

Corporate Credit Rating

New Update

Sector: Iron and Steel

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RATINGS

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

*Assigned by JCR on May 31, 2021

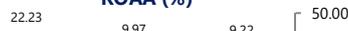
Adjusted Net Debt / EBITDA (x)



EBITDA Margin (%)



ROAA (%)



ROAE (%)



Net Working Capital / Assets (%)



CFO Margin (%)



İskenderun Demir ve Çelik A.Ş.

JCR Eurasia Rating has evaluated "İskenderun Demir ve Çelik A.Ş." in a high investment category and assigned the ratings on the Long-Term National Scale as '**AA+ (Trk)**' and the Short-Term National Scale as '**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**'.

As the biggest subsidiary of Ereğli Demir ve Çelik Fabrikaları T.A.Ş. ("Erdemir"), a member of Oyak Group, İskenderun Demir ve Çelik A.Ş. (hereinafter referred to as Isdemir, 'the Company'), is Turkey's third oldest integrated iron and steel plant by its establishment date and the largest by its long product manufacturing capacity. Isdemir is Turkey's only integrated plant that produces long and flat products with a hot rolling capacity of 3.5 million tons/year commissioned in 2008.

Isdemir was established on October 3, 1970 by the Mediterranean coast in the south of Turkey, in Payas (Yakacık), 17 km to İskenderun. Thanks to Modernization and Transformation Investments in 2004, Isdemir started to produce flat products in addition to long products as of August 2008. Isdemir produces billets, wire rod, hot rolled coils, slab and pig iron. In addition to these products, by products including coke, oxygen, nitrogen, argon, ammonium sulphate, granulated slag, tar and benzol. Moreover, the Company increased its initial liquid steel capacity of 2.2 million tons/year to 5.8 million tons/year. It also has an installed production capacity of 3.5 million tons/year for flat products, 0.6 million tons/year for coils and 2.5 million tons/year for billets as finished products.

All shares of Isdemir were transferred to Erdemir by the Turkish Privatization Administration with a Share Transfer Agreement dated January 31, 2002, on the condition that investments would be made for the transition to flat production. Following the acquisition of Erdemir by Oyak, Isdemir started to operate under OYAK as of February 27, 2006. Currently, 94,87% of Isdemir shares are owned by Erdemir and 5,13% of the shares are traded on BIST under the name of ISDMR. The Company employs 4,767 personnel as of June 30, 2021. The paid in the capital of Isdemir was TRY 2.9bn as of FYE2020.

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

Strengths

- Balanced revenue and income stream providing solid EBITDA generation,
- Low level of net debt position driving liquidity management,
- Establishment of credible and well-established business supporting predictable cash flow generation,
- Foreign exchange linked cash flow generation providing natural hedge,
- Strong profitability indicators supporting internal equity generation,
- Well positioned in region to take the advantage of high growth rates,
- Strong presence in the local market and experience in the sector,
- Strong partnership structure and improved transparency with regard to corporate governance compliance strengthening market position.

Constraints

- High level of dividend payments forcing RCF metric,
- Fluctuations in external factors affect revenue and profitability figures,
- Global economic slowdown exacerbated by the Covid-19 pandemic, affecting steel prices and supply&demand.

Considering the mentioned drivers, the Company's the Long-Term National Rating has been assigned as '**AA+ (Trk)**'. Considering strong presence in the local market, well-established business and partnerships, robust operational performance, predictable profit margins, sizeable cash balance maintaining asset quality, robust cash flows metrics with its well-positioned subsidiaries, as well as ongoing uncertainties globally; the Company's outlook for Long-Term National ratings has been determined as '**Stable**'. Level of debt ratio, profitability ratios, the attainability of the Company's budgeted projections are to be monitored in the upcoming period. The macroeconomic indicators at national and international markets, as well as market conditions and possible negative effects of Covid-19 pandemic about the sector will be monitored.

Sponsor Support notes and risk assessments reflect mainly the financial strength and expected assistance of the major controlling shareholder, namely, Ereğli Demir ve Çelik Fabrikaları T.A.Ş. It is assumed that the stated shareholder remains committed to the Company's mission and maintenance of operational activity and should be able to provide long-term liquidity and equity if such a need arise. In this regard, Isdemir's **Sponsor Support** Grade has been assigned as **(1)**, which denotes the highest level of external support.

The Stand-Alone Note is constituted regarding assets quality, equity structure, risk management practices, market shares, growth rates and development of market and operational condition risk. JCR Eurasia Rating has determined that Isdemir has reached sufficient knowledge and experience to manage the risk in its balance sheet without shareholder support. The **Stand-Alone** grade has been assigned as **(A)** considering the ability of the Company to manage its undertaken incurred risks based on its own and current capitalization.