Corporate Credit Rating

☐New ☒Update

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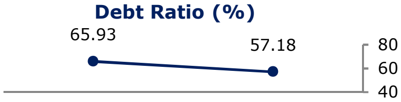
RATINGS		Long Term	Short Term
ICRs (Issuer Credit Rating Profile)	**National ICR**	**AA- (tr)**	**J1+ (tr)**
	National ICR Outlooks	Stable	Stable
	International FC ICR	BB	-
	International FC ICR Outlooks	Stable	-
	International LC ICR	BB	-
	International LC ICR Outlooks	Stable	-
ISRs (Issue Specific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

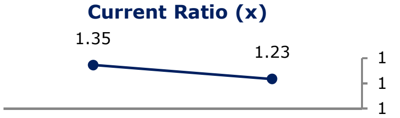
**Assigned by JCR on May 10, 2024*

EBITDA Margin (%)

Debt Ratio (%)

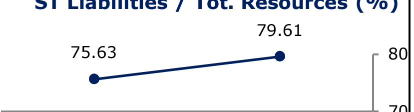


Current Ratio (x)

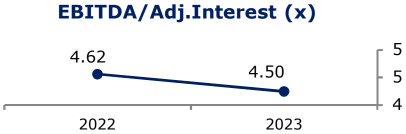


Adj.Net Debt/EBITDA (x)

ST Liabilities / Tot. Resources (%)



EBITDA/Adj.Interest (x)



SARTEN AMBALAJ SANAYİ VE TİCARET A.Ş.

JCR Eurasia Rating has evaluated **Sarten Ambalaj Sanayi ve Ticaret A.Ş.** in the investment-grade category with very high credit quality and affirmed the Long-Term and the Short-Term National Issuer Credit Ratings as **'AA- (tr)'** and **'J1+ (tr)'**, with **'Stable'** outlooks. On the other hand, the Long Term International Foreign and Local Currency Issuer Credit Ratings have been affirmed as **'BB'**, and outlooks assigned as **'Stable'** according to JCR-ER's national-global mapping methodology, as parallel to international ratings and outlooks of the Republic of Türkiye.

Sarten Ambalaj Sanayi ve Ticaret A.Ş. (hereinafter referred to as 'Sarten' or 'the Company' or 'the Group') was established on March 13, 1972, in Çorlu/Tekirdağ. Sarten produces hard metal and plastic packaging, jar lids and easy-to-open lids for four main sectors: food, industry, cosmetics and decorative. Having left behind 50 years of commercial life, the Company exports to approximately 100 countries and benefits from the "Turquality" incentive program. Headquartered in Şişli/İstanbul, as a Group including foreign subsidiaries currently operates 18 domestic production facilities across Türkiye, two overseas plants in Russia and Netherlands, and regional marketing and distribution offices across the region. The Group has production facilities with a total area of 341,125 sqm, of which 141,395 sqm are enclosed. Sarten was ranked as 77th largest manufacturer in the list of Türkiye's Top 500 Industrial Enterprises (ISO500) in FY2023 (FY2022:77th), concerning sales revenues generated from production figures, compiled annually by the İstanbul Chamber of Industry (ISO). In FY2023, the Company was ranked 136th largest exporter company of Türkiye in the annual Top 1000 Exporter Companies list compiled by TIM -Turkish Exporters Assembly (140th in FY2022). In the same list, the Company was also ranked as the 22nd largest exporter company of the steel industry in Türkiye (30th in FY2022).

As of 1H2024, paid in capital of the Sarten amount to TRY 105.3mn (FYE2023: TRY 105.3mn). The partnership structure of Sarten, which was previously entirely owned by the Sarıbekir family, changed in FY2015. Japan-based Mitsui & Co. Europe plc became a partner in the Company by purchasing 15% of Sarten's shares. Mitsui's current paid-in capital in the Company is TRY 15.79mn. The Group sustains its operations with 3,222 personnel within its structure as of 1H2024 (FYE2023: 3,668).

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

Strengths

- Consistent sales volumes and increase in EBITDA generation capacity despite decline in sales revenues due to inflation accounting and trend in commodity prices inFY2023
- Improvement in core profitability metrics in FY2023
- The progress in the debt ratio, driven by inflationary and revaluation adjustments, notwithstanding the quite low and stable paid-in capital level relative to total assets
- Solid export volumes and natural hedging opportunities to some extent as well as having competitive advantages thanks to the prominent position as seen on reputable lists of Türkiye at FY2022 and FY2023
- Low collection risk, supported by a diversified customer base in varied sectors, alongside collateralized sales structure and reduced doubtful receivables ratio
- Ongoing investments and strategically located facilities enhance operational efficiency, economies of scale, brand awareness, and mitigate regional risks
- Commitment to sustainability supported by solar investments, R&D center, and government incentives, which strengthen the ESG profile
- Long-standing operational history dates back to 1970s and solid shareholding structure, including globally renowned shareholder Mitsui & Co Europe plc
- Compliance with corporate governance practices and continued ability to reach alternative financial sources

Constraints

- Increase in financial indebtedness as of the reporting date due to CapEx related outflows despite an improvement in leverage in terms of adjusted net debt to EBITDA at FYE2023 compared to FYE2022
- Liquidity remains under potential pressure from the short-term weighted borrowing structure, despite maintaining positive NWC at FYE2022 and FYE2023
- The ongoing short FX position on the balance sheet as of FYE2023, despite being partially hedged and mitigated by FX-denominated pricing mechanism
- Susceptibility to raw material price volatility, coupled with elevated costs of goods and rising operating expenses driven by higher wage costs may put pressure on profitability
- In the shadow of geopolitical risks, leading economic indicators point to continued weakness in global demand conditions, whereas actions for a soft-landing are at the forefront

Considering the aforementioned points, the Goup's Long-Term National Issuer Credit Rating has been affirmed as **'AA- (tr)'**. The Group's consistent sales volume in sold units, improvement in core profitability metrics, low collection risk, and long-track record coupled with solid shareholding structure as well as macroeconomic indicators at national and international markets along with ongoing uncertainties arisen from geopolitical tensions, and global interest rate cycle, 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 growth in terms of sales revenue and volume, equity structure, liquidity position, profitability, indebtedness structure, and also impact of leading economic indicators whereas quantitative tightening actions aim to restrict consumption growth and achieve a soft-landing in the domestic side are the main factors that will be closely monitored by JCR Eurasia Rating in upcoming periods. The macroeconomic indicators at national and international markets, as well as market conditions about the sector will be monitored as well.