

Corporate Credit Rating

New Update

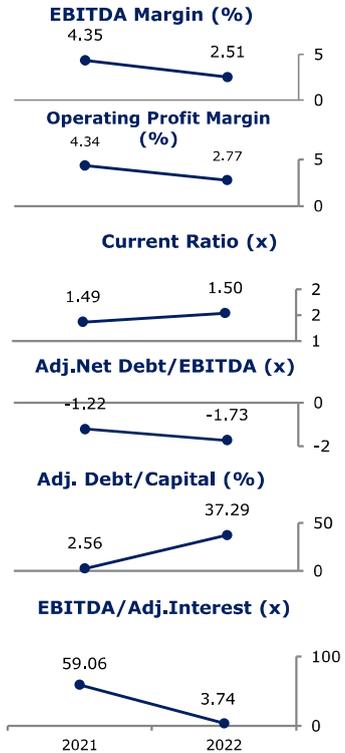
Sector: Wholesale Trade
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RATINGS		Long Term	Short Term
ICRs (Issuer Credit Profile)	National ICR	BBB- (tr)	J3 (tr)
	National ICR Outlooks	Stable	Stable
	International FC ICR	BB-	-
	International FC ICR Outlooks	Stable	-
	International LC ICR	BB-	-
ISRs (Issue Specific Profile)	National ISR	-	-
	International FC ISR	-	-
	International LC ISR	-	-
Sovereign*	Foreign Currency	BB (Stable)	-
	Local Currency	BB (Stable)	-

* Assigned by JCR on May 10, 2024



Demiroğlu Haddecilik Demir -Tekstil Sanayi Ve Ticaret A.Ş.

JCR Eurasia Rating, has evaluated **Demiroğlu Haddecilik Demir-Tekstil Sanayi Ve Ticaret A.Ş.** in the investment grade category on the national scales and assigned the Long-Term National Issuer Credit Rating as '**BBB- (tr)**' and the Short-Term National Issuer Credit Rating as '**J3 (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**'.

Demiroğlu Haddecilik Demir -Tekstil Sanayi Ve Ticaret A.Ş. (hereinafter referred to as 'Demiroğlu' or 'the Company') was founded in 1974 in Denizli under the name İsmail Hakkı Demiroğlu Halefleri Koll. Şti. Cengiz Demiroğlu ve Ortakları. Today, the Company operates under the name Demiroğlu Haddecilik Demir-Tekstil Sanayi ve Ticaret A.Ş. and specializes in the nationwide wholesale distribution of all iron and steel products. Demiroğlu is a dealer of brands such as Yücel Boru, Tos Çelik, Noksel, Tat Metal, and Panelsan. The Company's sales are mainly concentrated in the Marmara, Mediterranean, Aegean and Central Anatolia regions.

As of the report date, the Company's paid-in capital is TRY 150.0Mn, and the shareholders are Mustafa Demiroğlu (33.3%), Ahmet Demiroğlu (33.3%), Çiğdem Demiroğlu Ulutürk (25.0%), and Hayriye Demiroğlu (8.3%). Demiroğlu had a workforce of 20 as of FYE2022 (FYE2021: 19).

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

Strengths

- Improvement in sales revenue during the analyzed years underpinned by sales volume and unit price increases which maintained with a lower growth rate in FY2023 according to Corporate Tax Return
- Operating with net working capital surplus and adequate level of current ratio in reviewed periods
- Capital increases via retained earnings and cash injection in 2022 and 2023
- Reasonable cash conversion cycle in 2022 and low level of operating ratio supporting efficiency
- Diversified customer base and low level of doubtful receivables supporting asset quality
- Long-lasting presence in the sector and experienced shareholders

Constraints

- Limited and volatile EBITDA and operating profitability margins during reviewed years
- Upward trend in bank loan utilization in 2024 may suppress leverage indicators following the adequate level as of FYE2023
- Negative cash flow from operations and free operating cash flow figures creating external funding needs
- Highly correlated nature of revenue and profitability with demand and raw material prices in the iron & steel industry
- Improvement needs in the level of compliance with corporate governance practices
- Leading economic indicators signal global economic slowdown whereas 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 assigned as '**BBB- (tr)**'. The Company's revenue growth, positive net working capital level, diversified customer base, low level of operating ratio, long lasting presence in the sector, profitability and leverage metrics along with ongoing uncertainties arisen from geopolitical tensions as well as global tight financial conditions 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 revenue and profitability performance, cash generation capacity, debt structure, financial leverage indicators, liquidity position, asset quality and equity level 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.