

Corporate Credit Rating

New Update

Sector: Stationery Manufacturing
Publishing Date: 25/08/2023

Senior Analyst

Ezgi Çiçek Yılmaz
+90 212 352 56 73
ezgi.yilmaz@jcrer.com.tr

Assistant Analyst

Ezgi Özkan
+90 212 352 56 73
ezgi.ozkan@jcrer.com.tr

RATINGS		Long Term	Short Term
ICRs (Issuer Credit 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	-
ISRs (Issue Specific 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

ADEL KALEMCİLİK TİCARET VE SANAYİ A.Ş.

JCR Eurasia Rating, has evaluated the "Adel Kalemcilik Ticaret Ve Sanayi A.Ş." in the very high investment level category and revised the Long-Term National Issuer Credit Rating from 'AA- (tr)' to 'AA (tr)' and affirmed the Short-Term National Issuer Credit Rating at 'J1+(tr)' with 'Stable' outlooks. On the other hand, the Long-Term International Foreign and Local Currency Issuer Credit Ratings and outlooks were determined as 'BB/Negative' in line with international ratings and outlooks of Republic of Türkiye.

Adel Kalemcilik Ticaret Ve Sanayi A.Ş. (hereinafter "the Company" or "Adel Kalemcilik"), was established in 1967 and started operating when its first factory was built in Kartal, Istanbul in 1969. In 1995, Adel Kalemcilik has established a partnership with Faber Castell which is one of the oldest stationery brands in world. Adel Kalemcilik moved to its new production facility in Çayırova in 2015 and involved in manufacturing of wood-cased lead pencils, pastel paints, ballpoint pencils, liquid ink pens, markers, felt-tip pens, watercolours, erasers, sharpeners, finger paints, play dough and gouache paints. Adel Kalemcilik offers nearly 3,800 product types, as well as Faber-Castell, Graf von Faber-Castell, Adel, Adeland, Atlas, Max, Panfix and Citizen branded stationery products. It also carries out the marketing and sales of toy products of the Adeland brand. The Company's shares have been publicly traded on Borsa İstanbul (BIST) under the ticker symbol "ADEL" since 1996.

As of 1H2023, the Company's main shareholders are AG Anadolu Grubu Holding A.Ş. and Faber Castell Aktiengesellschaft with the shares of 56.89% and 15.40%, respectively. The remaining shares of Adel Kalemcilik (ADEL) are traded on BIST with a free float rate of 27.71%. The Company employed a staff force of 402 as of 1H2023 (FYE2022:383).

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

Strengths

- Improvement in the sales performance supported by both growth in sales volume and prices,
- Upward trend in EBITDA generation capacity and other profitability indicators in the analysed period,
- Low level of net debt to EBITDA multiplier in FY2022,
- Diversified funding structure through debt security issuances in 1H2023,
- Improvement in cash flow metrics,
- Asset quality strengthened by the low collection risks,
- Reputable brand name with over 50 years of experience in sector,
- Existence of AG Anadolu Grubu Holding as dominant shareholder and the synergy created within the Group companies via diversified operations,
- Enhanced practice of corporate governance principles.

Constraints

- Short-term weighted debt structure pressuring liquidity management in the analysed period,
- High OpEx to net sales ratio and long cash conversion cycle pressuring efficiency indicators,
- Sector-wide issue of dependency on importation of raw materials,
- 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 Issuer Credit Rating has been revised from 'AA- (tr)' to 'AA (tr)'. The Company's sustainable EBITDA and revenue generation capacity, diversified funding structure, leverage level, cash flow metrics, profitability indicators, successful track record in the sector and the competitive advantage obtained through its strong group synergy 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, market conditions, EBITDA generation capacity, debt ratios, liquidity ratios and the possible impacts of the Russia-Ukraine War on the global and Türkiye's economy and its effects on the Company's activities will be closely monitored by JCR Eurasia Rating in the upcoming periods. The macroeconomic indicators in national and international markets, as well as market conditions and legal framework about the sector will be monitored as well.

