JCR-ER JCR Eurasia Rating
"JCR-ER, Group of Japan Credit Rating Agency, Ltd." JCR

AKÇANSA

Corporate Credit & Issue Rating

☒New ☐Update

Sector: Cement/Building Materials
Publishing Date: 15/11/2018

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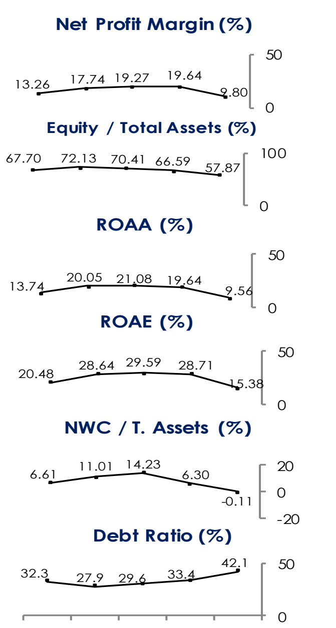
RATINGS

			Long	Short
International	Foreign Currency		BBB-	A-3
International	Local Currency		BBB-	A-3
International	Outlook	FC	Negative	Negative
International	Outlook	LC	Negative	Negative
International	Issue Rating		-	-
National	Local Rating		AA-(Trk)	A-1+(Trk)
National	Outlook		Stable	Stable
National	Issue Rating		AA-(Trk)	A-1+(Trk)
Sponsor Support			2	-
Stand-Alone			AB	-
Sovereign*	Foreign Currency		BBB-	-
Sovereign*	Local Currency		BBB-	-
Sovereign*	Outlook	FC	Negative	-
Sovereign*	Outlook	LC	Negative	-

*Affirmed by JCR on August 14, 2018



Akçansa Çimento Sanayi ve Ticaret A.Ş.

Company Overview

Financial Data	Sept,2018**	2017*	2016*	2015*	2014*
Total Assets (000 USD)	369,417	508,019	523,753	586,422	691,059
Total Assets (000 TRY)	2,212,880	1,916,196	1,843,193	1,705,080	1,602,497
Equity (000 TRY)	1,129,183	1,108,973	1,227,454	1,200,602	1,155,907
Net Profit (000 TRY)	171,617	148,814	286,979	282,979	250,262
Sales (000 TRY)	1,319,066	1,519,001	1,461,055	1,468,533	1,410,850
Net Profit Margin (%)	13.01	9.80	19.64	19.27	17.74
ROAA (%)	n.a.	9.56	19.64	21.08	20.05
ROAE (%)	n.a.	15.38	28.71	29.59	28.64
Equity / Total Assets (%)	51.03	57.87	66.59	70.41	72.13
Net Working Capital / T. Assets (%)* **	5.71	-0.11	6.30	14.23	11.01
Debt Ratio (%)	48.97	42.13	33.41	29.59	27.87
Asset Growth Rate (%)	15.48	3.96	8.10	6.40	8.48

**End of year, ** audited 3Q results, ***NWC=Current Assets-Current Liabilities/Total Assets*

With roots dating back to the foundation of Akçimento in 1967, **Akçansa Çimento Sanayi ve Ticaret A.Ş.** (to be referred to hereinafter as **'Akçansa Çimento'** or **'the Company'**), was established following the merger of Akçimento and Çanakkale Çimento in 1996 and 39.72% of its shares were acquired by Heidelberg Cement AG in 2006. The Company which conducts its operations through its 3 plants located in Büyükçekmece, Istanbul, Canakkale and Ladik,Samsun, steadily expanded its business to become the largest player in the Turkish Cement Industry with cement sales of 7.6mn tons, clinker sales of 0.4mn tons along with ready-mixed concrete (RMC) sales of 3.4mn m^3 as of FYE2017. In addition to the mentioned 3 plants, Akçansa Çimento carries out its RMC and aggregate manufacturing operations through 29 and 5 facilities respectively.

Headquartered in Istanbul, Karçimsa Çimento Sanayi ve Ticaret A.Ş., based in Karabük, is the only consolidated subsidiary of the Company which employed a total workforce of 1,096 across its operations. Hacı Ömer Sabancı Holding A.Ş. and Heidelberg Cement A.G. are the qualified shareholders of Akçansa Çimento with equal shares of 39.72% whilst its shares have been traded on the Borsa Istanbul (BIST) index since 1996 with a current free-float of 20.56% under the ticker-name of AKCNS. As of FYE2017, Akçansa Çimento was ranked as the 89th largest Company nationally based on revenues in the list of Largest Industrial Enterprises compiled by the Istanbul Chamber of Industry.

Strengths

- Leading market share in the domestic cement industry and the Marmara region based on revenues and production volumes supporting pricing power
- High share of equity in the funding of operations along with low levels of financial leverage in relation to EBITDA
- Sound EBITDA and net profitability performance supported by operational efficiency in comparison to peers
- Low level of impaired receivables, growing share of export revenues and absence of FX risk contributing to asset quality
- Robust shareholder structure strengthened through reputable foreign partnership providing a competitive advantage
- Established track record, high level of compliance with Corporate Governance Practices and international quality standards

Constraints

- Fall in profitability indicators in the completed financial year due to rising cost base with recovery in FY2018
- Pressure on liquidity management exerted by the short-term nature of financial liabilities and maturity mismatch between trade receivable/payable terms and rise in inventory
- Despite the notable expansion in the current fiscal year, weak revenue growth performance in the FY2014-16 period
- Notable slow-down in construction activity and infrastructure spending with negative impact on domestic cement demand in the short-term planned to be compensated through export growth
- Persistent political and economic instability with upward pressure on borrowing costs and increase in energy expenses with negative impact on margins