

Corporate Credit Rating

New Update

Sector: Chemicals Industry

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RATINGS		Long Term	Short Term
ICRs (Issuer Credit Profile)	National ICR	BBB (tr)	J2 (tr)
	National ICR Outlooks	Stable	Stable
	International FC ICR	BB	-
	International FC ICR Outlooks	Stable	-
	International LC ICR	BB	-
	International LC ICR Outlooks	Stable	-
ISRs (Issue Specific Profile)	National ISR	-	-
	International FC ISR	-	-
	International LC ISR	-	-
Sovereign*	Foreign Currency	BB (Stable)	-
	Local Currency	BB (Stable)	-
	Local Currency	BB (Stable)	-

* Assigned by JCR on May 10, 2024

İZEL KİMYA SAN. VE TİC. A.Ş.

JCR Eurasia Rating, has evaluated "İzel Kimya San. ve Tic.A.Ş." in the investment grade category and assigned the Long-Term National Issuer Credit Rating as 'BBB (tr)' and the Short-Term National Issuer Credit Rating as 'J2 (tr)' with 'Stable' outlooks. On the other hand, the Long Term International Foreign and Local Currency Issuer Credit Ratings and outlooks were assigned as 'BB/Stable' as parallel to international ratings and outlooks of Republic of Türkiye.

İzel Kimya San. ve Tic. A.Ş. (hereinafter referred to as 'İzel Kimya' or the 'Company') was established in Istanbul in 1996 to meet the alkyd resin needs of paint and varnish manufacturers. The Company started the production of alkyd resin in 1998, epoxy resin hardeners in 2013, acrylic resins and saturated polyester resin in 2014, polyaspartic resins in 2019. Over the last two decades, the Company expanded their product range. İzel Kimya was moved to new plant at Kocaeli in 2011. The Company's facilities are located in Gebze Chemical Industry Zone on a total area of 10,000 m², 8,500 m² of which is closed. Currently, İzel Kimya is exporting 50% of its total production to different customers in more than 70 countries. In addition, the Company also has R&D and product development activities. The R&D Center has an area of 250 m² and is located in the İzel Kimya factory. The average number of personnel of the Company is 130 as of FYE2023. The Company's shareholder structure is 80% Tuncay Ünal, 20% Denis Mikusch.

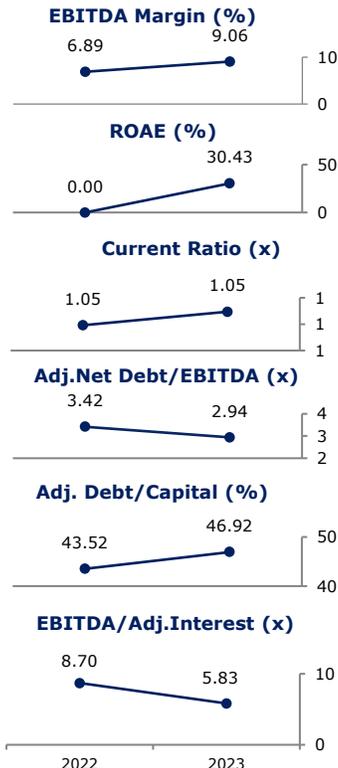
Key rating drivers, as strengths and constraints, are provided below.

Strengths

- Increase in revenue and sales volume in FY2023
- High share of geographically diversified export sales providing a natural hedge to a certain extent
- High collection ability of receivables through insurance mechanism and check backed structure
- Emphasis on R&D activities to meet sectoral dynamics
- Long-lasting presence and extensive know-how in the sector

Constraints

- Short-term weighted debt structure suppressing liquidity and expected significant increase in indebtedness due to planned investment
- Low level of EBITDA margin in the analyzed periods despite improvement in FY2023
- Cash outflow due to ongoing investment and operational cycle increasing external funding requirement
- High level of OPEX/Net sales limiting efficiency in the analyzed terms
- Need for improvement regarding corporate governance compliance level
- Leading economic indicators signal global economic slowdown whereas quantitative tightening actions aim to restrict consumption growth and achieve a soft-landing in the domestic side



Considering the aforementioned points, the Company's the Long-Term National Issuer Credit Rating has been assigned as 'BBB (tr)'. The Company's sales revenue and volume growth, geographically diversified export sales, sector experience and collection ability along with ongoing uncertainties arisen from geopolitical tensions as well as global tight financial conditions have been evaluated as important indicators for the stability of the ratings and the outlooks for Long and Short-Term National Issuer Credit Ratings are determined as 'Stable'. The Company's indebtedness level, cash flow and liquidity level, coverage and leverage indicators will be closely monitored by JCR Eurasia Rating in the upcoming period. The macroeconomic indicators at national and international markets, as well as market conditions and legal framework about the sector will be monitored as well.