

Corporate Credit Rating

New Update

Sector: Architecture & Engineering

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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

KONTROLMATİK TEKNOLOJİ ENERJİ VE MÜHENDİSLİK A.Ş.

JCR Eurasia Rating, has evaluated "Kontrolmatik Teknoloji Enerji Ve Mühendislik A.Ş." in the investment-level category and revised the Long-Term National Issuer Credit Rating from 'A+ (tr)' to 'A (tr)' and the Short-Term National Issuer Credit Rating from 'J1+ (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 affirmed as 'BB/Negative' in parallel to international ratings and outlook of the Republic of the Türkiye.

Kontrolmatik Teknoloji Enerji ve Mühendislik A.Ş. (Kontrolmatik Teknoloji or "the Company" or "the Group") was established in 2008 in Istanbul. The Company provides services with its two factories, one of which is in operation and the other under construction, and offices in many countries. The Company's main field of activity is operational technologies and industrial software-control system, communication, information security, IoT, power systems and project management. Kontrolmatik Teknoloji provides end-to-end digital solutions in the fields of software, hardware, systems development and integration, energy generation, transmission, distribution, energy storage technologies for all kinds of engineering solutions and developing environmentally friendly technologies.

The Company's main ultimate controlling shareholders are Sami Aslanhan with 28.96% share and Ömer Ünsalan with 28.96% share and also in October 2020, the Company started to be traded on the Istanbul Stock Exchange (BIST) with the 'KONTR' ticker.

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

Strengths

- Revenue visibility and asset quality supported by EPC-F contracts in design and engineering projects,
- Relatively balanced FC position through majorly hard currency-based receivables,
- Expected revenue increase with the commissioning of the investments to be completed, especially the lithium-ion battery factory, the first phase of which has been completed and put into operation,
- Received advances and shareholder funds contribute to liquidity management in some extent,
- Benefits of R&D activities to operations,
- High level of compliance with Corporate Governance Practices and quality standards as a publicly listed company.

Constraints

- Sharp decrease in profitability margins due to the increase in the share of domestic sales in turnover in 3Q2023 and expenses related to expansion of operations,
- Significant increase in bank borrowings utilized to finance investment expenditures putting pressure on leverage and liquidity ratios, particularly in 3Q2023,
- Negative trend in FOCF may continue in 2024 due to ongoing investment expenditures,
- Decreasing trend in equity ratio over the analysed years,
- Geographical, political and operational risks that may be encountered in foreign operations, which constitute a significant part of activities,
- Leading economic indicators signal global economic slowdown while quantitative tightening actions aim to restrict consumption growth and achieve a soft-landing in the domestic side.

Considering the aforementioned points, the Company's the Long-Term National Issuer Credit Rating has been revised from 'A+ (tr)' to 'A (tr)'. Sustainable growth in sales volume and backlog amount, cash generation capacity, asset quality, capability to access funding resources, high earning potential with new contracts, long FX position and the size of the investments being made 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 affirmed as 'Stable'. The Company's indebtedness level, cash flow indicators, contribution of the completed and progress of the ongoing investments, suppressed profit margins and equity structure 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.

