

## Corporate Credit Rating

New  Update

**Sector:** Holding

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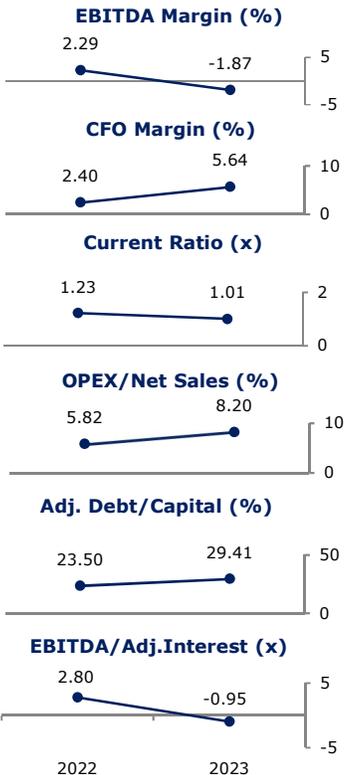
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RATINGS		Long Term	Short Term
ICRs (Issuer Credit Rating Profile)	National ICR	<b>AA-(tr)</b>	<b>J1+(tr)</b>
	National ICR Outlooks	Stable	Stable
	International FC ICR	BB	-
	International FC ICR Outlooks	Stable	-
	International LC ICR	BB	-
	International LC ICR Outlooks	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 10, 2024



## Tekfen Holding A.Ş.

JCR Eurasia Rating, has evaluated consolidated structure of **"Tekfen Holding A.Ş."** in investment grade category with very high credit quality on the national scale and affirmed its Long-term National Issuer Credit Rating at **'AA-(tr)'** and 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 Türkiye.

**Tekfen Holding A.Ş.** (referred to as 'the Holding' or 'Tekfen Holding' or 'the Group') with an operating track record dating back to 1956, was established in İstanbul in 1971 and is one of the country's leading diversified conglomerates with operations in the fields of engineering & contracting, agricultural industry and investment through its subsidiaries and affiliates which steers operations in various countries.

Tekfen İnşaat ve Tesisat A.Ş. (Tekfen Construction), an affiliate of the Holding, is one of the Türkiye's most established construction companies with 68 years of history and has extensive experience in petroleum, gas, and petrochemical facilities and serves customers in such areas as pipelines, land and sea terminals, tank farms, oil refineries, off-shore platforms, pumping and compressor stations, power plants, industrial facilities, highways, metro and railroad projects, sports complexes, infrastructure, and other civil engineering projects. In Engineering News-Record's 2024 list of the 'World's 250 Biggest International Contractors', Tekfen Construction ranked in 121<sup>st</sup> position.

Toros Tarım Sanayi ve Ticaret A.Ş., another affiliate of the Holding, which is one of country's biggest fertilizer producers in terms of output and market share, is the second largest company in the group. Toros Tarım, leading company of chemical industry group, ranked in 64<sup>th</sup> place among the first 500 industrial enterprises listed by the Istanbul Chamber of Industry in 2023.

Tekfen Holding is registered within the Capital Market Board and its shares have been traded on the Borsa İstanbul with the ticker "TKFEN" since November 23, 2007.

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

### Strengths

- Reasonable adjusted net debt to EBITDA ratio in 9M2024 period, despite the loss of net cash position in recent periods
- FX denominated revenue stream along with derivative instruments utilization mitigating currency risk to a certain extent
- Geographical and sectoral diversification of activities through subsidiaries provides resilience as well as mitigates concentration risk
- Solid equity level stimulated by internal resource generation capacity supporting financial stability
- Sustained receivable and asset quality stimulated by low level of doubtful receivables
- High cash generation capacity from operations, easing liquidity management
- Compliance with corporate governance principles as a publicly listed company

### Constraints

- Lack of EBITDA generation in FY2023 primarily driven by contracting segment along with lower fertilizer prices in the agricultural segment, despite exhibited recovery in 9M2024 financials
- Fluctuating input prices in the engineering & contracting and fertilizer industry segments stand out as a risk factor for profitability margins
- Potential operational risks due to the nature of constructing business coupled with risk elements arising from overseas operations
- Regulatory environment affecting profit margins and competition in the fertilizer industry
- 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 affirmed at **'AA-(tr)'**. The Holding's cash generation ability and sufficient equity level, income diversification, debt service capacity, experienced risk management practices along with ongoing uncertainties arisen from geopolitical tensions as well as global tight financial conditions 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 revenue and profitability performance, liquidity position, cash generation capacity, term structure of liabilities, access to the external financial sources and local and global macroeconomic indicators as well as market conditions and legal framework about the sector will be closely monitored by JCR Eurasia Rating.