

Corporate Credit Rating

New Update

Sector: Metal Industry

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RATINGS		Long Term	Short Term
ICRs (Issuer Credit Rating Profile)	National ICR	A- (tr)	J2 (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	-	-
Sovereign *	International FC ISR	-	-
	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 the consolidated structure of "Çelik Halat ve Tel Sanayii A.Ş." in the investment level category and revised the Long-Term National Issuer Credit Rating at from 'A (tr)' to 'A- (tr)' and assigned the Short-Term National Issuer Credit Rating at 'J2 (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/Negative', as parallel to international ratings and outlooks of Republic of Türkiye.

Çelik Halat Ve Tel Sanayii A.Ş. (hereinafter "the Group", "the Company" or "Çelik Halat") was established in Kartepe, Kocaeli in 1962. The aim of this establishment was to meet the high carbon steel ropes and wires needs of Türkiye. The products manufactured by Çelik Halat have found application in diverse sectors, including cranes, the construction industry, the oil and mining industry, ships, elevators, various modes of transportation, and agricultural vehicles.

Notably, Çelik Halat has maintained to be listed on the Borsa Istanbul Exchange (BIST) since 1986, trading under the symbol **CELHA**, and is among the pioneering companies to be listed on the Turkish local exchange market. Çelik Halat was acquired by Doğan Holding in 1997 and continued its operations under Doğan Holding umbrella until 2022. Doğan Holding's 28,980,816 shares representing 93.07% of the Company's share capital were transferred to Artaş İnşaat Sanayi ve Ticaret A.Ş. (Artaş İnşaat) (75%) and Betatrans Lojistik İnşaat Sanayi Ticaret A.Ş. (Betatrans Lojistik) (25%) on November 29, 2022. Çelik 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 its shares. The Group ranked 710th among Turkish industrial enterprises in accordance to ISO (Istanbul Chamber of Industry) as of 2021 (2020: 798). Additionally, Çelik Halat operated with average 453 employees in FY2022 (FYE2021: 428).

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

Strengths

- Consistent improvement in sales revenue throughout the analyzed period despite the expectation of slight decrease in 2023,
- Expected improvement in net debt to EBITDA ratio in 2023,
- Robust cash flow metrics in 1H2023,
- Low collection risk supporting asset quality,
- Over half a century experience in the sector and successful track record,
- High levels of transparency regarding adherence to corporate governance as an entity subject to Capital Market Law.

Constraints

- Fluctuating profitability ratios due to energy and raw material prices,
- High operating ratio, compared to peers, and slightly prolonging cash cycle pressuring efficiency profile,
- Considerably low equity level relative to asset size,
- Global economic growth slows down evidenced by commodity prices and trade figures on the back of rapid monetary tightening, whereas domestic restrictive financial conditions limit access to finance.

Considering the aforementioned points such as increasing sales revenue, expected improvement in net debt to EBITDA ratio, robust cash flow metrics in 1H2023, asset quality, successful track record and higher levels of corporate governance compliance, the Company's the Long-Term National Issuer Credit Rating has been revised from 'A (tr)' to 'A- (tr)'. The Company's, 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 Company's financial structure, tight economic conditions 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 at national and international markets, as well as market conditions and legal framework about the sector will be monitored as well.

