

## Corporate Credit Rating & Issue Rating

New  Update

**Sector:** Cement

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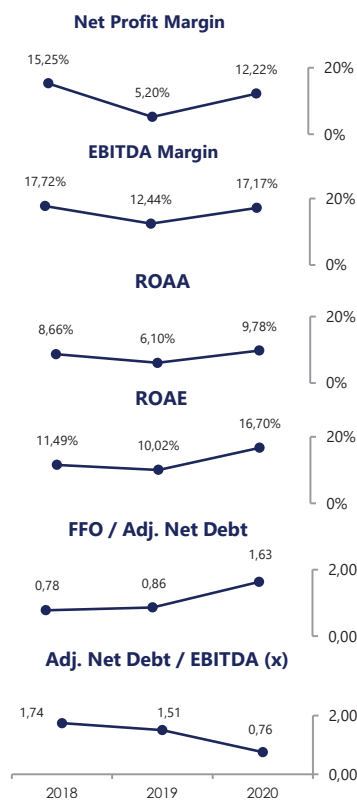
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### RATINGS

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

\*Assigned by JCR on May 31, 2021



## Oyak Çimento Fabrikaları Anonim Şirketi and Its Subsidiaries

JCR Eurasia Rating has evaluated the consolidated structure of “**Oyak Çimento Fabrikaları Anonim Şirketi and Its Subsidiaries**” (“The Group” or “Oyak”) in a high investment category and assigned the ratings on the Long-Term National Scale as ‘**AA+ (Trk)**’ and the Short-Term National Scale at ‘**A-1+ (Trk)**’ with ‘**Stable**’ outlooks. On the other hand, the Long Term International Foreign and Local Currency Ratings have been assigned as “**BB/ Stable**”.

Mardin Çimento A.Ş was established under the leadership of Türkiye Çimento Sanayii Türk Anonim Şirketi in 1969. The assembly of the factory was completed in 1975 and production started in September, 1975. The main field of activity of the company is clinker and cement production.

Oyak Çimento A.Ş as a 100% subsidiary of Ordu Yardımlaşma Kurumu, was established as of November 25 ,2015-took over the shares of Mardin Çimento which belonged to Ordu Yardımlaşma Kurumu and became the main shareholder of the Company. Ordu Yardımlaşma Kurumu transferred 40% of Oyak Çimento shares to Taiwan Cement Company in November,2018. Ordu Yardımlaşma Kurumu is a legal entity subject to the provisions of private law, financially and administratively autonomous, and was established as of March 1, 1961 by Law No 205. OYAK, the "Aid and Pension Fund" of Forces Turkish Armed Forces (TAF) members, also has more than 50 direct and indirect subsidiaries operating in industry, finance and service sectors.

Other publicly traded cement companies of the Oyak Group- including Aslan Çimento A.Ş, Adana Çimento Sanayii Türk A.Ş, Bolu Çimento Sanayii A.Ş and Ünye Çimento Sanayi ve Ticaret A.Ş merged under Oyak Çimento Fabrikaları A.Ş through takeover in May, 2020. Following of completion of legal process, the title of the Company was changed to Oyak Çimento Fabrikaları A.Ş. One of the subsidiaries of the Company, Oyak Beton San. ve Tic. A.Ş has merged with Oyak Çimento Fabrikaları A.Ş. with all its assets and liabilities as of December 31, 2020,

The shares of the company are traded in Borsa Istanbul with the free float rate of 26.75% as of December 31, 2020. The main shareholder of Oyak Çimento Fabrikaları A.Ş. (73.25%) and is ultimately controlled by Oyak Çimento A.Ş. The number of employees of the Company is 1,996 in FYE2020 (FYE2019:1,880).

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

Strengths	Constraints
<ul style="list-style-type: none"> <li>Reliance in operational performance improving profitability ratios,</li> <li>Solid financial position and cash buffer via strengthened free cash flow generation easing liquidity structure,</li> <li>Remaining low level of financial risk indicators through stable internal equity generation,</li> <li>Strong market influence via expanding footprint enjoying sustainable competitive advantages,</li> <li>Diversified income stream thanks to product range and geographical prevalence,</li> <li>Sectoral structure providing high growth potential for organized companies,</li> <li>Sound partnership structure strengthening market position,</li> <li>High level of compliance with Corporate Governance Practices.</li> </ul>	<ul style="list-style-type: none"> <li>Regional intense competition driving vulnerability on margins,</li> <li>FX based energy costs pressuring on profitability margins in specific conditions,</li> <li>Ongoing uncertainties due to Covid-19 pandemic.</li> </ul>

Considering the aforementioned points, the Company’s the Long-Term National Rating has been assigned as ‘**AA+ (Trk)**’. Taking into account internal equity generation capacity, expectation of sustenance of asset and volume growth, effective cost management, diversified income stream structure against market fluctuations and experienced and qualified organizational structure, as well as, Covid-19 pandemic and geopolitical risks-driven uncertainties; the Company's outlook for Long and Short-Term National ratings has been determined as “**Stable**”. An achievement of budget targets of the Company, debt ratio, profit margins and sustainability of domestic and international demands, as well as market conditions regarding the sector and the negative effects of the Covid-19 pandemic are the priority issues to be monitored in the following period.

The controlling shareholder, namely **Oyak Çimento A.Ş** and ultimately the **Cimpor Global Holdings BV**, are thought to possess the financial strength and willingness to provide long-term liquidity and equity to Oyak Çimento Fabrikaları A.Ş as well as providing effective operational support should such a need arise. Within this regard, the Company’s Sponsor Support grade has been assigned as **(1)** in JCR Eurasia Rating’s notation system, denoting the strongest level.

As JCR Eurasia Rating, regardless of the support at the shareholder level, taking into account Oyak Çimento Fabrikaları A.Ş’s strong EBITDA generation capacity, low level of net debt , successful risk management practices, funding structure, capital base, and the development of existing risks in the markets and business environment by using its internal sources, presence of a skilled management team, the Company is assumed to have reached a level of experience to manage the incurred risks on its balance sheet provided that there is no significant deterioration in the macro-economic outlook and maintains the current customer base is deemed strong. Within this regard, the Company’s Stand-Alone Grade has been assigned as **(A)** in JCR Eurasia Rating’s notation system, denoting a high level.