

Corporate Credit & Issue Rating

New Update

Sector: Packaging
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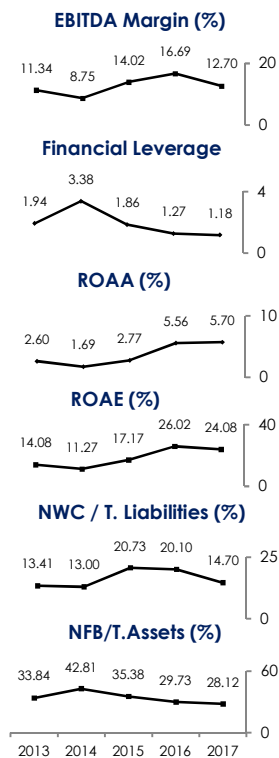
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RATINGS

		Long Term	Short Term	
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	2	-	-	
Stand-Alone	B	-	-	
Sovereign*	Foreign Currency	BBB-	-	
	Local Currency	BBB-	-	
	Outlook	FC	Negative	-
LC		Negative	-	

*Affirmed by JCR on August 14, 2018



(* NFB: Net Financial Borrowings)

Sarten Ambalaj Sanayi ve Ticaret A.Ş.

Company Overview

Financial Data	2018H1	2017*	2016*	2015*	2014*	2013*
Total Assets (000 USD)	312,104	294,946	263,113	277,227	287,046	305,509
Total Assets (000 TRY)	1,423,411	1,112,507	925,947	806,064	665,630	652,048
Equity (000 TRY)	262,175	265,777	216,990	153,234	84,319	113,663
Net Sales (000 TRY)	648,474	1,114,210	877,609	878,672	728,649	664,037
Net Profit (000 TRY)	13,049	60,290	45,036	17,108	12,259	8,201
Net Profit Margin (%)	2.01	5.41	5.13	1.95	1.68	1.24
ROAA (%)	N/A	5.70	5.56	2.77	1.69	2.60
ROAE (%)	N/A	24.08	26.02	17.17	11.27	14.08
Equity / Total Assets (%)	18.42	23.89	23.43	19.01	12.67	17.43
NWC / T.Assets (%)	16.89	11.19	15.39	16.79	13.00	13.41
Debt Ratio (%)	81.58	76.11	76.57	80.99	87.33	82.57
Assets Growth Rate (%)	27.95	20.15	14.87	21.10	2.08	16.76

(* End of year, NWC: Net Working Capital, 2018H1: June-end 2018)

With origins dating back to the establishment of a tin factory in Çorlu, Tekirdag in 1972, Sarten Ambalaj Sanayi ve Ticaret A.Ş. (hereinafter "the Group", "the Company" or "Sarten") gradually expanded its operations and turned into one of the leading domestic manufacturers of metal and plastic packages, lids and cans for use across a variety of sectors principally food along with cosmetics and other industries. Sarten currently operates 15 domestic production plants across Turkey and 3 overseas plants in Russia, Bulgaria and the Netherlands along with regional marketing and distribution offices across the region. The Company signed a partnership agreement with Mitsui & Co Europe Plc in July 2015 following the sale of a 15% stake. The Company realizes exports to over 80 countries and has approximately 800 customers in Turkey and more than 300 abroad.

In order to maintain a competitive market position, Sarten established a R&D department in 2005 based in the Silivri and Manisa plants. The department, which is the largest in the packaging sector, was granted the "Certified R&D Center" title by the Ministry of Science, Industry and Technology in 2017. Additionally, the Company established the Sarten Academy in 2008 to equip the workforce with the most up-to-date education and training in its operating field.

In 2017, Sarten was ranked 111th (FY2016: 112th) on the annual list of 500 Largest Industrial Enterprises of Turkey (ISO500) compiled by the Istanbul Chamber of Industry, whilst becoming the 184th (FY2016: 198th) largest exporter company in the annual list of Top 1000 Exporter Companies compiled by the Turkish Exporters Assembly. Headquartered in Istanbul, the major qualified shareholder of the non-listed Company is the Saribekir Family. Sarten employed a total workforce of 2,832 as of June-end 2018 (FYE2017: 2,901).

Strengths

- Leading player in the domestic metal packaging sector and notable regional presence
- Robust revenue growth in 2017 and the first half of 2018 reflecting the growth potential of Sarten
- 46 years of experience in the packaging sector with experienced senior management and skilled workers
- One of the leading manufacturers and exporters of Turkey in terms of revenues from production
- High share of food sector sales in total sales revenues reducing susceptibility to economic downturns
- Diversified customer base as well as sectoral and regional diversification diminishing the credit risk
- Profitable operations and reasonable profit margins attained during the review period
- Level of compliance with the Corporate Governance Principles

Constraints

- Volatility in raw material costs and low pricing strategy of competitors repressing profit margins
- Declining profit margins in FY2017 and 2018H1 pressuring the Company's equity and liquidity generation capacity
- Notable foreign currency short position carried on the balance sheet and increasing FX losses diminishing the profit generation capacity due to material depreciation of the Turkish Lira
- Regular dividend distributions curtailing the contributions of internally generated funds to equity base
- Low profit margin of food industry sales comprising more than half of total sales revenues diminishing the overall profit generation capacity
- Ongoing macroeconomic challenges in the domestic market and geopolitical risk factors in the nearby export regions pressuring the growth potential of the Company