

Corporate Credit Rating

New Update

Sector: Chemicals Manufacturing

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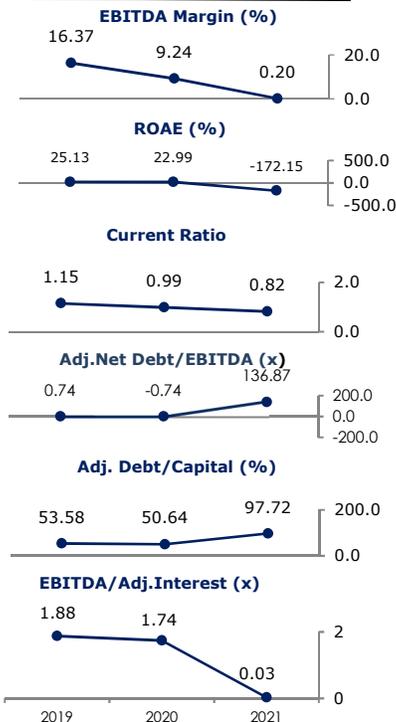
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RATINGS		Long Term	Short Term
ICRs (Issuer Credit Rating Profile)	National ICR	BBB (tr)	J2 (tr)
	National ICR Outlooks	Stable	Stable
	International FC ICR	BBB-	J3
	International FC ICR Outlooks	Stable	Stable
	International LC ICR	BBB-	J3
ISRs (Issue Specific Rating Profile)	International LC ICR Outlooks	Stable	Stable
	National ISR	-	-
	International FC ISR	-	-
Sovereign*	International LC ISR	-	-
	Foreign Currency	BB (Stable)	-
	Local Currency	BB (Stable)	-

* Assigned by JCR on May 31, 2021



Marshall Boya ve Vernik Sanayi Anonim Şirketi

JCR Eurasia Rating, has evaluated 'Marshall Boya ve Vernik Sanayi Anonim Şirketi' in an investment-level category and assigned the Long-Term National Issuer Credit Rating at 'BBB (tr)' and the Short-Term National Issuer Credit Rating at 'J2 (tr)' with 'Stable' outlooks. On the other hand, the Long Term International Foreign and Local Currency Issuer Credit Ratings and outlooks were assigned as 'BBB-/Stable'.

Marshall Boya ve Vernik Sanayi Anonim Şirketi (referred to as 'the Company' or 'Marshall') was established in Istanbul in 1954 with the partnership of Uzunyol and Toprakçoğlu families. The Company's production facilities were moved to Dilovası/Kocaeli in 1967. The Company produces various paint and varnish products in its factory in Dilovası at present. The Company started to produce automotive paints in 1991 and became the first paint company in Turkey to have ISO 9000 quality certificate. It started general industrial paint production in 1994 and produced its first water-based paint in 1996. The Company became the first paint company to have the "Triple Responsibility" certificate in Turkey in 1997. Akzo Nobel Coatings Turkey B.V. -which is the subsidiary of one of the leading chemical manufacturers worldwide located in Netherlands; Akzo Nobel Coatings International- became a partner of the Company in 1998 and was the principal shareholder with 88.25% interest as of 31.12.2021 Akzo Nobel is an international company operating in healthcare, paint coating and chemicals sectors in more than 80 countries. Marshall has been publicly traded on Borsa İstanbul since 1990 with "MRSHL" ticker with a public share ratio of 11.75% at FYE2021. On the other hand, the ultimate controlling interest of Akzo Nobel Coatings International B.V.'s in the shareholding structure was 92.97% as of the report date. As of 31 December 2021, the average number of employees of Marshall is 235. (31 December 2020: 226).

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

Strengths

- Constantly increasing sales revenues along with growing total asset size
- High level of compliance with the corporate governance practices due to the listed status
- New product and technology creation power stemming from strong R&D center
- High brand recognition provided by long track record in the sector supported by reputable shareholders

Constraints

- Deterioration in leverage profile due to significant downtrend in EBITDA generation
- Notably shrinking equity size due to limited paid-in capital and net loss which may lead to cash injection needs
- Upsurge in debt ratio along with increasing short-term financial liabilities
- Negative FFO and rising NWC deficit pressuring liquidity management
- High short foreign currency position due to FC-denominated production inputs
- Susceptibility of construction sector to macroeconomic conditions which may pressure decorative product demand
- The geopolitical risks stemming from the Russia-Ukraine tension increasing commodity prices and creating uncertainty

Considering the aforementioned points, the Company's the Long-Term National Issuer Credit Rating has been assigned as 'BBB (tr)'. Improvement signals regarding operational profitability in Q12022, constantly increasing sales revenues, high level of compliance with the corporate governance practices and long track record in the sector supported by global shareholders along with geopolitical risks-driven uncertainties 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.