

Corporate Credit & Issue Rating

New Update

Sector: Kraft Paper & Bag Manufacturing

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Senior Analyst

Ozan Sivaci

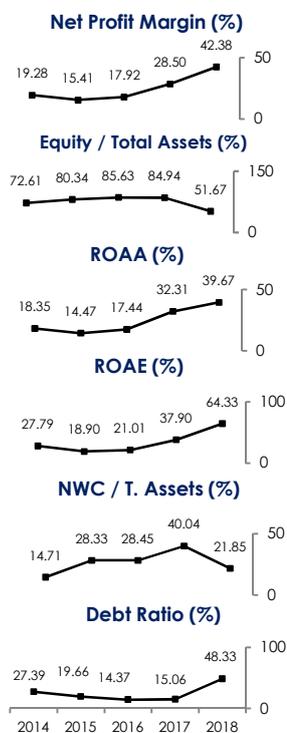
+90 212 352 56 73

ozan.sivaci@jcrer.com.tr

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	AA-(Trk)	A-1+(Trk)	
	Outlook	Stable	Stable	
	Issue Rating	AA-(Trk)	A-1+(Trk)	
Sponsor Support		2	-	
Stand-Alone		AB	-	
Sovereign*	Foreign Currency	BBB-	-	
	Local Currency	BBB-	-	
	Outlook	FC	Negative	-
LC		Negative	-	

*Affirmed by JCR on November 27, 2018



(*): NWC: Net Working Capital
 Debt Ratio: T.Liabilities / T.Assets

OYKA Kağıt Ambalaj Sanayii ve Ticaret A.Ş. Company Overview

Financial Data	2018*	2017*	2016*	2015*	2014*
Total Assets (000 USD)	147,025	88,147	79,438	93,450	111,146
Total Assets (000 TRY)	773,485	332,483	279,560	271,714	257,736
Equity (000 TRY)	399,633	282,411	239,400	218,284	187,136
Net Sales (000 TRY)	406,879	282,408	214,119	198,398	192,129
Net Profit (000 TRY)	172,436	80,494	38,380	30,574	37,040
Net Profit Margin (%)	42.38	28.50	17.92	15.41	19.28
ROAA (%)	39.67	32.31	17.44	14.47	18.35
ROAE (%)	64.33	37.90	21.01	18.90	27.79
Equity / T. Assets (%)	51.67	84.94	85.63	80.34	72.61
NWC / T. Assets (%)	21.85	40.04	28.45	28.33	14.71
Debt Ratio (%)	48.33	15.06	14.37	19.66	27.39
Asset Growth Rate (%)	132.64	18.93	2.89	5.42	1.23

(*): Audited year-end financial statements

OYKA Kağıt Ambalaj San. ve Tic. A.Ş. (hereinafter “the Company” or “OYKA”), operating under the OYAK Cement Group, was incorporated in 2002 in Adana. OYKA, which processed paper until 2003, started paper manufacturing after the acquisition of SEKA’s Caycuma Plant from the Privatization Administration. OYKA currently continues its production activities in its Caycuma factory located in Zonguldak province, which is the only integrated kraft paper plant in Turkey, producing kraft paper and paper bags. Caycuma plant has an annual production capacity of 100,000 tons/year of paper. The Company’s paper bag plant, which primarily serves the cement sector in Turkey, operates with three lines to meet the needs of its customers in the cement and non-cement industries and has an annual production capacity of 220 million paper bags/year. An eight-color printing machine that has been put into operation in the Caycuma plant for the first time in Turkey continues to make production mainly for cement, food, mining, gypsum-construction chemicals and chemical products sectors. Caycuma plant produces unbleached sulphate pulp, standard kraft paper, packing papers, semi-extensible sack kraft paper, wet-strength paper, HP semi-extensible sack kraft paper and kraftliner. The Company’s only subsidiary OYKA Enerji Sanayi ve Ticaret A.Ş. (“OYKA Enerji”), established on 23 January 2017 in Caycuma, generates electricity from renewable energy sources. OYKA Enerji completed and attained the production license of its 21 MWs of biomass power plant investment, which corresponds to 4% of Turkey’s total biomass capacity and is currently the 6th largest biomass power plant in Turkey. OYKA employed 340 employees as of 2018 year-end (FYE2017: 339). No employees were employed by OYKA Enerji as of 2018 year-end.

The Company’s ultimate shareholder, **OYAK Group**, operates in many different sectors including mining, metallurgy, cement, concrete, paper, automotive, logistics, chemistry, agriculture, energy production, finance and services, accommodates some of Turkey’s largest facilities and is one of the most rooted and leading groups in Turkey. According to the consolidated financial statement, OYAK Group’s total revenues and total assets reached TRY 37 billion and TRY 73.9 billion as of 2017, respectively.

Strengths

- Consistently increasing net sales revenues reflecting the robust demand for kraft paper and bag products
- Significant competitive power due to operating the only integrated paper factory in Turkey
- Sound gross, EBITDA and net profit margins due to competitive products and operational efficiency
- Significant share of equities in assets financing supporting the Company to meet its liabilities
- Operating with very low level of financial leverage and high level of liquid assets support the Company’s debt and liability payment capacity
- Robust parental shareholding structure due to being an OYAK Group company
- Investments realized by the subsidiary and the Company support the operational efficiency and profit generation capacity

Constraints

- Projected contraction in the paper and cardboard sector and expectations for a decrease in sales revenue generation and profitability in 2019
- Room for improvement regarding risk management framework and corporate governance compliance policies
- Expectation of increasing competition in export and domestic markets pressure the Company’s sales revenue growth and profit margins
- Persistent political and economic stresses, regional tensions and aggravating circumstances exert downward pressure on debt servicing capacities of real sector companies and risk appetite of investors
- High share of revaluation reserves within total equity volume, not contributing to OYKA’s liquidity position