

## Corporate Credit Rating

☐ New ☒ Update

**Sector:** Electrical Equipment

**Industry**

**Publishing Date:** 24/07/2023

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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	-
	International LC ICR Outlooks	Negative	-
ISRs (Issue Specific Rating Profile)	National ISR	-	-
	International FC ISR	-	-
	International LC ISR	-	-
Sovereign*	Foreign Currency	BB (Negative)	-
	Local Currency	BB (Negative)	-
	Currency	BB (Negative)	-

\* Assigned by JCR on Aug 18, 2022

## SMART GÜNEŞ ENERJİSİ TEKNOLOJİLERİ AR-GE ÜRETİM SAN. VE TİC. A.Ş.

JCR Eurasia Rating, has evaluated "Smart Güneş Enerjisi Teknolojileri Ar-Ge Üretim San. ve Tic. A.Ş." in the investment level category and affirmed 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/Negative' as parallel to international ratings and outlooks of Republic of Türkiye.

Smart Güneş Enerjisi Teknolojileri Ar-Ge Üretim San. ve Tic. A.Ş. (hereinafter "the Company", "the Group" or "Smart Güneş") was established in 2014 in İstanbul. The main field of activity of the Group includes installation of renewable energy power plants, production of PV solar modules, sale and marketing of various Solar Power Plant system equipment, and providing engineering and labour services. The head office of Smart Güneş is in İstanbul, and the Group also carries out its activities through offices in various countries such as Romania, Greece, Bulgaria, Germany, Switzerland and Ukraine. Smart Güneş continues its production activities in 3 production facilities located in Gebze-Kocaeli, Dilovası-Kocaeli and Aliağa-İzmir. Construction continues for cell and panel production at the Aliağa Solar Cell & Solar Panel Integrated Production Facility and the first phase of which has been completed in 2023 and partial production of solar panels have started. The Group continues to produce solar panels using Multi Busbar, PERC, Half-Cut Cell and Bifacial technologies in its production facilities which totally have a closed area of 69,363 m<sup>2</sup> with an annual production capacity of 2,300 MW. The shares of the Smart Güneş have been traded on the İstanbul Stock Exchange (BİST) with the ticker of "SMRTG" since March 2022. As of 31 March 2023, the Group has 919 employees (31 December 2022: 735).

75.03% of Smart Güneş's shares belongs to Smart Holding A.Ş. and 24.97% of shares are publicly traded since March 2022.

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

### Strengths

- Growth in sales revenues in 2022 together with slightly improved profitability,
- Maintaining EBITDA generation capacity through the declining share of OPEX and COGs in revenue in 2022,
- Short-term cash surplus position and improved net debt to EBITDA multiplier in 2022 despite rising financial debt,
- The potential for increase in revenues from Renewable Energy Resource Areas (YEKA) projects and new export opportunities with the completion of the cell investment,
- Increasing tendency towards renewable energy sources in the world and advantageous location of Türkiye in terms of sunshine duration,
- High level of compliance with corporate governance practices thanks to the Company's publicly traded structure.

### Constraints

- Increase in financial indebtedness originating from investment loan pressuring debt service capacity and equity ratio in 1Q2023,
- Continued negative measurement of CFO and FOCF in 2022 creating external funding need for operational cycle and investments,
- Intragroup transactions partially distorting the balance sheet integrity in 1Q2023,
- Global economic growth slows down evidenced by commodity prices and trade figures on the back of rapid monetary tightening, while domestic restrictive financial conditions limiting access to finance.

Considering the aforementioned points, the Company's the Long-Term National Issuer Credit Rating has been affirmed at 'A+ (tr)'. Additionally, growth in sales revenues together with improved profitability, sustained EBITDA generation capacity, short-term cash surplus position and improved net debt to EBITDA multiplier in 2022, potential for increase in revenues from YEKA projects and new export opportunities, increasing tendency towards renewable energy sources, high level of compliance with 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 Group's sales and production volume, debt and equity level, cash flow and liquidity metrics, asset quality, financial risk indicators, profit margins, customer portfolio and sectoral regulations 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.

