

Corporate Credit Rating

New Update

Sector: Engineering, Procurement, Construction

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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	Negative	-
	International LC ICR	BB	-
ISRs (Issue Specific Rating Profile)	National ISR	-	-
	International FC ISR	-	-
	International LC ISR	-	-
Sovereign*	Foreign Currency	BB (Negative)	-
	Local Currency	BB (Negative)	-

* Assigned by JCR on Aug 18, 2022

Deha Tech Makina Sanayi ve Ticaret A.Ş.

JCR Eurasia Rating, has evaluated the "Deha Tech Makina Sanayi ve Ticaret A.Ş." in the investment-level category and revised the Long-Term National Issuer Credit Rating from 'A+ (tr)' to 'A (tr)' and affirmed the Short-Term National Issuer Credit Rating as 'J1 (tr)' with 'Stable' outlooks. On the other hand, the Long Term International Foreign and Local Currency Issuer Credit Ratings and outlooks were affirmed as 'BB/Negative' as parallel to international ratings and outlooks of Republic of Türkiye.

Deha Tech Makina Sanayi ve Ticaret A.Ş. (referred to as 'the Company' or 'Deha Tech Makina'), with foundations dating back to 2009, operates in the fields of design & engineering, procurement & logistics, fabrication, construction, and commissioning for various industries as an international Engineering, Procurement and Construction (EPC) company. The Company has completed the engineering, manufacturing, and mechanical erection of more than 100 projects in 20+ countries in the fields of cement & mining industry, energy sector, refinery, oil & gas industry, zinc recovery, and construction industry, since 2009. The Company manufactures tanks, pressure vessels, rotary kilns and driers, cement plant equipment, steel structures, conveying and material handling systems, plate works, silo bunkers, water/wastewater treatment equipment, dedusting filters and systems within the scope of its services. Manufacturing activities are carried out in the Kartepe/Kocaeli and Gebze/Kocaeli factories and Haydarpaşa/İstanbul port workshop under the EN ISO 9001 standard. The Company's headquarters is in Beyoğlu/İstanbul. The shareholders and co-founders of the Company are Hakan Yıldırım (50%) and Berk Dal (50%). The Company generated USD 67.26mn of sales revenue and posted USD 9.60mn of net profit with a margin of 14.27% in FY2022.

The Company has been rated mainly due to its cash & non-cash credit limit situation, and the key rating drivers as strengths and constraints, are provided below.

Strengths

- Growth trend in profit margins in the analyzed periods with the completed projects and the revenue potential of the ongoing projects supported by backlog level,
- Revenue diversification through a business model supported by design, engineering, manufacturing, construction, commissioning activities and integration synergy via group companies,
- Low level of doubtful receivables with the ability to collect receivables and progress payments provided by reputable customer portfolio,
- Sustainable level of liquidity and leverage metrics despite deterioration as of FYE2022,
- Geographical diversification within the scope of international EPC (Engineering, Procurement, Construction) activities that supports export volume.

Constraints

- Increase in short-term financial liabilities as of FYE2022, which suppresses net working capital due to limited net cash generated from operating activities in FY2022,
- Deterioration in net financial liabilities to equity ratio as of FYE2022 despite the capital increase,
- Fluctuations in raw material prices such as iron and steel and exchange rates may put potential pressure on the Company's profitability,
- Further improvement needs in Corporate Governance Practices,
- Leading economic indicators signal global economic slowdown whereas quantitative tightening actions aim to restrict consumption growth and achieve a soft-landing in the domestic side.

Considering the aforementioned points, the Company's Long-Term National Issuer Credit Rating has been revised to 'A (tr)'. The Company's revenue growth, cash generation capacity, operational profitability, capability to access funding resources, along with ongoing uncertainties arisen from geopolitical tensions as well as global interest rate hiking cycle, 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 performance, asset quality, equity structure, and debt level together with the industry specific developments 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.

