

Corporate Credit Rating

New Update

Sector: Construction & Contracting

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

* Assigned by JCR on May 10, 2024

Gross Profit Margin (%)



EBITDA Margin (%)



Current Ratio (x)



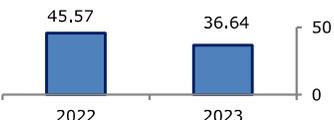
Operating Ratio (%) = OPEX / Net Sales



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 grade category with high credit quality and affirmed the Long-Term National Issuer Credit Rating at 'A+ (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 are determined as 'BB/Stable' 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, and specializes in providing electrical contracting, project management, maintenance, and control services. The Company's primary partner is Birleşim Mühendislik Isıtma Soğutma Hav. San ve Tic. A.Ş. ("Birleşim Mühendislik"). Erde Mühendislik frequently collaborates with Birleşim Mühendislik on various projects and services.

The Company has expertise in electrical contracting services and is capable in managing diverse building projects, including hospitals, hotels, shopping malls, housing developments, business and living centers, industrial plants, and multi-functional buildings. Together with Birleşim Mühendislik, Erde Mühendislik has completed numerous projects across Türkiye.

As of September 2024, Erde Mühendislik's project backlog amounts to TRY 1.24bn, encompassing a wide range of sectors such as 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 was 163 in FY2023 (FY2022: 243).

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

Strengths

- Visibility of future revenue streams supported by current backlog capacity,
- Reasonable key profitability margins with a modest increase in FY2023,
- Strong financial profile characterized by cash surplus position in years reviewed leading sound coverage and leverage indicators,
- 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

- Negative CFO in FY2023, primarily due to trade receivables impacting working capital,
- Potential operational and management risks, due to the nature of construction business,
- Increasing construction costs may put pressure on profitability margins,
- In the shadow of geopolitical risks, leading economic indicators point to continued weakness in global demand conditions, whereas actions for a soft-landing are at the forefront.

Considering the aforementioned points, the Company's Long-Term National Issuer Credit Rating has been affirmed at '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 material effect of monetary losses on net income due to inflationary environment, intensive competition among construction contractors and increasing construction costs pressuring profitability 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 revenue & profitability performance, cash flow generations, indebtedness indicators, liquidity metrics, global recession concerns, market position 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.