

## Corporate Credit Rating

New  Update

Sector: Cement Production

Publishing Date: 28/09/2021

### Chief Analyst

Bora Pakyürek

+90 212 352 56 73

[bora.pakyurek@jcrer.com.tr](mailto:bora.pakyurek@jcrer.com.tr)

### Senior Analyst

Çetincan Topcu

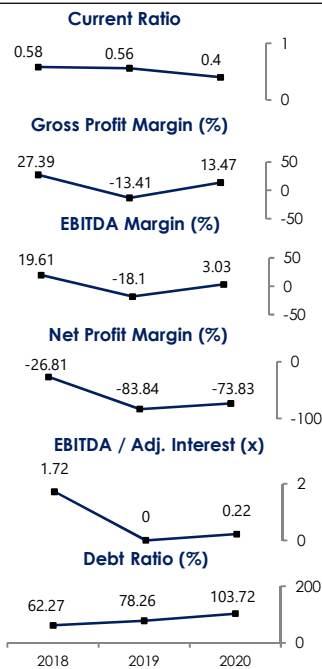
+90 212 352 56 73

[cetincan.topcu@jcrer.com.tr](mailto:cetincan.topcu@jcrer.com.tr)

## RATINGS

		Long Term	Short Term
National	Local Rating	<b>BB (Trk)</b>	<b>B (Trk)</b>
	Outlook	Stable	Stable
	Issue Rating	-	-
International	Foreign Currency	BB-	B
	Local Currency	BB-	B
	Outlook	FC Stable LC Stable	Stable Stable
Sovereign*	Sponsor Support	2	-
	Stand-Alone	C	-
	Foreign	BB	-
Sovereign*	Local Currency	BB	-
	Outlook	FC Stable LC Stable	- -

\*Assigned by JCR on May 31, 2021



## Batsöke Söke Çimento Sanayii T.A.Ş.

JCR Eurasia Rating, has evaluated consolidated **Batsöke Söke Çimento Sanayii T.A.Ş. (Batsöke / Company / Group)** in a speculative grade category on the national scale and determined the ratings on the Long-Term National Scale as '**BB (Trk)**' and the Short-Term National Scale as '**B (Trk)**' with '**Stable**' outlooks. On the other hand, the Long Term International Foreign and Local Currency Ratings have been assigned as '**BB-**' with '**Stable**' outlooks.

**Batsöke** was established in Aydın in 1955 with the name of Söke Çimento Sanayi Türk A.Ş. The Company has renamed Batsöke Söke Çimento Sanayi T.A.Ş. after it was incorporated into Batı Anadolu Group with the value of USD 25mn in 1993. The Company, which operates in the field of cement production and has an annual production capacity of 3.4mn tons of cement and 3.1mn tons of clinker (2.4mn tons of clinker was used in cement production). It has a paid-in capital amounted to TRY 400mn as of FYE2020. The total number of personnel employed across Company operations reached 355 at the end of the year-2020. As of FYE2020, Batsöke rose from 407<sup>th</sup> to 83<sup>rd</sup> in the annual list of Turkey's Second Top 500 Industrial Enterprises compiled by the Istanbul Chamber of Industry.

The Company is registered with the Capital Markets Board (CMB) and its 25.38% shares traded in Borsa İstanbul (BIST) since 2000 with the stock ticker 'BSOKE'. Batsöke is one of the companies of Batı Anadolu Group. The Group continues its operations with its seven companies and more than 1,000 employees in four different sectors. Having started its journey with Batı Anadolu Çimento Sanayi A.Ş., an aggregate corporation founded with 100% Turkish capital, the Group which operates in cement, concrete, energy, and logistics fields currently export its products to more than 30 countries among 4 continents. Batıçim is the controlling shareholder, which holds all shares except traded in BIST, is also operated in the same field. Batıçim has 6 subsidiaries operated in different areas such as cement, ash, electricity generation, ready-mixed concrete, port services, and sales and distribution electricity. Batıçim recently concentrated on much more exports in cement sales due to contracted domestic construction sector. Batıçim and Batsöke are one of the leading players in cement production in Aegean Region with the share of 44% in total production. In August, 2021, 30.02% shares of Batıçim were transferred with the value of USD 95mn to Çiftay İnşaat Taahhüt ve Ticaret A.Ş. Another shareholder, Çimko Çimento ve Beton Sanayi Tic. A.Ş., which is a subsidiary of Sanko Holding, one of the most well-known enterprises, holds 23.81% share of Batıçim.

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

### Strengths

- Increase in sales volume in FYE2020
- Long track record in the sector that enables economies of scale and scope
- Reasonable share of export sales among total sales and geographical diversification of exports
- Having a wide dealer network and high production level in the region strengthening the bargaining power
- High level of compliance with corporate governance structure and quality standards
- Low collection risk supporting asset quality

### Constraints

- Continuously increasing debt level along with insufficient EBITDA generation
- Continuous net losses deteriorating equity level
- High financing expenses arising from foreign exchange losses pressuring the profitability
- Low and volatile profitability margins causing insufficient leverage and coverage ratios
- Need for cash inflow to reduce the financial liabilities and to strengthen the negative capital structure
- Foreign currency-based energy costs which may put pressure on profitability margins under certain conditions
- Foreign currency risk exposure through financial liabilities despite providing natural hedge to a certain extent through FC dominated income stream

Considering the aforementioned points, the Company's the Long-Term National Rating has been assigned as '**BB (Trk)**'. The Company's exporting ability, increase in sales volume, large spectrum of networking via dealers, being one of the major players in local area, well-organized in corporate governance practices, as well as, weakening equity level arising from continuous losses, foreign currency-based cost figures, low and volatile profitability margins and indebtedness have been evaluated as important indicators for '**Stable**' outlooks of long and short-term national ratings. On the other hand, the Company's revenue and profitability performance, liquidity position, indebtedness, and local and global macroeconomic indicators will be closely monitored by JCR Eurasia Rating. The shareholders are considered to have the willingness and experience to ensure long-term liquidity and equity when required and to provide efficient operational support to the Company. Indeed, the Company's paid capital was increased in FYE2018 by shareholders amounted to TRY 400mn from TRY 260mn. Additionally, changed partnership structure indicates that new shareholder tends to support Batıçim, controlling shareholder of Batsöke. In this regard, the Company's Sponsor Support grade has been determined as (2) on JCR Eurasia Rating's notation scale. The Stand-Alone Grade has been constituted particularly with respect to Batsöke's deep-rooted history in sector, increasing revenues in FYE2020, being one of the major players in the region, its recent export-oriented sales strategy, and well-organized corporate governance are the fundamental factors. Within this context, the Stand Alone note of Batsöke has been determined as (C) in JCR Eurasia Rating notation system.