

## Corporate Credit Rating

New  Update

**Sector:** Homebuilders  
**Publishing Date:** 25/08/2023

### Team Leader

Muhammet Başar  
+90 212 352 56 73  
[muhammet.basar@jcrer.com.tr](mailto:muhammet.basar@jcrer.com.tr)

### Senior Analyst

Muhammet Selim Bilici  
+90 212 352 56 73  
[selim.bilici@jcrer.com.tr](mailto:selim.bilici@jcrer.com.tr)

RATINGS		Long Term	Short Term
ICRs (Issuer Credit Rating Profile)	National ICR	BBB- (tr)	J3 (tr)
	National ICR Outlooks	Stable	Stable
	International FC ICR	BB-	-
	International FC ICR Outlooks	Negative	-
	International LC ICR	BB-	-
	International LC ICR Outlooks	Negative	-
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

## ERDEMOĞLU PROJE MÜŞAVİRLİK İNŞAAT A.Ş.

JCR Eurasia Rating, has evaluated the "Erdemoğlu Proje Müşavirlik İnşaat A.Ş." in the investment level category and upgraded the Long-Term National Issuer Credit Rating from 'BB+ (tr)' to 'BBB- (tr)' and assigned the Short-Term National Issuer Credit Rating as 'J3 (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'.

**Erdemoğlu Proje Müşavirlik İnşaat A.Ş.** (hereinafter referred to as "the Company", or "Erdemoğlu Proje") was established in 2012 in order to develop projects on the properties to which the Erdemoğlu Group companies have transferred ownership of the real estate. The real estate portfolio owned by the Erdemoğlu Group is managed through the Erdemoğlu Proje. The Company's main revenue sources consist of sales properties from completed construction projects and rent income from the real estate portfolio.

Contractor companies with the revenue sharing model carry out the Company's projects. Toya Moda Project is the first major but only project of the Company which has been realized by carrying out the mentioned model. In addition, it was learned that rental income was also generated from M1 Shopping Mall / Gaziantep, which was purchased in 4Q2022. Some of the real estate owned by the Group is rented to related parties.

As of FYE2022, the Company's main shareholder is Ali Erdemoğlu with 43.96% share and the rest of the shares belong to İbrahim Erdemoğlu with 32.33%, Gülsüm Erman with 13.21% and Mustafa Erman with 10.50%. The Company's average number of personnel employed in FYE2022 is 2 (FYE2021: 3).

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

### Strengths

- Expansion of the real estate portfolio and rental income by leasing facilities for related parties supports revenue streams,
- Increase in paid-in capital via cash injections,
- Well-known shareholders and Group companies providing financial support.

### Constraints

- Increased and high short-term debt level due to funds transferred to the Group company put pressure on liquidity management,
- Unsatisfactory income generation capacity remained insufficient to cover financing expenses despite the recovery in EBITDA margin,
- Noteworthy contribution of non-cash revaluation to equity and profitability,
- Increasing construction costs weaken the appetite for real estate investments.

Considering the aforementioned points, the Company's Long-Term National Issuer Credit Rating has been upgraded from 'BB+ (tr)' to 'BBB- (tr)'. Taking into account the Company's valuable real estate portfolio, financial support of the group companies, and quality asset structure as well as, European recession concerns, short-term borrowing profile, insufficient revenue from the core activities, the rally in raw material prices and share of related party receivables 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 macroeconomic indicators at national and international markets, as well as market conditions and legal framework about the sector will be monitored as well.

