

Corporate Credit Rating

New Update

Sector: Construction & Contracting

Publishing Date: Dec. 29, 2023

Team Leader

Muhammet Başar

+90 212 352 56 73

muhammet.basar@jcrer.com.tr

Assistant Analyst

Ahmet Abdüssamed Yılmam

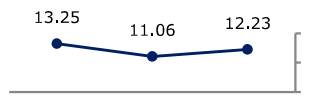
+90 212 352 56 73

ahmetabdussamed.yilmam@jcrer.com.tr

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

Gross Profit Margin (%)



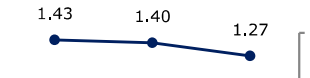
EBITDA Margin (%)



Net Profit Margin (%)



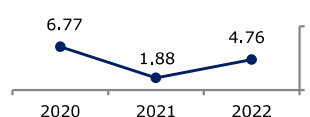
Current Ratio (x)



Adj. Debt/Capital (%)



EBITDA/Adj.Interest (x)



ERDE MÜHENDİSLİK SANAYİ VE TİCARET A.Ş.

JCR Eurasia Rating has evaluated "Erde Mühendislik Sanayi ve Ticaret A.Ş." in the investment-level category and assigned Long-Term National Issuer Credit Rating as 'A+ (tr)' and assigned 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 have been assigned as 'BB/Negative' in parallel to international ratings and outlooks of Republic of Türkiye.

Erde Mühendislik Sanayi ve Ticaret A.Ş. (hereinafter referred to as "Erde Mühendislik" or "the Company") was established on July 12, 1988. The Company's main activity is providing electrical contracting, project management, maintenance, and control services. Erde Mühendislik's primary partner is Birleşim Mühendislik Isıtma Soğutma Hav. San ve Tic. A.Ş. ("Birleşim Mühendislik"), and the Company mostly collaborates with Birleşim Mühendislik for various projects and services. Erde Mühendislik specializes in Electrical Contracting Services and has expertise in diversified types of building projects, including hospitals, hotels, shopping malls, housing, business and living centers, industrial plants, and multi-functional buildings.

Erde Mühendislik, in collaboration with Birleşim Mühendislik, has completed numerous projects in Türkiye. As of September 2023, the Company's backlog amounts to TRY 1,830.88mn. The backlog encompasses projects in diverse sectors, including public buildings, healthcare facilities, industrial plants, and residential complexes.

The head office of Erde Mühendislik is located in Ümraniye/İstanbul. The sole shareholder of the Company is Birleşim Mühendislik. The average number of employees is 171 in FYE2022 (FYE2021: 112).

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

Strengths

- Solid financial leverage profile with significant cash surplus position,
- Modest profitability indicators and expected to maintain in 2023 financials, albeit volatile due to the nature of the business,
- Strong project backlog supporting the expected revenue stream,
- Improvement in cash flow metrics and increase in NWC easing liquidity management in the last two consecutive years,
- Ability to secure funding through customer advances to a certain extent,
- Customer portfolio consisting of well-known entities supporting receivables quality,
- Strong shareholder support and group synergy.

Constraints

- Increasing in construction costs may put pressure on profitability margins,
- Potential operational and management risks due to the nature of construction 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, the Company's Long-Term National Issuer Credit Rating has been assigned as 'A+ (tr)'. Taking into account the Company's revenue growth aligned with price adjustments in ongoing contracts, projected income from diversified ongoing construction projects, low collection risk associated with projects primarily sourced from reputable public and private sector companies, as well as market expectations and risk factors for the upcoming period have been evaluated as important indicators for the stability of the ratings and the outlooks for Long and Short-Term National Issuer Credit Ratings have been determined as 'Stable'. The Company's profitability performance, indebtedness indicators, cash flow and liquidity metrics, leverage profile and economic conditions in Türkiye are the priority issues to be 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.