

Corporate Credit & Issue Rating

**Manufacturing & Trade
(Plastic Construction Materials)**

PAKPEN		Long Term	Short Term	
International	Foreign Currency	BB+	B	
	Local Currency	BB+	B	
	Outlook	FC	Stable	Stable
		LC	Stable	Stable
Issue Rating	n.a.	n.a.		
National	Local Rating	BBB- (Trk)	A-3 (Trk)	
	Outlook	Stable	Stable	
	Issue Rating	BBB- (Trk)	A-3 (Trk)	
Sponsor Support		2	-	
Stand Alone		B	-	
Sovereign*	Foreign Currency	BBB-	-	
	Local Currency	BBB-	-	
	Outlook	FC	Stable	-
LC		Stable	-	

Pakpen Plastik Boru ve Yapı Elemanları San. ve Tic. A.Ş. and ITS SUBSIDIARY					
Financial Data	2015*	2014*	2013*	2012*	2011*
Total Assets (000 USD)	290,242	342,413	351,460	304,438	267,838
Total Assets (000 TRY)	843,908	794,022	748,751	541,170	505,919
Equity (000 TRY)	256,814	236,446	218,271	157,575	76,334
Net Profit (000 TRY)	-13,677	1,455	-13,983	34,777	-36,470
Net Sales (000 TRY)	408,695	475,308	422,391	412,466	342,445
Net Profit Margin (%)	-3.35	0.31	-3.31	8.43	-10.65
ROAA (%)	-2.31	-0.25	-2.83	8.36	-9.47
ROAE (%)	-7.66	-0.84	-9.72	37.44	-47.09
Equity / Total Assets (%)	30.43	29.78	29.15	29.12	15.09
Net Working Capital / T. Assets (%)	19.12	9.92	20.72	17.46	8.88
Debt Ratio (%)	69.57	70.22	70.85	70.88	84.91
Asset Growth Rate (%)	6.28	6.05	38.36	6.97	16.41

* End of year

Overview

Pakpen Plastik Boru ve Yapı Elemanları San. ve Tic. A.Ş. (hereafter, Pakpen, the Company or the Group), was founded in Konya in 1989. The main activity areas of the Company include the production, marketing, and sale of polyvinyl chloride (PVC) based construction materials such as, PVC windows, doors, shutters, internal and external insulation materials, XPS and EPS plates (used as furniture backfill material and in doorframe making) as well as internal plumbing, infrastructure, sewage, clean water and gas pipes. The Company markets its products to domestic and foreign markets.

The Company carries out production activities through two separate factories with six integrated units located in the 2nd and 3rd industrial zones in Konya, comprising approximately 250k m² of facilities, 78k m² of which is indoor area. Marketing and sales activities are performed through 5 regional directorates in Istanbul, Ankara, Konya, Izmir and Antalya. The Company has a sub-dealer network of 536 dealers throughout the country. The Company's profile, pipe and insulation products, under the brand names of **PAKplast**, **PAKPEN**, **PAKDoor**, **PAKForm**, **PAKsiding**, **PAKcountry**, **PAKboard** and **Pakpanel**, are offered for sale at almost 1,500 sales points including sub-dealers. The Company's overseas sales started in 1998 and spread to more than 42 countries and constituted 11.9% of its gross sales as of FYE2015. Moreover, the Company was ranked 203rd among the 'Top 500 Largest Industrial Organizations of Turkey - 2014' list compiled by the Istanbul Chamber of Industry, 304th in the 'Fortune 500 Turkey 2015 List' and one of the best 134 brands of Turkey according to the 'Super Brands 2014 List'.

As of FYE2015, the Company's controlling shareholder, with an 88.50% stake was **Tuza Holding A.Ş.**, wholly owned by TUZA Family Members. Cofounder of the Company, **Mr. Mehmet TUZA**, had 9.24% stake as of FYE2015. Additionally, the Company had a wholly-owned subsidiary, **Pakpen Diş Ticaret A.Ş.**, and an average labor force of 724 within FY2015 (FY2014: 768).

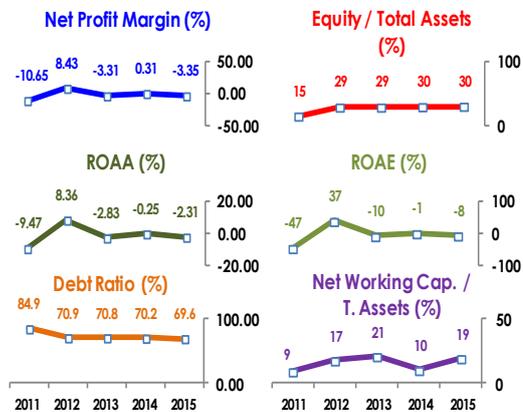
*Assigned by Japan Credit Rating Agency, JCR on August 28, 2015

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Strengths

- High brand recognition and market penetration contributing to the revenue generation and operational profitability
- Competitive edge in raw material procurement, manufacturing and sales processes achieved through synergy and economies of scale stemming from the production of three interrelated main product groups
- Management strategy emphasising R&D along with innovative and pioneering products in different categories that complement each other
- Wide-ranging distribution network leading to a comparatively diverse customer base diminishing the customer dependence
- Gradually increasing and not volatile gross profit and EBITDA margins
- Government support of the construction sector promoting revenue growth
- Positive working capital along the review periods with an upward jump in 2015 relieving the liquidity management of the Company
- Improvement observed in NPL ratio in 2015, increasing the asset quality

Constraints

- Comparatively high sales deductions inherent in the sector, mainly due to the high competition observed both in domestic and export markets, restraining the sales growth and profit generation capacity
- High import dependency for the supply of raw materials inherent in the sector and consequently high effect of oil price and exchange rate changes on the cost structure, creating volatility in profitability
- Continuously lengthening of the cash collection cycle over the last five years, creating additional short-term operational funding needs
- Difficulties in attaining pre-tax profitability mainly due to high financing costs and foreign exchange losses
- Reasonably high debt stock arising from lack of pre-tax profitability and operational funding needs which have somewhat recovered in 2015

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