

Corporate Credit Rating

New Update

Sector: Construction Materials Manufacturing

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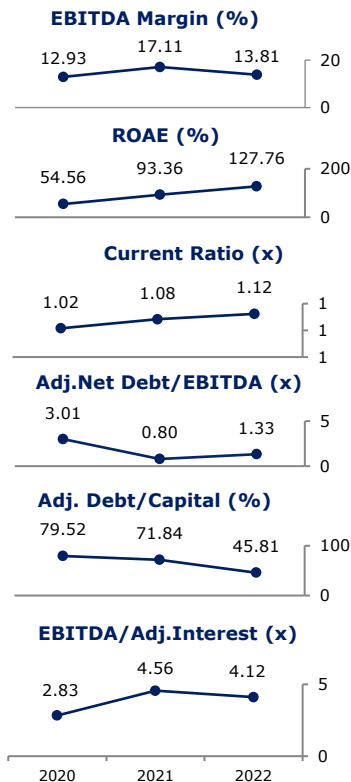
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RATINGS		Long Term	Short Term
ICRs (Issuer Credit Rating Profile)	National ICR	AA (tr)	J1+ (tr)
	National ICR Outlooks	Positive	Stable
	International FC ICR	BB	-
	International FC ICR Outlooks	Negative	-
	International LC ICR	BB	-
ISRs (Issue Specific 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



KALESERAMİK ÇANAKKALE KALEBODUR SERAMİK SANAYİ A.Ş.

JCR Eurasia Rating has evaluated "Kaleseramik Çanakkale Kalebodur Seramik Sanayi Anonim Şirketi" in the investment grade category with very high credit quality and affirmed the Long-Term National Issuer Credit Rating at 'AA (tr)' while revising its outlook from 'Stable' to 'Positive', and affirmed the Short-Term National Issuer Credit Rating at 'J1+ (tr)' with 'Stable' outlook. On the other hand, the Long Term International Foreign and Local Currency Issuer Credit Ratings and outlooks have been assigned as "BB/Negative" as parallel to international ratings and outlooks of Republic of Türkiye.

Kaleseramik Çanakkale Kalebodur Seramik Sanayi A.Ş. ("Kaleseramik" or "the Company") was founded in 2000 by the merger of Çanakkale Seramik Fabrikaları A.Ş. and Kalebodur Seramik Sanayi A.Ş., which were established in 1957 and 1972 as Türkiye's first ceramic tile and first floor tiles producers. The product range comprises ceramic wall and floor tiles, granite ceramics, sinterflex plates, frit, sanitary ware, and, bathroom and kitchen furniture. Kaleseramik has a high brand awareness, as proven by its generic brand 'Kalebodur'. The Company is headquartered in İstanbul but has 50 factories in the Çan district of Çanakkale province and one factory in the Yozgat province of Türkiye. The total ceramic tile production capacity is 56 million m²/year. According to the Ceramic World Review's ranking based on capacity in FY2021, the Company is the world's 18th largest ceramic tile company, manufacturing in a single area. The Company had an average of 30.00% export sales ratio with respect to gross sales in the FY2020-9M2023 period. Thanks to its export revenues, it took 338th place in the 2022 list of 'Türkiye's Top 1000 Exporters' of the Turkish Exporters Assembly. Moreover, it ranked 168th in sales from production in the 2022 "Türkiye's Top 500 Industrial Enterprises" survey of the İstanbul Chamber of Industry. As per the independent research company GFK, Kaleseramik's market share in the domestic ceramic tile sector was around 21-23% in FY2020-1Q2023. The Company attaches importance to R&D studies. As an output of its endeavors, it ranked 116th in the 2022 list of 'Türkiye R&D 250: Top 250 Companies with the Highest R&D Expenses'. In July 2023, 21.25% of the shares of Kaleseramik have been offered to public on Borsa İstanbul and traded since then. As of 30.09.2023, the ownership breakdown of the Company was 61.23% **H. İbrahim Bodur Holding A.Ş.**, 14.38% Victory International AG, and 24.39% others. The Bodur family ultimate controls Kaleseramik. **Mrs. Zeynep Bodur Okyay**, CEO of Kale Group, is the chairperson.

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

Strengths

- Favorable gross and net profit margins in FY2022,
- Cash surplus position as of September 2023 thanks to the IPO proceeds,
- Consistent FFO and net working capital generation,
- Effective foreign exchange risk management through utilization of derivative instruments,
- Collateral policy leading to asset quality,
- Leading domestic position in the ceramic tiles industry, and broad sectoral experience,
- High compatibility with the corporate governance practices as a publicly traded company,
- Noteworthy focus on R&D and sustainability,
- Operational synergy with Kale Group.

Constraints

- Slowdown in sales growth and contraction in profitability in 9M2023, driven by the intense competition environment as a result of the sector's weak export performance,
- Anti-dumping measures by the EU against Turkish and Indian manufacturers,
- 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 affirmed at 'AA (tr)'. The outlook for the Long-Term National Issuer Credit Rating has been determined as 'Positive' considering the Company's cash surplus position as of the latest interim financials, strengthened equity base, cash flow metrics, liquidity indicators, asset quality, sectoral position and experience, corporate governance compliance level and synergies with group companies along with the sales and profitability performance in 9M2023, highly competitive business landscape, and deterioration in local and global macroeconomic conditions. The Company's sales performance, profitability, leverage and liquidity profile, cash flow metrics, and input costs will be closely monitored by JCR Eurasia Rating in the 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.