

Corporate Credit Rating

New Update

Sector: Durable Consumer Goods

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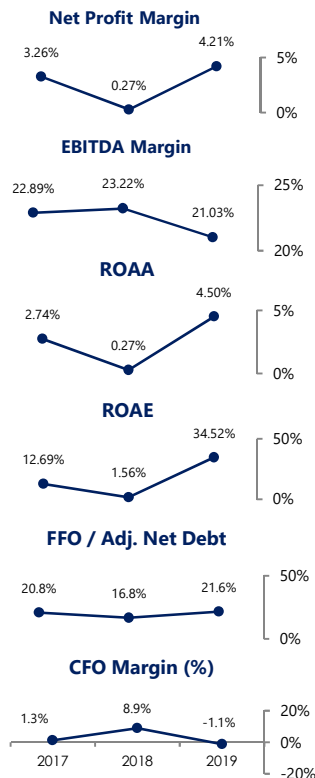
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RATINGS

		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



Kumtel Dayanıklı Tüketim Malları Plastik Sanayi ve Ticaret A.Ş. and Consolidated Structure

JCR Eurasia Rating, has evaluated “**Kumtel Dayanıklı Tüketim Malları Plastik Sanayi ve Ticaret A.Ş. and Consolidated Structure**” (referred to as ‘the Group’ or ‘Kumtel’) in an investment level category and assigned the Long-Term National Note at ‘**A (Trk)**’ and the Short-Term National Note at ‘**A-1 (Trk)**’ with a ‘**Stable**’ outlooks. The Long Term International Foreign and Local Currency ratings and outlooks were also assigned at ‘**BB+ / Negative**’.

Kumtel was established in 1972 in Kayseri by Mustafa Köseoğlu. The Group’s main activity is production in the field of cooking and heating electrical home appliances such as electric heater, built-in products and oven. The Group conducts its manufacturing operations through plants located in Kayseri. Although not yet on a large scale, the Group has an initiative in Ethiopia. The Group sells its products to Turkey as well as more than 120 countries under the Kumtel and Luxell brands. In addition to the core operating fields of home appliances production, in the forthcoming period, the Group has the willingness to manufacture in the segment of white goods.

The main shareholders of Kumtel are Mustafa Köseoğlu with a share of 51.52% and other Köseoğlu family members (38.31%). The Group’s headquarter is located in Kayseri and employs a staff force more than 1,400 as of FYE2019.

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

Strengths

- Steady revenue and EBITDA growth performance over the examined period
- Development in core profitability indicators by means of sales growth and increase in net financial expenses in 2019
- High brand recognition provided by sector experience dating back to 1972 and vision focusing on innovative products
- Providing niche product with quality to the low income consumer segment
- Expansion strategy in segments of durable consumer goods
- Sustainable financial leverage indicators

Constraints

- Negative CFO recorded that creating external funding need for operational cycle
- Covid-19 pandemic generating demand pressure on durable consumer products and creating uncertainty on global and local economic outlook
- Severe competition environment in durable consumer goods sector
- Short term funding structure
- Further improvement needs in the level of compliance with corporate governance practices

Considering the aforementioned points, the Company’s the Long Term National Rating has been assigned at ‘**A (Trk)**’. The continuation of the Company’s steady revenue streams, EBITDA generation capacity, profitability indicators as well as deterioration on local and global economic outlook due to Covid-19 pandemic has been evaluated as important indicators for the stability of the ratings and the outlooks for long and short term national ratings are determined as ‘**Stable**’. On the other hand, ongoing economic growth pressures, tightened credit supply in the domestic market via upward trend in USD/TRY exchange rates exerts pressure on purchasing power. The impacts of Covid-19 pandemic on the Group’s operations, the macroeconomic indicators at national and international markets, debt level, improvement in sales revenues as well as sector conditions will be followed by JCR Eurasia Rating in the upcoming period.

Köseoğlu Family are considered to have the willingness and experience to ensure long-term liquidity and equity when required and to provide operational support to Group. In this regard, the Group’s Sponsor Support Grade has been assigned at (2) in JCR Eurasia Rating’s notation system.

Taking into account the Company’s equity level, overseas operations, steady revenue stream and asset quality we, as JCR Eurasia Rating, state the opinion that the Group has reached the level of adequate experience and facilities to manage the incurred risks on its balance sheet regardless of any assistance from the shareholders, if it preserves its current customer level, efficiency and existing macroeconomic level in the market. Within this context, the Stand-Alone grade of the Group has been assigned at (B) in the JCR Eurasia Rating notation system.