

Corporate Credit Rating

New Update

Sector: Cement

Publishing Date: Sep. 27, 2022

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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)	International LC ICR Outlooks	Negative	-
	National ISR	-	-
	International FC ISR	-	-
Sovereign*	International LC ISR	-	-
	Foreign Currency	BB Negative	-
	Local Currency	BB Negative	-

* Assigned by JCR on August 18, 2022

OYAK ÇİMENTO FABRİKALARI ANONİM ŞİRKETİ

JCR Eurasia Rating, has evaluated the "Oyak Çimento Fabrikaları Anonim Şirketi" in the very high investment level category and assigned the Long-Term National Issuer Credit Rating as 'AA+ (tr)' and the Short-Term National Issuer Credit Rating at 'J1+ (tr)'. On the other hand, the Long Term International Foreign and Local Currency Issuer Credit Ratings and outlooks were assigned as 'BB/Negative' as parallel to international ratings and outlooks of Republic of Turkey.

Oyak Çimento Fabrikaları Anonim Şirketi (referred to as 'the Company' or 'Oyak Çimento Fabrikaları') produces and sells cement and related products. Oyak Çimento A.Ş. as a 100% subsidiary of Ordu Yardımlaşma Kurumu, was established as of November 25, 2015-took over the shares of Mardin Çimento which belonged to Ordu Yardımlaşma Kurumu and became the main shareholder of the Company. Publicly traded cement companies of the Oyak Group- including Aslan Çimento A.Ş., Adana Çimento Sanayii Türk A.Ş., Bolu Çimento Sanayii A.Ş. and Ünye Çimento Sanayi ve Ticaret A.Ş. merged under Oyak Çimento Fabrikaları A.Ş. through takeover in May, 2020. Following of competition of legal process, the title of the Company was changed to Oyak Çimento Fabrikaları A.Ş. One of the subsidiaries of the Company, Oyak Beton San. ve Tic. A.Ş. has merged with Oyak Çimento Fabrikaları A.Ş. with all its assets and liabilities as of December 31, 2020.

Ordu Yardımlaşma Kurumu transferred 40% of Oyak Çimento shares to Taiwan Cement Company in November, 2018. Ordu Yardımlaşma Kurumu is a legal entity subject to the provisions of private law, financially and administratively autonomous, and was established as of March 1, 1961 by Law No 205. OYAK, the "Aid and Pension Fund" of Forces Turkish Armed Forces (TAF) members, also has more than 50 direct and indirect subsidiaries operating in industry, finance and service sectors.

The shares of the Company are traded in Borsa Istanbul under the ticker symbol "OYAKC" with the free float rate of 26.75% as of December 31, 2021. The main shareholder of Oyak Çimento Fabrikaları A.Ş. (73.25%) and is ultimately controlled by Oyak Çimento A.Ş. The number of employees of the Company is 2,082 in FYE2021 (FYE2020:1,996).

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

Strengths

- Strong EBITDA generation capacity supported by diversified income stream and product range,
- Solid financial position and cash buffer via strengthened free cash flow generation easing liquidity structure,
- Strong equity level,
- Remaining low level of financial risk indicators through internal equity generation,
- Strong market influence via expanding footprint enjoying sustainable competitive advantages,
- Sectoral structure providing high growth potential for organized companies,
- Sound partnership structure strengthening market position,
- High level of compliance with Corporate Governance Practices.

Constraints

- Regional intense competition driving vulnerability on margins,
- FX based energy costs pressuring on profitability margins in specific conditions.

Considering the aforementioned points, the Company's Long-Term National Issuer Credit Rating has been assigned as 'AA+ (tr)'. Internal equity generation capacity, effective cost management, diversified income stream structure against market fluctuations and experienced and qualified organizational structure, synergic relationship with Oyak Group as well as, increasing energy costs, sectorial developments and 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 sectorial regulations, level of debt ratio, profitability ratios, cash flow generation and geopolitical risks 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.

