

Corporate Credit Rating

New Update

Sector: Paper and Forest Products
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RATINGS

RATINGS		Long Term	Short Term
ICRs (Issuer Credit Rating Profile)	National ICR	BBB-(tr)	J3 (tr)
	National ICR Outlooks	Negative	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 (Stable)	-
	Local Currency	BB (Stable)	-

* Assigned by JCR on May 10, 2024

KARTONSAN KARTON SANAYİ VE TİCARET A.Ş.

JCR Eurasia Rating has evaluated the consolidated structure of "Kartonsan Karton Sanayi ve Ticaret A.Ş." and assigned the Long-Term National Issuer Credit Rating as "BBB-(tr)" with a 'Negative' outlook and the Short-Term National Issuer Credit Rating as 'J3 (tr)' with 'Stable' outlook. On the other hand, the Long Term International Foreign and Local Currency Issuer Credit Ratings and outlooks were assigned as 'BB /Negative'.

Kartonsan Karton Sanayi ve Ticaret A.Ş. ("Kartonsan" or "the Company" or "the Group") was founded in 1967 as Türkiye's first privately-owned manufacturer of coated paperboard. In 1970, the Company started production and operates in the packaging sector. The Company's main field of activity is the production of coated paperboard used in the food, pharmaceutical, cosmetics and other industries. The Company's product portfolio consists of three main product series, Normprint, Exprint and Luxtriplex, designed to meet different printing and packaging requirements. Continuing its activities by increasing its capacity, Kartonsan commissioned the KM2 line in 1986, the project for which it started in 1980. Kartonsan was publicly listed on the Borsa Istanbul on 10 January 1986 under the ticker symbol 'KARTN'. In 2001, the Company was acquired by the PAK Group, which operates in the food, packaging, coated paperboard and real estate sectors.

The Company operates in a total facility of 438,660 m² with a closed area of 101,270 m². The Company's production capacity of 240,000 tonnes/year at the production facility in Kocaeli decreased to 160,000 tonnes/year after the KM1 line was shut down indefinitely on 26 July 2024. The Company's exports, totaling USD 24 million in 2024, accounted for 20% of its total sales and were distributed across 27 countries, notably Bulgaria, Greece, and Spain. Having adopted an environmentally friendly approach in its production activities and using waste paper in 93% of its production in 2024, Kartonsan holds ISO 9001, ISO 45001, ISO 14001, ISO 50001 and FSC-CoC certificates within the scope of international production and quality management standards. The Company has a total of 214 employees as of FYE2024 (FYE2023:285).

Kartonsan's free float is 21.86% and the ultimate control of the Company is held by the members of the PAK Family through the 'PAK Group' companies.

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

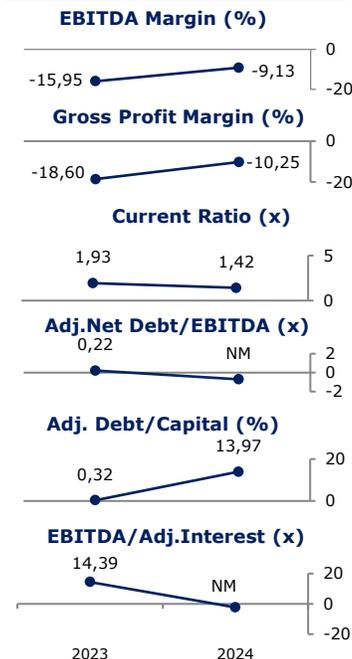
Strengths

- Maintaining positive networking capital level, despite the partial decline as of FYE2024,
- Solid equity level supported by retained earnings, though an erosion due to recent periodic losses,
- Despite the customer concentration, low level of doubtful receivables,
- Long operating history and financial support from Pak Group companies in FY2024,
- Compliance with the corporate governance practices as a publicly traded company.

Constraints

- Despite a partial recovery in 2024, significant contraction in production and sales volume due to the labour strike in 2023,
- Sizeable gross and operational losses due to the increasing costs and intense competitive environment,
- Increased financial expenses deepened the net loss in FY2024,
- Despite the high cash inflow from asset sale, negative FOCF in FY2024,
- Production capacity decrease with the closure of one of the two production lines in FY2024,
- Expected continuation of period loss in FY2025,
- High dependence on imports and volatilities on cellulose prices in the sector,
- As actions for a global soft-landing gain prominence, decisions with the potential to adversely affect global trade are engendering considerable uncertainty.

The Company's audited financial statements include inflation adjustments. Adjustments have been made in accordance with the terms of IAS 29 "Financial Reporting in Hyperinflationary Economies" regarding the changes in the general purchasing power of the Turkish Lira as of 31 FYE2024. Considering the aforementioned points, the Company's Long-Term National Issuer Credit Rating has been assigned as 'BBB-(tr)'. On the other hand, the outlook for the Long-Term National Issuer Credit Rating has been assigned as 'Negative' considering the Company's expected continuation of period loss, production capacity decreases and deterioration in local and global macroeconomic conditions. The Company's sales, EBITDA generation capacity, profit margins, leverage and coverage profile, liquidity and cash flow metrics and sectoral performance 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 the legal framework about the sector will be monitored as well.



NM: Not Meaningful.