Corporate Credit & Issue Rating

☒New ☐Update

Sector: Cement & Plant Mixed Concrete

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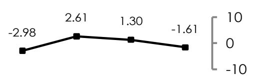
RATINGS

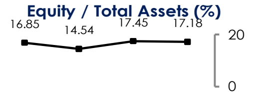
			Long Term	Short Term
International	Foreign Currency		CCC	C
	Local Currency		CCC	C
	Outlook	FC	Negative	Negative
		LC	Negative	Negative
	Issue Rating		-	-
National	Local Rating		**BBB- (Trk)**	**A-3 (Trk)**
	Outlook		**Stable**	**Stable**
	Issue Rating		-	-
Sponsor Support			2	-
Stand-Alone			B	-
Sovereign*	Foreign Currency		BB+	-
	Local Currency		BB+	-
	Outlook	FC	Negative	-
		LC	Negative	-

*Assigned by JCR on April 10, 2020

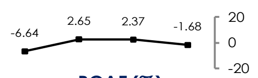
Net Profit Margin (%)



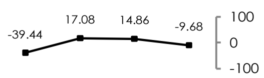
Equity / Total Assets (%)



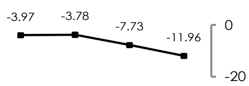
ROAA (%)



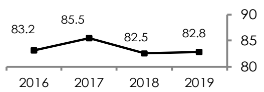
ROAE (%)



NWC / T. Assets (%)



Debt Ratio (%)



Muhammet Gümüştaş Çimento Hazır Beton Nakliyat İnşaat Turz. Akaryakıt San. ve Tic. A.Ş.

JCR Eurasia Rating, has evaluated National Corporate credit ratings of **"Muhammet Gümüştaş Çimento Hazır Beton Nakliyat İnşaat Turz. Akaryakıt San. ve Tic. A.Ş."** in an adequate level investment grade category and assigned the ratings as **"BBB- (Trk)"** on the Long-Term National Scale and as **"A-3 (Trk)"** on the Short-Term National Scale with **"Stable"** outlooks. Long-Term International Foreign and Local Currency Notes were assigned as **"CCC"** with **"Negative"** outlooks within the scope of JCR Eurasia Rating's current mapping system.

"Muhammet Gümüştaş Çimento Hazır Beton Nakliyat İnşaat Turz. Akaryakıt San. ve Tic. A.Ş." (hereinafter referred to as **"Gümüştaş"** or the **"Company"**) was established by Muhammet Gümüştaş in Trabzon in 2012 in order to trade construction products (mainly cement, plant mixed concrete and clinker) and also manufacture mixed concreate. In addition to Gümüştaş' establishment in 2012, Muhammet Gümüştaş started its activities in 1974 to operate in construction-contracting and transportation activities in the cement and ready-mixed concrete sectors.

Gümüştaş has 3 cement buildings with a storage capacity of 10,000 tons. Cement and slag are brought from different regions of Turkey and are stored in the Company's ports located in the Marmara Ereğli, Trabzon and Derince, which have 3 ships and 3 cement destruction machines. Also, shipments are carried out through these terminals. As of FY2019, the paid in capital and equity of Muhammet Gümüştaş stood at TRY 120mn and 98.37mn, respectively. Gümüştaş family has the total share of the Company as of FY2019.

Strengths

- High brand recognition provided by sector experience dating back to 1974 and varied nationwide product range through continual investments,
- Having a well-known customer network with being the only supplier in its region,
- Improvement in EBITDA generation capacity despite the domestic recessionary environment in FY2019,
- Less affected by the continuing Covid-19 pandemic compared to other companies due to the long-term projects with well-known customers,
- The distribution network is widespread due to the large number of vehicles within the Company,
- Strengthened capital structure by paid-in capital increase.

Constraints

- Competitive market structure in cement sector pressures profitability indicators,
- Steady increase in the debt level obstructing the Company's financial position,
- High off-balance sheet commitments and increasing impaired receivables level,
- Ongoing negativity in net working capital due to increasing short-term financial liabilities and constrained liquidity indicators,
- Further needs in compliance with corporate governance practices considering the Group's size and diversity of operating levels,
- The negative effects of the ongoing Covid-19 outbreak on the global and local economy.

Considering the aforementioned drivers, the Company's the Long-Term National Rating has been assigned as **"BBB- (Trk)"**. The competitive advantage obtained through its predictable cash flows, the steady revenue streams, protection of asset quality, competition and market efficiency in the national market, EBITDA generation capacity as well as deterioration on local and global economic outlook due to Covid-19 pandemic on economic activities constitute the principle reasons underlying the assignation the outlooks for the Long and Short-Term National Ratings as **"Stable"**. Equity level, financial indicators, cash flow and liquidity level, EBITDA margin and net profit indicators are the priority issues to be followed by JCR Eurasia Rating in the upcoming period. The macroeconomic indicators at national and international markets, as well as market conditions and legal frame about the sector will be continued to be monitored.

The qualified individual shareholders, **Gümüştaş Family**, are thought to possess the financial strength and willingness to provide long term liquidity and equity depending on the adequacy of their financial strength when required and to provide efficient operational support to **"Muhammet Gümüştaş Çimento Hazır Beton Nakliyat İnşaat Turz. Akaryakıt San. ve Tic. A.Ş."**. In this scope, **"Sponsor Support"** category has been assigned as **(2)**, which denotes a strong level.

Taking into account the Company's market shares, ongoing operations, liquidity reachability, internal resource generation capacity, growth rates and EBITDA generation capacity, we, as JCR Eurasia Rating, state the opinion that the Company 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 Company has been assigned at **(B)** in the JCR Eurasia Rating notation system, indicating an adequate level.