

Corporate Credit Rating

New Update

Sector: Construction Material Production

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RATINGS		Long Term	Short Term
ICRs (Issuer Credit Rating Profile)	National ICR	A+ (tr)	J1 (tr)
	National ICR Outlooks	Stable	Stable
	International FC ICR	BB	J3
	International FC ICR Outlooks	Stable	Stable
	International LC ICR	BB	J3
ISRs (Issue Specific Rating Profile)	International LC ICR Outlooks	Stable	Stable
	National ISR	-	-
	International FC ISR	-	-
Sovereign*	International LC ISR	-	-
	Foreign Currency	BB (Stable)	-
	Local Currency	BB (Stable)	-

* Assigned by JCR on May 31, 2021

Qua Granite Hayal Yapı ve Ürünleri Sanayi Ticaret A.Ş.

JCR Eurasia Rating, has evaluated "Qua Granite Hayal Yapı ve Ürünleri Sanayi Ticaret A.Ş." in the investment level category and assigned the Long-Term National Issuer Credit Rating at 'A+ (tr)' and the 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 Turkey.

Qua Granite Hayal Yapı ve Ürünleri Sanayi Ticaret A.Ş. (hereinafter "the Company" or "Qua Granite") was established in 2015 in İstanbul to produce, sell and export ceramics, floor tiles and tile materials, granite production. The production activities of the company are carried out in facilities located in the Organized Industrial Zone in Söke, Aydın. The Company's technical granite production facility's capacity is currently 26.000.000m² as of the reporting date and has 65 distributors in 7 regions of Turkey. Qua Granite has been a publicly listed company in Borsa İstanbul since April 2021 with an actual outstanding shares ratio of 24% as of the end of 2021. The Company was publicly offered on the Turkish Stock Exchange at a valuation of TRY 1,728mn; sold 24% of issued shares, generated TRY 238.6mn revenues to be used for fortifying the equity and generating resources for new investments.

The labor force of the Company was 890 as of FYE2021 (FYE 2020: 551).

The Company's ultimate controlling shareholder is Ali ERCAN with 56% and Q Yatırım Holding A.Ş. with 20% of the shares. 100% of shares of Q Yatırım Holding A.Ş. is owned by Ali ERCAN.

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

Strengths

- Robust increase in core profitability indicators in 2021,
- Increase in FFO and CFO generation capacity in 2020 and 2021,
- Improvement in leverage and coverage indicators,
- High receivable quality supported by insured receivables and having effective distribution network,
- Tax advantages obtained with the investment incentive certificate,
- Revenue growth potential in the upcoming period by completion of ongoing investments,
- Well located production facility and producing niche products.

Constraints

- Notable increase in financing expenses in 2021 due to FX denominated borrowings,
- Increase in production and freight costs,
- Being exposed to cyclicity of the construction sector as its key end-market.

Considering the aforementioned points such as the increase in profitability and cash generation capacity, growth potential, EBITDA generation capacity, sustainable operational performance and low credit risk, the Company's the Long-Term National Issuer Credit Rating has been assigned as 'A+ (tr)'. Asset quality, growth performance, market position, sectoral developments and risk factors in the markets 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 capital adequacy, financial structure, sales performance, asset quality, growth performance, profitability ratios and the trends of the existing risks in the markets and the business environment 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.

