

Corporate Credit & Issue Rating

New Update

Sector: Packaging
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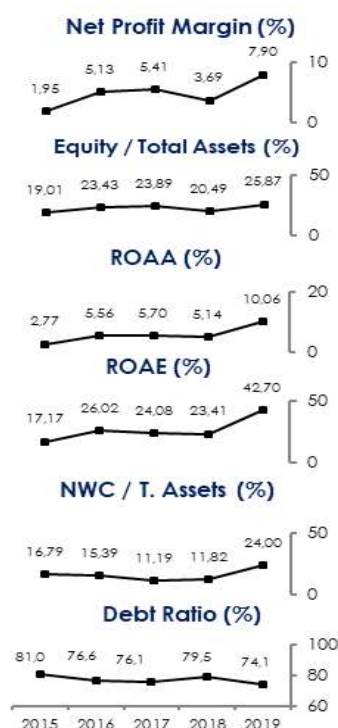
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RATINGS

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



Sarten Ambalaj Sanayi ve Ticaret A.Ş.

JCR Eurasia Rating, in its periodic review, has evaluated **Sarten Ambalaj Sanayi ve Ticaret A.Ş.** at investment-level category on the national scales, and upgraded the ratings on the Long Term National Scale to **'A+ (Trk)'** from **'A (Trk)'** and affirmed the Short Term National Scale as **'A-1 (Trk)'** with **'Stable'** outlooks. The Company's Long Term International Local and Foreign Currency Ratings are assigned as **'BB+',** the same as that of the sovereign ratings of the Republic of Turkey.

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 2 overseas plants in Russia 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 including the sale of a 15% stake. The Company realizes exports to 80 countries mainly covering the EU, the Middle East and Russia. Headquartered in Istanbul, the major qualified shareholder of the Company is the **Sarbakir Family.** Sarten employed a total workforce of 2,588 as of June-end 2020 (FYE2019: 2,684)

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

Strengths

- Leading player in the domestic metal packaging sector and notable regional presence
- Robust revenue growth in 2019 and first half of 2020, 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 2020
- High EBITDA Generation Capacity
- Improved Debt Ratios and Financial Leverage Ratio
- 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

- 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
- Lower average profit margin of food industry sales comprising more than half of the Company's total sales revenues pressuring the overall profit growth
- Negative effects of Covid-19 outbreak on the world economy and Turkey's economy

Considering the aforementioned points, the Company's the Long Term National Rating has been upgraded to **A+ (Trk)** from **A (Trk)**. JCR Eurasia Rating has affirmed the **'Stable'** outlook on the National Long and Short Term perspectives of Sarten. On the other hand, the Company's Long Term International Local and Foreign Currency Ratings are assigned as **'BB+',** the same as that of the sovereign ratings of the Republic of Turkey. Continuity of income generation capacity and profit margins, adequacy of liquidity, foreign currency position and the potential negative effects of the volatile conditions on the market and the economic cycle are the main factors that will be closely monitored in the upcoming period.

The Sponsor Support grade measures the shareholders' willingness and financial capacity to provide assistance to the Company should such a need arises. Current controlling shareholders of the Company include the **Sarbakir Family** (%85) along with the **Mitsui & Co Europe Plc.** (%15). While it's not within the capabilities of JCR Eurasia Rating to assess the financial strength of the qualified shareholding family, they are assumed to have the willingness to supply long-term liquidity and equity as well as operational support to Sarten should such a need arise, taking into account the Company's available production capacity, established status and leading market position in the metal packaging sector, extensive customer portfolio, existing and potential revenue and profit generation capacity, market experience of the founding shareholders and their commitment to the Company. In this regard, Sarten's Sponsor Support grade has been affirmed as "2", denoting a *'high'* level on JCR Eurasia Rating's notation scale.

The Stand-Alone grade reflects the Company's financial resilience and capacity to meet its commitments and obligations through internal means and resources without resorting to its shareholders. Sarten's level of total sales revenues, profitability and attained profit margins, returns on average assets and equity, position and expertise in its sector, extensive customer portfolio, partial diversification of sales revenues with export sales along with robust funding and liquidity profile are the fundamental factors contributing to the Stand-Alone rating evaluation of **(AB)**, denoting a *'high'* capacity to meet its obligations through internal means.