

Corporate Credit Rating

New Update

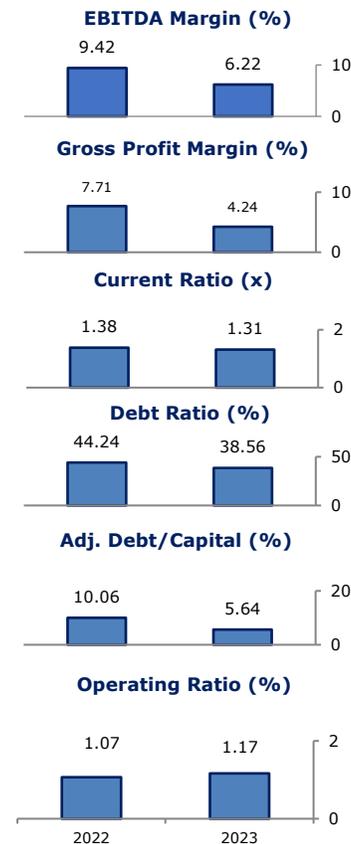
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RATINGS		Long Term	Short Term
ICRs (Issuer Credit Profile)	National ICR	AA+ (tr)	J1+ (tr)
	National ICR Outlooks	Stable	Stable
	International FC ICR	BB	-
	International FC ICR Outlooks	Stable	-
	International LC ICR	BB	-
	International LC ICR Outlooks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



KARDEMİR KARABÜK DEMİR ÇELİK SANAYİ VE TİCARET A.Ş.

JCR Eurasia Rating, has evaluated the consolidated structure of "Kardemir Karabük Demir Çelik Sanayi ve Ticaret A.Ş." in the investment grade category with very high credit quality and affirmed the Long-Term National Issuer Credit Rating at 'AA+ (tr)' and 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 determined as 'BB/Stable' in line with sovereign ratings and outlooks of Republic of Türkiye.

"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 has Türkiye'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 subsidiaries: Kardökmak A.Ş., with its high-speed casting and mechanical working capacity, is among one of the Türkiye'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, carries out insurance activities. Since Karsigorta does not affect the consolidated financial statements materially and its revenue is insignificant, it is not included in the consolidation. Kardemir and its consolidated subsidiaries are hereinafter referred to as "the Group". 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 4,631 together with its subsidiaries and affiliates as of FYE2023. All of shares of Kardemir are traded on BIST in three different types: KRDMA, KRDMB and KRDMC classes, and Kardemir has a shareholder structure consisting of 21.1% Type A shares, 10.5% Type B shares and 68.4% Type D shares.

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

Strengths

- Strong leverage metrics with net cash position in FYE2023,
- High equity level relative to asset size supported by internal resource generation capacity,
- Foreign exchange linked cash flow generation providing natural hedge in a certain extent,
- Low operating ratio supporting efficiency indicators,
- Asset quality strengthened by the low collection risks,
- 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 compliance with corporate governance principles.

Constraints

- Contraction of gross profit and EBITDA generation capacity as a result of declining revenue in FY2023 due to IAS 29 effect,
- Dependency on imported raw materials for production process,
- 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 Long-Term National Issuer Credit Rating has been affirmed at 'AA+(tr)'. Solid leverage profile, strong equity level, market share, low operating ratio, asset quality, corporate governance and risk management practices 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 financial structure, market conditions, profitability indicators, leverage level, liquidity ratios and the possible impacts of the Russia-Ukraine War on the global and Türkiye's economy and its effects on the Group's activities will be closely monitored by JCR Eurasia Rating in the upcoming periods. The macroeconomic indicators in national and international markets, as well as market conditions and legal framework about the sector will be monitored as well.