

## Corporate Credit & Issue Rating

New  Update

Sector: Cement

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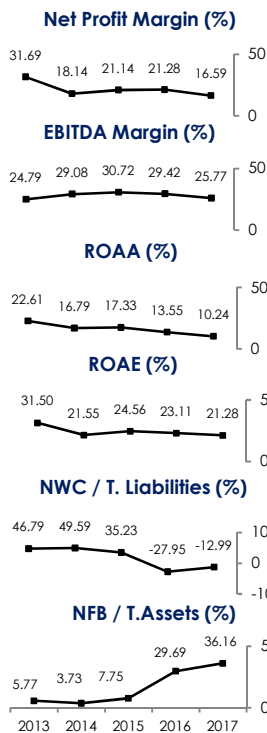
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### RATINGS

	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)
Sovereign*	Foreign Currency	BBB- -
	Local Currency	BBB- -
	Outlook	FC Negative - LC Negative -

\*Affirmed by JCR on August 14, 2018



(\*) NFB: Net Financial Borrowings  
 NWC: Net Working Capital

## Çimsa Çimento Sanayi ve Ticaret A.Ş. Company Overview

Financial Data	2018Q3**	2017*	2016*	2015*	2014*	2013*
Total Assets (000 USD)	629,963	859,633	721,901	681,157	650,191	674,699
Total Assets (000 TRY)	3,773,607	3,242,450	2,540,512	1,980,533	1,507,727	1,440,010
Equity (000 TRY)	1,472,374	1,422,350	1,358,987	1,291,102	1,169,732	1,126,520
Net Sales (000 TRY)	1,305,194	1,490,580	1,170,310	1,171,146	1,094,321	953,724
Net Profit (000 TRY)	220,386	247,285	249,060	247,552	198,540	302,280
Net Profit Margin (%)	16.89	16.59	21.28	21.14	18.14	31.69
ROAA (%)	N/A	10.24	13.55	17.33	16.79	22.61
ROAE (%)	N/A	21.28	23.11	24.56	21.55	31.50
Equity / T. Assets (%)	39.02	43.87	53.49	65.19	77.58	78.23
NWC / T. Assets (%)	-4.89	-7.29	-13.00	12.26	11.12	10.19
Debt Ratio (%)	60.98	56.13	46.51	34.81	22.42	21.77
Asset Growth Rate (%)	16.38	27.63	28.27	31.36	4.70	-8.25

\*Audited year-end financial statements, \*\* September-end 2018 financial statements

**Çimsa Çimento Sanayi ve Ticaret A.Ş.** (hereinafter "the Company" or "Çimsa"), was established on December 21, 1972 in Mersin to operate in the cement industry. Today, it is one of the leading companies of the Turkish cement industry, carrying out its manufacturing operations with its five integrated plants in Mersin, Eskişehir, Kayseri, Niğde and Afyonkarahisar, a grinding facility in Ankara, and cement packing facility in Malatya. The Company's core business operations include the manufacturing and sales of cement (white, gray, and calcium aluminate cement), clinker and ready mixed concrete.

As one of the world's top three white cement manufacturers, Çimsa is an international cement manufacturer with terminals in Hamburg (Germany), Trieste (Italy), Sevilla (Spain), Alicante (Spain), Famagusta (T.R.N.C.), Constanza (Romania), and Novorossiysk (Russia). As of the report date, Çimsa had 7 mn tons of clinker production capacity (1.5 mn tons white clinker), comprising 8% of Turkey's total clinker production capacity. In addition to cement manufacturing, Çimsa also had 27 ready-mixed concrete production facilities in Adana, Mersin, Kayseri, Osmaniye, Kahramanmaraş, Nevşehir, Aksaray, Karaman, Konya, Bursa, Bilecik, Eskişehir, Kütahya, Denizli, Afyon and Sakarya.

Çimsa is registered to the Capital Markets Board and its shares have been publicly traded on the Borsa Istanbul (BİST) since January 1986. As of September-end 2018, 35.6% of Company shares were traded on the BİST. As of November 12, 2018, market capitalization of the Company amounted to USD 191mn. The Company was also ranked 100<sup>th</sup> among Turkey's Top 500 Industrial Enterprises in 2017 (2016: 88<sup>th</sup>). The Company's primary shareholder, Sabancı Group, is one of the leading conglomerates of Turkey with companies operating in 13 countries and marketing their products in regions across Europe, the Middle East, Asia, North Africa, and America. Sabancı Holding's market capitalization amounted to USD 2.75bn as of November 12, 2018 and the Group had total assets size of TRY 354.14bn and recorded net sales revenues of TRY 13.84bn in FY2017.

### Strengths

- Robust net sales and especially export sales growth reflecting Çimsa's competitiveness in its sector
- One of the top three producers of white cement worldwide
- Sound EBITDA and net profit margins due to competitive products and operational efficiency
- Sabancı Holding's cement group member, providing synergies in management & cost structure
- Significant capex realized in previous periods expected to contribute to revenue and profit growth
- Access to export markets and trade routes, granting flexibility in diversifying sales markets
- Primarily equity financed balance sheet, despite increases in financial liabilities
- Significant R&D activities supporting growth
- Proven track record in sound implementation of corporate governance procedures
- Robust shareholder structure providing a competitive advantage to the Company

### Constraints

- Short-term financial borrowings structure exerting pressure on liquidity management
- Regular dividend distributions curtailing the contributions of internally generated funds to equity
- Increasing oil and energy prices along with headwinds in the domestic market stemming from increasing interest rates and sharp currency movements pressuring profit growth and margins
- Expected slow-down in economic growth and notable slow-down in construction sector activities and infrastructure spending negatively impacting the domestic demand for the cement sector for the near-term
- High level of competition in the Turkish grey cement market leading to margin pressures