

Corporate Credit & Issue Rating

New Update

Sector: Paper & Cardboard
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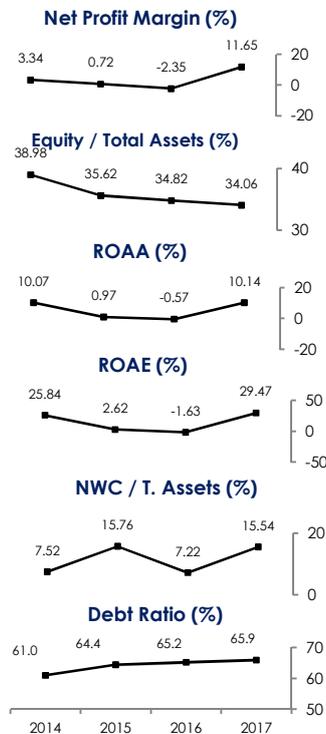
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RATINGS

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

*Affirmed by JCR on August 14, 2018



Modern Karton Sanayi ve Tic. A.Ş.

Company Overview

Financial Data	2018/6**	2017*	2016*	2015*
Total Assets (000 USD)	775,813	814,273	789,350	733,346
Total Assets (000 TRY)	3,538,252	3,071,357	2,777,881	2,132,275
Equity (000 TRY)	592,210	1,045,962	967,388	759,549
Net Profit (000 TRY)	300,520	271,655	-32,872	8,149
Sales (000 TRY)	1,580,810	2,331,301	1,399,294	1,121,469
Net Profit Margin (%)	19.01	11.65	-2.35	0.73
ROAA (%)	n.a	10.14	-0.57	0.97
ROAE (%)	n.a	29.47	-1.63	2.62
Equity / Total Assets (%)	16.74	34.06	34.82	35.62
Net Working Cap./ Assets (%)	7.94	15.54	7.22	15.76
Debt Ratio (%)	83.26	65.94	65.18	64.38
Asset Growth Rate (%)	n.a	10.56	30.28	18.61

* Audited financial statements ** Audited interim financial statements

Modern Karton Sanayi ve Tic. A.Ş. (hereinafter referred to as Modern Karton or the Company) is an Eren Holding company specializing in production of recycled paper for cardboard paper manufacturers. Modern Karton is established in 1974 and currently has an annual production capacity in excess of 1 million tons, positioning the firm as a market leader. The Company's primary production range includes fluting, imitation NSCC, testliner, white-top testliner and imitation craft.

The Company's manufacturing facilities, comprising approximately 700K sqm of space are located in Çorlu. The facility uses recycled paper and it is integrated with water treatment facility and incineration plant. Modern Karton employs a workforce of more than 650.

Modern Karton is wholly owned by Eren Holding, which is under the ownership of the Eren Family. Eren Holding is a major conglomerate with investments in various sectors such as energy, textile, retail, cement tourism, real estate development, paper and cardboard production.

Strengths

- Strong revenue growth and improvement in the gross margin
- Relatively low leverage metrics, supported with reasonable profitability, despite decline in mid-2018
- Market leader position in the sector, owing to strong capacity and operational integration with the sister companies in the Holding
- Favourable pricing effect of China's ban on scrap paper imports, reducing the raw material costs
- Operational and financial support, existing and potential due to parent Holding's position

Constraints

- Headwinds in the macroeconomic environment with pressure on domestic spending potentially curbing demand
- Net working capital requirements due to negative operating cycle
- Sizable capital expenditures, increasing the liquidity requirement
- Short foreign currency position stemming from EUR denominated project finance facility, partly offset with exports and FX-based subsidized energy payments
- Room for improvement in global corporate governance best practices given the magnitude of operations and market position