

Corporate Credit Rating

New Update

Sector: Air Conditioning

Publishing Date: 28.08.2024

Team Leader

Alperen Adanır

+90 212 352 56 73

alperen.adanir@jcrer.com.tr

Analyst

Tuğçe Çantal

+90 212 352 56 73

tuqce.cantal@jcrer.com.tr

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	Stable	-
	International LC ICR	BB	-
ISRs (Issue Specific Rating Profile)	International LC ICR Outlooks	Stable	-
	National ISR	-	-
	International FC ISR	-	-
Sovereign*	International LC ISR	-	-
	Foreign Currency	BB (Stable)	-
	Local Currency	BB (Stable)	-

* Assigned by JCR on May 10, 2024

EBITDA Margin (%)



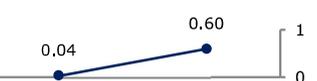
Net Profit Margin (%)



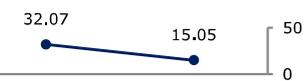
Current Ratio (x)



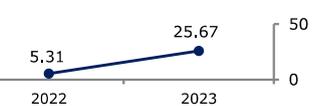
Adj.Net Debt/EBITDA (x)



Adj. Debt/Capital (%)



EBITDA/Adj.Interest (x)



SANICA ISI SANAYİ ANONİM ŞİRKETİ

JCR Eurasia Rating, has evaluated the "Sanica Isı Sanayi Anonim Şirketi" in the investment grade category with very high credit quality and affirmed the Long-Term National Issuer Credit Rating as 'AA- (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/Stable' 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 main field of activity of the Company is the production and sale of panel radiator group, pipe and fittings group, and combi boiler group products. The Company carries out its production activities in Elazığ, İstanbul, and Manisa facilities with a total closed area of 112,400 m². The Company's Elazığ, İstanbul, and Manisa facilities produce infrastructure pipes, superstructure pipes, combi boilers, and panel radiators, respectively. Sanica Isı's shares have been listed on the Borsa İstanbul (BIST) index with the ticker-name of 'SNICA' since November, 2022.

As of the reporting date, Sanica Isı's paid-in capital amounted to TRY 600mn. The current shareholder structure of the Company is Hüseyin Nesimi Fatioğlu with 38.97%, Ali Fatioğlu with 17.44%, Uğur Fatioğlu with 1.96%, Emre Fatioğlu with 1.96%, Saadet Fatioğlu with 0.07% and publicly traded with 39.59%. The head office of the Company is located in İstanbul, Türkiye. As of 1Q2024, the Company has 691 working force (FYE2023: 618).

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

Strengths

- Sustainable sales performance and core profitability indicators in 2023 and 1Q2024 supported by capacity expansions, reasonable export volume, multiple sales channels and strong distribution network
- Continued strong financial leverage outlook thanks to reduced financial indebtedness and sustainable EBITDA generation capacity in 2023, despite the partial deterioration in 1Q2024
- High collectability of receivables supported by collateral structure and low level of doubtful receivables
- Sound equity level mainly supported by retained earnings and ongoing profitability during the reviewed periods
- Compliance with the corporate governance practices as a publicly listed company
- Deep-rooted operating history along with the ongoing investments and R&D activities support sustainable growth and provide a competitive advantage

Constraints

- Notable increase in inventories led to long cash conversion cycle, suppressing operational efficiency and cash from operations (CFO) generation in 2023
- High financial expenses mainly arising from interest and foreign exchange expenses pressuring the bottom-line results
- Intense competition environment throughout the sector
- 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 Rating has been affirmed as 'AA- (tr)'. The Company's sales performance, EBITDA generation capacity, export volume, sustainable profit metrics, level of indebtedness, sector experience 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'. On the other hand, rising financing costs in ways of currency movement and interest rates, profitability performance with a cash generation capacity, operational efficiency, potential effects of competitors actions in the sector and global recession, quantitative tightening actions and other economic indicators 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.