

Corporate Credit Rating

New Update

Sector: Construction & Tourism

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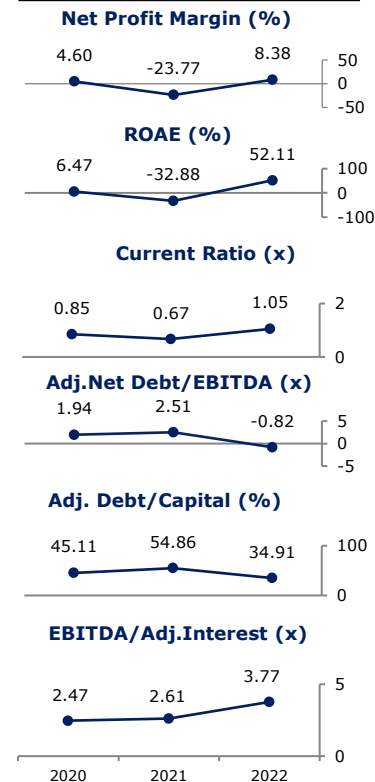
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RATINGS		Long Term	Short Term
ICRs (Issuer Credit Rating Profile)	National ICR	BBB+ (tr)	J2 (tr)
	National ICR Outlooks	Stable	Stable
	International FC ICR	BB	-
	International FC ICR Outlooks	Negative	-
	International LC ICR	BB	-
ISRs (Issue Specific 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



Sarıdağlar İnşaat ve Ticaret Anonim Şirketi

JCR Eurasia Rating, has evaluated "Sarıdağlar İnşaat ve Ticaret Anonim Şirketi" in the investment-level category and revised the Long-Term National Issuer Credit Rating from 'BBB (tr)' to 'BBB+ (tr)' with 'Stable' outlook and assigned the Short-Term National Issuer Credit Rating at '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/Negative' 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 İnş. Tic. A.Ş.", is consolidated in the financial statements of Sarıdağlar İnşaat.

As of FY2022, the current shareholding structure and board of directors of Sarıdağlar İnşaat consist of one person, and Ahmet Sarıdağ, the chairman of the board of directors, owns all of the Company shares. All of the shares of Müftüler Turizm, which is a subsidiary of the Company, belong to Sarıdağlar İnşaat, and its management is again composed of Ahmet Sarıdağ.

The Company has been mainly rated due to its cash & non-cash limit/risk situation, and the key rating drivers, as strengths and constraints, are provided below.

Strengths

- Increase in sales revenues and EBITDA generation capacity in FY2022 due to the projects reflected in the final accounts,
- Cash surplus against financial debts in FYE2022,
- Strengthening FX position with increasing FX assets in FY2022,
- Income diversification from hotel management and construction project progress payments,
- Completion ability of large-scale projects undertaken and expected revenue potential from ongoing projects.

Constraints

- Low paid-in capital size compared to total assets,
- High construction costs arising from the exchange rate and minimum wage increases may have a potential pressure on profitability margins,
- Improvement needs in compliance with corporate governance practices along with key-person risk stemming from the ownership and management of the Company by one individual,
- Leading economic indicators signal global economic slowdown as quantitative tightening actions aim to restrict consumption growth and achieve a soft-landing in the domestic side.

Considering the aforementioned points, the Company's Long-Term National Issuer Credit Rating has been upgraded from 'BBB (tr)' to 'BBB+(tr)'. Revenue generation potential from ongoing projects, cash surplus position, income diversification, along with ongoing uncertainties arising from geopolitical tensions as well as the 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 profitability performance, acquiring new projects and completing existing projects, changes in financial debts, cash level and cash generation capacity, together with the trends in the industry, 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.