

Corporate Credit Rating

New Update

Sector: Construction Materials
 Manufacturing

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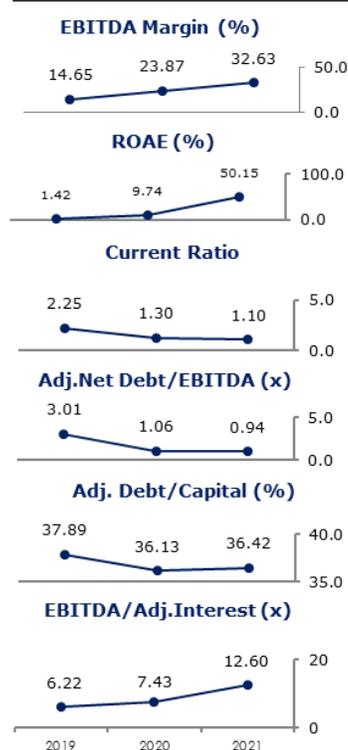
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RATINGS		Long Term	Short Term
ICRs (Issuer Credit Rating Profile)	National ICR	AA (tr)	J1+ (tr)
	National ICR Outlooks	Stable	Stable
	International FC ICR	BB	-
	International FC ICR Outlooks	Negative	-
	International LC ICR	BB	-
ISRs (Issue Specific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

* Assigned by JCR on Aug 18, 2022



NG KÜTAHYA SERAMİK PORSELEN TURİZM A.Ş.

JCR Eurasia Rating has evaluated 'NG Kütahya Seramik Porselen Turizm A.Ş.' in the high investment grade category and revised the Long-Term National Issuer Credit Rating from 'AA- (tr)' to 'AA (tr)' and assigned the outlook as 'Stable'. The Short-Term National Issuer Credit Rating was affirmed at 'J1+ (tr)' with 'Stable' outlook. On the other hand, the Long-Term International Foreign and Local Currency Issuer Credit Ratings and outlooks were assigned as 'BB/Negative', in line with the global and national scale rating mapping published by JCR Eurasia Rating.

NG Kütahya Seramik Porselen Turizm A.Ş. ("the Company" or "NG Kütahya Seramik") was established in 2004 in Kütahya province of Türkiye in order to operate in the field of ceramic wall and floor tiles manufacturing, yet the principal shareholder's experience in the sector dates back to 1989 with 'Kütahya Seramik' brand. As of the report date, the Company conducts out its activities in its 8 facilities (Floor tiles 1-2 factories, wall tiles factory, glazed porcelain 1-2 factories, granite factory, 15 Temmuz Şehitler technical granite factory and 29 Ekim glazed porcelain factory) with a total theoretical production capacity of 48 million square meters per annum. NG Kütahya Seramik had a business network which was composed of 132 business partners and 237 stores throughout Türkiye and its international sales channels involved 353 business partners and 482 sales points in 79 countries as of the report date. The Company takes place in the scope of national brand building 'Turquality Support Program' of the 'Republic of Turkey Ministry of Trade'. In addition to its principal business activity of ceramic tiles manufacturing, NG Kütahya Seramik has been operating a hotel in Antalya province since April, 2021; NG Phaselis Bay. The principal shareholder of the Company was Mr. Nafi Güral with 24.31% share ratio in the paid-in capital of TRY 450.00mn, Ms. Gülsüm Güral possessed 12.03% of the shares and the rest was equally distributed among the Güral family members; Mr. Erkan Güral, Mrs. Sema Güral Sürmeli, Ms. Hediye Güral and Ms. Gülden Güral and the Company had a staff force of 1,919 employees at FYE2021. (FYE2020: 1,048)

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

Strengths

- Ongoing increases regarding revenues and EBITDA margin in the analysed period,
- Solid leverage profile underpinned by EBITDA and FFO generation,
- Ability to generate export revenues, offsetting the FC risk to a certain degree together with LC-weighted borrowings
- Satisfactory liquidity metrics guarding against immediate cash outflows,
- Strengthening equity structure via retaining previous years' earnings instead of dividend pay outs
- Low level of doubtful receivables contributing to asset quality,
- Top-tier position in the domestic market and deep-rooted operating history

Constraints

- Expected pressure of input costs (energy in particular) on profitability performance in the upcoming period,
- Anti-dumping proceeding by EU against Turkish and Indian manufacturers,
- Room for improvement regarding compliance with the corporate governance implementations,
- 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 the Long-Term National Issuer Credit Rating has been revised from 'AA- (tr)' to 'AA (tr)'. The ongoing improvement in its operational performance (revenues and operating profitability in particular) in the analysed period between FYE2021-FYE2019, downtrend of net debt/EBITDA multiplier indicating a robust leverage profile, satisfactory liquidity metrics, deep-rooted operating history together with rising input costs, ongoing anti-dumping proceeding of EU against Turkish manufacturers which may put pressure on margins and concerns regarding geopolitical risks and global recession have been evaluated as important indicators for the determination of the outlook of the ratings and the outlooks for Long-Term National Issuer Credit Rating is determined as 'Stable'. NG Kütahya Seramik's indebtedness composition and solvency performance, revenue generation, export power, profitability indicators, EU's anti-dumping proceeding, the tension between Russia-Ukraine along with macroeconomic indicators at national and international markets will be closely monitored by JCR Eurasia Rating in upcoming periods. The national and international market conditions as well as legal framework about the sector will be monitored as well.