

Corporate Credit & Issue Rating

New Update

Sector: Construction Materials Production

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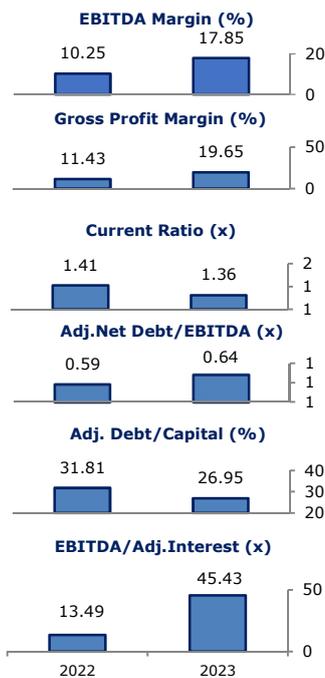
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RATINGS		Long Term	Short Term
ICRs (Issuer Credit Profile)	National ICR	AA+ (tr)	J1+ (tr)
	National ICR Outlooks	Stable	Stable
	International FC ICR	BB	-
	International FC ICR Outlooks	Stable	-
	International LC ICR	BB	-
ISRs (Issue Specific Profile)	National ISR	AA+ (tr)	J1+ (tr)
	International FC ISR	-	-
	International LC ISR	-	-
Sovereign*	Foreign Currency	BB (Stable)	-
	Local Currency	BB (Stable)	-

* Assigned by JCR on May 10, 2024.



ÇİMSA ÇİMENTO SANAYİ VE TİCARET A.Ş.

JCR Eurasia Rating has evaluated the consolidated structure of "Çimsa Çimento Sanayi ve Ticaret A.Ş." in the very high investment grade category at the national level and affirmed the Long-Term National Issuer Credit Rating at 'AA+ (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/Stable' as parallel to the international ratings and outlooks of the Republic of Türkiye.

Çimsa Çimento Sanayi ve Ticaret A.Ş. (hereinafter "Çimsa" or "the Company" or "the Group" with its subsidiaries) was established on December 21, 1972, in Mersin to operate in the cement industry. Core business operations include manufacturing and sales of cement (white, gray, and calcium aluminate cement), clinker, and ready-mixed concrete. Currently, Çimsa is one of the leading companies in the Turkish cement industry, carrying out its manufacturing operations with integrated plants in Mersin, Eskişehir, and Afyonkarahisar. In addition to cement manufacturing, Çimsa also has 32 ready-mixed concrete production facilities in 3 different regions.

Exsa Export Sanayi A.Ş., which was an affiliate and consolidated by equity method with 32.88% share, was acquired by Hacı Ömer Sabancı Holding A.Ş., who is the ultimate shareholder of Çimsa, on January 15, 2024. To enhance operational efficiency and streamline construction material production, Hacı Ömer Sabancı Holding A.Ş. transferred its 10.1% stake in Sabancı Building Solutions BV ("SBS") to Çimsa for EUR 25.28mn on October 23, 2023. Çimsa's ownership in the company increased from 40% to 50.1% and its financial results were fully consolidated into Çimsa's 2023 independent audit report financials. After that, on September 6, 2024, Sabancı Building Solutions B.V. was changed its title to Cimsa Building Solutions B.V. ("CBSBV"). Existing a paid-in capital of EUR 187mn was increased to EUR 294.48mn on September 26, 2024, funding with amounting to EUR 107.48mn cash injection and EUR 253.48mn stock premium. Since Hacı Ömer Sabancı Holding A.Ş., who is the other shareholder of CBSBV, did not participate paid-in capital increase, Çimsa's stake in the partnership raised up to 68.31% from 50.1% after paid-in capital increase.

Çimsa is an international cement manufacturer with sales terminals in Hamburg (Germany), Trieste (Italy), Sevilla (Spain) and Famagusta (T.R.N.C.), and cement grinding plant terminals in Texas (the U.S.A.) and white cement manufacturing plant in Valencia (Spain). In addition, Cimsa Cement UK Ltd (England) was founded on July 2023 under a fully partnership of Cimsa Building Solutions BV (formerly Sabancı Building Solutions BV). A liquidation process of OOO Cimsa Rus CTK (Russia) was completed on February 2023. Furthermore, Çimsa acquired a 94.70% stake in Mannok Holding DAC, a construction material producer located in Ireland, for EUR 253.48mn on October 2, 2024. Çimsa is a publicly traded Company on the Borsa İstanbul (BIST) since January, 1986. As of 9M-2024, 45.04% of Company shares were traded on the BIST. Çimsa's primary shareholder, Hacı Ömer Sabancı Holding A.Ş. ("Sabancı Holding"), is one of the leading conglomerates of Türkiye with companies operating in 13 countries and marketing their products in four continents. Sabancı Holding had total assets size of TRY 2,814bn and recorded revenues amounting to TRY 135.55bn for 9M-2024.

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

Strengths

- Despite slightly decrease in revenues, remarkable EBITDA growth with improved margin in FY2023, further strengthen in 9M-2024's unaudited financials,
- Mitigating currency risk through considerable level of export revenue stream,
- Sizable equity accumulation backed by retained earnings,
- Expected revenue and profitability contribution of additional CAC (Calcium Aluminate Cement) investment in Mersin plant,
- Expansion of diversification product portfolio with the acquisition of Mannok Holding DAC in Ireland,
- Sturdy decarbonization efforts to complying with regulations,
- Trustworthy partnership structure underpinned through Sabancı Group,
- High compliance level with Corporate Governance Practices due to being publicly listed company.

Constraints

- Expected increase in leverage metric as of FYE2024 due to the acquisition of Mannok Holding DAC,
- Fluctuating energy costs, resulting volatility on profitability margins in the sector,
- Competition in the cement production industry due to vast global and local producer companies,
- In the shadow of geopolitical risks, leading economic indicators point to continued weakness in global demand conditions, whereas actions for a soft-landing are at the front.

The Company's audited financial statements include inflation adjustments. Adjustments have been made in accordance with the terms of IAS 29 "Financial Reporting in Hyperinflationary Economies" regarding the changes in the general purchasing power of the Turkish Lira as of 31 December 2023. Considering the aforementioned points, the Company's Long-Term National Issuer Credit Rating has been affirmed at 'AA+ (tr)'. Sound profit margins, solid equity level, cash surplus against its short-term financial debt, considerable leverage ratios, and strong shareholder structure are 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 achievement of budget targets, debt ratio, profit margins, and sustainability of domestic and international demands as well as market conditions regarding the sector, will be closely monitored by JCR Eurasia Rating in the upcoming periods. The macroeconomic indicators in national and international markets, as well as market conditions and the legal framework of the sector, will be monitored as well.