

Corporate Credit Rating

New Update

Sector: Metal Industry

Publishing Date: March 31, 2023

Team Leader

Muhammet Başar

+90 212 352 56 73

muhammet.basar@jcrer.com.tr

Analyst

Cihat Taşkıran

+90 212 352 56 73

cihat.taskiran@jcrer.com.tr

Assistant Analyst

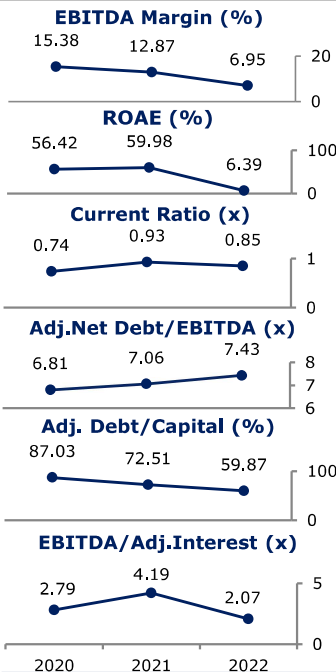
Ahmet Abdüssamed Yılmaz

+90 212 352 56 73

ahmetabdussamed.yilmam@jcrer.com.tr

RATINGS		Long Term	Short Term
ICRs (Issuer Credit Rating Profile)	National ICR	BBB (tr)	J2 (tr)
	National ICR Outlooks	Stable	Stable
	International FC ICR	BB	-
	International FC ICR Outlooks	Negative	-
	International LC ICR	BB	-
ISRs (Issue Specific Rating Profile)	National ISR	-	-
	International FC ISR	-	-
	International LC ISR	-	-
Sovereign*	Foreign Currency	BB (Negative)	-
	Local Currency	BB (Negative)	-

* Assigned by JCR on Aug 18, 2022



DÖKTAŞ DÖKÜMCÜLÜK TİCARET VE SANAYİ A.Ş.

JCR Eurasia Rating, has evaluated the consolidated structure of "Döktaş Dökümcülük Ticaret ve Sanayi A.Ş." in the investment level category and affirmed the Long-Term National Issuer Credit Rating as 'BBB (tr)' and the Short-Term National Issuer Credit Rating as 'J2 (tr)'. On the other hand, the Long Term International Foreign and Local Currency Issuer Credit Ratings and outlooks have been assigned as 'BB/Negative' in parallel to international ratings and outlooks of Republic of Türkiye.

Döktaş Dökümcülük Ticaret ve Sanayi A.Ş. (referred to as "the Company" or "Döktaş") was established in Orhangazi in 1973, in Bursa under the name of Koç Holding. The Company was acquired by Componenta Oyj, a Finland-based entity, in December 2006. Subsequently, on September 29, 2017, the shares of the Company were transferred to Döktaş Metal Sanayi ve Ticaret A.Ş., a special purpose entity. Finally, on June 29, 2018, the Company merged with Çelik Holding. The main operations of the Company are production and trade of gray cast iron, nodular iron and aluminum castings for automotive, heavy commercial vehicles, construction and agricultural machinery industry. Orhangazi Iron Foundry, Türkiye's largest iron casting plant maintains pig and ductile iron casting and machining capabilities. In Manisa facilities, high and low-pressure aluminum casting and aluminum wheel production activities are performed. Manisa Aluminum Plant is the 2nd largest aluminum casting facility for the automotive sector in Türkiye, while Aluminum Wheel Plant is Türkiye's 4th largest aluminum wheel manufacturing facility. The Company has established business partnerships with internationally well-known local and foreign players through its wide sectoral experience, know-how and network along with the ability to establish beneficial and co-operative partnerships.

The main shareholder of Döktaş Dökümcülük Ticaret ve Sanayi A.Ş. is Çelik Holding with the share of 90.00% as of FYE2022, which belongs to Gürış İnşaat ve Mühendislik A.Ş. (88.33%) and Gürış Holding (11.67%). Çelik Holding was established in 1974 and operates in the fields of industry, energy, tourism and mining sectors. 10.00% of Company shares have been publicly traded on the Borsa İstanbul (BIST) under the ticker symbol "DOKTA" since 1986. The Company's average number of personnel employed in FYE2022 is 2,461 (FYE2021: 2,636).

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

Strengths

- Sustainable revenue growth backed by sales volume in the reviewed years,
- Maintaining moderate profitability indicators despite excessively increasing production costs in the sector particularly in FY2022,
- Expected improvement in operating profitability ratio thanks to the ongoing&completed investment,
- Diversified revenue stream thanks to its wide product range in different sector and global-scale customers,
- Having competitive advantages and operational synergy with robust parental shareholding structure due to being a Gürış Group company,
- High level of compliance with Corporate Governance Practices with its experienced team.

Constraints

- High level of the total debt inhibiting the Company's financial position,
- Low level of current ratio and insufficient net working capital pressuring liquidity management,
- Equity Growth through paid-in capital and capital advances contributed by shareholder and foreign currency translation differences & revaluation reserves,
- Pressure on efficiency ratios due to relatively high operating ratio and low net working capital turnover,
- Global recession and geopolitical risks stemming from the Russia-Ukraine tension increasing uncertainty and monetary tightening across the globe deteriorating growth projections.

Considering the aforementioned points, the Company's Long-Term National Issuer Credit Rating has been affirmed as 'BBB (tr)'. Presence in diversified sectors with wide product range, sustainable sales revenues, maintaining export sales, focusing technological R&D investments, synergic relationship with Gürış Group, as well as high level of debts, low level of efficiency ratios have been evaluated as important indicators for the stability of the ratings and the outlooks for Long and Short-Term National Issuer Credit Ratings have been determined as 'Stable'. The Company's profitability ratios, indebtedness indicators, cash flow generation and geopolitical risks stemming from the Russia-Ukraine tension are the priority issues to be 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 also be monitored.