

Corporate Credit Rating

New Update

Sector: Automotive Suppliers Industry

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R A T I N G S		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

Parsan Makina Parçaları Sanayii Anonim Şirketi

JCR Eurasia Rating, has evaluated the consolidated structure of "Parsan Makina Parçaları Sanayii Anonim Şirketi" in the investment grade category and revised the Long-Term National Issuer Credit Rating from 'A- (tr)' to 'BBB (tr)' and affirmed the Short-Term National Issuer Credit Rating as 'J2 (tr)' with 'Stable' outlook. On the other hand, the Long Term International Foreign and Local Currency Issuer Credit Ratings and outlooks were assigned as 'BB/Stable' as parallel to the international ratings and outlooks of the Republic of Türkiye.

Parsan Makina Parçaları Sanayii Anonim Şirketi (hereinafter referred to as "Parsan Makina" or "the Group") began its operations in 1968. Parsan Makina is involved in the manufacturing spare parts such as rear axle shafts, front axles, axles, crankshafts, flange studs, aluminum, titanium, stainless steel materials and all kinds of forged products. Parsan Makina operates on 94k m² closed and a total 420k m² area. The Group has established business partnerships with internationally well-known local and foreign players through its wide sectoral experience, know-how and network along with the ability to establish beneficial and cooperative partnerships.

The main shareholder of Parsan Makina is Çelik Holding A.Ş. with a share of 66.73% as of FYE2024 which belongs to Gürış İnşaat ve Mühendislik A.Ş. (88.33%) and Gürış Holding (11.67%). Çelik Holding was established in 1974 and operates in the fields of industry, energy, tourism and mining sectors. 31.20% of the Group shares have been publicly traded on the Borsa İstanbul (BIST) under the ticker symbol "PARSN" since 1990. The Group employed a staff force of 1,156 as of FYE2024 (FYE2023: 1,278).

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

Strengths

- Increase in TRY-denominated sales revenue, despite the decline in EUR-based, driven by export revenues and providing natural hedge in a certain extent through hard currency income generation,
- Short cash conversion cycle throughout the analyzed years,
- Longstanding business relationship with well-known clients in the sector despite increase in impaired receivables in FY2024,
- Expected contributions to turnover and profitability in the long-term through new business contracts and expanding into new markets,
- Compliance with Corporate Governance Practices as a publicly traded company
- Operational synergy with Gürış Group.

Constraints

- Remarkable contraction in profit margins due to increasing costs in FY2024,
- Operating loss in FY2024,
- Notable increase in Net Debt/EBITDA multiplier and low interest coverage ratio in FY2024,
- Pressure on bottom-line profitability of high financing expenses mainly arising from foreign exchange losses,
- Ongoing net working capital deficit at FYE2024,
- Susceptibility to sectoral risks and raw material prices may pressure on profitability metrics,
- As actions for a global soft-landing gain prominence, decisions with the potential to adversely affect global trade are engender considerable uncertainty.

Considering the aforementioned points, the Group's Long-Term National Issuer Credit Rating has been revised from 'A- (tr)' to 'BBB (tr)'. Consistent sales performance along with diversified product range, sustainable export revenues, working with well-known brands and being a member of the Gürış Group as well as deteriorated leverage and coverage ratios, operating loss, contracted profit margins in FY2024 and volatility in raw materials 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 Group's profitability performance, the number of products sold, changes in financial debts, cash level and cash generation capacity, together with the trends in the sector, 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.

