

## Corporate Credit Rating

New  Update

**Sector:** Construction

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## RATINGS

RATINGS		Long Term	Short Term
ICRs (Issuer Credit Rating Profile)	National ICR	AAA (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)	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 Aug 18 2022

## ENKA İNŞAAT VE SANAYİ A.Ş.

JCR Eurasia Rating, evaluated the consolidated structure of "Enka İnşaat ve Sanayi A.Ş." in the highest investment level category and affirmed the Long-Term National Issuer Credit Rating at 'AAA (Tr)' and 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 were revised from 'BBB-' to 'BB+' and outlooks affirmed at 'Stable' above the international ratings and outlooks of Republic of Türkiye.

"Enka İnşaat ve Sanayi A.Ş." (hereinafter referred to as "Enka İnşaat" or "the Group") was established in 1957. As of June 28, 2002, Enka İnşaat merged legally with its publicly traded shareholder company, Enka Holding Yatırım A.Ş. (Enka Holding), which were under the common control of Tara Holding A.Ş. and Tara and Gülçelik families. The main field of the Group consists of engineering & construction, real estate, trade and energy. Engineering & construction is main sector the Group operates and Enka İnşaat provides full range of design and engineering, procurement, in-house welded fabrication, modularization, construction, commissioning and start-up, operation and maintenance, and project management services in Türkiye and abroad. As of the reporting date, the Group's main ultimate controlling shareholders are Tara Holding A.Ş. and Tara & Gülçelik families. Enka İnşaat's 8.70% shares are traded on the Borsa Istanbul under the ticker of **ENKAİ** as of September 30, 2022. The number of personnel employed across the operations was 21,634 as of 3Q2022. (FYE2021:19,462)

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

### Strengths

- Improvement in the gross profit and EBITDA generation capacity along with increasing sales revenue in FY2021,
- Maintaining solid liquidity structure and cash surplus against financial debts easing liquidity management,
- Sectoral and geographical divergence compensating for revenue generation uncertainty to a certain extent,
- Natural hedging against currency risk by FX oriented revenue stream to a certain extent,
- Solid backlog value and sizeable accumulation of the ongoing projects providing sustainable revenue visibility,
- Valuable investment properties portfolio,
- Strong equity accumulation supported by internal equity generation capacity and high level of paid in capital,
- High level of compliance regarding corporate governance implementations,
- Long-lasting presence and successful track-record in the sector.

### Constraints

- Increasing construction costs suppressing profitability in the construction industry,
- Having political and operational risk due to risk elements arising from abroad operations,
- Global recession and geopolitical risks stemming from the Russia-Ukraine tension increasing uncertainty and monetary tightening across the globe deteriorating growth projections.

Considering the aforementioned points, the Group's the Long-Term National Issuer Credit Rating has been affirmed at 'AAA (tr)'. The Group's timely completion of ongoing projects in the context of sustainability of income generation, solid backlog value, strong revenue and EBITDA generation capacity, maintaining cash surplus, strong equity level, sectoral & geographical divergence and deep-rooted operating history as a Group as well as growing uncertainties arising from geopolitical tensions and European recession concern 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 Group's financial structure, sales and profitability performance, continuity of EBITDA generation capacity, debt structure, adequacy of liquidity and growing uncertainties along with geopolitical tension and European recession concern will be closely monitored by JCR Eurasia Rating in the 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.

