

Corporate Credit Rating

New Update

Sector: Metal Industry

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R A T I N G S		Long Term	Short Term
ICRs (Issuer Credit Rating Profile)	National ICR	A+ (tr)	J1 (tr)
	National ICR Outlooks	Stable	Stable
	International FC ICR	BB	-
	International FC ICR Outlooks	Negative	-
	International LC ICR	BB	-
ISRs (Issue Specific Rating Profile)	International LC ICR Outlooks	Negative	-
	National ISR	-	-
	International FC ISR	-	-
Sovereign*	International LC ISR	-	-
	Foreign Currency	BB (Negative)	-
	Local Currency	BB (Negative)	-

* Assigned by JCR on Aug 18, 2022

Ege Çelik Endüstrisi Sanayi ve Ticaret A.Ş.

JCR Eurasia Rating, has evaluated "Ege Çelik Endüstrisi ve Ticaret A.Ş." in the investment grade category and revised the Long-Term National Issuer Credit Rating from 'A (tr)' to 'A+ (tr)' and affirmed 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'.

Ege Çelik Endüstrisi ve Ticaret A.Ş. (Ege Çelik or "the Company" or "the Group") was established in 1986 and started steel production in 2001 in Aliağa/İzmir. The Company provides steel billet, rebar, coil iron and industrial gases port and warehousing services in Türkiye and exports to approximately 4 countries in 2022. The Company has 2mn tons liquid steel, 1.2mn tons rebar and coil iron production capacity. The Group has four subsidiaries. Liman İşletmeleri ve Nakliyecilik Sanayi ve Ticaret A.Ş. is engaged in port operations. Ege Denizcilik ve Liman Hizmetleri Ticaret A.Ş. is engaged in maritime agency services. EÇE Enerji Ticareti A.Ş. is involved in the purchase and sale of electricity. Ege Çelik Jeotermal Enerji Santrali A.Ş. is involved in geothermal power plant management. According to the list of Türkiye's Top 500 Industrial Enterprises, the Company ranked 185th in 2021 (FYE2020: 281th). The central office of the Company is in Esentepe/İstanbul and has 499 employees totally as the end of 2021 (FYE2020:479). The Company's main controlling shareholder is Gün Ünlüer with 97.96% and Vesile İrem Ünlüer with 2.06% as of FYE2021.

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

Strengths

- Improvement in profit margins and EBITDA generation capacity through analyzed years, despite the contraction in sales volume in 2022,
- Robust leverage and interest coverage indicators during the review period,
- Ongoing positive trend in net working capital and reasonable cash flow metrics,
- Strong asset quality supported by absence of doubtful receivables,
- Having its own port decreasing operational expenses and provides opportunities,
- Long-lasting presence and successful track-record in the sector.

Constraints

- Operating with notably low level of paid-in capital and the dominance position of the high-level non-cash revaluation gains in equity composition,
- Changing external factors, such as FX rates, raw material prices, and political tensions, may affect revenue and profitability,
- Sector-wide issue of import dependency on raw materials,
- As China's reopening and stable exchange rates generate significant headwinds to Türkiye's exporters, tight financial conditions, accompanied by global banking concerns, disrupt global growth projections,
- Further improvement needs in Corporate Governance Practice.

Considering the aforementioned points, the Company's the Long-Term National Issuer Credit Rating has been revised from 'A (tr)' to 'A+ (tr)'. Ege Çelik's asset quality, long operational track record and know how in the sector, sales revenue, increase in EBITDA generation capacity and other profitability indicators, reasonable level of indebtedness are 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 sales volume, receivable quality, profitability figures, liquidity profile and sectoral regulations 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.

