Corporate Credit Rating

☐New ☒Update

Sector: Metal Industry
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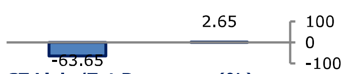
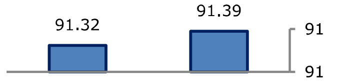
RATINGS		Long Term	Short Term
ICRs (Issuer Credit Rating Profile)	National ICR	BBB (tr)	J2 (tr)
	National ICR Outlooks	Stable	Stable
	International FC ICR	BB	-
	International FC ICR Outlooks	Stable	-
	International LC ICR	BB	-
	International LC ICR Outlooks	Stable	-
ISRs (Issue Specific Rating Profile)	National ISR	-	-
	International FC ISR	-	-
	International LC ISR	-	-
Sovereign*	Foreign Currency	BB (Stable)	-
	Local Currency	BB (Stable)	-

** Assigned by JCR on May 10, 2024*

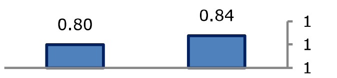
EBITDA Margin (%)



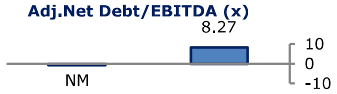
ST Liab./Tot.Resources (%)



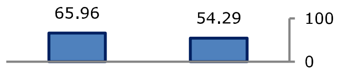
Current Ratio (x)



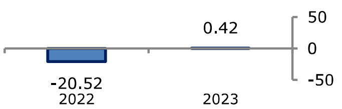
Adj.Net Debt/EBITDA (x)



Adj. Debt/Capital (%)



EBITDA/Adj.Interest (x)



NM: Not Meaningful

DEMİSAŞ DÖKÜM EMAYE MAMÜLLERİ SANAYİ A.Ş.

JCR Eurasia Rating has evaluated **"Demisaş Döküm Emaye Mamülleri Sanayi A.Ş."** in the investment level category and revised the Long-Term National Issuer Credit Rating from **'BBB+ (tr)'** to **'BBB (tr)'** and affirmed the Short-Term National Issuer Credit Rating as **'J2 (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 international ratings and outlooks of Republic of Türkiye.

Demisaş Döküm Emaye Mamülleri Sanayi A.Ş. (hereinafter "the Company" or "Demisaş") was established in 1974 to operate in the field of metal foundry. The production facilities of the Company are located in Bilecik with over 130.000 m² area and the headquarter of the Company is located in Kocaeli. The Company's production facility's annual theorical capacity is currently 80.000 tons as of the reporting date. The Company began producing refrigerator compressor parts in 1989, automotive production in 1994, and highly sophisticated security brake parts in 2001. The number of employees of the Company was 696 as of 2024-9M (FYE2023: 695).

The Company's ultimate controlling shareholder is Sarkuysan Elektrolitik Bakır Sanayi ve Ticaret A.Ş. ("Sarkuysan") with 44.44% of shares. Demisaş has been a publicly listed company in Borsa İstanbul since 1997 with an actual outstanding shares ratio of 51.62% as of the report date (31.12.2023: 51.61%).

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

Strengths	Constraints
• Mostly maintaining sales volume over the years, • Partial recovery in operational profitability and EBITDA generation in FY2023 and 9M-2024, • Mitigating collection risk to a certain extent through insured structure of trade receivables working with well-known brands supporting asset quality, • Reasonable equity level mainly supported by inflation-adjusted capital and cash injection from shareholders in FY2024, • Strong partnership structure with controlling shares as well as proven track record and reputable brand name in the sector, • Prioritizing R&D activities together with tax advantages obtained from incentive certificate.	• Operating with low operational profit margins in analyzed periods, • Pressure of sizeable financing expenses on bottom-line profitability coupled with inadequate EBITDA generation to cover interest expenses, • Short-term weighted borrowing profile and high level of net debt to EBITDA metric, • Deterioration in cash flow metrics in 2024-9M following the recovery in FY2023, together with weak liquidity metrics in analyzed periods, • The gap between FX rates and inflation rate suppressing profitability, • Contraction in the automotive sector in the Company's main export destinations suppressing the sales performance, • 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 forefront.

The Company's audit report includes 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 the Long-Term National Issuer Credit Rating has been revised as **'BBB (tr)'**. The Company's sales performance, asset quality, equity base, shareholder structure and as well as profitability, borrowing profile, cash flow metrics 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 capital adequacy, financial structure, sales performance, asset quality, growth performance, profitability ratios and the trends of the existing risks in the markets and the business environment 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.