

Corporate Credit Rating

New Update

Sector: Building Materials Industry
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Team Leader

Halil İbrahim YAMAN
+90 212 352 56 73
halil.yaman@jcrer.com.tr

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 LC ICR Outlooks	Negative	-
	National ISR	-	-
	International FC ISR	-	-
Sovereign*	International LC ISR	-	-
	Foreign Currency	BB (Negative)	-
	Local Currency	BB (Negative)	-

* Assigned by JCR on Aug 18, 2022.

QUA GRANITE HAYAL YAPI VE ÜRÜNLERİ SANAYİ TİCARET A.Ş.

JCR Eurasia Rating has evaluated "Qua Granite Hayal Yapı ve Ürünleri Sanayi Ticaret A.Ş." in the high investment level category and affirmed the Long-Term National Issuer Credit Rating at 'AA (tr)' and the Short-Term National Issuer Credit Rating at 'J1+ (tr)' and revised outlooks from 'Stable' to 'Negative'. On the other hand, the Long Term International Foreign and Local Currency Issuer Credit Ratings and outlooks were assigned as 'BB/Negative', as parallel to international ratings and outlooks of Republic of Türkiye.

Qua Granite Hayal Yapı ve Ürünleri Sanayi Ticaret A.Ş. (hereinafter "the Company" or "Qua Granite") was established in 2015 in İstanbul and main field of activity of the Company is the production of technical granite, and also sell and export ceramics, floor tiles and tile materials. The production activities of the Company are carried out in facilities located in the Organized Industrial Zone in Söke, Aydın. The Company's technical granite production facility's capacity is currently 41million m². Qua Granite has been a publicly traded company on Borsa İstanbul since April 2021 with an actual outstanding shares ratio of 30% as of September, 2023. The labor force of the Company was 1,341 as of Q3'2023 (FYE2022: 1,076). The Company ranked 264th in the ISO 500 list from production criteria by moving 282 places up in the sales in 2022. Additionally, the Company ranked 383rd in Capital 500 list and 316th in Fortune 500 list in 2022.

The Company's ultimate controlling shareholder is Q Yatırım Holding A.Ş. with 37.90% and Ali ERCAN with 29.75% and of the shares, while 32.35% is traded on stock exchange. 100% of shares of Q Yatırım Holding A.Ş. is owned by Ali ERCAN.

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

Strengths

- Consistent increase in sales volume over the analyzed years,
- Sizeable liquid assets supporting leverage profile and easing liquidity management, though an expected increase in net debt to EBITDA multiplier in FYE2023,
- Sufficient equity level backed by remarkable paid-in capital increase through retained earnings and profit shares in 2023,
- High receivable quality evidenced by low impaired receivables and having effective distribution network,
- Having well-located production facility, producing niche products and adapting sustainability policies,
- High level of compliance with the corporate governance practices and international quality standards.

Constraints

- Noteworthy contraction in profit margins in Q3'2023 mainly driven by the merchant sales,
- Significant decline in EBITDA interest coverage in Q3'2023,
- Further deterioration in cash generation capacity in Q3'2023 due to working capital needs,
- Customs duty on Turkish ceramic companies as a result of anti-dumping investigation by the EU, coupled with the already declining trend in export sales,
- 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 contracting profit margins, receding EBITDA interest coverage, the expected increase in net debt to EBITDA multiplier, sectoral developments and risk factors in the markets have been evaluated as important indicators and the outlooks for Long and Short-Term National Issuer Credit Ratings are determined as 'Negative'. The Company's capital adequacy, financial structure, sales performance, asset quality, growth performance, profitability ratios and the trends of the existing risks in the markets and the business environment 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.

