

Corporate Credit Rating

New Update

Sector: Ceramics

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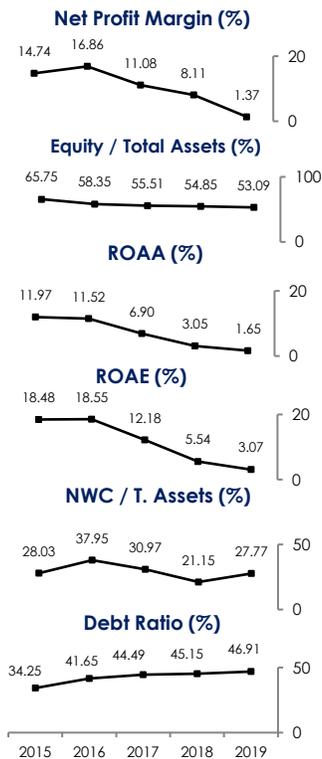
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RATINGS

		Long Term	Short Term	
International	Foreign Currency	BB+	B	
	Local Currency	BB+	B	
	Outlook	FC	Negative	Negative
		LC	Negative	Negative
Issue Rating	-	-	-	
National	Local Rating	A (Trk)	A-1 (Trk)	
	Outlook	Stable	Stable	
	Issue Rating	-	-	
Sponsor Support	2	-	-	
Stand-Alone	B	-	-	
Sovereign*	Foreign Currency	BB+	-	
	Local Currency	BB+	-	
	Outlook	FC	Negative	-
LC		Negative	-	

*Assigned by JCR on April 10, 2020



NG Kütahya Seramik Porselen Turizm A.Ş.

JCR Eurasia Rating has evaluated “NG Kütahya Seramik Porselen Turizm A.Ş.” in an investment-grade category and assigned the ratings as “**A (Trk)**” on the Long Term National Scale and as “**A-1 (Trk)**” on the Short-Term National Scale with “**Stable**” outlooks. On the other hand, the Long Term International Foreign and Local Currency Ratings have been assigned at “**BB+/Negative**”.

NG Kütahya Seramik Porselen Turizm A.Ş. (referred to as ‘the Company’ or ‘NG Kütahya Seramik’) is one of the well-known players of Turkish ceramic industry with roots dating back to 1989 under the name of ‘Kütahya Seramik’. However, NG Kütahya Seramik’s foundation year as a new legal entity was 2004 after the separation of estates in Gural Family. As of the reporting date, Mr.Nafi GÜRAL is the senior partner holding 28.79% of total shares. The rest of the shares distributed equally among Ms.Gülsüm GÜRAL, Mr.Erkan GÜRAL, Mrs.Sema GÜRAL SÜRMEİ, Ms.Hediye GÜRAL, Ms.Gülden GÜRAL. NG Kütahya Seramik produces ceramic wall and floor tiles, technical granite ceramics and glazed porcelain tiles with several different dimensions, colours and textures. It conducts its manufacturing operations through 7 plants all located in Kütahya province of Turkey with a total annual theoretical capacity of 35 million m². As of FYE2019, 35.21% of its total gross revenue came from export sales. Main export markets of the Company are Israel, Germany and Spain at FY2019. It ranked 496th in the list of “Turkey’s Top 1000 Exporters in 2019” prepared by Turkish Exporters Assembly. In addition to its ceramic production operations, the Company has tourism and real estate investments in İstanbul and Antalya provinces.

Key rating drivers, as strengths and constraints, are provided below.

Strengths

- Risk mitigation through sales channels in diversified geographies and increasing contribution of export sales to total revenue
- Ongoing growth in total revenues coupled with a reasonable gross profit margin
- Notable cumulative growth performance of equity and total assets
- Moderate and manageable indebtedness level
- Efficient liquidity management and upward trend in net working capital
- Long operational track record in ceramics sector

Constraints

- Deterioration in core profitability indicators (ROAA, ROAE, net profit margin)
- Currency risks (originating from FX financial liabilities) pressuring asset quality and profitability to a certain extent
- Further improvement needs in compliance with corporate governance practices
- Competition and high dependency on external energy sources in the domestic industry
- Uncertainties standing ahead of local and global economy due to the Covid-19 pandemic

Considering the aforementioned points, the Company’s the Long Term National Rating has been assigned at ‘**A (Trk)**’. The Company’s proven track record, brand awareness, sales performance of the first nine months of FY2020 and capability to access funding resources along with the deterioration both in local and global macroeconomic indicators and ongoing uncertainties due to the Covid-19 pandemic have been evaluated as important indicators for ‘**Stable**’ outlooks of long and short term national ratings. Revenue and profitability performance, net open position, enhancement of corporate governance principles compliance, impacts of the TRY’s depreciation on activities and local and global macroeconomic indicators during Covid-19 pandemic will be monitored by JCR Eurasia Rating.

Considering the capital increase action taken in FY2019, it is evaluated that shareholders have the willingness to supply liquidity and equity within their financial capability when financial needs arise in the short or long-term perspective. In this regard, the Company’s Sponsor Support grade has been determined as (2) in JCR Eurasia Rating’s notation system, indicating an adequate external support possibility.

On the other hand, we, as JCR Eurasia Rating, believe that NG Kütahya Seramik has the sufficient experience and facilities to manage its obligations without any assistance from its shareholders taking into consideration the Company’s long history in the sector, manageable indebtedness level, capability to access funding sources and net working capital generation performance. Within this context, the Stand Alone note of NG Kütahya Seramik has been determined as (B) in the JCR Eurasia Rating notation system.