

## Corporate Credit Rating

New  Update

**Sector:** Construction & Contracting  
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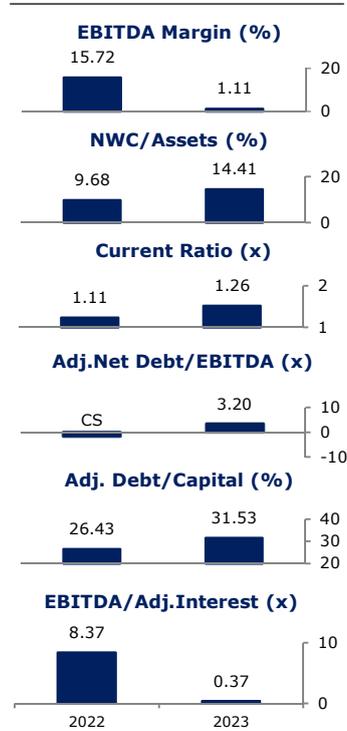
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RATINGS		Long Term	Short Term
ICRs (Issuer Credit Rating Profile)	National ICR	BB+ (tr)	J3 (tr)
	National ICR Outlooks	Stable	Stable
	International FC ICR	B+	-
	International FC ICR Outlooks	Stable	-
	International LC ICR	B+	-
ISRs (Issue Specific 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



## ÇEVRE MÜHENDİSLİK İNŞAAT SANAYİ VE TİCARET A.Ş.

JCR Eurasia Rating has evaluated "Çevre Mühendislik İnşaat Sanayi ve Ticaret A.Ş." in the speculative grade category and assigned the Long-Term National Issuer Credit Rating as 'BB+ (tr)' and the Short-Term National Issuer Credit Rating as 'J3 (tr)' with 'Stable' outlooks. On the other hand, the Long Term International Foreign and Local Currency Issuer Credit Ratings and outlooks have been determined as 'B+/Stable'.

**Çevre Mühendislik İnşaat Sanayi ve Ticaret A.Ş.** (hereinafter referred to as "the Company" or "Çevre Mühendislik") was established in 1993 by the Mehmet Sedat Taktak in Istanbul, Türkiye. The Company's core business activities span contracting, engineering, construction, installation, inspection, maintenance, consultancy, and both public and private construction and project engineering. Moreover, Çevre Mühendislik's operations are entirely focused on public institutions, with the majority of projects executed through subcontractors.

The Company's sole shareholder is Mehmet Sedat Taktak with 100% share, as of FYE2023. The Company employed a staff force of 30 as of FYE2023 (FYE2022: 11).

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

### Strengths

- Sales revenue growth driven by progress payments from completed projects in FY2023,
- Negligible level of financial debt with short term cash surplus in FYE2023 bolstering operational resiliency as projects are primarily funded through internal resources,
- Moderate backlog value from ongoing projects providing sustainable revenue visibility,
- High ability of collecting receivables thanks to the ongoing projects undertaken through tenders from public authorities.

### Constraints

- Inadequate EBITDA generation capacity along with limited and volatile profitability profile stemming from the inability to offset escalating construction costs, pressuring EBITDA leverage and coverage metrics,
- Imbalance between expenditures and progress payments for ongoing projects according to 3Q2024 provisional tax return,
- Relatively high non-cash credit risk level as a nature of the business,
- Potential operational and management risks due to the nature of construction business,
- Improvement needs in the corporate governance practices framework along with key-person risk stemming from the ownership and management of the Company by one individual,
- 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 Company's Long-Term National Issuer Credit Rating has been assigned as 'BB+ (tr)'. Taking into account the Company's revenue growth via completed projects, negligible level of financial debt, moderate backlog value and working with public authorities, as well as inadequate EBITDA generation, deterioration EBITDA leverage and coverage metrics and imbalance between expenditures and progress payments 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 profitability indicators, debt and equity level, liquidity metrics and economic conditions in Türkiye 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 also be monitored.