

## Corporate Credit & Issue Rating

New Update

**Sector:** Iron and Steel

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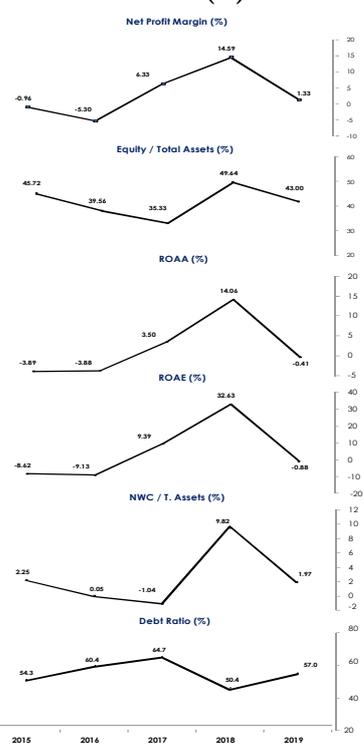
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## RATINGS

		Long Term	Short Term	
International	Foreign Currency	BB+	B	
	Local Currency	BB+	B	
	Outlook	FC	Negative	Negative
		LC	Negative	Negative
	Issue Rating	n.a.	n.a.	
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	BB+	-	
	Local Currency	BB+	-	
	Outlook	FC	Negative	-
		LC	Negative	-

\* Assigned by JCR on April 10, 2020

## RATIOS (%)



## Kardemir Karabük Demir Celik San ve Tic A.Ş Company Overview

Financial Data	2019*	2018*	2017*	2016*	2015*
Total Assets (000 USD)	1,519,491	1,564,897	1,836,679	1,607,186	1,766,850
Total Assets (000 TRY)	9,026,079	8,232,767	6,927,771	5,656,010	5,137,293
Equity (000 TRY)	3,880,883	4,087,116	2,447,395	2,237,386	2,348,969
Net Profit (000 TRY)	80,645	814,259	251,504	-123,877	-21,436
Sales (000 TRY)	6,076,356	5,582,801	3,972,626	2,336,737	2,230,892
Net Profit Margin (%)	1.33	14.59	6.33	-5.30	-0.96
ROAA (%)	-0.41	14.06	3.50	-3.88	-3.89
ROAE (%)	-0.88	32.63	9.39	-9.13	-8.62
Equity / Total Assets (%)	43.00	49.64	35.33	39.56	45.72
Net Working Capital / T. Assets (%)	1.97	9.82	-1.04	0.05	2.25
Net Debt to EBITDA (x)	2.61	0.96	1.23	5.37	6.58
Net Debt to Equity(x)	0.45	0.42	0.38	0.79	0.62
Debt Ratio (%)	57.00	50.36	64.67	60.44	54.28
Asset Growth Rate (%)	9.64	18.84	22.49	10.10	45.06

\*End of Year

“Kardemir Karabük Demir Celik Sanayi ve Ticaret A.Ş.”, (hereinafter referred to as ‘Kardemir, ‘the Group’), established in 1937, was privatized in 1995 and is Turkey’s first integrated iron and steel plant. Kardemir currently has 2.5 million mt/year of liquid steel production capacity.

Kardemir produces railway wheels, rail tracks, profiles, coils, rebar construction steel, blooms, platins, billets, angles, mine poles, pig irons, coke and coke by-products in international quality standards and provides the basic inputs in rail systems, automotive, defence industry, machinery manufacturing, construction and the mining sectors. Kardemir has four major affiliates: Kardökmak A.Ş., with its high-speed casting and mechanical working capacity, is among Turkey’s leading companies in the industry; Karçel A.Ş., manufacturing every type and form of steel in steel construction; Enbatı A.Ş., which operates the hydroelectric power plant, and Karsigorta, which carries out insurance activities. In addition, Kardemir has partnerships in Karçimsa A.Ş. in the cement industry, Erdemir Maden A.Ş. in the mining industry, Vademsaş A.Ş., which was established to produce railway switches suitable for all kinds of conventional and high speeds, and Energy Exchange İstanbul Inc (Epiaş.).

The Group had a staff force of 4,461 together with its affiliates as of December 31, 2019. All shares of Kardemir are traded on BIST under three different types, namely KRDMA, KRDMB and KRDMD classes of the share and its shareholder structure includes A Type shares 21.1%, B Type shares 10.5%, D Type shares 68.4%.

### Strengths

- Strong presence in the local market and experience in the sector,
- Establishment of credible and well-established business and partnerships at local and international level,
- Diversified product mixes underpinning revenue stream and EBITDA growth,
- Maintaining asset quality and conservative capital base,
- Strong earnings and cash flow with capabilities,
- Starting to produce narrow tool steel plate and focusing margin-added supporting competitive advantages,
- As an institution subject to Capital Market Law, improved transparency with regard to corporate governance compliance.

### Constraints

- Despite strengthening of value-added products, current product mix still vulnerable to macro-economic developments,
- Pressured gross profit margin due to the increase in the raw material inputs, coal and ore prices as well as the decrease in the global prices,
- Financial risk indicators underperforming its notching category,
- Short term FX exposure remaining a vulnerability on profitability.
- Concern on the Group companies’ asset quality and revenue streams stemming from Covid-19 outbreak worsening macroeconomic environment