

Corporate Credit Rating

New Update

Sector: Construction Materials Industry

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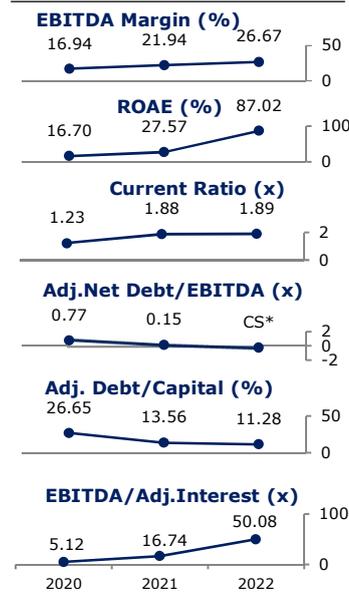
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RATINGS		Long Term	Short Term
ICRs (Issuer Credit Rating Profile)	National ICR	AA+ (tr)	J1+ (tr)
	National ICR Outlooks	Stable	Stable
	International FC ICR	BB	-
	International FC ICR Outlooks	Negative	-
	International LC ICR	BB	-
ISRs (Issue Specific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

* Assigned by JCR on Aug 18, 2022



OYAK ÇİMENTO FABRİKALARI ANONİM ŞİRKETİ

JCR Eurasia Rating, has evaluated the consolidated structure of "Oyak Çimento Fabrikaları Anonim Şirketi" in the investment level category and affirmed the Long-Term National Issuer Credit Rating as 'AA+ (tr)' and the Short-Term National Issuer Credit Rating as 'J1+ (tr)' with 'Stable' outlooks. 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 Türkiye.

Oyak Çimento Fabrikaları Anonim Şirketi (hereinafter referred to as "Oyak Çimento Fabrikaları" or "the Group") produces and sells clinker and cement. Oyak Denizli Çimento A.Ş. (formerly known as Oyak Çimento A.Ş. before its merger with Denizli Çimento A.Ş.), was established on November 25, 2015, as a 100% subsidiary of Ordu Yardımlaşma Kurumu (OYAK). Subsequently, it became the main shareholder of the Group by taking over Mardin Çimento shares owned by Ordu Yardımlaşma Kurumu. 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 Group was changed to Oyak Çimento Fabrikaları A.Ş. One of the subsidiaries of the Group, 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.

OYAK transferred 40% of Oyak Çimento shares to Taiwan Cement Company in November, 2018. 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 Group are traded in Borsa Istanbul under the ticker symbol "OYAKC" with the free float rate of 26.00% as of December 31, 2022. The main shareholder of Oyak Çimento Fabrikaları A.Ş. (74.00%) and is ultimately controlled by Oyak Denizli Çimento A.Ş. The number of employees of the Group is 2,165 in FYE2022 (FYE2021: 2,082).

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

Strengths

- Upward trend of profitability indicators underpinned by diversified product range along with effective cost management,
- Strong financial profile characterized by healthy cash surplus in FYE2022 leading sound coverage and leverage position,
- Solid cash flow metrics easing liquidity management and cash buffer,
- Notably high level of equity supported by the retained earnings and internal resource generation capacity,
- Robust market presence through an expanding footprint, leveraging sustainable competitive advantages,
- Favourable industry composition, offering substantial growth prospects,
- Deep-rooted operating history and sound partnership structure,
- High level of compliance with corporate governance practices and quality standards as a publicly traded company.

Constraints

- Competitive market structure of the cement sector,
- Foreign currency-based and volatile energy costs may put pressure on profitability margins in specific conditions,
- Global economic growth slows down evidenced by trade figures on the back of rapid monetary tightening, whereas domestic restrictive financial conditions limit access to finance.

Considering the aforementioned points, the Group's the Long-Term National Issuer Credit Rating has been assigned as 'AA+ (tr)'. The Group's internal equity generation capacity, effective cost management strategy, strong leverage and coverage positions, synergic relationship with Oyak Group, as well as increasing energy cost and competitive structure of the sector 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 Group's profitability indicators, sustainability of domestic and international demands, market position and economic conditions in Türkiye 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 also be monitored.