

Corporate Credit Rating

New Update

Sector: Metal Industry
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RATINGS

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	Stable	-
	International LC ICR	BB	-
ISRs (Issue Specific Profile)	International FC ISR	-	-
	International LC ISR	-	-
Sovereign*	Foreign Currency	BB (Stable)	-
	Local Currency	BB (Stable)	-

* Assigned by JCR on May 10, 2024

EBITDA Margin (%)



Gross Profit Margin (%)



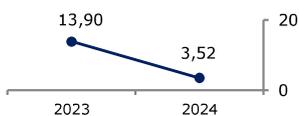
Current Ratio (x)



Adj.Net Debt/EBITDA (x)



Adj. Debt/Capital (%)



CS: cash surplus

KOÇ METALURJİ A.Ş.

JCR Eurasia Rating has evaluated "**Koç Metalurji A.Ş.**" in the investment grade category with high credit quality and affirmed the Long-Term National Issuer Credit Rating as "**A (tr)**" and 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 Ratings and outlooks of the Company have been assigned as "**BB /Stable**" as parallel to international ratings and outlooks of the Republic of Türkiye.

"**Koç Metalurji A.Ş.**" (hereinafter referred to as "**Koç Metalurji**" or the "**Company**") was established in 1993 and engages in production and sales of metal billets, ribbed rebars and rebars in its production facilities located in Osmaniye O.I.Z. and Hatay O.I.Z. in Türkiye. The Company produces billet from scrap in its facility (meltshop) in Toprakkale/Osmaniye and ribbed rebar from billet in its Payas/Hatay facility (rolling mill). The rolling mill has an annual production capacity of 520 thousand tons of rebar. On the other hand, the melting plant in Osmaniye Organized Industrial Zone has an annual production capacity of 1.1 million tons.

As of the reporting date, with 23.55% actual outstanding shares ratio the Company have been publicly traded on the Borsa İstanbul (BIST) under the ticker symbol "KOCMT" since 17 May 2024. The paid in capital and equity of Koç Metalurji stood at TRY 455mn and TRY 9.80bn, respectively at FYE2024. Also, Mr. Adil Koç has been the ultimate shareholder of "Koç Metalurji A.Ş." with 74.18% share as of the report date.

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

Strengths

- Sound level of financial leverage and interest coverage profile with cash surplus position at FYE2024
- Satisfactory liquidity management thanks to solid net working capital level and current ratio at FYE2024
- Low collection risk of receivables and favourable cash conversion cycle contributing to asset quality
- High equity level supported by retained earnings compared to total liabilities and asset size
- Favourable Opex/net sales ratio in the examined period
- Diversified income streams owing to various product range

Constraints

- Decline in revenues stemming from price cut-offs on products in FY2024 despite the sales volume growth over the analysed period
- Limited profitability margins over the analysed period along with the further contraction in FY2024
- Negative cash flow metrics in the examined period
- Ongoing concentration risk particularly on customer side
- High dependence on imports in raw material procurements
- As actions for a global soft landing gain prominence, decisions with the potential to adversely affect global trade are engendering considerable uncertainty

Considering the aforementioned points, the Company's the Long-Term National Issuer Credit Rating has been affirmed as "**A (tr)**". The competitive advantage obtained through its long-lasting presence in the sector, debt service capacity with cash surplus position at FYE2024, protection of asset quality, sound liquidity position, sufficient equity level as well as decline in revenue and EBITDA generation in FY2024, profitability margins, political tensions and other global downsides have been evaluated as important indicators for the stability of the ratings and the outlooks for Long-Term and Short-Term National Issuer Credit Ratings are determined as "**Stable**". The Company's equity level, fluctuations of the exchange rates, debt maturity and its level, cash flow and liquidity level, EBITDA margin and net profit indicators are the prior issues to be followed by JCR Eurasia Rating in the upcoming period. The macroeconomic indicators at national and international markets, as well as market conditions and legal frame about the sector will be continued to be monitored as well.