Corporate Credit Rating

☐New ☒Update

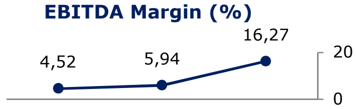
Sector: Construction Materials Manufacturing
Publishing Date: 30.05.2023

Team Leader
Başak Erçevik
basak.ercevik@jcrer.com.tr
+90 212 352 56 73
Analyst
Orhan Kara
+90 212 352 56 73
orhan.kara@jcrer.com.tr

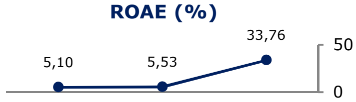
RATINGS		Long Term	Short Term
ICRs (Issuer Credit Rating Profile)	National ICR	A+ (tr)	J1 (tr)
	National ICR Outlooks	Stable	Stable
	International FC ICR	BBB-	
	International FC ICR Outlooks	Stable	
	International LC ICR	BBB-	
	International LC ICR Outlooks	Stable	
ISRs (Issue Specific Rating Profile)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

** Assigned by JCR on Aug 18, 2022*

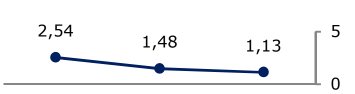
EBITDA Margin (%)



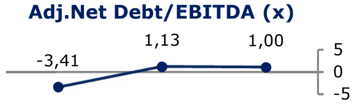
ROAE (%)



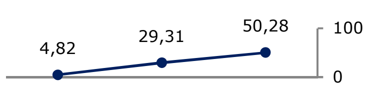
Current Ratio (x)



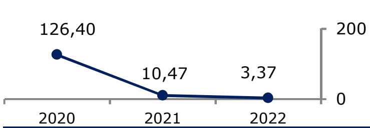
Adj.Net Debt/EBITDA (x)



Adj. Debt/Capital (%)



EBITDA/Adj.Interest (x)



Konya Çimento Sanayii Anonim Şirketi

JCR Eurasia Rating has evaluated the consolidated structure of '**Konya Çimento Sanayii Anonim Şirketi'** in the investment grade category and revised the Long-Term National Issuer Credit Rating from **'A (tr)'** to **'A+ (tr)'** and the assigned the outlook as **'Stable'.** The Short-Term National Issuer Credit Rating has been affirmed at **'J1 (tr)'** with **'Stable'** outlook. On the other hand, the Long Term International and Local Currency Issuer Credit Ratings and outlooks were assigned as **'BBB-/Stable'**.

Konya Çimento Sanayii Anonim Şirketi (referred to as 'the Company' or 'Konya Çimento) was established in 1954 under the leadership of 115 businessmen from Konya. The Company and its subsidiaries were established to operate and sale in the field of various types of cement, clinker, ready mixed concrete, and aggregate. Türkiye Çimento Sanayi A.Ş and Türkiye İş Bank became partners of the Company, which suspended its investment activities for a while due to a lack of capital and started production in 1963 with a cement capacity of 200,000 tons/year by using wet system technology. In 1989, 39.8% of Türkiye Çimento's shares were first transferred to the Public Partnership Administration and then offered to the public. In 1991, Türkiye İş Bank transferred its shares via the block sales method to the French Vicat Group, one of the world's leading cement producers. Vicat Group is the ultimate controlling shareholder with 81.88% shares in the Company's paid-in capital as of the report date. Vicat is an international group of companies and a French family-run business, one that was founded 165 years ago, after Louis Vicat invented artificial cement in 1817. Vicat Group has 16 cement factories, 267 concrete batching plants, and 72 aggregate production sites in 12 different countries worldwide. At the FYE2022, the Vicat Group has achieved sales of 3.64 billion euros and has approximately 9500 employees worldwide. Konya Çimento has been publicly traded on Borsa İstanbul since 1989 with the "KONYA" ticker with a public share ratio of 15.90% at FYE2022. As of 31 December 2021, the average number of employees of Konya Çimento is 333. (31 December 2021: 326).

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

Strengths	Constraints
• Notable improvement in EBITDA margin and FFO generation due to pricing ability particularly in FY2022, • Favorable leverage profile proven by low level of net debt/EBITDA multiplier, • Satisfactory equity base underpinned by retained earnings despite low level of paid in capital, • Low level of impaired receivables contributing to the asset quality, • Deep rooted presence in the sector supported by globally known shareholders, • High level of compliance with the corporate governance practices,	• Short term weighted maturity profile of borrowings, • FX based energy costs which may repress profitability margins in specific conditions, • Susceptibility of construction sector to macroeconomic conditions, • Tight financial conditions, accompanied by global banking concerns, disrupt global growth projections.

Considering the aforementioned points, the Company's the Long-Term National Issuer Credit Rating has been revised from **'A (tr)** to **'A+(tr)'**. The Company's notable improvement in EBITDA margin and FFO generation, favorable leverage profile, satisfactory equity base, low level of impaired receivables, long track record in the sector and high level of compliance with the corporate governance practices along with susceptibility to imported input costs and and 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 operation process, cash flow and liquidity metrics, asset quality and profitability 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.