

## Corporate Credit Rating

New Update

**Sector:** Steel

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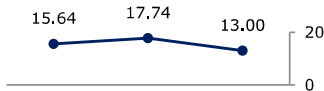
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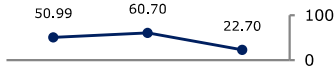
RATINGS		Long Term	Short Term
ICRs (Issuer Credit Profile)	National ICR	A (tr)	J1 (tr)
	National ICR Outlooks	Stable	Stable
	International FC ICR	BB	-
	International FC ICR Outlooks	Negative	-
	International LC ICR	BB	-
ISRs (Issue Specific Profile)	International FC ISR	-	-
	International LC ISR	-	-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

\* Assigned by JCR on August 18, 2022

### EBITDA Margin (%)



### ROAE (%)



### Current Ratio (x)



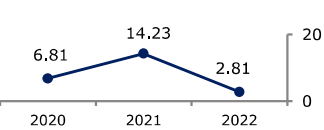
### Adj.Net Debt/EBITDA (x)



### Adj. Debt/Capital (%)



### EBITDA/Adj.Interest (x)



## Kayseri Metal Center Sanayi ve Ticaret A.Ş.

JCR Eurasia Rating, has evaluated **Kayseri Metal Center Sanayi ve Ticaret A.Ş.** in investment-level category and affirmed the Long-Term National Issuer Credit Rating at '**A (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 assigned as '**BB/Negative**' as parallel to international ratings and outlooks of Republic of Türkiye.

**Kayseri Metal Center Sanayi ve Ticaret A.Ş.** (hereinafter referred to as 'Kayseri Metal' or 'the Company') was established as a Limited Company in Kayseri in 2000 and became an Incorporated Company in 2007. The Company's main field of activity is roll sheet paint cutting process, sheet metal and printed hot rolled sheet metal cutting process, and manufacturing and selling profiles and other metal and metal products. Operating on a total area of 80,000 m<sup>2</sup>, of which 50,000 m<sup>2</sup> is closed, in Kayseri, Kayseri Metal provides service in all port cities of Türkiye, primarily Gebze, Diliskelesi, Izmir, Ereğli and Iskenderun. The Company has an annual steel processing capacity of 350,000 tons. Kayseri Metal has focused on export since 2010 and exports to approximately 40 countries in 5 continents as of today. The Company employed a total workforce of 353 as of FYE2022 (FYE2021: 303).

The partners of the Company are Ziya Eren (82.9%), Betül Eren (14.5%), Şükrü Yapışlar (2.1%) and Serkan Gürlü (0.5%). Kayseri Metal continues its activities under the roof of KMC Group together with 8 other group companies. Taking its name from the first company established, KMC Group employs more than 700 people and operates in the steel industry, construction and real estate.

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

### Strengths

- Improvement in financial leverage metrics in 2022 and expected to maintain in comfortable level in 2023
- Operating with net working capital surplus and adequate level of current ratio in the analyzed terms
- Remarkable and increasing share of export sales and geographical diversification of customer base mitigates concentration risk
- FX linked revenue generation provides resilience for the Company in a certain extent
- Decreasing level of doubtful receivables in the review period increasing asset quality
- Long-lasting presence of the partners in the sector

### Constraints

- Annual shrinkage on sales revenue during 9M2023 due to significant decrease in sales volume
- Contraction in EBITDA margin in 2022 and expected to continue in 2023
- Deterioration in interest coverage ratio in 2022
- High level of operating ratio decreasing efficiency of the Company
- Fluctuations on steel prices may put pressure on profitability margins
- Improvement needs in corporate governance practices
- 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 '**A (tr)**'. The Company's satisfactory liquidity level, improved leverage metrics, notable export sales' share and experience in the sector along with ongoing uncertainties arisen from geopolitical tensions as well as global tight financial conditions 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 Company's growth strategy, profitability indicators, financial leverage and asset quality 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.