

## Corporate Credit Rating

New  Update

**Sector:** Construction Materials Manufacturing

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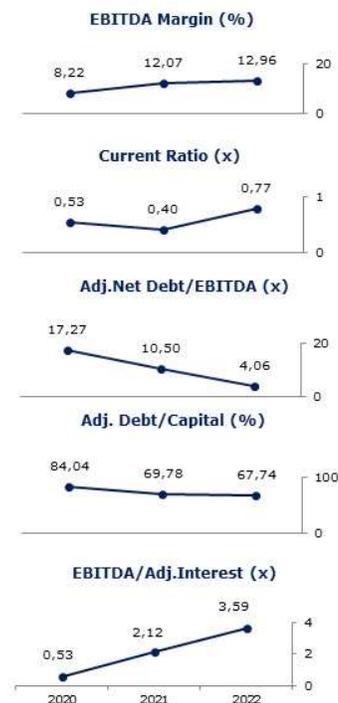
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R A T I N G S		Long Term	Short Term
ICRs (Issuer Credit Rating Profile)	National ICR	BBB (tr)	J2 (tr)
	National ICR Outlooks	Stable	Stable
	International FC ICR	BB	
	International FC ICR Outlooks	Negative	
	International LC ICR	BB	
ISRs (Issue Specific Rating 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



## Batıçım Batı Anadolu Çimento Sanayii A.Ş.

JCR Eurasia Rating, has evaluated the consolidated structure of 'Batıçım Batı Anadolu Çimento Sanayii A.Ş.' in the investment grade category and revised the Long-Term National Issuer Credit Rating from 'BBB- (tr)' to 'BBB (tr)' and the Short-Term National Issuer Credit Rating from 'J3 (tr)' to 'J2 (tr)' with 'Stable' outlooks. On the other hand, the Long Term International and Local Currency Issuer Credit Ratings and outlooks were assigned as 'BB/ Negative' as parallel to the international ratings and outlooks of the Republic of Türkiye.

**Batıçım Batı Anadolu Çimento Sanayii A.Ş.** (referred to as 'the Group/the Company or 'Batıçım') was established in İzmir in 1966. The Company, which operates in the field of cement production and has an annual production capacity of 1.80mn tons of cement and 1.38mn tons of clinker. As of FYE2021, Batıçım decreased from 310th to 382th in the annual list of Türkiye's Second Top 500 Industrial Enterprises compiled by the Istanbul Chamber of Industry. Batıçım is the main company of Batı Anadolu Group. Having started its journey with Batı Anadolu Çimento Sanayi A.Ş., an aggregate corporation founded with 100% Turkish capital, the Group which operates in cement, concrete, energy, and logistics fields currently export its products to more than 30 countries among 4 continents. In 1H2023, Çiftay İnşaat Taahhüt ve Ticaret A.Ş increased its shares from 30.02% to 41.14% in paid in capital. (FYE2022: 30.02%) Batıçım has been publicly traded on Borsa İstanbul since 1995 with "BTCIM" ticker with a public share ratio of 41.10% as of report date. As of 30 June 2023, the average number of employees of Group is 990. (31 December 2022: 969).

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

### Strengths

- Notable enhancement in revenues and EBITDA generation capability on the back of sectoral diversification to a certain extent with energy and port activities,
- Sufficient cash flow metrics supported by increasing FFO and CFO coupled with favorable level of cash conversion cycle,
- Low level of impaired receivables contributing to the asset quality,
- The proximity of the factory to the port facilitating access to foreign markets,
- Long-lasting presence and experience in the sector,
- High level of compliance with the corporate governance practices.

### Constraints

- High level of net debt/EBITDA multiplier despite significant recovery in FY2022,
- FC-denominated borrowings pressure on bottom-line though a notable portion derives from unrealized FX expenses,
- Low level of equity structure compared to asset size even after revolution gains,
- High dependency on imports in raw material procurement,
- Highly correlated structure of the sector with construction end-markets,
- Global economic growth slows down evidenced by commodity prices and trade figures on the back of rapid monetary tightening coupled with domestic restrictive financial conditions limit access to finance.

Considering the aforementioned points, the Group's Long-Term National Issuer Credit Rating has been revised from 'BBB- (tr)' to 'BBB (tr)'. The material improvement in revenues and EBITDA generation capability, improvement in maturity profile, sufficient cash flow metrics supported CFO by generation and favorable level of cash conversion cycle, low level of impaired receivables and long lasting presence in the sector along with high level of leverage profile, susceptibility to imported input costs, pressure of net financing expense and global macroeconomic concerns have been evaluated as important indicators for the stability of the ratings and the outlook for Long-Term National Issuer Credit Ratings are determined as 'Stable'. The Group's operation process, cash flow and liquidity metrics, asset quality and profitability 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.