

Corporate Credit & Issue Rating

New Update

Sector: Packaging

Publishing Date: 12/11/2021

Chief Analyst

Fatih LAP

+90 212 352 56 73

fatih.lap@jcrer.com.tr

RATINGS

	Long Term	Short Term
National	Local Rating	AA (Trk) / A-1+ (Trk)
	Outlook	Stable
	Issue Rating	AA (Trk) / A-1+ (Trk)
International	Foreign Currency	BB / B
	Local Currency	BB / B
	Outlook FC	Stable
	Outlook LC	Stable
Sovereign*	Sponsor Support	2 / -
	Stand-Alone	A / -
	Foreign Currency	BB / -
	Local Currency	BB / -
	Outlook FC	Stable
	Outlook LC	Stable

*Assigned by JCR on May 31, 2021

Sarten Ambalaj Sanayi ve Ticaret A.Ş. and Its Subsidiaries

JCR Eurasia Rating, in its periodic review, has evaluated **Sarten Ambalaj Sanayi ve Ticaret A.Ş.** at high investment-level category on the national scales, and upgraded the ratings on the Long Term National Scale to **'AA (Trk)'** from **'A+ (Trk)'** and the Short Term National Scale to **'A-1+ (Trk)'** from **'A-1 (Trk)'** with **'Stable'** outlooks. The Company's Long Term International Local and Foreign Currency Ratings are assigned as **'BB'**, the same as that of the sovereign ratings of the Republic of Turkey.

With origins dating back to the establishment of a tin factory in Çorlu, Tekirdag in 1972, **Sarten Ambalaj Sanayi ve Ticaret A.Ş.** (hereinafter "the Company" or "Sarten") gradually expanded its operations and turned into one of the leading domestic manufacturers of metal and plastic packages, lids and cans for use across a variety of sectors principally food along with cosmetics and other industries. Sarten currently operates 15 domestic production plants across Turkey and 2 overseas plants in Russia and the Netherlands along with regional marketing and distribution offices across the region. The Company signed a partnership agreement with *Mitsui & Co Europe Plc* in July 2015 including the sale of a 15% stake. The Company realizes exports to 80 countries mainly covering the EU, the Middle East and Russia. Headquartered in Istanbul, the major qualified shareholder of the Company is the **Sanbekir Family**. Sarten employed a total workforce of 2,934 as of FYE2020 (FYE2019: 2,552).

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

Strengths

- Robust revenue growth in 2020 and first half of 2021, reflecting the Company's growth potential
- Profitable operations during the review period and robust improvement in profit generation and margins
- High EBITDA generation capacity
- Improved debt ratios and financial leverage ratio
- Sustainable positive net working capital over the years and satisfactory level of current ratio
- Being one of the leading players in the domestic metal packaging sector and notable regional presence
- High share of food sector sales within total sales revenues reducing the Company's susceptibility to economic downturns
- Successful track record and being one of the leading manufacturers and exporters of Turkey in terms of revenue and exports volumes
- Diversified customer base as well as sectoral and regional diversification diminishing the credit risk
- Level of compliance with the Corporate Governance Principles

Constraints

- Notable foreign currency short position carried on the balance sheet and resulting robust FX losses diminish the Company's profit generation capacity
- Volatility in raw material costs and competition repressing profit margins
- Lower average profit margin of food industry sales comprising more than half of the Company's total sales revenues pressuring the overall profit growth
- Negative impacts of volatile market conditions and Covid-19 outbreak on economies

Considering the aforementioned points, the Company's the Long Term National Rating has been upgraded to **AA (Trk)** from **A+ (Trk)**. JCR Eurasia Rating has affirmed the **'Stable'** outlook on the National Long and Short Term perspectives of Sarten. On the other hand, the Company's Long Term International Local and Foreign Currency Ratings are assigned as **'BB'**, the same as that of the sovereign ratings of the Republic of Turkey. Continuity of income generation capacity and profit margins, adequacy of liquidity, foreign currency position and the potential negative effects of the volatile conditions on the market and the economic cycle are the main factors that will be closely monitored in the upcoming period.

The Sponsor Support grade measures the shareholders' willingness and financial capacity to provide assistance to the Company should such a need arises. Current controlling shareholders of the Company include the **Sanbekir Family** (%85) along with the **Mitsui & Co Europe Plc** (%15). While it's not within the capabilities of JCR Eurasia Rating to assess the financial strength of the qualified shareholding family, they are assumed to have the willingness to supply long-term liquidity and equity as well as operational support to Sarten should such a need arise, taking into account the Company's available production capacity, established status and leading market position in the metal packaging sector, extensive customer portfolio, existing and potential revenue and profit generation capacity, market experience of the founding shareholders and their commitment to the Company. In this regard, Sarten's Sponsor Support grade has been affirmed as **'2'**, denoting a *'high'* level on JCR Eurasia Rating's notation scale.

The Stand-Alone grade reflects the Company's financial resilience and capacity to meet its commitments and obligations through internal means and resources without resorting to its shareholders. Sarten's level of total sales revenues, profitability and attained profit margins, returns on average assets and equity, position and expertise in its sector, extensive customer portfolio, partial diversification of sales revenues with export sales along with robust funding and liquidity profile are the fundamental factors contributing to the Stand-Alone rating evaluation of **(A)**, denoting a *'high'* capacity to meet its obligations through internal means.

Adjusted Net Debt / EBITDA (x)



EBITDA Margin (%)



ROAA (%)



ROAE (%)



Net Working Capital / Assets (%)



CFO Margin (%)

