

Corporate Credit Rating

New Update

Sector: Iron and Steel

Publishing Date: 25.03.2024

Team Leader

Deniz Ustabas

+90 212 352 56 73

deniz.ustabas@jcrer.com.tr

Analyst

Muhammet Emin Şişman

+90 212 352 56 73

muhammet.sisman@jcrer.com.tr

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)	National ISR	-	-
	International FC ISR	-	-
	International LC ISR	-	-
Sovereign*	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 investment level category with the high credit quality 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.

Kocaer Çelik Sanayi ve Ticaret A.Ş. (hereinafter referred to as 'Kocaer' or 'the Company') was established in 1984. As of FYE2023, the paid-in capital of the Company is TRY 657.57mn. The Company's main controlling shareholder is Hakan KOCAER with a 76.10% share. 23.90% of the Company's shares are publicly traded and quoted on the Borsa Istanbul A.Ş. as of FYE2023. The Company's former 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 Aliağa, 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 2023 is 943 (2022: 887).

The Company is one of the largest industrial establishments with exports to 140 countries on 6 continents. As of FYE2022, the Company was ranked as the 92nd (FYE2021: 102nd) 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 2022, the Company was also ranked 61st (FYE2021: 72nd) 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 13th (FYE2021: 20th) 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

- Maintaining sales volume growth in 2023 despite the contraction in revenue stemming from decreasing unit prices,
- Improvement in core operational profitability indicators and internal equity generation capacity,
- Low level of financial leverage indicators over the analysed years,
- Positive cash flow metrics and NWC easing liquidity management,
- High share of export sales among total revenues and geographical diversification of exports,
- 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,
- Enhancement in the level of compliance with corporate governance practices,
- Long-lasting presence and experience in the sector and conformity to the international quality standards.

Constraints

- Financing expenses pressuring the bottom-line profitability to a certain extent despite declining financing expenses in 2023,
- Contribution of non-cash revaluation gains to asset size and equity growth,
- 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 proven track record, improvement in core operational profitability, increase in sales volume, low level of financial leverage, 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.

