

Corporate Credit & Issue Rating

New Update

Sector: Cement

Publishing Date: 29/08/2019

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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 | - | |
| Sponsor Support | 2 | - | | |
| Stand-Alone | B | - | | |

*Affirmed by JCR on November 27, 2018

Aslan Çimento A.Ş.

Company Overview

| Financial Data | 2Q2019 | 2018* | 2017* | 2016* | 2015* |
|------------------------------------|---------|---------|---------|---------|---------|
| Total Assets (000 USD) | 150,297 | 131,590 | 161,805 | 147,995 | 151,978 |
| Total Assets (000 TRY) | 864,979 | 692,283 | 610,313 | 520,825 | 441,891 |
| Equity (000 TRY) | 315,412 | 323,752 | 329,623 | 286,068 | 282,178 |
| Net Profit (000 TRY) | -7,616 | 33,793 | 43,780 | 53,369 | 54,120 |
| Sales (000 TRY) | 162,867 | 376,701 | 359,730 | 304,865 | 277,536 |
| Net Profit Margin (%) | -4.68 | 8.97 | 12.17 | 17.51 | 19.50 |
| ROAA (%) | n.a. | 6.41 | 9.53 | 14.10 | 15.97 |
| ROAE (%) | n.a. | 12.78 | 17.50 | 23.89 | 23.85 |
| Equity / Total Assets (%) | 36.46 | 46.77 | 54.01 | 54.93 | 63.86 |
| Net Working Capital / T.Assets (%) | 9.12 | 5.44 | 9.88 | 3.16 | 5.66 |
| Debt Ratio (%) | 63.54 | 53.23 | 45.99 | 45.07 | 36.14 |
| Asset Growth Rate (%) | n.a. | 13.43 | 17.18 | 17.86 | 10.87 |

*Audited End of Year ** Audited Half of Year

Aslan Çimento Anonim Şirketi and its Subsidiary (to be referred hereinafter as '**Aslan Çimento**' or 'the Company') was established as the first cement plant in Turkey with a capacity of 20,000 tons/year under the trade name Societe Anonyme Ottomane Aslan in 1910. After acquisition by the Ordu Yardımlaşma Kurumu (OYAK) Group in 2010, the majority of shares were taken over by Oyak Çimento A.Ş., a wholly owned subsidiary of OYAK Group, on 3 December 2015. The OYAK Group remains the ultimate parent company.

Aslan Çimento has a cement and clinker production capacity of 2 and 1.2 mn tons/year, respectively. In 2018, Aslan Çimento produced 1.68 mn tons of cement and 1.21 mn tons of clinker. The Company's plants are located in Kocaeli. As of 2Q2019, Aslan Çimento had a work force of 257 (FYE2018: 259), including 150 blue collar workers who are covered by union agreement.

The Company is registered to the Capital Markets Board and shares have been publicly traded on the Borsa Istanbul since 1986. As of the reporting date, 3.3% of its shares were open for trading.

Strengths

- Solid sales figures and EBITDA supported by operational efficiency despite the sectoral slowdown
- Strong brand identity and financial viability of the owner of the Group, the OYAK Cement Group, providing synergies in management and cost structure
- The successfully issued capital market instruments in 2Q2019, supporting investments with long term borrowings as well as providing a diversified funding mix
- Strong presence in Marmara region and efforts of compensating the contraction in the domestic market by increasing the variety of customers in the foreign market through export sales and access to a wide range of market through sea trade
- Track record and established know-how strengthened with visionary executive management and international quality standards
- Restricted exposure to currency fluctuations contributing to asset quality thanks to deposit swaps for foreign currency bank loans
- As a BIST-listed company, efficient corporate governance practices, transparency, and high level of regulatory compliance
- Upcoming expansion of its operating field via on-going investments and R&D activities
- The positive reflection of the Company's ongoing Production Line Modernization investments on its financial performance through energy efficiency and capacity increase

Constraints

- Vulnerable structure of raw material and energy prices and augmenting borrowing costs' limiting effect on profitability and downward trend in profitability indicators
- Decreasing equity ratio due to the restrictive effect of the dependency on external funds and steady dividend payments on internal equity generation capacity despite a decision to not distribute to the shareholders of 2018's profit
- Weak revenue growth performance in the first half of the current fiscal year as a result of slow-down in construction activity and infrastructure with negative impact on domestic cement demand
- The decisive role of electricity and pet coke expenses on sales prices and profit margin
- Dominated short term liabilities' decisive role in net working capital ratios
- Persistent political and economic instability with upward pressure on borrowing costs and energy expenses and compressive outlook in the construction sector and indirectly in the cement sector

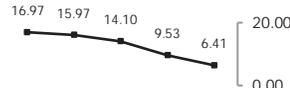
Net Profit Margin (%)



Equity / Total Assets (%)



ROAA (%)



ROAE (%)



NWC / T. Assets (%)



Debt Ratio (%)

