rating

☒New ☐Update

Sector: Compressor Production
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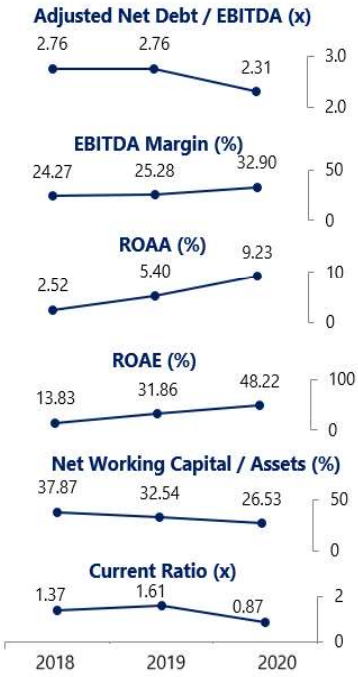
Senior Chief Analyst
Fatih LAP
+90 212 352 56 73
fatih.lap@jcrer.com.tr
Assistant Analyst
Ömer Faruk ÇAĞLAR
+90 212 352 56 73
omer.caglar@jcrer.com.tr

RATINGS

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

* Assigned by JCR on May 31, 2021



Dalgakıran Makina San. ve Tic. A.Ş. and Its Subsidiaries

JCR Eurasia Rating has evaluated **"Dalgakıran Makina San. ve Tic. A.Ş."** in an investment level category and assigned the Long-Term National Scale as **"A- (Trk)'** and the Short-Term National Scale as **'A-1 (Trk)'** with **'Stable'** outlooks.

Dalgakıran Makina San. ve Tic. A.Ş. (hereinafter **"the Company"** or **"Dalgakıran"**), was established in İstanbul in 1991 but its roots date back to 1965. The main operating field of the Company is compressor production and has sale and technic services in İstanbul, Ankara, İzmir, Bursa, Ukraine and Russia. The Company's shareholders are Ömer Dalgakıran, Adnan Dalgakıran and Ayhan Dalgakıran with the shares of 35.60%, 32.20% and 32.20% respectively.

According to survey's results of Turkey's Top 1000 Exporters in 2020 announced by Turkish Exporters Assembly (TİM), the Company is ranked 405th. The Company is also ranked 113th in ISO Second Top 500 List of 2020 (It was 305th in 2019) according to production-based net sales.

As of end of FYE2020, the Company has 524 personnel (FYE2019: 441)

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

Strengths	Constraints
• Sustainable growth at sales supported by exports to wide customer portfolio • Consistency at increase of EBITDA and profitability ratios • Revenue mostly consisting of foreign currencies providing natural hedge in a certain extent • Research and development studies that support operations and income generation capacity • Competitive advantage of having own production facilities • Backed by the partners and experienced shareholders in industry	• Negative cash flow metrics due to Capex pressuring liquidity management • Increase in short-term financial liabilities and low level of equity in 2020 • Increasing financing expense associated with increasing debt may put pressure to year-end profitability • Recalculated prior years' loss in 2020 leading to decrease in equity level • Increase in raw material prices may put pressure on profitability margins • Further improvement needs in the level of compliance with corporate governance practices • Ongoing uncertainties due to Covid-19 pandemic in the global and domestic economy

Considering the aforementioned points, the Company's the Long-Term National Rating has been assigned as **"A- (Trk)"**. Additionally, sustainable EBITDA generation capacity, increase in sales and profitability, extended customer portfolio and foreign currency revenue have been evaluated as important indicators for **"Stable"** outlooks of long and short-term national ratings. The macroeconomic indicators at national and international markets, as well as market conditions& regulations, profit and equity indicators of the Company will be monitored by JCR Eurasia Rating.

The operational strength and the expected support of the Company's shareholder constitute the foundation for the Company's sponsor support evaluation. The Sponsor Support notes and risk assessments carried out reflect the financial and nonfinancial standings and expected support of shareholders. It is assumed that the Company's shareholders have the experience to provide efficient operational and financial support to Dalgakıran and the sufficient propensity to obtain long term liquidity or equity if needed. Taking into consideration the shareholder's role in the sector and activities the Company's Sponsor Support grade has been determined as **(2)** on JCR Eurasia Rating's notation scale. This grade signifies an adequate external support to the Company.

The Stand Alone note of the Company has been constituted particularly with respect to the Company's capability to access financing sources, being recognized in the sector, experienced management team and know-how level. It is assumed that Company has sufficient experience and accumulation of infrastructure to manage risks incurred in the balance sheet without shareholder support. In this respect, the Stand-Alone rating of the Company has been assigned as **(B)** in JCR Eurasia Rating notation system, which signifies a strong company, good management and operating environment and future expectations.

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