

Corporate Credit Rating

New Update

Sector: Electrical Equipment
Publishing Date: 29/11/2023

Team Leader

Çetincan TOPÇU
+90 212 352 56 73

cetincan.topcu@jcrer.com.tr

Assistant Analyst

Abdullah Enes GÜNGÖRDÜ
+90 212 352 56 73

abdullah.gungordu@jcrer.com.tr

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

* Assigned by JCR on Aug 18, 2022

Tuğran Enerji Sanayi ve Ticaret A.Ş.

JCR Eurasia Rating, has evaluated **Tuğran Enerji San. ve Tic. A.Ş.** (hereinafter referred to as 'Tuğran Enerji or 'the Company') in investment-level category and assigned the Long-Term National Issuer Credit Rating as '**BBB+ (tr)**' and the Short-Term National Issuer Credit Rating as '**J2 (tr)**' with '**Stable**' outlooks. On the other hand, the Long Term International Foreign and Local Currency Ratings of the Company were assigned as '**BB**' with '**Negative**' outlook as parallel to international ratings and outlooks of the Republic of Türkiye.

Tuğran Enerji San. ve Tic. A.Ş.'s current organizational body was founded in March 2015 with its corporate title. The Company's field of activity is related to the heavy industry sectors, primarily energy and cement enterprises, with 40 years of experience in the manufacturing and revision of high-power generators and electric motors and the production of spare parts. In the following years, the Company; by expanding its fields of activity, has become the Turkish representative of leading foreign companies in their business fields, and carries out electromechanical turnkey installation of power plants, complete maintenance and rehabilitation works, and sales of new electric motors and generators. The Company also achieved manufacturing domestic generators for power plants and become the first corporate in this field in Türkiye. Tuğran Enerji manufactures and assembles high-power generators, stators and rotors, and completely new coils for hydroelectric power plants and coal-fired power plants.

The sole shareholder of the Company is İsmail Tuğran. The Company's headquarter is located in Istanbul and employs 56 personnel as of FYE2022.

The main reason for solicited rating assessment is non-cash risk of the Company emerging from the letters of guarantee given within the framework of contracts.

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

Strengths

- Low level of cash risk owing to the working capital not funded by borrowings
- Increase in net sales throughout the reviewed periods continuing related to the undertaken projects as of 3Q2023 according to the provisional tax return
- Advances received that have major part in balance sheet, provide the predictability of revenue by indicating backlog capacity
- Reasonable liquidity metrics supported by cash generation from operations
- Advantage in the rivalry owing to the limited number of domestic competitors
- Low collection risk of receivables arising from contractual repair & rehabilitation projects, primarily from state-owned Elektrik Üretim A.Ş. ('EÜAŞ')

Constraints

- Fluctuating profit margins as a consequence of project-based business model
- Potential supplier concentration risk for future projects
- Limited trend analysis due to non-existence of previous years' audit reports
- 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 assigned as '**BBB+ (tr)**'. The Company's EBITDA and cash generation capacity, solid financial leverage profile, low credit risk related to the contract-based services and exceptional position in the domestic market despite relatively low profitability margins and key-person risk 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, predictability of cash generation along with the backlog and financial indebtedness 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 frame about the sector will be monitored as well.