

Corporate Credit Rating

New Update

Sector: Electrical Equipment Industry

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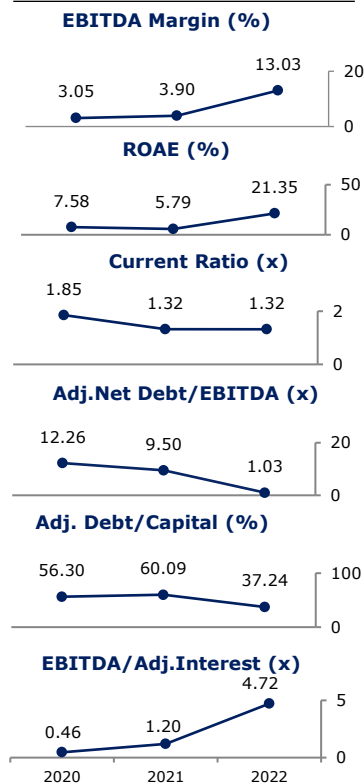
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R A T I N G S		Long Term	Short Term
ICRs (Issuer Credit Rating Profile)	National ICR	A- (tr)	J2 (tr)
	National ICR Outlooks	Stable	Stable
	International FC ICR	BB	-
	International FC ICR Outlooks	Negative	-
	International LC ICR	BB	-
ISRs (Issue Specific Rating Profile)	National ISR	-	-
	International FC ISR	-	-
	International LC ISR	-	-
Sovereign*	Foreign Currency	BB (Negative)	-
	Local Currency	BB (Negative)	-

* Assigned by JCR on Aug 18, 2022



GERSAN ELEKTRİK TİCARET VE SANAYİ ANONİM ŞİRKETİ

JCR Eurasia Rating, has evaluated the consolidated structure of "Gersan Elektrik Ticaret ve Sanayi Anonim Şirketi" in the investment grade category and assigned the Long-Term National Issuer Credit Rating as 'A- (tr)' and 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 are determined as 'BB/Negative' in line with the sovereign ratings and outlooks of Republic of Türkiye.

Gersan Elektrik Ticaret ve Sanayi Anonim Şirketi (hereinafter referred to as "Gersan" or "the Group") was established in 1985 and its roots go back to 1980. The main activity of the Group is to produce systems and materials that carry, combine and protect conductors on the line extending from power plants to the socket in the house. The Group's products include cable ducting systems, cable duct and ladder carriers, bus-bar duct systems, grounding and connection elements, underfloor duct and junction box systems, electrical distribution panels, G-Charge vehicle charging systems, G-Bus automation system, LED-bus lighting system and UVC LED systems. Gersan has a production facility in Çaycuma, Zonguldak. The Group maintains its operations by staff force of 556 employees as of 3Q2023 (FYE2022: 565).

Gersan's shareholders are Yüksel Kardeş with 13.48% and Gülfem Oktay with 0.42% 3Q2023. In addition, Gersan's shares are listed in Borsa İstanbul (BIST) since 2003 with the ticker "GEREL". As of 3Q2023, 86.10% of Gersan's shares are publicly traded.

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

Strengths

- Increase in EBITDA generation capacity through the start of production of value-added products in FY2022,
- Significant improvement in net debt to EBITDA multiplier due to increase in profitability in FYE2022,
- Improvement in operational efficiency thanks to the shortening of cash conversion cycle and the downward trend in operating ratio,
- Revenue growth potential thanks to product range,
- Despite natural hedging via maintaining of export sales, FX short position due to USD weighted financial debt structure,
- Long track record in the industry,
- High level of compliance with corporate governance practices.

Constraints

- Despite full provisioning, relatively high cumulative doubtful trade receivables,
- High financing expenses mainly stemming from FX losses and short-term weighted financial debt pressuring bottom line results,
- High non-cash contribution to revaluation gains from tangible assets to growth in equity,
- 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 Group's the Long-Term National Issuer Credit Rating has been assigned as 'A- (tr)'. Taking into account the Group's EBITDA generation capacity, revenue growth strategy, leverage indicators and experienced and qualified organizational structure, as well as, high cumulative doubtful receivables, high financing expense and geopolitical risks-driven uncertainties; 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 Group's level of debt ratio, cash flows to cover debt payments and sustainability of demand in the market 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 also be monitored.