

Corporate Credit & Issue Rating

New Update

Sector : Cement
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Chief Analyst

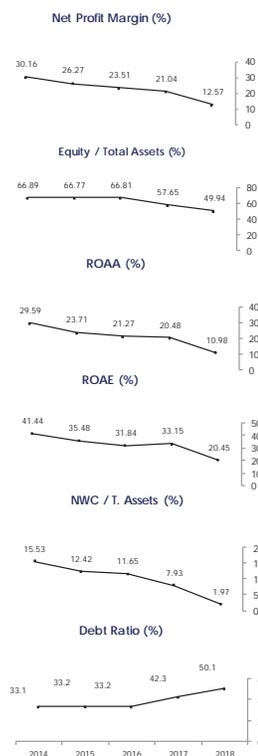
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RATINGS

		Long Term	Short Term	
International	Foreign Currency	BBB-	A-3	
	Local Currency	BBB-	A-3	
	Outlook	FC	Negative	Negative
		LC	Negative	Negative
	Issue Rating	n.a.	n.a.	
National	Local Rating	A (Trk)	A-1(Trk)	
	Outlook	Positive	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 November 27, 2018

RATIOS (%)



Bolu Çimento Sanayii Anonim Şirketi Company Overview

Financial Data	1H2019**	2018*	2017*	2016*	2015*	2014*
Total Assets (000 USD)	146,884	156,488	206,025	181,411	212,131	211,879
Total Assets (000 TRY)	845,330	823,270	777,105	638,423	616,793	491,325
Equity (000 TRY)	346,864	411,109	448,021	426,536	411,847	328,637
Net Profit (000 TRY)	-28,866	69,461	116,820	106,350	106,716	99,440
Sales (000 TRY)	174,045	552,769	536,515	452,355	406,284	329,722
Net Profit Margin (%)	-16.59	12.57	21.78	23.51	26.27	30.16
ROAA (%)	n.m	10.98	20.48	21.27	23.71	29.59
ROAE (%)	n.m	20.45	33.15	31.84	35.48	41.44
Net Debt/ EBITDA (X)	n.m	1.62	0.72	0.68	0.71	0.65
Net Debt/ Equity (X)	0.86	0.61	0.29	0.29	0.27	0.26
Equity / Total Assets (%)	41.03	49.94	57.65	66.81	66.77	66.89
NWC / T. Assets (%)	-2.98	1.97	7.93	11.36	12.42	15.53
Debt Ratio (%)	58.97	50.06	42.35	33.19	33.23	33.11
Asset Growth Rate (%)	8.78	5.94	21.72	3.51	25.54	68.68

*End of year, **First Half of Year

“Bolu Çimento Sanayii Anonim Şirketi and its Subsidiary” (to be referred hereinafter as ‘**Bolu Çimento**’, or ‘**the Company**’), Bolu Çimento Sanayii A.Ş., established in 1968 in Bolu and started its activity in 1974, has production plants in Ankara and Ereğli, apart from its central production of Bolu facility, mainly operates in the Marmara, Central Anatolia and West Black Sea regions. The Company serves 10 different types of cement and blast furnace slag. Bolu Çimento’s cement production capacity has reached 5.5 million tons/year and 2.5 million of clinker production capacity tons/year. Approximately 50% of the Company's shares are traded in Borsa İstanbul (BIST) since 1986. The Company had a staff force of 348 personnel as of June 30,2019.

OYAK Çimento A.Ş., 100% subsidiary of OYAK, acquired the shares of Bolu Çimento Sanayii A.Ş. from Ordu Yardımlaşma Kurumu and Oyak Çimento has been majority shareholder in the company. The ultimate parent of the Company is OYAK. OYAK which is an effective conglomerate at national level, maintains its activities through 6 plants, 5 of which are open to the public, consists two different concrete and a paper bag companies vertically integrated to the group. OYAK mainly operates in the sectors of mining, metallurgy, cement, concrete, energy, chemicals, financial services, automotive and logistics.

The major qualifying shareholder of the Company’s share is OYAK Çimento A.Ş. with the share of 49.99%. Bolu Çimento’s 50.01% shares are traded on the Borsa Istanbul as of June 30,2019.

Strengths

Constraints

- Differentiated and diversified product mix supporting revenue stream,
- Well positioned to benefit from the large-scale infrastructure in the Marmara Region projects which supports continued growth,
- Moderated level of the ratio of net debt to equity and sustaining asset quality mitigating financial risk adversities,
- Control environment ring-fenced by regulatory authorities and parent shareholders underpinning risk management practices,
- Long established presence in the sector and sound implementation of corporate governance principles,
- Intra-group synergy and economies of scale in cost and supply management.
- Slowdown in sales revenues due to fierce competition and supply-demand imbalance in the operating region,
- Increased working capital needs driven by higher financing costs, increased inventory turnover and receivable collection days,
- Increasing cost stemming from solid fuel and electricity pressuring gross profit margin,
- Serving a limited geography as a location,
- The sector’s high level of correlation with construction sector,
- Weakened macro environment, ongoing market volatility at the domestic pressure on borrowing costs.