

## Corporate Credit Rating

New  Update

Sector: Cement

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### Chief Analyst

Bora Pakyürek

+90 212 352 56 73

bora.pakyurek@jcrer.com.tr

### Assistant Analyst

Deniz Ustabaş

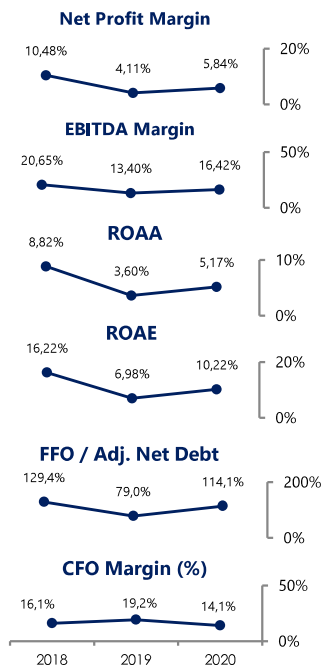
+90 212 352 56 73

deniz.ustabas@jcrer.com.tr

## RATINGS

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

\*Assigned by JCR on April 10, 2020



# Akçansa Çimento Sanayi ve Ticaret A.Ş.

JCR Eurasia Rating, has evaluated **Akçansa Çimento San. ve Tic. A.Ş.** in investment-level category on the national scale and determined the ratings on the Long-Term National Scale as **'AA- (Trk)'** and the Short Term National Scale to **'A-1+ (Trk)'** with **'Stable'** outlooks. On the other hand, the Long Term International Foreign and Local Currency Ratings have been assigned as **'BBB-'** with **'Negative'** outlooks.

**Akçansa Çimento San. ve Tic. A.Ş.** (referred to as 'the Company' or 'Akçansa Çimento') 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 Istanbul, Çanakkale and Samsun, steadily expanded its business to become the largest player in the Turkish Cement Industry with cement sales of 5.1mn tons, clinker sales of 2.4mn tons along with ready-mixed concrete (RMC) sales of 2.2mn m<sup>3</sup> as of FYE2020. In addition to the mentioned 3 plants, Akçansa Çimento carries out its RMC and aggregate manufacturing operations through 27 and 4 facilities respectively.

Headquartered in Istanbul, Karçimsa Çimento Sanayi ve Ticaret A.Ş., based in Karabük, is the only consolidated subsidiary of the Company. 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 FYE2019, Akçansa Çimento was ranked as the 127<sup>th</sup> largest Company nationally based on revenues in the list of Largest Industrial Enterprises compiled by the Istanbul Chamber of Industry. As of 2020, the total number of personnel employed across Company operations on a consolidated basis reached 1,016.

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

### Strengths

- Leading cement manufacturer company in Turkey with its long lasting presence in the sector and successful track-record
- Strong equity level promising further room for growth
- Asset quality strengthened by low impaired receivables ratio along with hedged FX position enhanced through exports
- Remarkable research and development activities providing competitive advantages
- Robust shareholder structure strengthened through reputable foreign partnership
- High level of compliance with Corporate Governance Practices and international quality standards

### Constraints

- Though planned to be compensated through export growth for the Company, the fluctuations in the construction sector in recent years is suppressing the demand for domestic building materials such as cement
- Foreign currency based energy costs which may exert pressure on profitability margins in specific conditions
- Ongoing uncertainties arising from the global Covid-19 pandemic

Considering the aforementioned points, the Company's the Long-Term National Rating has been determined at **'AA- (Trk)'**. Considering internal equity generation capacity, expectation of sustenance of sales growth, equity structure, profitability, brand recognition, market share and experience in the sector and past credentials, as well as, Covid-19 pandemic and geopolitical risks-driven uncertainties; the Company's outlook for Long and Short-Term National ratings has been determined as **'Stable'**. Investment targets of the Company, debt ratio, profit margins and sustainability of domestic and international demands, as well as market conditions regarding the sector and the negative effects of the Covid-19 pandemic are some of the priority issues to be monitored by JCR Eurasia Rating.

It has been assessed that the main shareholders, Hacı Ömer Sabancı Holding A.Ş. and Heidelberg Cement AG, have the willingness and financial strength to provide long term liquidity or equity for and the adequate experience to provide efficient operational support to Akçansa Çimento San. ve Tic. A.Ş. In this regard, the Company's Sponsor Support grade has been determined as **(1)** on JCR Eurasia Rating's notation scale.

Akçansa Çimento's 'stand-alone rating' has been determined with regard to the Company's market share, high share of equity in the funding of operations, asset quality, the generation of sufficient operating cash flows to meet financing, capex and dividend payments, absence of FX risk in the current context of market volatility, know-how in the industry stemming from a long-track record, risk management practices, and the trends of the existing risks in the markets and the business environment by taking its internal sources into account. Within this context, the Stand Alone note of Akçansa Çimento has been determined as **(A)** in the JCR Eurasia Rating notation system.