

Credit & Issue Rating
IRON AND STEEL SECTOR
[Iron and Steel Goods, Coke and Coke Products]

		Long Term	Short Term	
International	Foreign Currency	BBB-	A-3	
	Local Currency	BBB-	A-3	
	Outlook	FC	Stable	Stable
		LC	Stable	Stable
Issue Rating	n.a.	n.a.		
National	Local Rating	A (Trk)	A -1 (Trk)	
	Outlook	Positive	Stable	
	Issue Rating	A (Trk)	A -1 (Trk)	
Sponsor Support		2	-	
Stand Alone		AB	-	
Sovereign*	Foreign Currency	BBB-	-	
	Local Currency	BBB-	-	
	Outlook	FC	Stable	-
LC		Stable	-	

Kardemir Karabük Demir Celik Sanayi ve Ticaret A.Ş.					
Financial Data	2015*	2014*	2013*	2012*	2011*
Total Assets (000 USD)	1,766,850	1,522,191	1,199,614	1,221,355	889,266
Total Assets (000 TRY)	5,137,293	3,529,808	2,555,658	2,171,081	1,679,734
Equity (000 TRY)	2,348,969	1,564,698	1,196,739	1,143,655	994,630
Net Profit (000 TRY)	-21,436	369,758	100,099	194,251	185,195
Sales (000 TRY)	2,230,892	2,188,972	1,812,225	1,686,666	1,590,850
Net Profit Margin (%)	-0.96	16.89	5.52	11.52	11.64
ROAA (%)	-3.9	13.2	5.11	12.4	13
ROAE (%)	-8.63	29.09	10.19	22.33	22.2
Net Debt/ EBITDA(X)	7.21	2.06	2.85	1.4	1.01
Net Debt / Equity(X)	0.62	0.72	0.7	0.37	0.28
Equity / Total Assets (%)	45.72	44.33	46.83	52.68	59.21
Debt Ratio (%)	54.28	55.67	53.17	47.32	40.79
NWC / T. Assets (%)	2.25	9.77	7.32	16.11	14.68
Asset Growth Rate (%)	45.54	38.12	17.71	29.25	19.67

Company Overview

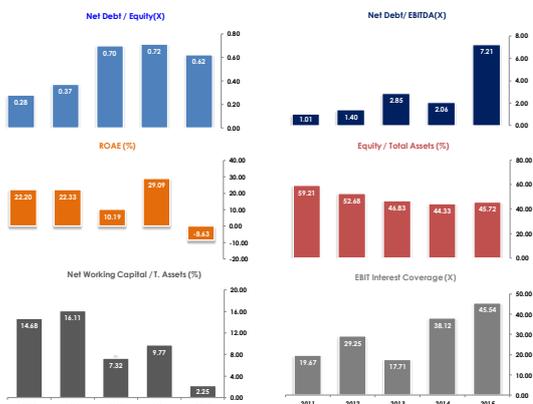
Kardemir Karabük Demir Celik Sanayi ve Ticaret A.Ş., (hereinafter referred to as 'Kardemir, 'the Group'), leading and integrated long steel and iron producer, established in 1937 by Turkish Government as a first steel producer, had been controlled by the State until 1995. Following privatization, the Company's all shares were distributed to the people domiciled in Karabük. Kardemir is a Turkey based company engaged in the production and sale of iron, steel and coke products and operates via 4 subsidiaries and affiliates. The Group's products are divided into four groups of steel products, rolling mill products, coke products and other products with a current crude steel capacity of exceeding 2 mn. tonnes.

The Company's subsidiaries include: Karçel producing steel construction; Enbati providing energy; Kardökmak producing casting; Erdemir Maden metal, iron ore production; Karçimsa manufacturing cement and Vademsaş – Epiaş providing high-speed compatible railway switches. The Company had a staff force of 3,781 together with its affiliates as of March 31, 2016.

Kardemir's shareholder structure includes A Type shares 21.08%, B Type shares 10.48%, D Type shares 68.44% and 100% of the shares are traded on the BIST since 1998 under three different types, namely KRDMA, KRDMB and KRDMC classes of the shares.

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

Chief Analyst: Orkun İNAN/ +90 212 352 56 73
orkuni@jcrer.com.tr


Strengths

- Despite depressed pricing environment, maintaining a sound credit profile supported by stable EBITDA generation and an ample consolidated liquidity structure,
- Expansion of operations thanks to strong presence in the railway markets in Turkey & neighbouring countries and experience as the biggest BOF producer in the long steel market,
- Differentiated high margin added products such as rail wheel, profile, rod steel used by a wide range of industries and iron ore supplies from domestic markets creating endogenous competition advantages,
- Sustaining asset quality thanks to a conservative capital base and long term maturity structure of financial borrowings mitigating financial risk adversities,
- As an institution subject to Capital Market Law, improved transparency with regard to corporate governance compliance thanks to sound and prudent management team.

Constraints

- Fall in scrap, steel, billet and rebar prices due to overcapacity in the world likely to increase competition and pressure on margins,
- Downside risks to growth in the country exerting pressure on demands and impacts on debt-servicing capabilities regarding the trade receivables,
- The depreciation of the TL versus the U.S. dollar and Euro deteriorating foreign exchange position,
- Large off-balance sheet commitments and contingencies increasing risk level and pressure on asset quality,
- Fragmented market aggravating fierce competition leading to margin pressure.

Publication Date: May 17, 2016
"Global Knowledge supported by Local Experience"