

## Corporate Credit Rating

New  Update

**Sector:** Metals Industry

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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 very 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' in line with the global and national scale rating matching published by JCR Eurasia Rating.

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 m<sup>2</sup> in the Gebze and Darca region, with an indoor area of approximately 90,000 m<sup>2</sup>, 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 9M2023, Sarkuysan's subsidiaries and affiliates are as follows; Sarmakina A.Ş., Demişaş A.Ş., Sarda A.Ş., Bektaş 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 1.274 employees as of 9M2023. (FYE2022: 1.218). 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 profitability ratios as of 9M2023
- Notable net working capital surplus provides a buffer against incidental fluctuations
- Natural hedging opportunity in a certain extent derived from export sales
- Diversified fund resources with commercial paper and corporate bond issuances
- Long-lasting presence in the sector
- High level of compliance with corporate governance practices and international quality standards

### Constraints

- Short-term weighted debt structure suppressing the leverage profile
- Pressure on profitability of high financing expenses mainly arising from interest expenses despite generating substantial net profits
- Negative CFO metric in the analyzed periods
- Exposure to fluctuations in global copper prices
- 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, Sarkuysan's the Long-Term National Issuer Credit Rating has been affirmed at 'AA- (tr)'. Sarkuysan's asset quality, market and exporter position, profit indicators in 9M2023, along with short maturity weighted profile of financial liabilities as well as sectoral developments and risk factors in the markets 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.

