

Corporate Credit Rating

New Update

Sector: Metals Industry

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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
	International LC ICR Outlooks	Stable	Stable
ISRs (Issue Specific Rating Profile)	National ISR	-	-
	International FC ISR	-	-
	International LC ISR	-	-
Sovereign*	Foreign Currency	BB (Stable)	-
	Local Currency	BB (Stable)	-

* Assigned by JCR on May 31, 2021

Sarkuysan Elektrolitik Bakır Sanayi ve Ticaret A.Ş.

JCR Eurasia Rating, has evaluated the "Sarkuysan Elektrolitik Bakır Sanayi ve Ticaret A.Ş." and upgraded the ratings on the Long-Term National Issuer Credit Rating from 'A+(Trk)' to 'AA-(Trk)' and the Short-Term National Issuer Credit Rating assigned 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.

Sarkuysan Elektrolitik Bakır Sanayi ve Ticaret A.Ş. (referred to as Sarkuysan or 'the Group') established in 1972 and engages in production of electrolytic copper, copper tubes and copper busbars. The Group, which produces electrolytic copper products, copper tubes and copper busbars over an area exceeding 175,000 m2 in the Gebze and Darıca region, with an indoor area of approximately 90,000 m2, increased its initial capacity of 10,000 tons/year to over 200,000 tons/year and became a global company. Using the "sks" brand on its products, Sarkuysan meets a substantial part of the domestic demand while exporting approximately half of its production range to more than 70 countries in 5 continents. Sarkuysan is a group of companies; as of FYE2021, Sarkuysan's subsidiaries and affiliates are as follows; Sarmakina A.Ş., Demisaş A.Ş., Sarda A.Ş., Bektaş A.Ş., Turkish industrial organisation in the USA with Sark Wire, in Bulgaria with Sark Bulgaria and BEMKA-KUPFERLACKDRAHT GmbH is located in Germany and conducts the promotion and marketing activities of enamelled winding wires. In addition to its current subsidiaries, Sark Gıda San. Tic. A.Ş. is the new subsidiary company which was established in 8 November, 2021 to engage in all kinds of food purchase and sale activities.

Sarkuysan has also an agency in Italy where is an important country for direct marketing purposes of the products as part of the Company's busy export operations. Furthermore, Sarkuysan facilities located at the Aegean Free Trade Zone manufacture and export products with high added value. The Group maintains its operations by an average staff force of 1.129 employees as of FYE2021. (FYE2020: 1.110). Sarkuysan is wholly publicly owned corporation with its approximately 14.000 partners and there are no partners holding 10% or more shares alone. Nearly all of its shares are traded on the Istanbul Stock Exchange since the Exchange was inaugurated in 1986.

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

Strengths

- Strong sales performance in line with the increased sales volume in FYE2021
- Diversified product range underpinning revenue stream and EBITDA growth
- High share of export sales among total sales and geographical diversification of exports
- Establishment of credible and well-established business and partnerships at local and international level
- Long-lasting presence in the sector
- High level of compliance with Corporate Governance Practices and international quality standards

Constraints

- Short-term financial debts pressuring liquidity management
- Exposure to changes in international trade regulations and agreements
- The geopolitical risks stemming from the Russia-Ukraine tension increasing commodity prices and creating uncertainties towards EMs

Considering the aforementioned points, Sarkuysan's the Long-Term National Issuer Credit Rating has been upgraded as 'AA-(tr)'. Sarkuysan's long-lasting presence in the sector, sales, EBITDA and profit generation performance in FYE2021, export volumes, high level of compliance with Corporate Governance Practices along with its high debt level and short maturity profile of financial liabilities as well as tight competition and geopolitical risks-driven 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 determined as 'Stable'. The Group's revenue growth, EBITDA generation capacity, equity level, cash flow, debt ratio and profit margins 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.

