

Corporate Credit Rating

New Update

Sector: Construction & Tourism

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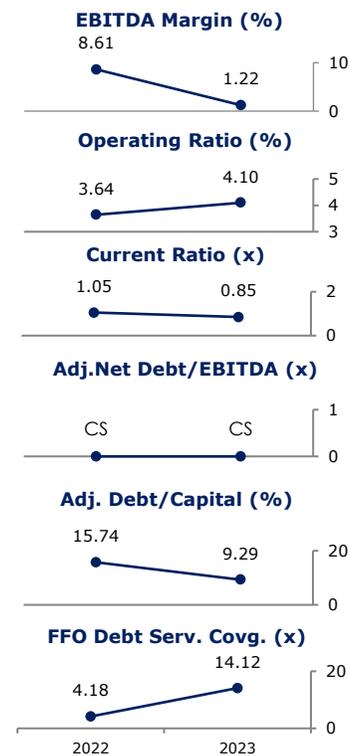
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RATINGS		Long Term	Short Term
ICRs (Issuer Credit Rating Profile)	National ICR	A- (tr)	J1 (tr)
	National ICR Outlooks	Stable	Stable
	International FC ICR	BB	-
	International FC ICR Outlooks	Stable	-
	International LC ICR	BB	-
ISRs (Issue Specific Rating 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



CS: Cash Surplus

Sarıdağlar İnşaat ve Ticaret Anonim Şirketi

JCR Eurasia Rating, has evaluated "Sarıdağlar İnşaat ve Ticaret Anonim Şirketi" in the investment grade category with high credit quality and upgraded the Long-Term National Issuer Credit Rating from 'BBB+ (tr)' to 'A- (tr)' and the Short-Term National Issuer Credit Rating from 'J2 (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 assigned as 'BB/Stable' as parallel to international ratings and outlooks of Republic of Türkiye.

Sarıdağlar İnşaat ve Ticaret Anonim Şirketi (hereinafter referred to as 'Sarıdağlar İnşaat' or 'the Company' or 'the Group') was established on March 21, 1986, as a Limited Company and took its current title on November 30, 2007. The Company's main activity is to carry out construction projects, especially superstructures. Sarıdağlar İnşaat has completed many constructions such as stadiums, hospitals, mass housing and airports under its responsibility or as a business partnership. In addition to the construction activities, the Group owns and operates a five-star hotel in Antalya/Alanya under the brand "Adenya Resort Hotel". The operator of the hotel is "Müftüler Turizm Otelcilik Taşımacılık İnşaat Ticaret A.Ş." ('Müftüler Turizm'), is consolidated in the financial statements of Sarıdağlar İnşaat.

The Company's shareholding structure and board of directors composed by only one person who is namely Ahmet Sarıdağ, the chairman of the board and owning all of the Company's shares as of FYE2023. Müftüler Turizm's all of shares are owned by Sarıdağlar İnşaat which is the subsidiary within the consolidation in the independent audit report. As of FYE2023, the Company employed a staff force of 914 (FYE2022: 686).

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

Strengths

- Potential to generate significant income from ongoing projects along with backlog value underpinning the visibility of future revenue generation
- Low level of indebtedness marking the strong financial leverage indicators along with cash surplus position as of 3Q2024 according to the provisional tax return thanks to the liquid assets, pointing out the strength of business model
- High ability of collecting receivables thanks to the ongoing works undertaken through tenders from public entities despite no further diversification in terms of contracting authority, all consisting of governmental institutions
- Diversification of revenues thanks to activities in tourism sector, besides construction, with hotel management in Antalya, an internationally known destination
- Experience in construction projects with wide array of types including buildings for public authorities and completion ability of large-scale projects

Constraints

- Deterioration in core profitability indicators along with operating loss in FY2023
- Inherent risks which are stemmed from cyclical, economic outlook and operational activities in the construction industry
- Improvement needs in the corporate governance practices framework along with key-person risk stemming from the ownership and management of the Company by one individual
- In the shadow of geopolitical risks, leading economic indicators point to continued weakness in global demand conditions, whereas actions for a soft-landing are at the forefront

Considering the aforementioned points, the Company's Long-Term National Issuer Credit Rating has been upgraded from 'BBB+ (tr)' to 'A- (tr)' as the Company's backlog value from the ongoing projects providing predictable revenue generation capacity, low level of indebtedness along with cash surplus position at FYE2023 and strong financial leverage indicators, high ability of collecting receivables thanks to well-structured income streams from undertaken works contracted by governmental authorities, revenue diversification related to the tourism activities and experience in a various project types within different scale despite deterioration in profitability indicators along with operating loss in FY2023, operational and structural risks of the construction sector embedded to the economic outlook, areas requiring improvement in terms of corporate governance practices 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 backlog portfolio, cash flows and income from projects, indebtedness level, revenue and profitability performance and liquidity level will be closely monitored by JCR Eurasia Rating in upcoming periods. The macroeconomic indicators at national, as well as market conditions and legal framework about the sector will be monitored as well.