

Corporate Credit Rating

New Update

Sector: Air Conditioning

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RATINGS		Long Term	Short Term
ICRs (Issuer Credit Rating Profile)	National ICR	AA (tr)	J1+ (tr)
	National ICR Outlooks	Stable	Stable
	International FC ICR	BBB+	-
	International FC ICR Outlooks	Stable	-
	International LC ICR	BBB+	-
ISRs (Issue Specific Rating Profile)	International LC ICR Outlooks	Stable	-
	National ISR	-	-
	International FC ISR	-	-
Sovereign*	International LC ISR	-	-
	Foreign Currency	BB (Negative)	-
	Local Currency	BB (Negative)	-

* Assigned by JCR on August 18, 2022

DAIKIN ISITMA VE SOĞUTMA SİSTEMLERİ SAN. TİC. A.Ş.

JCR Eurasia Rating, has evaluated **Daikin Isıtma ve Soğutma Sistemleri San. ve Tic. A.Ş.** in investment-level category and affirmed the Long-Term National Issuer Credit Rating at **'AA (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 were also affirmed at **'BBB+/Stable'**.

Daikin Isıtma ve Soğutma Sistemleri San. ve Tic. A.Ş. (Daikin or "the Company") was established in 2011 after various legal entity name amendments in which Daikin Europe N.V. acquired all of "Airfel Isıtma ve Soğutma Sistemleri San. Tic. A.Ş." shares and amended its business title was once again to "Daikin Isıtma ve Soğutma Sistemleri San. ve Tic. A.Ş.". Additionally, its head office was moved to Istanbul from Gaziantep. On the other hand, the Company holds broad range of products under the categories of air conditioners, combis, air cleaner devices and multifarious engineering solutions. In FY2021, 56.06% of gross sales consisted of export sales (FY2020: 49.07%) which has been mainly delivered to European countries. Daikin also maintains six regional offices (Adana, Ankara, Antalya, Gaziantep, Izmir, Trabzon) in various provinces in the country also has 300 dealers, 500 sales points and 501 authorized services within its structure. In addition, the Company's production facility is located in Hendek district of Sakarya province in Türkiye.

Furthermore, the average number of personnel employed within the Company is 1,581 (FYE2020: 1,344) as of FYE2021. Moreover, paid in capital of Daikin amount to TRY 1.10bn (FYE2020: TRY 1.10bn) and all the shares are held by Daikin Europe N.V. ("Daikin Europe") based in Ostend, Belgium. Daikin is ultimately a part of Daikin Industries Limited ("Daikin Global"), which is a Japanese multinational air conditioning manufacturing company headquartered in Osaka, Japan that was founded in 1924 and has over 88,000 employees and more than 100 production bases.

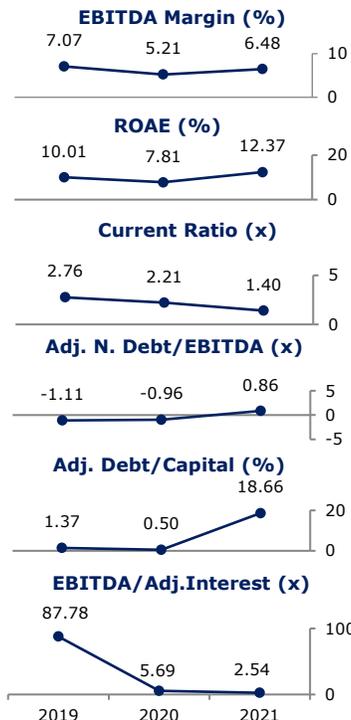
Key rating drivers, as strengths and constraints, are provided below.

Strengths

- Solid revenue and EBITDA generation capacity in the last fiscal year as well as continuing successful performance in FY2022
- Sustainable and increasing export volume that provides natural hedge to a certain extent
- Cautious trade receivables collection practices that improves the quality of the assets along with continuing downward tendency in cash conversion cycle
- Maintenance of satisfactory equity level notwithstanding a decline over the evaluation period
- Advantage of having broad product range, well-structured network in Türkiye and affiliation with Daikin Industries Limited
- Continuation of successful track record in terms of export and manufacturing volumes that contributes to the brand value

Constraints

- Despite its adequate level, downward trend in liquidity and coverage indicators due to increasing short term dominated liabilities
- Intense competition environment throughout the air conditioning industry
- Rising raw material prices which may exert pressure on profitability margins
- The geopolitical risks stemming from the Russia-Ukraine tension and global recession concerns creating uncertainty



Considering the aforementioned points, the Company's Long-Term National Issuer Credit Ratings has been affirmed at **'AA (tr)'**. Solid revenue and EBITDA generation in the last fiscal year along with continuing successful performance in FY2022, sustainable and increasing export volume, cautious trade receivables collection practices that improves the asset quality and continuing downward trend in cash conversion cycle and maintenance of sufficient equity level despite its downfall over the review period, advantage of having broad product range, well-structured network in Türkiye and affiliation with Daikin Industries Limited, ongoing successful track record in terms of export and manufacturing volumes 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 downward trend in liquidity and coverage indicators due to short term weighted profile of liabilities, intense competition environment throughout the air conditioning industry and geopolitical risks arising from Russia-Ukraine tensions and global recession concerns 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.