

Corporate Credit Rating

New Update

Sector: Metal Industry

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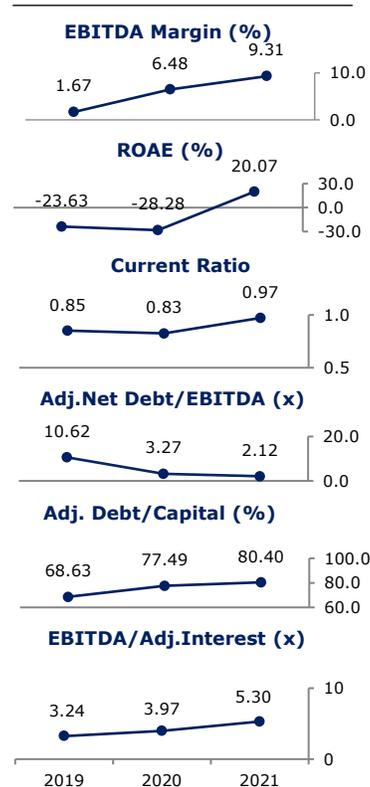
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RATINGS		Long Term	Short Term
ICRs (Issuer Credit Rating Profile)	National ICR	A (tr)	J1 (tr)
	National ICR Outlooks	Stable	Stable
	International FC ICR	BB	
	International FC ICR Outlooks	Negative	
ISRs (Issue Specific Rating Profile)	International LC ICR	BB	
	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.



Çelik Halat ve Tel Sanayii A.Ş.

JCR Eurasia Rating has evaluated "Çelik Halat ve Tel Sanayii A.Ş." in the high investment level category and assigned the Long-Term National Issuer Credit Rating at 'A (tr)' and 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 assigned as 'BB/Negative', as parallel to international ratings and outlooks of Republic of Türkiye.

Çelik Halat ve Tel Sanayii A.Ş. (hereinafter "the Group" or "Çelik Halat") was established in 1962 in Kocaeli, Kartepe by public and private partnership in order to meet the high carbon steel rope and steel wire needs of Türkiye. Ropes and wires produced by Çelik Halat have been used in cranes, construction industry, oil and mining industry, ships, elevators, various transportation and agricultural vehicles. Çelik Halat has been listed on BIST (Borsa Istanbul Exchange) since 1986 under the ticker symbol CELHA and became one of the first companies listed on the Turkish local exchange market. Çelik Halat was acquired by Doğan Holding in 1997 and it still holds 69.83% of shares as of 2021. Celik Halat Netherlands B.V. (hereinafter "Çelik Halat B.V.") was established in 2018 with the purpose of marketing and sales of the products in European continent and Çelik Halat owns 100% of the shares. The Group ranked 710th among Turkish industrial enterprises in accordance to ISO (Istanbul Chamber of Industry) as of 2021 (2020: 798).

The Group is a direct subsidiary of Doğan Şirketler Grubu Holding A.Ş. ("Doğan Holding"). The ultimate common shareholders of Doğan Holding are Aydın Doğan and Doğan Family. Doğan Holding adds credibility, managerial and financial expertise to Çelik Halat. Doğan Holding, which was established in 1980, consists of 51 subsidiaries and 9 joint ventures under its umbrella with a staff force of 7,414 as of June 30, 2022. Doğan Holding operates in various sectors such as industry & trading, electricity generation & trading, internet & entertainment, energy, vehicle sales, finance & investment and tourism in Türkiye and abroad.

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

Strengths

- Diversification of geography and product range underpinning income stream,
- Upward trend in EBITDA generation capacity and other profitability indicators as of FYE2021,
- Maintaining high asset quality and low collection risk,
- Over half a century presence in the sector and conformity to the international quality standards,
- Greater transparency about corporate governance compliance as an entity subject to Capital Market Law.

Constraints

- Accelerating marketing and financing cost pressuring bottom line results,
- Negative CFO and FOCF creating external funding needs for operational cycle,
- Increasing short-term debt resulting in NWC deficit,
- Notable low equity level compared to asset size despite paid capital increase in 2021,
- Increasing energy cost due to Russia-Ukraine conflict and global recession concerns.

Considering the aforementioned points such as the geographical diversification, increase in EBITDA generation capacity, low credit risk and sustainable operational performance, long-lasting history and greater accountability, the Group's the Long-Term National Issuer Credit Rating has been assigned as 'A (tr)'. The Group's asset quality, growth performance, market position, sectoral developments and risk factors in the markets 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 capital adequacy, financial structure, sales performance, asset quality, growth performance, profitability ratios and the trends of the existing risks in the markets and the business environment 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.