

Corporate Credit Rating

New Update

Sector: Metals Industry
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Team Leader

Başak Erçevik
+90 212 352 56 73
basak.ercevik@jcrer.com.tr

Senior Analyst

Sinem Elif Savaş
+90 212 352 56 73
elif.savas@jcrer.com.tr

RATINGS		Long Term	Short Term
ICRs (Issuer Credit Rating Profile)	National ICR	AA-(tr)	J1+(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

Sarkuysan Elektrolitik Bakır Sanayi ve Ticaret A.Ş.

JCR Eurasia Rating has evaluated the consolidated structure of "Sarkuysan Elektrolitik Bakır Sanayi ve Ticaret A.Ş." in the investment grade category with high credit quality and affirmed the Long-Term National Issuer Credit Rating at 'AA- (Trk)' and the Short-Term National Issuer Credit Rating at 'J1+ (tr)' with 'Stable' outlooks. 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 the international ratings and outlooks of the Republic of Türkiye.

Sarkuysan Elektrolitik Bakır Sanayi ve Ticaret A.Ş. (referred to as Sarkuysan or 'the Group') was established in 1972 and engages in production of electrolytic copper, copper tubes and copper busbars. The Group, which produces electrolytic copper products, copper tubes and copper busbars over an area exceeding 175,000 m² in the Gebze and Darıca region, with an indoor area of approximately 90,000 m², increased its initial capacity of 10,000 tons/year to over 200,000 tons/year and became a global company. Using the "sks" brand on its products, Sarkuysan meets a substantial part of the domestic demand while exporting around half of its production range to more than 70 countries in 5 continents. Sarkuysan is a group of companies; as of FYE2022, Sarkuysan's subsidiaries and affiliates are as follows; Sarmakina A.Ş., Demişaş A.Ş., Sarda A.Ş., Bektaş A.Ş., Sark Gıda San. Tic. A.Ş. and also Turkish industrial organisation in the USA with Sark Wire, in Bulgaria with Sark Bulgaria and BEMKA-KUPFERLACKDRAHT GmbH in Germany which conducts the promotion and marketing activities of enamelled winding wires. Sarkuysan has also an agency in Italy where is an important country for direct marketing purposes of the products as part of the Company's busy export operations. Furthermore, Sarkuysan's facilities located at the Aegean Free Trade Zone manufacture and export products with high added value. At the Board of Directors Meeting dated 10.02.2023, Sarkuysan unanimously decided to participate with a 42.50% share of the capital of CRW METAL SANAYİ VE TİCARET ANONİM ŞİRKETİ, which is a company with a total capital of TRY 300mn and will be established to operate in all kinds of metal production, marketing and sales in order to evaluate the opportunities that may arise in the near future and to realize cooperations and investments in the relevant sectors. In this context, the partnership of Sarkuysan in the newly established CRW A.Ş. was registered on 09.03.2023 and announced in the Trade Registry Gazette.

The Group maintains its operations by an average staff force of 1.218 employees as of FYE2022. (FYE2021: 1.129). Sarkuysan is wholly publicly owned corporation with its approximately 16.000 partners and there are no shareholders holding 10% or more shares alone among the 'B share group' which is composed of bearer shares and 'share group A' is granted with the privilege of selection of the members of the board of directors. Nearly all of its shares have been traded on the Istanbul Stock Exchange since the Exchange was inaugurated in 1986.

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

Strengths

- Improvement in revenues thanks to sales volume and price increases in FY2022
- Sustainability in EBITDA generation capacity indicating a resilient operational performance
- Slight recovery in leverage profile proven by Net Financial Debt/EBITDA multiplier at FYE2022
- Hard-currency income generation capacity thanks to high level of export share in sales
- Long-lasting presence in the sector
- High level of compliance with corporate governance practices and international quality standards

Constraints

- Short maturity profile of financial liabilities
- High financing expenses mainly stemming from unrealized FX losses, pressuring on profitability
- Fluctuations on raw material and global copper market prices may put pressure on profitability margins
- As China's reopening and stable exchange rates generate significant headwinds to Türkiye's exporters, tight financial conditions, accompanied by global banking concerns, disrupt global growth projections

Considering the aforementioned points, Sarkuysan's the Long-Term National Issuer Credit Rating has been affirmed at 'AA- (tr)'. Sarkuysan's continuous increase in sales, strong export structure, net profit generation in the reviewed years, high level of compliance with corporate governance practices along with short maturity profile of financial liabilities as well as tight competition and disrupted global growth projections have been evaluated as important indicators for the stability of the ratings and the outlooks for Long and Short-Term National Issuer Credit Ratings are determined as 'Stable'. Sarkuysan's revenue growth, continuity of EBITDA generation capacity, equity level, debt ratio and profit margins 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.

