

Corporate Credit Rating

□New ☑Update

Sector: Construction Industry

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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 ANONİM ŞİRKETİ

JCR Eurasia Rating has evaluated the consolidated structure of "ENKA İNŞAAT VE SANAYİ A.Ş." in the investment level category and affirmed the Long-Term National Issuer Credit Rating at 'AAA (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 determined as 'BB+/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. On June 28, 2002, Enka İnşaat officially merged with its publicly traded shareholder company, Enka Holding Yatırım A.Ş., both of which were controlled by Tara Holding A.Ş. and the Tara and Gülçelik families. The Group's primary sectors include engineering & construction, real estate, trade, and energy. Engineering & construction is the Group's primary sector, with Enka İnşaat offering a comprehensive range of services including design, engineering, procurement, fabrication, construction, commissioning, operation, maintenance, and project management both domestically and internationally. As of the reporting date, the primary controlling shareholders of the Group are Tara Holding A.Ş. and the Tara & Gülçelik families. Enka İnşaat's shares, accounting for 8.89%, are publicly traded on the Borsa Istanbul under the ticker symbol ENKAI as of 3Q2023. The Group is headquartered in Istanbul. As of 3Q2023, the Group employs an average of 5,010 white-collar and 17,414 blue-collar personnel.

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

Strengths

- Consistent increase in sales revenue and EBITDA generation capacity throughout the analyzed period despite the decline expectation in FY2023,
- Sectoral and regional diversification reduces income generation concentration,
- Substantial cash position over the reviewed years easing liquidity management,
- FX oriented sales acting as a natural hedging mechanism to a certain extent,
- Significant backlog value and high occupancy levels in investment portfolio promising future cash flows,
- Substantial equity level supported by the high level of paid-in capital and retained earnings,
- High levels of transparency regarding adherence to corporate governance as an entity subject to Capital Market Law,
- Over half a century experience in the sector and successful track record.

Constraints

- Fluctuating profitability metrics due to increasing cost in construction and power generation sectors,
- Susceptibility of construction sector to macroeconomic conditions together with possible operational and management risks stemming from the nature of the business,
- Leading economic indicators signal global economic slowdown as quantitative tightening actions aim to restrict consumption growth and achieve a soft-landing in the domestic side.

Considering the aforementioned points such as increasing sales revenue, sectoral diversification, substantial cash position, FX oriented sales, backlog value and high occupancy levels, high level of equity, higher levels of corporate governance compliance and successful track record, the Company's the Long-Term National Issuer Credit Rating has affirmed at 'AAA (tr)'. The Company's, growth performance, market position, sectoral developments and risk factors in the markets 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 financial structure, tight economic conditions and Türkiye's economy and its effects on the Company's activities 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.

