

Corporate Credit Rating

New Update

Sector: Construction Materials Production

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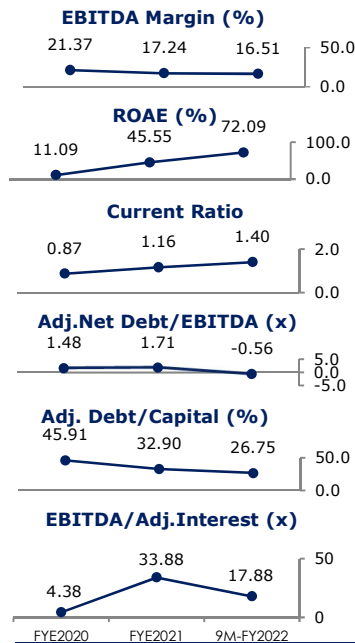
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RATINGS		Long Term	Short Term
ICRs (Issuer Credit Profile)	National ICR	AA (tr)	J1+ (tr)
	National ICR Outlooks	Stable	Stable
	International FC ICR	BB	-
	International FC ICR Outlooks	Negative	-
	International LC ICR	BB	-
ISRs (Issue Specific Profile)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

* Assigned by JCR on Aug 18, 2022



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 high investment grade category at the national level and revised the Long-Term National Issuer Credit Rating from 'AA- (tr)' to 'AA (tr)' and assigned 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 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"), 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 several ready-mixed concrete production facilities in Adana, Mersin, Adapazarı, Bursa, Eskişehir, Denizli, Kütahya, Osmaniye, and Afyon. On July 28, 2022, Çimsa sold "Niğde Integrated Cement Facility, Kayseri Integrated Cement Facility, Ankara Cement Grinding Facility and Başakpınar, Ambar, Nevşehir, Cırgalan, Aksaray, Ereğli and Kahramanmaraş Ready-Mixed Concrete Production Facilities" with a price of EUR 110mn excluding VAT and fully collected in cash.

Çimsa Sabancı Cement BV ("CSC") was established in the Netherlands in November 2020 with a capital of EUR 87mn, with the partnership of Çimsa (%40) and the Group's main partner Hacı Ömer Sabancı Holding A.Ş. (%60) in order to develop the Group's activities in the field of white cement and control the foreign subsidiaries of the Group. On October 1, 2022, the Company's paid-in capital was increased by EUR 100mn to EUR 187mn, all of which was paid in cash by the shareholders.

Besides, Buñol White Cement Factory was acquired by Çimsa Cementos Espana S.A.U, a fully owned subsidiary of CSC BV, in July 2021 for USD 155.2mn with the aim of being the world's top white cement manufacturer. Today, Çimsa is an international cement manufacturer with sales terminals in Hamburg (Germany), Trieste (Italy), Sevilla (Spain), Famagusta (T.R.N.C.), and Novorossiysk (Russia), and production&sales terminal in Texas (U.S.A.) and Valencia (Spain). Çimsa is a publicly traded Company on the Borsa İstanbul (BİST) since January, 1986. As of report date, 35.71% of Company shares were traded on the BİST. Çimsa's primary shareholder, Hacı Ömer Sabancı Holding A.Ş. ("Sabancı Holding"), is one of the leading conglomerates of Turkey with companies operating in 13 countries and marketing their products in four continents. Sabancı Holding had total assets size of TRY 1,152bn and recorded a net profit amounting to TRY 52.4bn for 9M-FY2022.

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

Strengths

- Solid export sales with growing overseas operations supporting revenue growth,
- High debt service capabilities and financial flexibility,
- High cash-inflow from the deal of some assets in 2022 led to a cash surplus against financial debt in 9M-FY2022,
- Reasonable profit margins supported by EBITDA growth despite a downward trend,
- Strong equity level, mainly stemming from accumulated profits,
- Enhancement-Led Growth Opportunities from the Investments in Mersin,
- Being one of the biggest white cement producers in the World with the acquisition of Bunol White Cement Factory in Spain,
- Strong parental support and its diversified sectoral distribution,
- High level of compliance with Corporate Governance Practices.

Constraints

- FX-based energy costs pressuring profitability margins,
- Competitive market structure in the sector, leading pressures to profitability,
- Global recession and geopolitical risks stemming from the Russia-Ukraine tension increasing uncertainty and monetary tightening across the globe deteriorating growth projections.

Considering the aforementioned points, the Company's Long-Term National Issuer Credit Rating has been revised at 'AA (tr)'. Sustainable profit margins, solid equity level, notable cash surplus against its financial debt, its potential for future profit growth thanks to overseas operations, 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.