

## Corporate Credit & Issue Rating

New  Update

Sector: Cement

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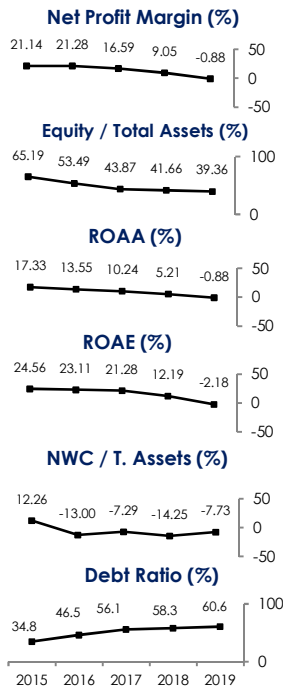
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### RATINGS

		Long Term	Short Term
International	Foreign	BB+	A-3
	Local	BB+	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	BB+	-
	Local	BB+	-
	Outlook	FC Negative	-
		LC Negative	-

\*Assigned by JCR on April 10, 2020

### RATIOS



## Çimsa Çimento Sanayi ve Ticaret A.Ş.

JCR Eurasia Rating evaluated **Çimsa Çimento Sanayi ve Ticaret A.Ş.** and the **Outstanding or Prospective Debt Instrument** in an investment grade category in the periodic annual review and affirmed the ratings on the Long and Short-Term National Scales as **“A+(Trk)”** and **“A-1(Trk)”**, respectively along with the **“Stable”** outlooks. On the other hand, the Long Term International Foreign and Local Currency Ratings have been assigned as **‘BB+/Negative’**.

**Çimsa Çimento Sanayi ve Ticaret A.Ş.** was established on December 21, 1972 in Mersin to operate in the cement industry. Core business operations include manufacturing and sales of cement (white, gray, and calcium aluminate cement), clinker and ready mixed concrete. Currently, Çimsa is one of the leading companies of the Turkish cement industry, carries out its manufacturing operations with its five integrated plants in Mersin, Eskişehir, Kayseri, Niğde and Afyonkarahisar, a grinding facility in Ankara and cement packing facility in Malatya. In addition to cement manufacturing, Çimsa also has 17 ready-mixed concrete production facilities in Adana, Mersin, Kayseri, Kahramanmaraş, Nevşehir, Niğde, Aksaray, Adapazarı, Bursa, Eskişehir, Denizli, and Afyon. In 2019Q1, Çimsa reached an agreement for the acquisition of “Buñol White Cement Factory” owned by Cemex Espana S.A., following the approval of necessary permits from authorities, which is planned to be completed within 1Q2021. As one of the world’s top white cement manufacturers, Çimsa is an international cement manufacturer with sales terminals in Hamburg (Germany), Trieste (Italy), Sevilla (Spain), Alicante (Spain), Famagusta (T.R.N.C.), Constanza (Romania), and Novorossiysk (Russia) and production&sales terminal in Texas (U.S.A.). In 2019, Çimsa produced 5.3 million tons of cement (1.3 mn tons of white and 4.0 mn tons of grey) and supplied 7% of Turkey’s total cement consumption. Çimsa is a publicly traded Company on the Borsa İstanbul (BİST) since January, 1986. As of report date, 35.86% of Company shares were traded on the BİST. Çimsa’s primary shareholder, **Hacı Ömer Sabancı Holding A.Ş.** (“Sabancı Holding”), is one of the leading conglomerates of Turkey with companies operating in 13 countries and marketing their products in four continents. Sabancı Holding had total assets size of TRY 508bn as of September-end 2020 and recorded net profit amounting to TRY 6.81bn for the first nine months of 2020.

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

#### Strengths

- Continuous revenue growth for years, driven by significant growth in export revenues,
- Revenue and operational performance supported by modernization investments and acquisitions,
- Being one of the biggest white cement producers in the World,
- Strong equity level promising further room for growth
- Remarkable research and development activities providing competitive advantages,
- Improved corporate governance implementations and sustainability,
- Strong parental support and its diversified sectoral distribution.

#### Constraints

- Competitive market structure in cement production sector, leading pressures to profitability,
- Negative effects of national and international developments on cement sector,
- Pressure on the company’s balance sheet and net working capital stemming from increase in the financial indebtedness,
- Remarkable increase in COGs and financial expenses deteriorating profitability indicators.

Considering the aforementioned points, the Company’s the Long-Term National Rating has been affirmed as **“A+(Trk)”** with **“Stable”** outlook. Company’s upward trend in sales revenues, mainly driven by export sales, investments and its potential on future profit growth, equity power, and strong shareholder structure were the main factors of determining rating notes. JCR Eurasia Rating will continue to monitor profit indicators, financial debt level, general macroeconomic environment of Turkey and the growth trends in the domestic and international markets and consider to determine whether to maintain Çimsa’s stable outlook.

No separate rating report has been compiled as the resources to be obtained from potential debt issues will be carried in the Company’s balance sheet and has been subject to analysis in the corporate credit rating report. The debt instruments to be issued carry no difference in comparison to the Company’s other liabilities with respect to its legal standing and collateralization. As such, the notations outlined in the corporate credit rating report also reflect the issue rating considering aggregated exposure of the issues. The issue ratings do not cover any structured finance instruments. Issue ratings are assigned for both outstanding and prospective debt instruments and incorporate assessments until their maturities.

The Sponsor Support Note of Çimsa’s has been determined considering the financial strength and support willingness of the qualified shareholder Hacı Ömer Sabancı Holding A.Ş. shall provide assistance to the firm to meet any immediate financial needs if required. In this regard, the Company’s Sponsor Support Note has been affirmed as **(2)**, which denotes high level of external support. Considering Company’s asset quality, the long and increasing presence in the cement industry, differentiated and diversified product base, export power, expertise and its know-how, the Stand Alone Note of the Çimsa has been affirmed as **“AB”** indicating a high level.