

Corporate Credit Rating

☒ New ☐ Update

Sector: Construction

Publishing Date: 28/06/2022

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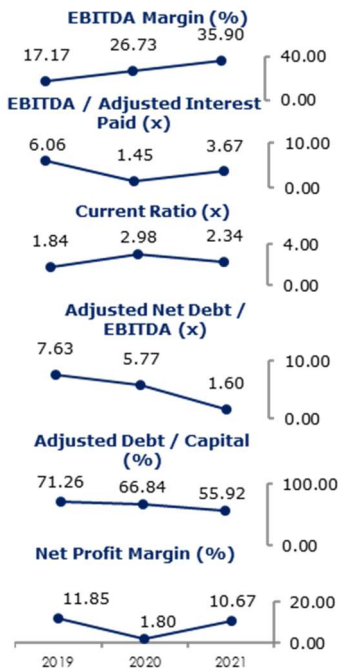
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| RATINGS | | Long Term | Short Term |
|--------------------------------------|-------------------------------|-------------|------------|
| ICRs (Issuer Credit Rating Profile) | National ICR | A-(tr) | J1 (tr) |
| | National ICR Outlooks | Stable | Stable |
| | International FC ICR | BB | J3 |
| | International FC ICR Outlooks | Stable | Stable |
| | International LC ICR | BB | J3 |
| | International LC ICR Outlooks | Stable | Stable |
| 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 31, 2021



Piyalepaşa Gayrimenkul Geliştirme Yatırımı ve Ticaret A.Ş.

JCR Eurasia Rating has evaluated the "Piyalepaşa Gayrimenkul Geliştirme Yatırımı ve Ticaret A.Ş." in the investment grade category and assigned the Long-Term National Issuer Credit Rating at 'A-(tr)' and the Short-Term National Issuer Credit Rating at '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 'BB/Stable' as parallel to international ratings and outlooks of Republic of Turkey.

Piyalepaşa Gayrimenkul Geliştirme Yatırımı ve Ticaret A.Ş. (hereinafter referred to as "Piyalepaşa Gayrimenkul" or "the Company") was established in 2012. The main activity of the Company is the construction, sale and renting of housings, offices and residential projects in Piyalepaşa, İstanbul under urban transformation project. Piyalepaşa Gayrimenkul completed 989 housings, 149 commercial real estate and plans to complete 340 housings, 201 commercial real estate and 1 hotel in the next 3 years.

As of June 2022, the Company's paid in capital amounts to TRY 265.35mn and the Company's shareholders are as follows: 28.62% Polat İnşaat Sanayi ve Ticaret A.Ş., 22.97% Polat Turizm Otelcilik Ticaret ve Sanayi A.Ş., 18.73% Polat Holding A.Ş., 13.37% İbrahim Polat Holding A.Ş., 16.28% Adnan Polat, İbrahim Polat and Murat Polat with 0.04% share.

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

Strengths

- Increase in sales volume and gross profit margin
- Notable increase in cash balance
- Improvement in profitability ratios
- Continuous improvement in financial leverage indicators
- Revival in the sector with the granting of citizenship to foreigners and acceleration in the sale of houses,
- Backed by the partners and experienced shareholders in construction sector

Constraints

- Structural vulnerability of the sector to global market conditions and intensive market competition
- Increasing construction costs suppressing profitability in the industry
- Improvement needs in the level of corporate governance practices
- Uncertainty due to geopolitical risks arising out of Russia-Ukraine war and sanctions on Russia

Considering the aforementioned points, the Company's the Long-Term National Issuer Credit Rating has been assigned as 'A-(tr)'. Taking into account experienced shareholder structure, improvement in profitability ratios and financial leverage indicators as well as global interest rate hiking cycle 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 level of debt ratio, cash flows to meet debt payments and sustainability of demand in the market 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.