

Corporate Credit Rating

New Update

Sector: Construction Materials Production

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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 very 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" 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 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. In 2023, the title of Çimsa Sabancı Cement B.V. was changed to Sabancı Building Solutions B.V. (SBS), and Çimsa decided to acquire 10.1% of the shares from Sabancı Holding for a value of EUR25.3mn. This acquisition will result in an increase in Çimsa's stake in the partnership to 50.1%. As of 9M-FY2023, SBS was being included by equity method in the Group's consolidated financials. However, by the end of 2023, SBS will be subject to full consolidation, reflecting a more comprehensive and complete picture of the partnership. Besides, Buñol White Cement Factory was acquired by Çimsa Cementos Espana S.A.U, a fully owned subsidiary of SBS 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) and Famagusta (T.R.N.C.), and cement grinding plant terminal in Texas (U.S.A.) and white cement manufacturing plant in Valencia (Spain). Çimsa is a publicly traded Company on the Borsa İstanbul (BİST) since January, 1986. As of our report date, 45.01% 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 Türkiye with companies operating in 13 countries and marketing their products in four continents. Sabancı Holding had total assets size of TRY 1,872bn and recorded a net profit amounting to TRY 70.66bn for 9M-FY2023. Key rating drivers, such as strengths and constraints, are provided below.

Strengths

- Net cash position against short-term financial debts as of 9M-FY2023 and solid financial leverage over the years,
- Hard currency cash flow thanks to remarkable export sales, providing financial resilience for the Company,
- Solid sales figures and sustainable EBITDA generation capacity,
- Sound equity level, mainly stemming from accumulated profits,
- Ongoing CAC (Calcium Aluminate Cement) investment in Mersin offering potential for higher revenue and profitability,
- Diversified fund resources with bond issuances,
- Being one of the biggest white cement producers in the World with the acquisition of Bunol White Cement Factory in Spain,
- Reputable partnership structure backed by Sabancı Group,
- High level of compliance with Corporate Governance Practices.

Constraints

- High FX based energy costs in the sector pressuring profitability margins to a certain extent although partially offset by investments in alternative energy sources,
- Competitive market structure of the cement sector,
- Leading economic indicators signal global economic slowdown as quantitative tightening actions aim to restrict consumption growth and achieve a soft-landing in the domestic side.

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, solid financial leverage, 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 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.

