

Corporate Credit Rating

New Update

Sector: Chemicals

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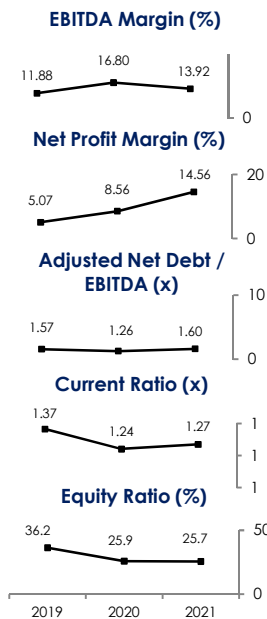
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RATINGS		Long Term	Short Term
JCRs (Issuer Credit Rating Profile)	National ICR	AA-(tr)	J1+(tr)
	National ICR Outlooks	Stable	Stable
	International FC ICR	BB	-
	International FC ICR Outlooks	Negative	-
	International LC ICR	BB	-
ISRs (Issue Specific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

* Assigned by JCR on Aug 18, 2022



Kimteks Poliüretan Sanayi ve Ticaret A.Ş.

JCR Eurasia Rating, has evaluated the "Kimteks Poliüretan Sanayi ve Ticaret A.Ş." in the high investment-level category 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 assigned as 'BB/Negative' as parallel to international ratings and outlooks of Republic of Türkiye.

Kimteks Kimya was established in 1983 to provide raw materials for various sectors such as artificial leather, sole, rubber, adhesive and paint, etc. and started to realize production, sales and distribution operations of polyurethane systems for footwear, automotive, furniture and insulation/construction sectors with its 'Polyurethane System House' in 1999. **Kimteks Poliüretan San. ve Tic. A.Ş.** (herein referred to as "Kimpur" or "the Company") was demerged from Kimteks Kimya in 2015, left its activities for distributorship for Kimteks Kimya and continues its operations since 2015 officially as Kimpur as focused on polyurethane. As wholly-domestic polyurethane system manufacturer of Turkey, the Company maintains to produce customized solutions through technology and R&D investments.

Main production facility of Kimpur is located in Gebze/Kocaeli with production capacity of 129 thousand tons per year. Total capacity of the Company was reached to 155 thousand tons as of FYE2021 with additional capacity of 25 thousand tons from Latvia investment. Moreover, with the new factory investment in Düzce, Kimpur will have reached the capacity to produce 50,000 tons more polyurethane systems in the 2023-2024 period. The total investment annual capacity in Düzce Gümüşova OSB will be 65 thousand tons. In this facility, Kimpur will also make investments to increase "EVA granule raw material" production for the shoe industry, with a "PET recycling facility" in parallel with "green product range" work. Kimpur has exports to over 45 countries.

The Company had 4 affiliates and employed a workforce of 244 people as of September 30, 2022 (FYE2021: 219). The Company went public and Kimpur shares have been quoted at Borsa İstanbul A.Ş. ("BIST") since 04-2022.

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

Strengths

- Robust revenue and profitability growth in FY2021 and 9M2022 in line with increasing sales volume and further growth potential with capacity increase investments
- Moderate financial leverage profile compared to business volume
- Providing a natural hedge in a high extent through foreign currency dominated revenue composition
- Considerable share of exports in the turnover and geographical diversification
- Competitive advantages through attained know-how, strong R&D capability, client-specific solutions creation power with high capacity and solid market position
- Revenue streams from client portfolio consisting of different sectors contributing the risk mitigation
- High level of compliance with the corporate governance principles

Constraints

- Import dependence on raw material supply and exposure to volatile input prices due to global supply & demand conditions
- Negative cash flow from operations and increasing short-term financial debt along with increasing working capital requirements
- Dividend payments restraining growth of equity share in the funding structure
- Global recession and geopolitical risks stemming from the Russia-Ukraine tension increasing uncertainty and monetary tightening across the globe deteriorating growth projections

Considering the aforementioned points, the Company's the Long-Term National Issuer Credit Rating has been affirmed as 'AA- (tr)'. The successful track-record in the sector, increasing trend of revenues and EBITDA supported by increasing sales volume, moderate financial indebtedness, solid liquidity structure and capability to access funding resources along with geopolitical risks-driven uncertainties as well as global interest rate hiking cycle constitute the principle reasons underlying the assignment the outlooks for the Long and Short-Term National Ratings as 'Stable'. The Company's sales and profitability performance, cash flow generation capacity, trend of financial indebtedness, asset and equity growth, FX position, regulation's effect on the performance, asset quality will be closely monitored by JCR Eurasia Rating in upcoming periods.