

Corporate Credit Rating

New Update

Sector: Stationery Manufacturing

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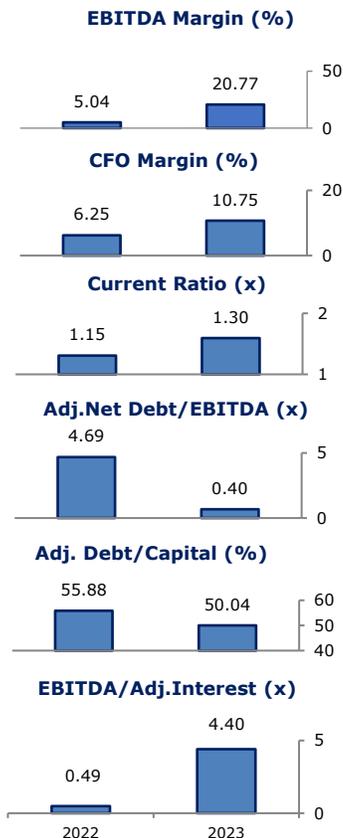
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RATINGS		Long Term	Short Term
ICRs (Issuer Credit Profile)	National ICR	AA+ (tr)	J1+ (tr)
	National ICR Outlooks	Stable	Stable
	International FC ICR	BB	-
	International FC ICR Outlooks	Stable	-
	International LC ICR	BB	-
	International LC ICR Outlooks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

* Assigned by JCR on May 10, 2024



ADEL KALEMCİLİK TİCARET VE SANAYİ A.Ş.

JCR Eurasia Rating, has evaluated "Adel Kalemcilik Ticaret Ve Sanayi A.Ş." in the investment grade category with very high credit quality and revised the Long-Term National Issuer Credit Rating to 'AA+ (tr)' from '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/Stable' in line with sovereign 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 and gouache paints. Adel Kalemcilik offers nearly 3,000 product types, as well as Faber-Castell, Graf von Faber-Castell, Adel, Atlas, Max, Panfix and Citizen branded stationery products. The Company's shares have been publicly traded on Borsa İstanbul (BIST) under the ticker symbol "ADEL" since 1996.

As of 1H2024, 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 341 as of 1H2024 (FYE2023: 367).

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

Strengths

- Sustainable sales revenue underpinned by increasing unit prices in FY2023,
- Increase in EBITDA generation capacity and other profitability indicators thanks to effective cost management and pricing policy in FY2023,
- Satisfactory leverage metrics in FY2023 and 1H2024,
- Equity structure strengthened by the internal resource generation capacity despite low level of paid-in capital,
- Improvement in cash flow metrics in FY2023,
- 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,
- Compliance with corporate governance principles.

Constraints

- High operating ratio and long cash conversion cycle pressuring efficiency indicators,
- Ongoing short-term weighted debt profile in the analysed period,
- Sector-wide issue of dependency on importation of raw materials,
- 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 revised to 'AA+ (tr)' from 'AA (tr)'. The Company's sustainable EBITDA and revenue generation capacity, 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, profitability indicators, leverage level, 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.