

## Corporate Credit Rating

New  Update

**Sector:** Iron and Steel

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RATINGS		Long Term	Short Term
ICRs (Issuer Credit Rating 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 Rating Profile)	International LC ICR Outlooks	Negative	-
	National ISR	-	-
	International FC ISR	-	-
Sovereign*	International LC ISR	-	-
	Foreign Currency	BB (Negative)	-
	Local Currency	BB (Negative)	-

\* Assigned by JCR on Aug 18, 2022

## Kocaer Çelik Sanayi ve Ticaret A.Ş.

JCR Eurasia Rating, has evaluated "Kocaer Çelik Sanayi ve Ticaret A.Ş." in the high-investment level category and revised the Long-Term National Issuer Credit Rating from 'A (tr)' to 'A+ (tr)' and assigned 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.

**Kocaer Çelik Sanayi ve Ticaret A.Ş.** (hereinafter referred to as 'Kocaer' or 'the Company') was established in 1984. As of FYE2022, the paid-in capital of the Company is TRY 657.57mn. The Company's main controlling shareholder is Hakan KOCAER with a 79.09% share. 20.91% of the Company's shares were offered to the public and started to be traded on Borsa İstanbul A.Ş. on 30 June 2022. The Company's old title was Kocaer Haddecilik Sanayi ve Ticaret A.Ş. and it was changed to Kocaer Çelik Sanayi ve Ticaret A.Ş. on 20.05.2021. The Company was restructured in 2021 to engage in only iron and steel and transportation activities by merging with all its subsidiaries operating in the field of iron and steel and transportation and removing its subsidiaries outside these fields. Kocaer carries out steel profile manufacturing, service center, and galvanization coating operations. The headquarter of the Company is in Denizli, and Kocaer has 3 steel profile production factories, 1 galvanizing factory, and 1 service center in Aliğa, İzmir and branches in İzmir, İstanbul, and Denizli. The subsidiary of the Company, Kocaer Steel UK was established in England in 2015 and engaged in sales, marketing, and distribution activities. The average number of personnel employed within the Company in 2022 is 887 (2021: 716).

The Company is one of the largest industrial establishments with exports to 140 countries on 6 continents. As of FYE2021, the Company was ranked as the 102<sup>nd</sup> (FYE2020: 146<sup>th</sup>) largest manufacturer of Türkiye with respect to sales revenues generated from production figures in the annual list of 500 Largest Industrial Enterprises of Türkiye (ISO500), compiled annually by the Istanbul Chamber of Industry (ISO). In 2021, the Company was also ranked 72<sup>nd</sup> (FYE2020: 101<sup>st</sup>) largest exporter company of Türkiye in the annual Top 1000 Exporter Companies list compiled by the Turkish Exporters Assembly (TIM). In the same list, the Company was also ranked as the 20<sup>th</sup> (FYE2020: 16<sup>th</sup>) largest exporter company of the steel sector in Türkiye. Besides, the Company has brand support within the scope of the Ministry of Economy Turquality program.

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

### Strengths

- Progress in sales volume and revenues supported by increased share of value-added products in FYE2022,
- Increase in EBITDA generation capacity in line with the improvement in gross profit margin,
- Enhancement of net debt/EBITDA multiplier on the back of increasing liquid assets and EBITDA in 2022,
- High share of export sales among total revenues with wide geographical diversification,
- Segregated position in the sector through having one of the innovative R&D centers in Türkiye's steel sector, sustainability approach, and participation in the Turquality programme,
- Long-lasting presence in the sector and conformity to the international quality standards.

### Constraints

- Financing expenses pressuring the bottom-line profitability to a certain extent,
- Noteworthy contribution of non-cash re-valuation to the expansion of asset size and equity,
- China's dominance over the sector leading to uncertainties,
- 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 Long-Term National Issuer Credit Rating has been upgraded from 'A (tr)' to 'A+ (tr)'. The Company's proven track record, increase in sales, positive projections for FYE2023 results, global market conditions of the sector as well as the geopolitical risks-driven uncertainties, and global interest rate hiking cycle 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 indebtedness volume, sales growth, profitability, and liquidity indicators 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.

