

## Corporate Credit Rating

New  Update

**Sector:** Electronic and Optical Products Manufacturing

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RATINGS		Long Term	Short Term
ICRs (Issuer Credit Rating Profile)	National ICR	AA (tr)	J1+ (tr)
	National ICR Outlooks	Negative	Negative
	International FC ICR	BB	-
	International FC ICR Outlooks	Negative	-
	International LC ICR	BB	-
ISRs (Issue Specific Rating Profile)	International FC ICR	-	-
	International LC ICR	-	-
	Foreign Currency	BB (Negative)	-
Sovereign*	Local Currency	BB (Negative)	-

\* Assigned by JCR on Aug 18, 2022

## Karel Elektronik Sanayi ve Ticaret A.Ş.

JCR Eurasia Rating has evaluated the consolidated structure of "Karel Elektronik Sanayi ve Ticaret A.Ş." in the investment grade category with very high credit quality, affirmed the Long-Term National Issuer Credit Rating as 'AA (tr)' and the Short-Term National Issuer Credit Rating as 'J1+ (tr)', and revised the outlooks from 'Stable' to 'Negative'. On the other hand, the Long-Term International Foreign and Local Currency Issuer Credit Ratings and outlooks have been assigned as 'BB/Negative', as parallel to the international ratings and outlooks of Republic of Türkiye.

**Karel Elektronik Sanayi ve Ticaret A.Ş.** (hereinafter referred to as "Karel" or "the Company" or "the Group") was established by Tunaoğlu family in 1986 and is headquartered in Istanbul, Türkiye. The Company operates in different technology areas such as Telecommunication, Defense Industry, Corporate Projects, Automotive and Electronics Manufacturing Services (EMS). 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 was located in "The Most Valuable 100 Brands in Türkiye" published by Brand Finance and ranked 100th in 2023 (2022: 98th). The average number of people employed across Group as of 30 September 2023 is 4,513 (31 December 2022: 3,682). Karel went public in October 2006 and its 30.96% shares are traded on the Borsa İstanbul under the ticker symbol "KAREL". Şakir Yaman Tunaoğlu, Serdar Nuri Tunaoğlu and Ali Sinan Tunaoğlu have 9.68%, 9.67% and 9.63% shares of Karel as of 9M2023. In June 30, 2022, Karel's 40% shares were acquired by Öncü Girişim Sermayesi Yatırım Ortaklığı A.Ş. which is a subsidiary of Doğan Şirketler Grubu Holding A.Ş. ("Doğan Holding"). The main activity fields of Doğan Holding are electricity production, petroleum products retail, industry and trade, automotive trade and marketing, financing and investment, internet and entertainment and real estate investments. 35.87% shares of Doğan Holding are traded on the Borsa İstanbul under the ticker symbol "DOHOL".

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

### Strengths

- Increase in revenues and EBITDA in 9M2023 despite a slight regression in profitability margins
- Moderate leverage profile
- Operating in different segments providing revenue diversification
- Well-known customer portfolio including publicly-owned institutions minimizing credit risk
- Strong emphasis on R&D, innovation, and design together with its know-how
- Wide sales and after-sales service network
- Advantages of operational synergy created within Doğan Group
- High level of compliance regarding corporate governance implementations

### Constraints

- Sizeable net loss in 9M2023 due to rising financing expenses
- Short-term weighted maturity profile of financial debts
- Concentration regarding customer portfolio
- Long cash conversion cycle despite decreasing trend
- Leading economic indicators signal global economic slowdown whereas quantitative tightening actions aim to restrict consumption growth and achieve a soft-landing in the domestic side

Considering the aforementioned points, the Company's the Long-Term National Issuer Credit Rating has been affirmed at 'AA (tr)'. The Company's outlooks for the Long and Short-Term National Issuer Credit Ratings have been revised from 'Stable' to 'Negative' considering sizeable net loss due to increasing financing expenses and retreated operational profitability ratios in 9M2023. The Company's revenue and EBITDA generation performance, profitability ratios, indebtedness structure, liquidity and cash flow metrics, equity level, and sovereign risk exposure 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.

