

Corporate Credit Rating

New Update

Sector: Paper & Cardboard
Publishing Date: Jan 25, 2024

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RATINGS		Long Term	Short Term
ICRs (Issuer Credit Rating Profile)	National ICR	A+ (tr)	J1 (tr)
	National ICR Outlooks	Stable	Stable
	International FC ICR	BB	-
	International FC ICR Outlooks	Negative	-
	International LC ICR	BB	-
ISRs (Issue Specific Rating Profile)	International LC ICR Outlooks	Negative	-
	National ISR	-	-
	International FC ISR	-	-
Sovereign	International LC ISR	-	-
	Foreign Currency	BB (Negative)	-
	Local Currency	BB (Negative)	-

* Assigned by JCR on Aug 18, 2022

BAREM AMBALAJ SANAYİ VE TİCARET A.Ş.

JCR Eurasia Rating has evaluated "Barem Ambalaj Sanayi ve Ticaret A.Ş." in the investment-level category and affirmed the Long-Term National Issuer Credit Rating as 'A+(tr)' and the Short-Term National Issuer Credit Rating as 'J1 (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/Negative' in parallel to international ratings and outlooks of Republic of Türkiye.

Barem Ambalaj Sanayi ve Ticaret A.Ş. (hereinafter referred to as "Barem Ambalaj" or "the Company") was established in 1993 with the title of Barem Oluklu Mukavva Kutu Ambalaj Sanayi ve Tic. Ltd. Şti, headquartered in Tire/İzmir. The main activity of the Company is production and sale of offset printed corrugated cardboard and cardboard boxes.

The Company carries out its production activities in 3 different facilities with total production capacity of 112mn kg, located in Izmir, Gaziantep and Karaman with 777 employees as of September 30, 2023. The Company, which customers spread across different sectors, primarily food, exports over approximately 12% of its sales. In 2022, Barem Ambalaj was ranked as the 196th (2021:146th) in the annual list of second 500 Largest Industrial Enterprises of Türkiye.

20% of the Company's shares have been traded on Borsa İstanbul (BIST) with stock ticker 'BARMA' since August 10, 2022. Shareholding structure excluding the publicly traded portion is Recep Taşyanar with a share of 40% and Şenferiye Taşyanar with a share of 40%.

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

Strengths

- The upward trend in sales revenues in both FY2022 and 3Q2023,
- Reasonable levels in gross profit margin in analyzed years despite the decline in 3Q2023,
- Improvement trend in liquidity metrics over the analyzed periods,
- Adequate interest coverage metrics despite increasing indebtedness,
- Expectation of increase in business volume thanks to ongoing investments,
- Low level of doubtful receivables contributing to the asset quality,
- Long lasting experience in the sector and sufficient compliance with Corporate Governance Practices.

Constraints

- Negative FOCF metric due to increase in investment expenditures surges the need for external financing,
- Rise in financial debt suppressed leverage metrics in 3Q2023,
- Weakening cash conversion cycle and operating ratio reducing efficiency level,
- Competition in the sector suppress profitability metrics,
- 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 Long-Term National Issuer Credit Rating has been affirmed as 'A+ (tr)'. Taking into account upward trend in sales revenue, low level of doubtful receivables, reasonable profitability margins, long lasting experience and adequate levels in interest coverage metrics 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 financial structure, decline in leverage metrics as of 3Q2023, weakening efficiency ratios and global recession and geopolitical risks-driven uncertainties will be closely monitored by JCR Eurasia Rating in upcoming periods. The macroeconomic indicators at national and international markets, as well as market conditions and legal framework about the sector will also be monitored.

