

## Corporate Credit Rating

New  Update

**Sector:** Information and Communication Technologies  
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### Chief Analyst

Bora Pakyürek  
 +90 212 352 56 73  
[bora.pakyurek@jcrer.com.tr](mailto:bora.pakyurek@jcrer.com.tr)

### Team Leader

Başak Erçevik  
 +90 212 352 56 73  
[basak.ercevik@jcrer.com.tr](mailto:basak.ercevik@jcrer.com.tr)

### Analyst

Oktay Mutlu  
 +90 212 352 56 73  
[oktay.mutlu@jcrer.com.tr](mailto:oktay.mutlu@jcrer.com.tr)

RATINGS		Long Term	Short Term
ICRs (Issuer Credit Rating Profile)	National ICR	AA (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

## Karel Elektronik Sanayi ve Ticaret A.Ş.

JCR Eurasia Rating, has evaluated the "Karel Elektronik Sanayi ve Ticaret A.Ş." in the investment level category and upgraded the Long-Term National Issuer Credit Rating from 'AA- (tr)' to 'AA (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'.

**Karel Elektronik Sanayi ve Ticaret A.Ş.** (hereinafter referred to as "Karel" or "the Company" or "the Group") was established in 1986 and is headquartered in Istanbul, Turkey. The core activity of the Company is the design, production, development and marketing of a diverse of telecommunication devices and electronic systems. The company provides its communication solutions for various sectors such as cargo transportation, hotels and touristic facilities, public institutions, hospitals and medical institutions, universities and educational institutions, factories and industrial production facilities, merchandising and retail business, banks, leasing and factoring companies, equity houses, and other financial institutions. In time, the Company has enriched its business with new activities in EMS, defence and large-scale turnkey project areas. With EMS activity covering all processes from design to production, Karel provides electronic manufacturing services to its local and international customers. White goods electronic board production has an important share in its EMS business. The Company also designs defence solutions using its R&D power and telecommunication know-how and manufactures and sells them to domestic and international military organizations. The main customers of Karel in turnkey projects are telecommunication service providers. Besides infrastructure solutions, the Company provides installations, maintenance and support services to operators. Karel has R&D and manufacturing centers in Ankara, Turkey. Karel went public in October 2006 and its 30.96% shares are traded on the Borsa Istanbul under the ticker symbol "KAREL". In 2020, Karel ranked as 479th in Turkey's Top 500 Industrial Enterprises (ISO 500) published by Istanbul Chamber of Industry. Also, Karel was located in "The Most Valuable 100 Brands in Turkey" published by Brand Finance in 2021. The consolidated assets of the Company were approximately TRY 1.95bn and revenues were approximately TRY 1.64bn as of December 31, 2021. The average number of personnel employed across operations in the Company was 3,277 as of December 31, 2021 (December 31, 2020: 2,660)

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

### Strengths

- Steady EBITDA generation capacity in line with gross profit margin
- Operations in different segments creating revenue diversification
- The cost advantage arising from the significant increase in inventories expected to positively reflect in the profitability of the upcoming period in an environment where prices are on an upward trend
- Competitive advantage of having own R&D centre and production facilities with the highest level of design, know-how and quality
- Extensively distributed sales and after sales service network
- Reputable customer portfolio in public and corporate segments minimizing credit risk
- Recent acquisitions expected to create synergies for the Company
- High level of compliance regarding corporate governance implementations

### Constraints

- Net foreign currency short position
- Technological changes in shorter product cycles
- Rising raw material prices, global chip shortages, and the geopolitical risks stemming from the Russia-Ukraine tension creating uncertainty in a certain extent

Considering the aforementioned points, the Company's the Long-Term National Issuer Credit Rating has been upgraded to 'AA (tr)'. EBITDA creation capacity of the Company, globally rising raw material prices, and macroeconomic uncertainties 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 affirmed as 'Stable'. The Company's revenue generation performance, profitability ratios, indebtedness structure, liquidity profile, foreign currency position, rising raw material prices, the national and international impact of the COVID-19 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.

