Corporate Credit Rating

☐New ☒Update

Sector: Construction Materials Manufacturing
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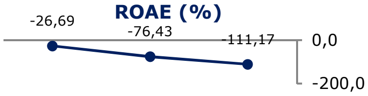
RATINGS		Long Term	Short Term
ICRs (Issuer Credit Rating Profile)	**National ICR**	**BBB- (tr)**	**J3 (tr)**
	National ICR Outlooks	Stable	-
	International FC ICR	BB-	-
	International FC ICR Outlooks	Negative	-
	International LC ICR	BB-	-
	International LC ICR Outlooks	Negative	-
ISRs (Issue Specific Rating Profile)	National ISR	-	-
	International FC ISR	-	-
	International LC ISR	-	-
Sovereign*	Foreign Currency	BB (Negative)	-
	Local Currency	BB (Negative)	-

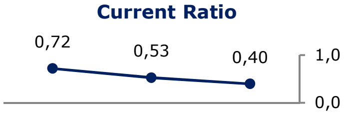
** Assigned by JCR on Aug 18, 2022*

EBITDA Margin (%)

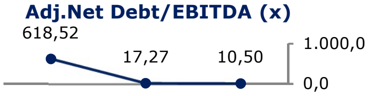
ROAE (%)



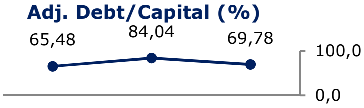
Current Ratio



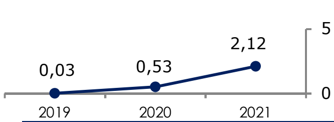
Adj.Net Debt/EBITDA (x)



Adj. Debt/Capital (%)



EBITDA/Adj.Interest (x)



Batıçim Batı Anadolu Çimento Sanayii A.Ş.

JCR Eurasia Rating, has evaluated the consolidated structure of **'Batıçim Batı Anadolu Çimento Sanayii A.Ş.'** in an investment-level category and upgraded the ratings on the the Long-Term National Issuer Credit Rating from **'BB+ (tr)'** to **'BBB- (tr)'** and affirmed the Short-Term National Issuer Credit Rating at **'J3 (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.

Batıçim Batı Anadolu Çimento Sanayii A.Ş. (referred to as 'the Group/the Company or 'Batıçim') 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, Batıçim decreased from 310th to 382th in the annual list of Türkiye's Second Top 500 Industrial Enterprises compiled by the Istanbul Chamber of Industry. Batıçim is the main company of Batı Anadolu Group. The Group continues its operations with its seven companies and more than 1,000 employees in four different sectors. 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 August, 2021, 30.02% shares of Batıçim were transferred with the value of USD 95mn to Çiftay İnşaat Taahhüt ve Ticaret A.Ş. Batıçim has been publicly traded on Borsa İstanbul since 1995 with "BTCIM" ticker with a public share ratio of 28.01% at FYE2021. As of 31 December 2021, the average number of employees of Batıçim was 378.

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

Strengths

- Notable increase in revenues and operating profitability at FYE2021 and ongoing improvement during FY2022
- Maintaining the asset quality with low level of doubtful receivables
- Reasonable export ratio together with geographical diversification
- Having a wide dealer network and high production level in the region strengthening the bargaining power
- Long lasting presence and experience in the sector
- High level of compliance with the corporate governance practices and international quality standards

Constraints

- Notable level of net debt/EBITDA despite significant recovery at 1H2022
- Continuous net losses deteriorating equity structure, notable portion of which is constituted of revaluation gains
- Heavy pressure of net financing expenses on bottom-line and high short foreign currency position due to FC-denominated borrowing structure
- Foreign currency-based energy and raw material costs which may pressure on profitability margins
- Susceptibility of construction sector to macroeconomic conditions
- The geopolitical risks stemming from the Russia-Ukraine tension increasing uncertainty

Considering the aforementioned points, the Company's the Long-Term National Issuer Credit Rating has been revised from '**BB+ (tr)**' to '**BBB- (tr)**'. The Company's notably increasing revenue and operating profitability performance, low level of doubtful receivables, reasonable export ratio, long lasting presence and experience in the sector and high level of compliance with the corporate governance practices along with 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 Group's operation process, cash flow and liquidity metrics, asset quality together with profitability and indebtedness 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.