

Corporate Credit Rating

New Update

Sector: Industrial Machinery and Materials Manufacturing and Reparation

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RATINGS

RATINGS		Long Term	Short Term
ICRs (Issuer Credit Profile)	National ICR	A (tr)	J1 (tr)
	National ICR Outlooks	Stable	Stable
	International FC ICR	BB	-
	International FC ICR Outlooks	Stable	-
	International LC ICR	BB	-
ISRs (Issue Specific Profile)	International FC ISR	-	-
	International LC ISR	-	-
	Foreign Currency	BB (Stable)	-
Sovereign*	Local Currency	BB (Stable)	-

* Assigned by JCR on May 10, 2024

EBITDA Margin (%)



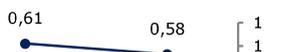
Gross Profit Margin (%)



Current Ratio (x)



Adj.Net Debt/EBITDA (x)



Adj. Debt/Capital (%)



EBITDA/Adj.Interest (x)



Hidropar Hareket Kontrol Teknolojileri Merkezi San. ve Tic. A.Ş.

JCR Eurasia Rating has evaluated the consolidated structure of "Hidropar Hareket Kontrol Teknolojileri Merkezi San. ve Tic. A.Ş." in the investment grade category and assigned the ratings on the Long -Term National Issuer Credit Rating as "A (tr)" and the Short-Term National Issuer Credit Rating as "J1 (tr)" with "Stable" outlooks. On the other hand, the Long Term International Foreign and Local Currency Issuer Ratings and outlooks of the Company were assigned as "BB /Stable" parallel to international ratings and outlooks of the Republic of Türkiye.

Hidropar Hareket Kontrol Teknolojileri Merkezi San. ve Tic. A.Ş. ("HKT M", the "Company" or the "Group") was established as an industrial complex dating back to 1998 with the title of "Hidropar Kocaeli Elektronik Hidrolik ve Otomasyon Pazarlama Sanayi ve Ticaret Ltd. Şti.". The Group's field of activity consists of manufacturing, developing and reparation of hydraulic power unit, valve block and stand, accumulator, battery/nitrogen stand, hydraulic cylinder, filtering/cooling unit, automatic lubrication unit, pneumatic panels, cartesian/conveyor/systems, profile tables/protection barriers and robotic systems. Afterward, HKT M has renewed its corporate identity as "Hidropar Hareket Kontrol Teknolojileri Merkezi San. ve Tic. A.Ş." on 29/08/2013. The Company continues the manufacturing activities in its facilities located in Gebze-Kocaeli/ Türkiye with a total area of 7,200 m² with 223 employees as of FYE2023. The Company also exports these products to nearly 20 countries via international and domestic trade.

The Company has been quoted on the Borsa Istanbul Stock Exchange (BIST) since 2022 and 42,24% of shares are publicly traded on the BIST with the ticker symbol "HKT M" as of 3Q2024. The paid in capital and equity of HKT M stood at TRY 105mn and TRY 555.25mn, respectively as of 3Q2024. Also, Mr. Atif Tunç ATIL has been the ultimate shareholder of "Hidropar Hareket Kontrol Teknolojileri Merkezi San. ve Tic. A.Ş." with a share of 28.19% as of the report date.

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

Strengths

- Sustained revenue growth benefiting from sales volume and unit price increases in FY2023 though decline in total sales in 3Q2024
- Notable enhancement in EBITDA generation in FY2023 coupled with improvement in gross profit and operating profit margins in 3Q2024
- Satisfactory financial leverage profile in the examined period though remarkable increase in net debt/EBITDA multiplier at 3Q2024
- Net working capital and FFO level facilitating liquidity management to a certain extent
- Sufficient equity level compared to total liabilities in the examined period
- Visibility of cash flow performance through ongoing various business contracts
- Compliance with the corporate governance principles and attained know-how in R&D
- Long-lasting track record along with integrated nature of HKT M Group operations and collaborations with Bosch Rexroth

Constraints

- High level of operating expenses compared to total revenues
- Incurred net losses mainly stemming from financial expenses in the examined period
- Low interest coverage status in the examined period
- Long cash conversion cycle in FY2023
- 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 drivers, the Company's the Long-Term National Issuer Credit Rating has been assigned as "A (tr)". The competitive advantage obtained through its long-lasting presence in the sector, profitability indicators, considerable EBITDA generation ability, satisfactory debt service capacity, liquidity position, production and export power, competition and market efficiency in the inter/national market, political tensions and other global downsides have been evaluated as important indicators for the stability of the ratings and the outlooks for Long-Term and Short-Term National Issuer Credit Ratings are determined as "Stable". The Company's equity level, fluctuations of the exchange rates, debt maturity and its level, cash flow and liquidity level, EBITDA margin and net profit indicators are the prior issues to be followed by JCR Eurasia Rating in the upcoming period. The macroeconomic indicators at national and international markets, as well as market conditions and legal frame about the sector will be continued to be monitored as well.