Corporate Credit Rating

☒New ☐Update

Sector: Cement Production
Publishing Date: 28/09/2021

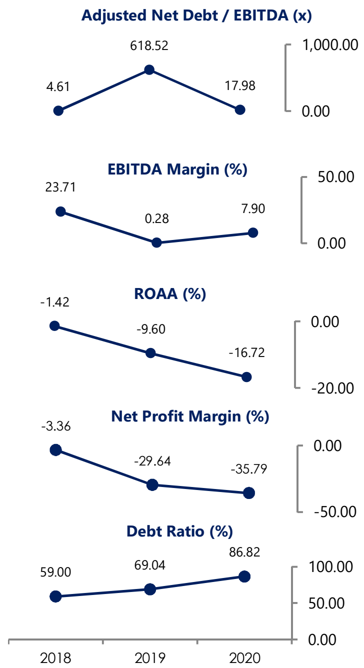
Chief Analyst
Bora Pakyürek
+90 212 352 56 73
bora.pakyurek@jcrer.com.tr

Senior Analyst
Çetincan Topcu
+90 212 352 56 73
cetincan.topcu@jcrer.com.tr

RATINGS

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

*Assigned by JCR on May 31, 2021



Batıçim Batı Anadolu Çimento Sanayii A.Ş. and Its Subsidiaries

JCR Eurasia Rating, has evaluated consolidated **Batıçim Batı Anadolu Çimento Sanayii A.Ş. (Batıçim / Company / Group)** in a speculative grade category on the national scale and determined the ratings on the Long-Term National Scale as **'BB+ (Trk)'** and the Short-Term National Scale as '**B (Trk)**' with '**Stable**' outlooks. On the other hand, the Long Term International Foreign and Local Currency Ratings have been assigned as '**BB-**' with '**Stable**' outlooks.

Batıçim was established in İzmir in 1966. The Company, which operates in the field of cement production and has an annual production capacity of 1.6mn tons of cement and 1.4mn tons of clinker. It has a paid-in capital amounted to TRY 180mn as of FYE2020. The total number of personnel employed across Company operations reached 945 at the end of the year-2020. As of FYE2020, Batıçim decreased from 286th to 310th in the annual list of Turkey's Second Top 500 Industrial Enterprises compiled by the Istanbul Chamber of Industry.

The Company is registered with the Capital Markets Board (CMB) and its 28.02% shares traded in Borsa Istanbul (BIST) since 1995 with the stock ticker 'BTCIM'. Batıçim is the main company of Batı Anadolu Group. The Group continues its operations with its seven companies and more than 1,000 employees in four different sectors. Having started its journey with Batı Anadolu Çimento Sanayi A.Ş., an aggregate corporation founded with 100% Turkish capital, the Group which operates in cement, concrete, energy, and logistics fields currently export its products to more than 30 countries among 4 continents.

In August, 2021, 30.02% shares of Batıçim were transferred with the value of USD 95mn to Çiftay İnşaat Taahhüt ve Ticaret A.Ş. Another shareholder, Çimko Çimento ve Beton Sanayi Tic. A.Ş., which is a subsidiary of Sanko Holding, one of the most well-known enterprises, holds 23.81% share of the Company.

Batıçim has 6 subsidiaries operated in different areas such as cement, ash, electricity generation, ready-mixed concrete, port services, and sales and distribution electricity. Batıçim recently concentrated on much more exports in cement sales due to contracted domestic construction sector. The Group is one of the leading players in cement production in Aegean Region with the share of 44% in total production.

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

Strengths	Constraints
• Increase in sales volume and gross profit in FYE2020 • Long lasting presence in the cement sector that enables economies of scale and scope • Having a wide dealer network and high production level in the region strengthening the bargaining power • Reasonable share of export sales among total sales and geographical diversification of exports • High level of compliance with corporate governance structure and quality standards • Low collection risk supporting asset quality	• High debt structure coupled with tendency of short-term maturity weighted profile • Continuous net losses deteriorating equity level • Low and volatile profitability margins with the insufficient leverage and coverage ratios • High financing expenses arising from foreign exchange losses pressuring the profitability • Foreign currency-based energy costs which may put pressure on profitability margins under certain conditions • Foreign currency risk exposure through financial liabilities despite providing natural hedge to a certain extent through FC dominated income stream

Considering the aforementioned points, the Company's the Long-Term National Rating has been assigned as **'BB+ (Trk)'**. The Company's exporting ability, increase in both sales volume and tonnage, large spectrum of networking via dealers, being one of the major players in local area, well-organized in corporate governance practices, as well as, volatile and low profitability margins, weakening equity level arising from continuous losses, foreign currency-based cost figures, and indebtedness have been evaluated as important indicators for **'Stable'** outlooks of long and short-term national ratings. On the other hand, the Company's revenue and profitability performance, liquidity position, indebtedness, and local and global macroeconomic indicators will be closely monitored by JCR Eurasia Rating.

The shareholders are considered to have the willingness and experience to ensure long-term liquidity and equity when required and to provide efficient operational support to the Company. Indeed, the Company's paid capital was increased in FYE2018 by shareholders amounted to TRY 180mn from TRY 80mn. Additionally, changed partnership structure indicates that new shareholder tends to support Batıçim. In this regard, the Company's Sponsor Support grade has been determined as **(2)** on JCR Eurasia Rating's notation scale. The Stand-Alone Grade has been constituted particularly with respect to Batıçim's deep-rooted history in sector, increasing revenues in FYE2020, being one of the major players in the region, its recent export-oriented sales strategy, and well-organized corporate governance are the fundamental factors. Within this context, the Stand Alone note of Batıçim has been determined as **(BC)** in JCR Eurasia Rating notation system.