

## Corporate Credit Rating

New  Update

**Sector:** Construction

**Publishing Date:** January 26, 2022

**Senior Chief Analyst**

Orkun İnan

+90 212 352 56 73

[orkun.inan@jcrer.com.tr](mailto:orkun.inan@jcrer.com.tr)

**Assistant Analyst**

Duygu Sönmez

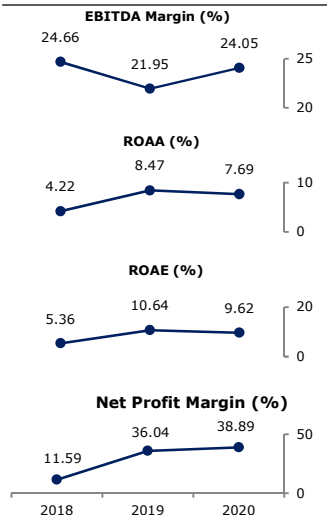
+90 212 352 56 73

[duygu.sonmez@jcrer.com.tr](mailto:duygu.sonmez@jcrer.com.tr)

## RATINGS

		Long Term	Short Term	
		AAA (Trk)	A-1+ (Trk)	
National	Local Rating	AAA (Trk)	A-1+ (Trk)	
	Outlook	Stable	Stable	
	Issue Rating	-	-	
International	Foreign Currency	BBB-	A-3	
	Local Currency	BBB-	A-3	
	Outlook	FC	Stable	Stable
		LC	Stable	Stable
	Sponsor Support	1	-	
Stand-Alone	A	-		
Sovereign*	Foreign Currency	BB	-	
	Local Currency	BB	-	
	Outlook	FC	Stable	-
		LC	Stable	-

\*Assigned by JCR on May 31, 2021



## Enka İnşaat ve Sanayi Anonim Şirketi and Its Subsidiaries

JCR Eurasia Rating, has evaluated the "Enka İnşaat ve Sanayi Anonim Şirketi and Its Subsidiaries" in the highest investment-level category and assigned the Long-Term National Note at 'AAA (Trk)' and the Short-Term National Note at 'A-1+ (Trk)' with 'Stable' outlooks. On the other hand, the Long Term International Foreign and Local Currency ratings and outlooks were assigned as 'BBB-' with 'Stable'.

Enka İnşaat ve Sanayi Anonim Şirketi (Enka İnşaat or "the Company") was established in 1957. As of June 28, 2002, Enka İnşaat merged legally with its publicly traded shareholder company, Enka Holding Yatırım Anonim Şirketi (Enka Holding), which were under the common control of Tara Holding Anonim Şirketi and Tara and Gülçelik families. As of September 30 ,2021, 8.87% of the shares of Enka İnşaat is traded publicly in İstanbul Stock Exchange (ISE). Enka İnşaat, its consolidated subsidiaries and its joint operations are hereinafter referred to as "the Group". Main field of Group consists of engineering & construction, real estate, trade and energy. Engineering & construction is mainly operation of Group and Group provides full range of design and engineering, procurement, in-house welded fabrication, modularization, construction, commissioning and start-up, operation and maintenance, and project management services in Turkey and abroad. The Group's main ultimate controlling shareholders are Tara Holding and Tara and Gülçelik Families with 51.17 % and 31.44 % shares respectively as of March 30, 2021.

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

Strengths	Constraints
<ul style="list-style-type: none"> <li>• Sectoral and geographical divergence contributing risk mitigation of revenue generation,</li> <li>• Solid EBITDA generation capacity and profitability metrics,</li> <li>• Solid financial profile and cash buffer thanks to strengthened FFO generation easing liquidity management,</li> <li>• Accumulation of strong past credentials redounding sustainable volume growth as indicated by large backlog value,</li> <li>• Valuable investment properties portfolio,</li> <li>• Strong equity level, mainly stemmed from accumulated profits,</li> <li>• Natural hedging against currency risk by FX oriented revenue stream in a certain extent,</li> <li>• Long-lasting presence and successful track-record in the sector.</li> </ul>	<ul style="list-style-type: none"> <li>• Upward trend construction costs suppressing profitability in the construction industry,</li> <li>• Political and operational risk exposing due to risk elements arising from abroad operations.</li> <li>• Pandemic on global and local economies overhang a systematic risk.</li> </ul>

Considering the aforementioned points, the Group's the Long-Term National Rating has been assigned as 'AAA (Trk)'. The Groups' s solid liquidity structure, predictable cash flow capacity, solid EBITDA generation capacity, low level of financial leverage ratios, implementing technical and crucial construction projects and having sturdy backlog value have been evaluated as important indicators for the stability of the ratings and the outlooks for Long and Short-Term National ratings are determined as 'Stable'. Timely completion of ongoing projects in the context of sustainability of income generation, its impacts on profitability indicators and possible fluctuations in electricity generation amount 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.

The Sponsor Support notes and associated risk assessments reflect the financial and non-financial positions of the controlling shareholder of the Group, and their ability to provide liquidity and equity if such a need arise Group's qualified shareholders, Tara Holding and Tara and Gülçelik Families, are considered to have the willingness and experience to ensure long-term liquidity and equity within their financial capability when required and to provide efficient operational support to Group. In this regard, the "Sponsor Support" Grade of the Group has been assigned as (1) in JCR Eurasia Rating's notation system indicating the highest level.

The Stand Alone Note of the Group has been constituted particularly with respect to the Group's reputable brand name, asset quality, ongoing operations, growth rates, development of market, operational condition risk, experienced management team and know-how level. JCR Eurasia Rating has determined that the Group has reached sufficient level of experience to manage risk incurred in the balance sheet without shareholder support. In this respect, the Stand-Alone rating of the Group has been assigned as (A) in JCR Eurasia Rating notation system, indicating the highest level.