

Corporate Credit Rating

New Update

Sector: Industrial Fabric & Composite Technologies
Publishing Date: 27.05.2024

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RATINGS		Long Term	Short Term
ICRs (Issuer Credit Rating Profile)	National ICR	AAA (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 (Stable)	-
	Local Currency	BB (Stable)	-

* Assigned by JCR on May 10, 2024

Kordsa Teknik Tekstil Anonim Şirketi

JCR Eurasia Rating, has evaluated the "Kordsa Teknik Tekstil Anonim Şirketi" in the investment grade category with the highest credit quality and affirmed the Long-Term National Issuer Credit Rating as 'AAA (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 Credit Ratings and outlooks were affirmed as 'BBB+/Stable'.

Kordsa Teknik Tekstil Anonim Şirketi (referred to as "Kordsa" or "the Company") was established in 1973 as a subsidiary of Hacı Ömer Sabancı Holding A.Ş. ("Sabancı Holding") in İzmit/Türkiye. The Company mainly focuses on tire reinforcement, composite, and construction reinforcement technologies and provides input to many industries such as automotive, aviation, aerospace, maritime, rail systems, and construction of infrastructure and superstructure. A global player in the tire and construction reinforcement as well as composite technologies markets, Kordsa operates in 7 countries, namely, Türkiye, Brazil, Indonesia, Thailand, USA, Germany and Italy with 13 production facilities. Also, Kordsa has R&D centers and technical centers. Kordsa generated consolidated sales revenues of TRY 25.50bn in FY2023 (FY2022: TRY 18.44bn), by region 37% Europe, the Middle East and Africa (EMEA), 31% North America (NA), 22% Asia, and 10% South America (SA). The average number of employees within the Company is 4,614 in FY2023 (FY2022: 5,082). The Company's main shareholder is Sabancı Holding, with a rate of 71.11% as of reporting date. Kordsa shares have been traded on Borsa İstanbul Index (BIST) since 1986 with a free-float rate of 28.89% under ticker-name of "KORDS".

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

Strengths

- Revenue structure with balanced portfolio based on the regions along with efforts for segment and sector diversification reducing the concentration risk,
- Natural hedging opportunity derived from hard currency-denominated revenues and solid cash generation capacity,
- Maintaining a solid equity ratio in the analyzed periods,
- Emphasis on sustainability and product development activities in all sectors in which it operates through R&D and technical centres,
- Reputable partnership structure backed by Sabancı Group,
- High level of compliance with Corporate Governance Practices.

Constraints

- Shrinkage in USD-based revenue in FY2023 in line with market demand in tire reinforcement sector as well as decreasing raw material prices,
- Deterioration in EBITDA margin in FY2023 due to China's inventory effect as well as inflation, exchange rate and parity effects, along with pressured bottom line results with increased financing expenses,
- 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 the Company's Long-Term National Issuer Credit Rating has been affirmed as 'AAA (tr)'. The Company's revenue and EBITDA generation capacity, profitability indicators, leverage metrics, asset quality, risk management implementations, successful track record, and long experience in the sector, along with ongoing uncertainties arisen from geopolitical tensions as well as 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 profitability performance, asset quality and equity structure 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.

