

Corporate Credit & Issue Rating

New Update

Sector: Iron and Steel

Publishing Date: 25/07/2018

Chief Analyst

Orkun INAN
 +90 212 352 56 73

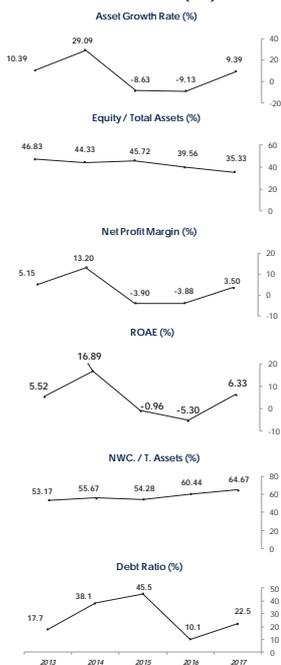
orkun.inan@jcrer.com.tr

RATINGS

		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	Stable	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	-

*Affirmed by JCR on November 10, 2017

RATIOS (%)



Kardemir Karabük Demir Celik San ve Tic A.Ş
Company Overview

Financial Data	1Q2018	2017*	2016*	2015*	2014*	2013*
Total Assets (000 USD)	1,780,090	1,836,679	6,927,771	6,291,890	5,656,010	1,197,422
Total Assets (000 TRY)	7,029,396	6,927,771	6,291,890	5,656,010	5,396,651	2,555,658
Equity (000 TRY)	2,682,618	2,447,395	2,342,391	2,237,386	2,293,178	1,196,739
Net Profit (000 TRY)	235,053	251,504	-123,877	-21,436	369,758	100,099
Sales (000 TRY)	1,288,507	3,972,626	2,336,737	2,230,892	2,188,972	1,812,225
Net Profit Margin (%)	18.24	6.33	-5.30	-0.96	16.89	5.52
ROAA (%)	n.a.	9.39	-9.13	-8.63	29.09	10.39
ROAE (%)	n.a.	3.50	-3.88	-3.90	13.20	5.15
Equity / Total Assets (%)	38.16	35.33	39.56	45.72	44.33	46.83
Net Working Capital / T. Assets (%)	-1.95	-1.04	0.05	2.25	9.77	7.32
Debt Ratio (%)	61.84	64.67	60.44	54.28	55.67	53.17
Asset Growth Rate (%)	1.47	22.49	10.10	45.54	38.12	17.71

*End of Year, ** First Quarter of 2018

“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 8 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 2.3 mn. tonnes.

The Company had a staff force of 4,298 together with its affiliates as of March 31, 2018. 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.

Strengths

Constraints

- Maintenance of the upward trend in revenue and EBITDA growth in FY2017 and 1Q2018,
 - Improvement in operational profitability thanks to increase its production capacity, diversified its value-added products and its cutting investments. supporting internal equity generation,
 - Sufficient cash flow generation and ease of access to funding sources,
 - Huge infrastructural and railway investments nationally remaining sector outlook positive,
 - Improved corporate governance practices.
- The extent of the meltdown cash position squeezing liquidity management,
 - Large movements in the FX and interest expenses reducing the Company’s profitability,
 - Decision to raise steel tariffs by USA threatening the sector players,
 - Ongoing market volatility at the domestic and global level along with political uncertainty with upward pressure on borrowing costs,