

Corporate Credit Rating

New Update

Sector Engineering & Construction

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

* Assigned by JCR on Aug 18, 2022

FEZA TAAHHÜT ANONİM ŞİRKETİ

JCR Eurasia Rating has evaluated the consolidated structure of "Feza Taahhüt Anonim Şirketi" in the investment-level category and revised the Long-Term National Note from 'BBB+ (tr)' to 'A- (tr)' and the Short-Term National Issuer Credit Rating from 'J2 (tr)' to 'J1 (tr)' with 'Stable' outlooks. On the other hand, the Long Term International Foreign and Local Currency Issuer Credit Ratings and outlooks were assigned as at 'BB/Negative' as parallel to international ratings and outlooks of Republic of Türkiye.

Feza Taahhüt A.Ş. ("Feza" or "the Company") was established as "Park Bilkent Turizm Gıda İnş. San. ve Tic. A.Ş." in Ankara in 2008. Later on, the Company's headquarter was moved from Ankara to Tatvan/Bitlis and its title was changed to "Feza Taahhüt A.Ş.". The Company began operating in the construction contracting sector in 2014 and its headquarter was moved back to Ankara in 2018. Feza focuses on infrastructure projects, particularly building roads, tunnels, and bridges for public institutions.

As of end of 2023, the Company has five ongoing projects, the majority of which are in Hatay and surrounding provinces, with a total backlog value of approximately TRY 2.2bn.

The Company's main ultimate controlling shareholders are Hasan Bülent Ustaoglu (51%) and Hakan Demir (49%). Feza and its 4 business partnerships are consolidated in the Company's financial statements and referred to as "the Group".

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

Strengths

- Growth in both sales and key profit margins in 2022*,
- Reasonable backlog value with new projects undertaken supporting revenue visibility and growth potential,
- Shareholders' financial supports easing liquidity management and providing cash surplus position,
- Steady growth in paid-in capital and equity level through transfer from payables to shareholders,
- Working with public institutions, reducing collection risk.

Constraints

- Increasing construction costs combined with market competition may cause some headwinds in terms of profit margins within the industry,
- Working mostly with one institution causing concentration risk,
- 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,
- Improvement needs regarding corporate governance compliance level.

*As of the reporting date, the independent auditor report for 2022 has not been finalized. As a result, the credit rating process was based on the draft audit report for 2022 and other financial statements.

Considering the aforementioned points, the Company's Long-Term National Issuer Credit Rating has been revised to 'A- (tr)'. The Company's financial risk metrics, customer portfolio, activity volume, sufficient sectoral experience, satisfactory accumulation of completed projects, reasonable backlog value and sectoral outlook are considered as important indicators for the stability of the ratings and the outlooks for Long and Short-Term National ratings are determined as 'Stable'. The Company's achievement of budget targets, leverage indicators, profit margins and revenue generation and the impacts of global recession on the Company's operations will be closely 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 be monitored as well.

