

Corporate Credit

New Update

Sector: Defense

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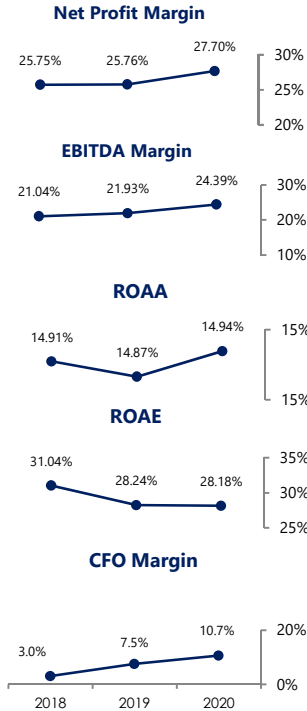
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RATINGS

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

*Assigned by JCR on April 10, 2020



Aselsan Elektronik Sanayi ve Ticaret A.Ş.

JCR Eurasia Rating evaluated the consolidated structure of “Aselsan Elektronik Sanayi ve Ticaret A.Ş.” (referred to as “the Company” or “Aselsan”) in an investment grade category at national level and assigned the ratings as “AAA (Trk)” on the Long-Term National Scale and as “A-1+ (Trk)” on the Short-Term National Scale with ‘Stable’ outlooks. On the other hand, the Long Term International Foreign and Local Currency Ratings have been assigned as “BB+ / Negative”

Aselsan, a company of the Turkish Armed Forces Foundation (TAFF), was established in 1975 to meet the communication needs of the Turkish Armed Forces with national means. 25.8% of the Company’s shares are publicly traded and the remaining 74.2% is held by TAFF. Aselsan is the largest defense electronics company of Turkey whose capability/product portfolio comprises communication and information technologies, radar and electronic warfare, electro-optics, avionics, guidance and unmanned systems, land, naval and weapon systems, air defense and missile systems, command and control systems, transportation, security, traffic, satellite systems, IT and cyber systems, microelectronics, microwave products, transportation and automation energy and health systems. Aselsan has become an indigenous product exporting company, investing in international markets through various cooperation models with local partners and ranked 48th in the top 100 defense companies of the World list (Defense News Top 100).

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

Strengths

- Being a strategically important company and adding value to the country,
- Reputable brand name in global sector,
- Being a leading company in defense industry in terms of R&D activities,
- Government grants and incentives obtained through R&D studies,
- High receivable quality supported mainly by public sector receivables,
- Notable increase in profitability enhancing the internal equity generation capacity,
- Sound liquidity buffer supporting risk metrics,
- Financial advantage of being in a long FX position in the TRY deterioration period,
- High level of compliance regarding corporate governance implementations.

Constraints

- Decrease in trade receivables turnover suppressing profitability and cash flow,
- Global economic slowdown exacerbated by covid-19 pandemic,
- Having industry specific operational risks.

Considering the aforementioned points, the Company’s the Long-Term National Rating has been assigned as “AAA (Trk)”. Additionally, long existence of Company, being the biggest players in sector, continuous increase in sales and profitability, liquidity profile, term structure of existing debt facilities, sectoral developments are the drivers of the “Stable” outlook on the ratings. The macroeconomic indicators at national and international markets, as well as market conditions& regulations, profit and equity indicators of the Company will be monitored by JCR Eurasia Rating.

The Sponsor Support notes and associated risk assessments reflect the financial and non-financial positions of TAFF, the controlling shareholder of the Company. It is assumed that the stated shareholders remain committed to the Company’s mission and maintenance of operational activity and should be able to provide long-term liquidity and equity if such a need arise. In this regard, the Company’s Sponsor Support Grade has been assigned as “1”, which denotes high level of external support. Considering the Company’s sufficient knowledge and experience to manage the risk in their balance sheet without shareholder support, the Stand Alone Note of the Company has been assigned as “A”, corresponding to the highest level in JCR Eurasia Rating’s notation system.