

Corporate Credit Rating

New Update

Sector: Shipyard

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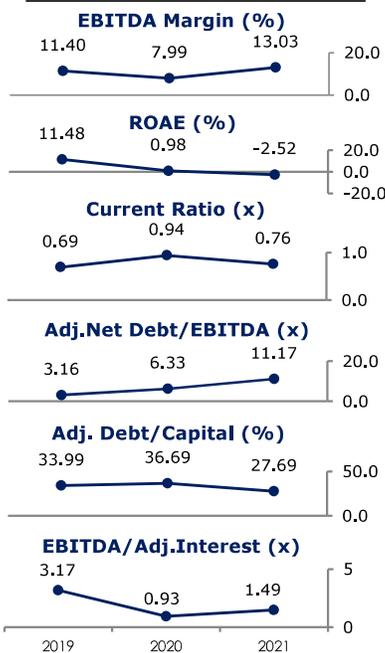
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RATINGS		Long Term	Short Term
ICRs (Issuer Credit Rating Profile)	National ICR	BBB- (tr)	J3 (tr)
	National ICR Outlooks	Stable	Stable
	International FC ICR	BB-	-
	International FC ICR Outlooks	Negative	-
	International LC ICR	BB-	-
	International LC ICR Outlooks	Negative	-
ISRs (Issue Specific Rating Profile)	National ISR	-	-
	International FC ISR	-	-
	International LC ISR	-	-
Sovereign*	Foreign Currency	BB	-
	Local Currency	BB	-

* Assigned by JCR on August 18, 2022



HAT-SAN GEMİ İNŞAA BAKIM ONARIM DENİZ NAKLİYAT SANAYİ VE TİCARET ANONİM ŞİRKETİ

JCR Eurasia Rating, has evaluated the "Hat-San Gemi İnşaa Bakım Onarım Deniz Nakliye Sanayi ve Ticaret Anonim Şirketi" in the adequate investment level category and assigned the Long-Term National Issuer Credit Rating as 'BBB- (tr)' and the Short-Term National Issuer Credit Rating at 'J3 (tr)'. On the other hand, the Long Term International Foreign and Local Currency Issuer Credit Ratings and outlooks were assigned as 'BB-/ Negative'.

Hat-San Gemi İnşaa Bakım Onarım Deniz Nakliye Sanayi ve Ticaret Anonim Şirketi (referred to as 'the Company or Hatsan') was founded in Altınova, Yalova in 2007 and began shipbuilding in 2008. First delivery was a 1500 DWT Bunker Tanker for Turkish owners. Hatsan decided to start ship repair services and first repairs began on the pier with HS10 Type 10,000 MT lifting capacity "home-made" floating dock in 2010. Hatsan acquired another shipyard and expanded its capacity to 96,000 m² from 46,000 m². Hatsan offers ship build-repair-maintenance works with Hatsan Shipyard in Yalova, equipped with the most modern shipbuilding facilities, has 5 slipways, 2 floating docks, 4 piers and 1 quay. The Company is active in the construction of new vessels, periodical repair and maintenance of vessels, as well as, conversion projects. The order book consists of offshore supply vessels, fishing vessels, ferries, stainless steel tankers, and complex tailor made state-of-the-art new building projects. Over the last 10 years, the Company has completed and delivered 27 ships (4 of them in 2021 and 4 of them in 2020), has 1 project in progress currently.

The Company's main controlling shareholder is Pekar Grup İnşaat A.Ş. with 99.76% share ownership as of FYE2021. The Company employed a staff force of averagely 210 as of FYE2021 (FYE2020: 176).

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

Strengths

- Foreseeable cash flow resulting from business model,
- Improvement in EBITDA generation capacity and EBITDA margin,
- Natural hedging against currency risk by FX oriented revenue stream,
- Expansion of operational volume thanks to new investments,
- Low collection risk and high quality of accounts receivables supported by collaterals,
- Complex tailor-made production supporting revenue.

Constraints

- High level of total debt stemming from CapEx,
- Financial expenses and rising operational FX loss pressuring bottom line,
- Significant growth in equity mainly depending on revaluation gains rather than internal resource generation as of FYE2021,
- Operational risks due to regulations and different countries risk elements,
- Need for improvement in the level of compliance with Corporate Governance Practices.

Considering the aforementioned points, the Group's the Long-Term National Issuer Credit Rating has been assigned as 'BBB- (tr)'. The Company's export-based sales strategy, low collection risk eliminating the pressure on asset quality, customer portfolio from different countries and expectation of improvement in profit generation capacity owing to the investment in recent years, as well as, high total debt and vulnerability of the sector to macroeconomic conditions; 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 market conditions, dependency on the foreign currency in terms of raw material prices, debt ratios, liquidity ratios and macroeconomic indicators at national and international markets, as well as market conditions and regulations 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.