

Corporate Credit Rating

☐ New ☒ Update

Sector: Paper & Forest Products

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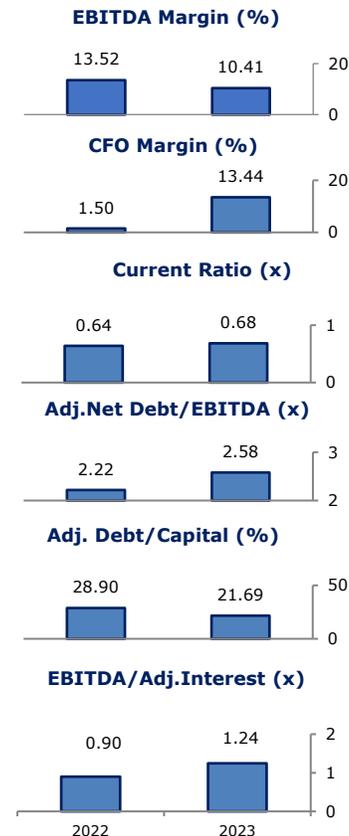
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RATINGS		Long Term	Short Term
ICRs (Issuer Credit Profile)	National ICR	A- (tr)	J2 (tr)
	National ICR Outlooks	Stable	Stable
	International FC ICR	BB	-
	International FC ICR Outlooks	Stable	-
	International LC ICR	BB	-
ISRs (Issue Specific Profile)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

* Assigned by JCR on May 10, 2024



ORMA ORMAN MAHSÜLLERİ İNTEGRE SANAYİ VE TİCARET A.Ş.

JCR Eurasia Rating, has evaluated "Orma Orman Mahsülleri İntegre Sanayi ve Ticaret A.Ş." in the investment grade category with high credit quality and affirmed the Long-Term National Issuer Credit Rating at 'A- (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 determined as 'BB/Stable' in line with sovereign ratings and outlooks of Republic of Türkiye.

Orma Orman Mahsülleri İntegre Sanayi ve Ticaret A.Ş. (hereinafter "the Company" or "Orma"), was established in 1970. Orma manufactures raw, melamine faced chipboards and humid resistant chipboards in its factory located in Isparta, serving the needs of the furniture, decoration and construction sectors. The Company exports its products app. 30 countries on 5 continents and app. 35% of its revenue is derived from international markets. Orma's annual production capacity consists of 710.172 m³ raw chipboards, 600.479 m³ melamine faced chipboards. The Company also produces melamine coated paper and glue in order to utilize through Orma's production line and supporting cost minimization. The Company employed a staff force of 400 as of FYE2023 (FYE2022:388).

As of FYE2023, the Company's shareholders are Göl Yatırım Holding A.Ş., Göltaş Göller Bölgesi Çimento Sanayi ve Ticaret A.Ş. and other shareholders holding less than 10% of the share-capital with the shares of 67.67%, 16.84% and 3.00%, respectively. Orma is traded in Pre-Market Trading Platform (PMTP) with a 12.49% rate.

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

Strengths

- Maintenance of revenue underpinned by increasing unit prices in the analysed period,
- Considerable share of export sales among net sales and geographical diversification of exports,
- Reasonable level of leverage metrics in FY2023,
- Equity structure strengthened by the internal resource generation capacity, despite low level of paid-in capital,
- Improvement in cash flow metrics in FY2023,
- Manageable customer concentration risk supporting asset quality,
- Cost advantage gained through economies of scale and new product creation capability, mainly in chemicals, thanks to ongoing investments,
- Long-term trend in domestic furniture demand providing room for further growth,
- Extensive know-how in the sector and long operating track record.

Constraints

- Contraction of gross profit and EBITDA generation capacity in FY2023,
- Ongoing net working capital deficit over the reporting period,
- Low level of EBITDA to Interest Expense ratio in the analysed period,
- High level of financial expenses pressuring bottom line results,
- Exposure to short FX position in the analysed period, despite natural hedging opportunity in a certain extent,
- 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 points, the Company's Long-Term National Issuer Credit Rating has been affirmed at 'A- (tr)'. The Company's sustainable revenue generation, considerable export share, internal equity generation capacity, reasonable leverage metrics and successful track record in the sector, as well as, contraction of profitability indicators as well as net working capital deficit and low level of coverage metrics 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 financial structure, market conditions, profitability indicators, leverage level, liquidity ratios and the possible impacts of the Russia-Ukraine War on the global and Türkiye's economy and its effects on the Company's activities will be closely monitored by JCR Eurasia Rating in the upcoming periods. The macroeconomic indicators in national and international markets, as well as market conditions and legal framework about the sector will be monitored as well.