

## Corporate Credit & Issue Rating

New  Update

**Sector:** Construction Materials Manufacturing

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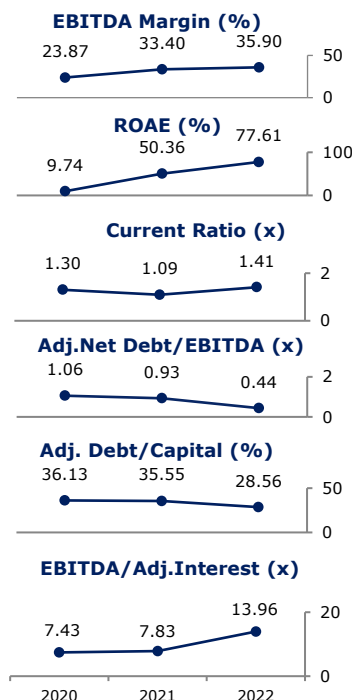
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R A T I N G S		Long Term	Short Term
ICRs (Issuer Credit Rating Profile)	National ICR	AA+ (tr)	J1+ (tr)
	National ICR Outlooks	Stable	Stable
	International FC ICR	BB	-
	International FC ICR Outlooks	Negative	-
	International LC ICR	BB	-
ISRs (Issue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

\* Assigned by JCR on Aug 18, 2022



## NG KÜTAHYA SERAMİK PORSELEN TURİZM ANONİM ŞİRKETİ

JCR Eurasia Rating has evaluated "NG Kütahya Seramik Porselen Turizm Anonim Şirketi" in the investment grade category with very high credit quality and revised the Long-Term National Issuer Credit Rating from 'AA (tr)' to 'AA+ (tr)' and affirmed 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 have been assigned as "BB/Negative" as parallel to international ratings and outlooks of Republic of Türkiye.

**NG Kütahya Seramik Porselen Turizm Anonim Şirketi** ("NG Kütahya Seramik" or "the Company") 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 with a total theoretical production capacity of 48 million square meters per annum. The Company takes place in the scope of 'Turquality Support Program' of the Ministry of Trade of the Republic of Türkiye. 17.65% of the Company's gross revenues originated from export sales at FYE2022. Thanks to its export revenues, NG Kütahya Seramik ranked 547<sup>th</sup> in the list of 'Türkiye's Top 1000 Exporters 2022' prepared by Turkish Exporters Assembly (2021: 542<sup>nd</sup>). 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. The Company had a staff force of 1,953 employees at FYE2022 (FYE2021: 1,919).

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

### Strengths

- Ongoing progress in sales revenues thanks to both price and volume increases in FY2022,
- Solid gross profit and EBITDA margins,
- Low level of net debt/EBITDA multipliers,
- Strengthened equity base via internal equity generation capacity,
- Consistent NWC, CFO and FFO generation in the analyzed period,
- Export revenues providing FC risk mitigation opportunities,
- Maintained asset quality evidenced by the low level of doubtful receivables,
- Top-tier domestic position and broad sectoral experience.

### Constraints

- Slowdown in sales growth and decline in profitability in 1H2023 as per Provisional Tax Return results, driven by the intense competition environment,
- Anti-dumping measures by the EU against Turkish and Indian manufacturers pressuring export capabilities,
- Improvement needs in terms of corporate governance compliance,
- Leading economic indicators signal global economic slowdown as quantitative 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 revised from 'AA (tr)' to 'AA+ (tr)'. The Company's sales performance in FY2022, profit margins, leverage and liquidity profile, cash flow metrics, export performance, asset quality, and sectoral position along with input costs, intense competition environment, corporate governance compliance level, and deterioration in local and global macroeconomic conditions have been evaluated as important indicators for the 'Stable' outlooks for the Long and Short-Term National Issuer Credit Ratings. The Company's profitability performance, revenues, leverage profile, liquidity and cash flow metrics, efficiency indicators, and input costs will be closely monitored by JCR Eurasia Rating in the 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.