Corporate Credit Rating

☐New ☒Update

Sector: Consumer Durables

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Manager
Fatih Lap
+90 212 352 56 73
fatih.lap@jcrer.com.tr

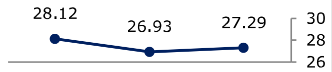
Assistant Analyst
Tuğçe Çantal
+90 212 352 56 73
tugce.cantal@jcrer.com.tr

RATINGS

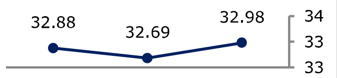
RATINGS		Long Term	Short Term
ICRs (Issuer Credit Rating Profile)	**National ICR**	**AA- (tr)**	**J1+ (tr)**
	National ICR Outlooks	Stable	Stable
	International FC ICR	BB	-
	International FC ICR Outlooks	Negative	-
	International LC ICR	BB	-
	International LC ICR Outlooks	Negative	-
ISRs (Issue Specific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

** Assigned by JCR on August 18, 2022*

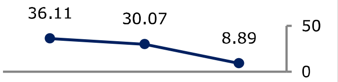
EBITDA Margin (%)



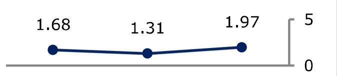
Gross Profit Margin (%)



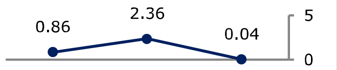
ROAE (%)



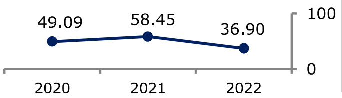
Current Ratio (x)



Adj.Net Debt/EBITDA (x)



Adj. Debt / Capital (%)



SANİCA ISI SANAYİ ANONİM ŞİRKETİ

JCR Eurasia Rating, has evaluated the **"Sanica Isı Sanayi Anonim Şirketi"** in the investment-level category and revised the Long-Term National Issuer Credit Rating from **'A (tr)'** to **'AA- (tr)'** and the Short-Term National Issuer Credit Rating from **'J1 (tr)'** to **'J1+ (tr)'** with **'Stable'** outlooks. On the other hand, the Long Term International Foreign and Local Currency Issuer Credit Ratings and outlooks were affirmed as **'BB/Negative'** as parallel to international ratings and outlooks of Republic of Türkiye.

Sanica Isı Sanayi Anonim Şirketi (hereinafter referred to as "**Sanica Isı**" or "**the Company**") was established in 1982 in İstanbul. The Company's field of activity is the production and sale of panel radiators, combi boilers, plastic pipes, and fittings, and approximately 70% of Sanica Isı's sales revenue arises from panel radiator sales. Sanica Isı exports its products to more than 40 countries in a wide geography with more than 40 years of experience in the sector. The Company has four production facilities in İstanbul, Manisa, and Elazığ, established on a total 109,000 m² overall covered area.

The headquarters of the Company is located in İstanbul, and the Company has 649 employees as of 1H2023 (FYE2022: 541).

The shares of Sanica Isı have been publicly traded on Borsa İstanbul (BIST) since 24 November 2022, with 'SNICA' ticker. The current shareholder structure of the Company is Hüseyin Nesimi Fatinoğlu with 44.4%, Ali Fatinoğlu with 21%, Uğur Fatinoğlu with 2.4%, Emre Fatinoğlu with 2.4%, Saadet Fatinoğlu with 0.1% and publicly traded with 29.7%.

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

Strengths	Constraints
• Continuous revenue growth and sustainable EBITDA generation capacity over the reviewed periods • Improvement in leverage profile and debt service capacity indicators facilitating liquidity management as of FYE2022, though a partially increase in 1H2023 • Supported asset quality strengthened by high collection ability of trade receivables, having a material share in the total assets • Strengthened equity structure via initial public offering as of FYE2022 and accumulated profits • Ongoing investment expected to support the efficiency and growth in the upcoming period • High level of compliance with the corporate governance practices as a publicly listed company • Experience in the sector and emphasis given to R&D, innovation, new market trends, sustainability	• High financing expenses including unrealised foreign exchange losses suppressing of bottom-line profit • Continued high cash conversion cycle suppressing the efficiency metrics • Intense competitive environment throughout the sector that encompasses many domestic and international corporations • Global economic growth slows down evidenced by commodity prices and trade figures on the back of rapid monetary tightening, whereas domestic restrictive financial conditions limit access to finance

Considering the aforementioned points, the Company's the Long-Term National Rating has been revised from **'A (tr)'** to **'AA- (tr)'**. The Company's sales performance and EBITDA generation capacity, sustainable operational profit metrics, level of indebtedness, sector experience and ongoing investments 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 revenue, profitability, indebtedness level 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 be monitored as well.