

Corporate Credit & Issue Rating

New Update

Sector: Packaging
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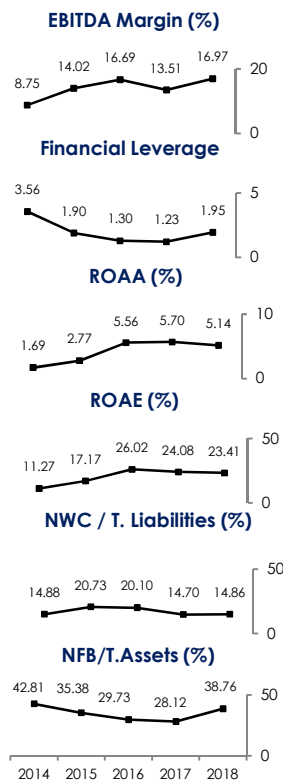
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RATINGS

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

*Affirmed by JCR on November 27, 2018



(* NFB: Net Financial Borrowings)

Sarten Ambalaj Sanayi ve Ticaret A.Ş.

Company Overview

Financial Data	2019H1	2018*	2017*	2016*	2015*	2014*
Total Assets (000 USD)	314,904	283,665	294,946	263,113	277,227	287,046
Total Assets (000 TRY)	1,812,307	1,492,332	1,112,507	925,947	806,064	665,630
Equity (000 TRY)	358,172	305,727	265,777	216,990	153,234	84,319
Net Sales (000 TRY)	910,280	1,623,641	1,114,210	877,609	878,672	728,649
Net Profit (000 TRY)	61,299	59,847	60,290	45,036	17,108	12,259
Net Profit Margin (%)	6.73	3.69	5.41	5.13	1.95	1.68
ROAA (%)	N/A	5.14	5.70	5.56	2.77	1.69
ROAE (%)	N/A	23.41	24.08	26.02	17.17	11.27
Equity / Total Assets (%)	20.76	20.49	23.89	23.43	19.01	12.67
NWC / T.Assets (%)	13.21	11.82	11.19	15.39	16.79	13.00
Debt Ratio (%)	80.24	79.51	76.11	76.57	80.99	87.33
Assets Growth Rate (%)	21.44	34.14	20.15	14.87	21.10	2.08

(* Audited year-end financial statements, 2019H1: June-end 2019 financial statements, NWC: Net Working Capital)

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 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 80 countries mainly covering the EU, the Middle East and Russia.

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 2018, Sarten was ranked 108th (FY2017: 111th) largest manufacturer of Turkey with respect to sales revenues from production figures on the *500 Largest Industrial Enterprises of Turkey* (ISO500) list compiled by the Istanbul Chamber of Industry, whilst also becoming the 171th (FY2017: 184th) largest exporter company in the *Top 1000 Exporter Companies* compiled by the Turkish Exporters Assembly. Headquartered in Istanbul, the major qualified shareholder of the Company is the **Sarıbekir Family**. Sarten employed a total workforce of 2,582 as of June-end 2019 (FYE2018: 2,332).

Strengths

- Leading player in the domestic metal packaging sector and notable regional presence
- Robust revenue growth in 2018 and first half of 2019, reflecting the Company’s growth potential
- Profitable operations during the review period and robust improvement in profit generation and margins especially during the first half of 2019
- One of the leading manufacturers and exporters of Turkey in terms of revenue and exports volumes
- High share of food sector sales within total sales revenues reducing the Company’s susceptibility to economic downturns
- 47 years of experience in the packaging sector with experienced management team and workforce
- Diversified customer base as well as sectoral and regional diversification diminishing the credit risk
- Level of compliance with the Corporate Governance Principles

Constraints

- Increasing financial debts and declining share of equities in assets financing pressuring credit ratings
- Notable foreign currency short position carried on the balance sheet and resulting robust FX losses diminish the Company’s profit generation capacity
- Volatility in raw material costs and low pricing strategy of competitors repressing profit margins
- Regular dividend distributions curtailing the contributions of internally generated funds to equity
- Lower average profit margin of food industry sales comprising more than half of the Company’s total sales revenues pressuring the overall profit growth
- Ongoing macroeconomic challenges in the domestic market and geopolitical risk factors in the nearby export regions pressuring the growth potential of the Company