

Corporate Credit Rating

New Update

Sector: Homebuilders

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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)	National ISR	-	-
	International FC ISR	-	-
	International LC ISR	-	-
Sovereign*	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, affirmed the Long-Term National Issuer Credit Rating at 'BBB+ (tr)' and the Short-Term National Issuer Credit Rating at '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 189 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 to a certain extent,
- Satisfactory net debt to EBITDA multiplier in the analyzed periods and expected to decrease in 2024 financials,
- Moderate cash conversion cycle supporting efficiency indicators in FYE2023,
- Increasing equity level mainly supported by capital adjustment differences arising from TAS 29 effect in FYE2023,
- Asset quality supported by low collection risk due to working with public institutions,
- Long-lasting presence in the sector dating back to 1988.

Constraints

- Construction costs suppressing profitability in parallel with sector dynamics, despite increasing EBITDA margin according to 2024 CTR,
- Potential operational and management risks due to the nature of construction business,
- Improvement needs in compliance with corporate governance and risk management practices,
- As actions for a global soft-landing gain prominence, decisions with the potential to adversely affect global trade are engendering considerable uncertainty.

Considering the aforementioned points, the Company's Long-Term National Issuer Credit Rating has been affirmed at 'BBB+ (tr)'. The Company's expected revenue stream, satisfactory net debt to EBITDA multiplier, moderate cash cycle and low collection risk as well as improvement needs in compliance with corporate governance practices and uncertainties 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.

