

Corporate Credit Rating

New Update

Sector: Building Materials Industry

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

* Assigned by JCR on Aug 18, 2022

BAŞTAŞ BAŞKENT ÇİMENTO SANAYİ VE TİCARET A.Ş.

JCR Eurasia Rating, has evaluated the consolidated structure of "Baştaş Başkent Çimento Sanayi ve Ticaret A.Ş." in the investment-level category and revised the Long-Term National Issuer Credit Rating from 'BBB (tr)' to 'A (tr)' and the Short-Term National Issuer Credit Rating from 'J2 (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 'BBB-/Stable'.

Baştaş Başkent Çimento Sanayi ve Ticaret A.Ş. ("Baştaş Çimento" or "the Company" or "the Group") was established in 1967. Main field of the Company consists of production of different types of cement, clinker, aggregate, lime and ready mixed concrete. The Company has 1 large furnace and milling factory in Ankara. Baştaş Çimento has an annual production capacity of 4,422,000 tons of cement and 3,095,400 tons of clinker in FYE2022. The Company's shares have been traded on the Borsa İstanbul (BIST) with the 'BASCIM' ticker. In 2021, the Company ranked 324th among Türkiye's second top 500 companies compiled by the Istanbul Chamber of Industry (2020: 253rd).

The Company's main ultimate controlling shareholder is Parfacim S.A. with 87.9% share. Parfacim was established in 1974 and also is a French joint-stock corporation. The corporate purpose of Parfacim, a holding company, is the acquisition and management of transferable securities, shares in interests, and tangible and intangible assets. Parfacim is 100% owned by Vicat company.

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

Strengths

- Cash buffer together with satisfactory level of EBITDA and FFO generation contributing to robust leverage and interest coverage metrics,
- Notable improvement in key profitability metrics thanks to the effective cost management and pricing in 2022,
- Strong equity structure underpinned by shareholder's cash injection and internal means in 2022,
- Positive net working capital and reasonable current ratio in 2022,
- Maintaining the asset quality with low level of doubtful receivables,
- Deep rooted presence in the sector, supported by globally known shareholders,
- High level of compliance with Corporate Governance Practices and quality standards as a publicly listed company.

Constraints

- Continuity of the negative levels in FOCF due to high CAPEX in 2022, despite the slight improvement in CFO,
- Competitive and energy-intensive market structure of the cement sector,
- Highly correlated structure of the sector with construction end-markets and macroeconomic conditions,
- Tight financial conditions, accompanied by global banking concerns, disrupt global growth projections.

Considering the aforementioned points, the Company's the Long-Term National Issuer Credit Rating has been revised from 'BBB (tr)' to 'A (tr)'. Long lasting industry experience, EBITDA and revenue growth, equity structure, operational strength and risk factors in the markets, and business environment as well as the global recessionary environment and geopolitical risks-driven uncertainties 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 capital adequacy, financial structure and profit margins, liquidity and cash flow metrics 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.

