

Corporate Credit Rating

New Update

Sector: Construction & Contracting

Publishing Date: 03/06/2024

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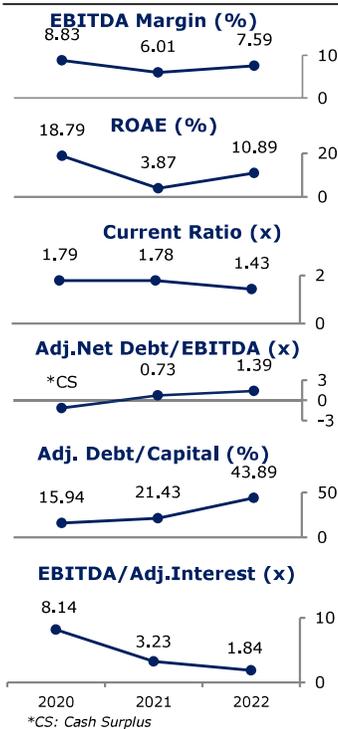
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RATINGS		Long Term	Short Term
ICRs (Issuer Credit Rating Profile)	National ICR	BBB+ (tr)	J2 (tr)
	National ICR Outlooks	Stable	Stable
	International FC ICR	BB	-
	International FC ICR Outlooks	Stable	-
	International LC ICR	BB	-
ISRs (Issue Specific Rating Profile)	International LC ICR Outlooks	Stable	-
	National ISR	-	-
	International FC ISR	-	-
Sovereign*	International LC ISR	-	-
	Foreign Currency	BB (Stable)	-
	Local Currency	BB (Stable)	-

* Assigned by JCR on May 10, 2024



ERKUT İNŞAAT YAPI ENDÜSTRİSİ SAN. VE TİC. A.Ş.

JCR Eurasia Rating has evaluated "Erkut İnşaat Yapı Endüstrisi San. ve Tic. A.Ş." in the investment grade category, assigned the Long-Term National Issuer Credit Rating as 'BBB+ (tr)' and the Short-Term National Issuer Credit Rating as 'J2 (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' in line with the sovereign ratings and outlooks of Republic of Türkiye.

"Erkut İnşaat Yapı Endüstrisi San. ve Tic. A.Ş." (hereinafter referred to as "Erkut İnşaat" or "the Company") was established on March 24, 1988 in Kayseri.

Erkut İnşaat operates in turnkey housing construction, build-to-sell housing construction and luxury housing construction. Turnkey housing projects constitute a significant part of the activities and the Company works with the Housing Development Administration of the Republic of Türkiye in this field.

The Company has a total of 286 employees as of FYE2023 (FYE2022: 330).

As of the reporting date, the shareholder of the Company is Erkut Korkmaz with 100% share.

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

Strengths

- Expected revenue stream from ongoing projects providing predictability in a certain extent,
- Satisfactory net debt to EBITDA multiplier supporting the Company's financial structure,
- Reasonable cash cycle and operating ratio supporting efficiency indicators despite increasing trend in the analyzed periods,
- Healthy equity structure in the analyzed periods and expected to increase in 2023 financials due to IAS 29 effect,
- Limited collection risk due to working with public institutions,
- Long-lasting presence in the sector dating back to 1988.

Constraints

- Increasing construction costs suppressing profitability in parallel with sector dynamics despite expected improvement in 2023 financials,
- Potential operational and management risks due to the nature of construction business,
- Improvement needs in the level of compliance with Corporate Governance and risk management practices,
- Leading economic indicators signal global economic slowdown whereas 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 'BBB+ (tr)'. The Company's expected revenue stream, satisfactory net debt to EBITDA multiplier, reasonable cash cycle and operating ratio as well as compliance with corporate governance level, risk management practices and slowdown signal in the global economy 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, sales and profitability performance, liquidity and leverage indicators 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.