

Corporate Credit Rating

New Update

Sector: Automotive Suppliers
Industry

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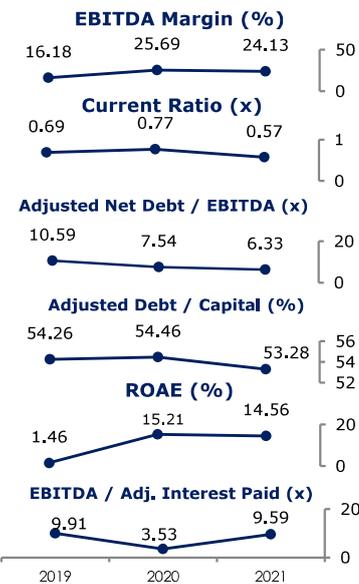
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RATINGS		Long Term	Short Term
ICRs (Issuer Credit Rating Profile)	National ICR	BBB+ (tr)	J2 (tr)
	National ICR Outlooks	Stable	Stable
	International FC ICR	BB	J3
	International FC ICR Outlooks	Stable	Stable
	International LC ICR	BB	J3
	International LC ICR Outlooks	Stable	Stable
ISRs (Issue Specific Rating Profile)	National ISR	-	-
	International FC ISR	-	-
	International LC ISR	-	-
Sovereign*	Foreign Currency	BB (Stable)	-
	Local Currency	BB (Stable)	-

* Assigned by JCR on May 31, 2021



Parsan Makina Parçaları Sanayii A.Ş.

JCR Eurasia Rating, has evaluated the "Parsan Makina Parçaları Sanayii A.Ş." in the adequate investment level category and upgraded the Long-Term National Issuer Credit Rating to 'BBB+ (tr)' from 'BBB (tr)' and the Short-Term National Issuer Credit Rating at 'J2 (tr)' with 'Stable' outlooks. On the other hand, the Long Term International Foreign and Local Currency Issuer Credit Ratings and outlooks were assigned as 'BB/Stable' as parallel to international ratings and outlooks of Republic of Turkey.

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 326k m² open, 94k m² closed and total 420k 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 66.73% as of FYE2021 which belongs to Güriş İnşaat ve Mühendislik A.Ş. (88.33%) and Güriş Holding (11.67%). Çelik Holding was established in 1974 and operates in the fields of industry, energy, tourism and mining sectors. 31.20% 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 1,210 as of FYE2021 (FYE2020: 1,086).

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,
- Maintaining export sales by balancing 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 Güriş Group,
- Benefiting from a highly experienced team in the sector.

Constraints

- Operations in capital-intensive industries squeezing net working capital indicators,
- Despite recovery in leverage ratios, maintaining high level of debt level,
- Tightening cash flow metrics in 2021,
- Global semi-conductor chip shortage effecting revenue figures of corporations,
- The geopolitical risks stemming from the Russia-Ukraine tension increasing commodity prices and weakening the risk appetite towards EMs.

Considering the aforementioned points, the Company's the Long-Term National Issuer Credit Rating has been revised to 'BBB+ (tr)' from 'BBB (tr)'. 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 Güriş Group, as well as leverage ratios, cash flows from completed investments have been evaluated as important indicators for the stability of the ratings and the outlooks for Long and Short-Term National Issuer Credit Ratings are determined as 'Stable'. The Company's Sectorial regulations, level of debt ratio, profitability ratios, cash flow generation and the attainability of the Company's budgeted projections and geopolitical risks stemming from the Russia-Ukraine tension will be closely monitored by JCR Eurasia Rating in upcoming periods. The macroeconomic indicators at national and international markets, as well as market conditions and legal framework about the sector will be monitored as well.