

## Corporate Credit Rating

□New ☑Update

**Sector:** Iron and Steel  
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### RATINGS

RATINGS		Long Term	Short Term
ICRs (Issuer Credit Profile)	National ICR	AA+ (tr)	J1+ (tr)
	National ICR Outlooks	Stable	Stable
	International FC ICR	BB	J3
	International FC ICR Outlooks	Stable	Stable
ISRs (Issue Specific Profile)	International LC ICR	BB	J3
	International LC ICR Outlooks	Stable	Stable
	National ISR	-	-
	International FC ISR	-	-
Sovereign*	International LC ISR	-	-
	Foreign Currency	BB (Stable)	-
	Local Currency	BB (Stable)	-

\* Assigned by JCR on May 31, 2021

## KARDEMİR KARABÜK DEMİR ÇELİK SANAYİ VE TİCARET A.Ş.

JCR Eurasia Rating, has evaluated the "Kardemir Karabük Demir Çelik Sanayi ve Ticaret A.Ş." in the high investment level category and upgraded the Long-Term National Issuer Credit Rating from 'AA- (tr)' to 'AA+ (tr)' and assigned the Short-Term National Issuer Credit Rating as '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/Stable' as parallel to international ratings and outlooks of Republic of Turkey.

"Kardemir Karabük Demir Çelik Sanayi ve Ticaret A.Ş. (hereinafter referred to as 'the Company' or 'Kardemir') was established in 1937, was privatized in 1995 and is Turkey's first integrated iron and steel plant. Kardemir produces railway wheels, rail tracks, profiles, coils, rebar construction steel, blooms, platins, billets, angles, mine poles, pig irons, coke and coke by-products in international quality standards and provides the basic inputs in rail systems, automotive, defence industry, machinery manufacturing, construction and the mining sectors. Kardemir has four major affiliates: Kardökmak A.Ş., with its high-speed casting and mechanical working capacity, is among one of the Turkey's leading companies in the industry; Karçel A.Ş., manufacturing every type and form of steel in steel construction; Enbatı A.Ş., which operates the hydroelectric power plant, and Karsigorta, which carries out insurance activities. In addition, Kardemir has partnerships in Karçimsa A.Ş. in the cement industry, Erdemir Maden A.Ş. in the mining industry, Vademsaş A.Ş., which was established to produce railway switches suitable for all kinds of conventional and high speeds, Karabük Üniversitesi Teknoloji Geliştirme Bölgesi Yönetici A.Ş. and Energy Exchange İstanbul Inc (Epiaş.).

Kardemir had a staff force of 4,589 together with its affiliates as of March 31, 2022. All shares of Kardemir are traded on BIST under three different types, namely KRDMA, KRDMB and KRDMC classes of the share and its shareholder structure includes A Type shares 21.1%, B Type shares 10.5%, D Type shares 68.4%.

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

### Strengths

- Maintenance of strong revenue and EBITDA,
- Ongoing profit generation supporting equity level,
- Low level of customer concentration supporting asset quality,
- Maintaining large cash position easing liquidity management,
- Solid financial structure underpinned by robust cash flows metrics,
- Foreign exchange linked cash flows generation providing natural hedge,
- Strong presence in the local market and experience in the sector,
- Establishment of credible and well-established business at local and international level,
- As an institution subject to Capital Market Law, improved transparency with regard to corporate governance compliance.

### Constraints

- Fluctuations in external factors may affect revenue and profitability figures,
- The geopolitical risks stemming from the Russia-Ukraine tension increasing commodity prices and uncertainty in the appetite towards EMs.



Considering the aforementioned points, the Company's the Long-Term National Issuer Credit Rating has been upgraded from 'AA- (tr)' to 'AA+ (tr)'. Sustainable operational performance, predictability and consistency of sales revenues, remarkable increase in profitability ratios, improvement in leverage ratios, upward trend of cash flow metrics as well as fluctuations in external factors, 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 level of debt ratios, profitability ratios, cash flow generation, sectorial regulations and the attainability of the Company's budgeted projections 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.