

Corporate Credit Rating

☐ New ☒ Update

Sector: Construction & Contracting

Publishing Date: Dec. 30, 2024

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RATINGS		Long Term	Short Term
ICRs (Issuer Credit Rating Profile)	National ICR	A+ (tr)	J1+ (tr)
	National ICR Outlooks	Stable	Stable
	International FC ICR	BB	-
	International FC ICR Outlooks	Stable	-
	International LC ICR	BB	-
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 10, 2024

BİRLEŞİM MÜHENDİSLİK ISITMA SOĞUTMA HAVALANDIRMA SANAYİ VE TİCARET A.Ş.

JCR Eurasia Rating has evaluated the consolidated structure of "Birleşim Mühendislik Isıtma Soğutma Havalandırma Sanayi ve Ticaret A.Ş." in the investment grade category with high credit quality and affirmed the Long-Term National Issuer Credit Rating at 'A+ (tr)' and the Short-Term National Issuer Credit Rating at 'J1+ (tr)' with 'Stable' outlooks. On the other hand, the Long Term International Foreign and Local Currency Issuer Credit Ratings and outlooks are determined as 'BB/Stable' in parallel to international ratings and outlooks of Republic of Türkiye.

Birleşim Mühendislik Isıtma Soğutma Havalandırma Sanayi ve Ticaret A.Ş. (hereinafter referred to as "Birleşim Mühendislik" or "the Group") was established in İstanbul in 2002. The Group, along with its wholly-owned subsidiary, Erde Mühendislik Sanayi ve Ticaret A.Ş. ("Erde Mühendislik"), operates in the construction and contracting sector, specializing in mechanical and electrical installation applications, including heating, cooling, ventilation, and air conditioning systems. The Group has expertise in diverse building projects, such as hospitals, hotels, shopping malls, housing, business and living centers, industrial plants, and multi-functional buildings.

The Group began its business activities in 2003 with a hospital construction project in Ataköy, İstanbul. Over the past 17 years, Birleşim Mühendislik has completed 182 projects. These include 41 hospitals and other healthcare facilities, 25 shopping malls, 24 hotels and tourism-related projects, 93 office and business centers, and various other projects. As of September 2024, the Group's project backlog amounts to TRY 3.03bn.s

In addition, Solar Santral Enerji A.Ş. ("Solar Santral"), which is consolidated within the Group's financial statements as of 2022, focuses on rooftop and ground-mounted solar power plant (SPP) installation, maintenance, repair, and land development.

The head office of the Group is located in Ümraniye, İstanbul. Birleşim Mühendislik's shares have been listed on Borsa İstanbul (BIST) since August 20, 2021, with the ticker 'BRLSM'. As of reporting date, 48.22% of Birleşim Mühendislik's shares are publicly traded whereas the rest of the shares belongs to Mesut Altan and İdris Çakır with equal shares of 25.89%. The average number of employees was 400 in FY2023 (FYE2022: 466).

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

Strengths

- Visibility of future revenue streams supported by current backlog capacity,
- Reasonable key profitability margins with a modest increase in FY2023, expected to improve further based on 3Q2024 financials,
- Strong leverage profile sustained with a cash surplus position in FY2023 and expected to remain solid despite rising debt levels in 2024,
- Ability to secure funding through customer advances to a certain extent,
- Customer portfolio consisting of well-known entities, supporting receivables quality,
- Extensive know-how and long-standing track record in the sector,
- Compliance with corporate governance practices as a public company.

Constraints

- Negative CFO and FOCF in FY2023, primarily due to increasing trade receivables impacting working capital,
- Potential operational and management risks, due to the nature of construction business,
- Increasing construction costs may put pressure on profitability margins,
- In the shadow of geopolitical risks, leading economic indicators point to continued weakness in global demand conditions, whereas actions for a soft-landing are at the forefront.

Considering the aforementioned points, the Group's Long-Term National Issuer Credit Rating has been affirmed at 'A+ (tr)'. Taking into account the significant growth of the Group's sales revenues, expected revenue streams thanks to current backlog value, favorable indebtedness structure, extensive experience in contractual and longstanding business relationships with public institutions, as well as material effect of monetary losses on net income due to inflationary environment, intensive competition among construction contractors and increasing construction costs pressuring profitability have been evaluated as important indicators for the stability of the ratings and the outlooks for Long and Short-Term National Issuer Credit Ratings have been determined as 'Stable'. The Group's revenue & profitability performance, cash flow generations, indebtedness indicators, liquidity metrics, global recession concerns, market position and economic conditions in Türkiye are the priority issues to be 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 also be monitored.

