

Corporate Credit Rating

New Update

Sector: Metal Industry

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

* Assigned by JCR on May 10, 2024

İSKENDERUN DEMİR VE ÇELİK A.Ş.

JCR Eurasia Rating has evaluated "İskenderun Demir ve Çelik A.Ş." in the investment grade category with the highest credit quality, affirmed the Long-Term National Issuer Credit Rating at 'AAA (tr)' and 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 were determined as 'BB/Stable' in line with the sovereign ratings and outlooks of Republic of Türkiye.

"İskenderun Demir ve Çelik A.Ş." (hereinafter referred to as "İsdemir" or "the Company") was established on November 12, 1968 in Hatay, Türkiye. The Company produces billets, wire rod, hot rolled coil, slab and pig iron as well as by-products such as coke, oxygen, nitrogen, argon, ammonium sulphate, granulated slag, tar and benzol.

İsdemir, the largest subsidiary of "Ereğli Demir ve Çelik Fabrikaları T.A.Ş." (hereinafter referred to as "Erdemir") and a member of the OYAK Group, continues its activities as Türkiye's third oldest integrated plant as of its establishment date and Türkiye's only and largest integrated plant capable of producing flat and long products simultaneously with a liquid steel capacity of 5.8mn tons/year. The Company also has an installed production capacity of 3.5mn tons/year for flat products, 0.6mn tons/year for coils and 2.5mn tons/year for billets as finished products.

İsdemir ranked 12th in the list of Türkiye's Top 500 Industrial Enterprises published by Istanbul Chamber of Industry in 2023 (2022: 6th).

The Company has a total of 4,733 employees as of 3Q2024 (FYE2023: 4,532).

As of 3Q2024, the main ultimate controlling shareholder of the Company is "Ereğli Demir ve Çelik Fabrikaları T.A.Ş." with 94.87% shares. The remaining 5.13% of the shares are publicly traded on the Borsa Istanbul (BIST) with the ticker symbol "ISDMR".

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

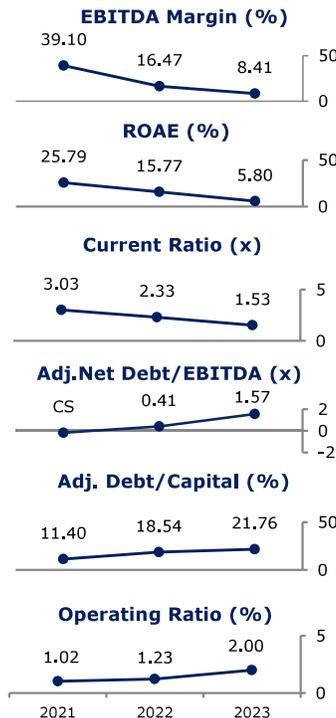
Strengths

- Moderate sales revenue and EBITDA generation capacity over the years despite contraction in FY2023,
- Reasonable net debt to EBITDA multiplier despite slight increase in FY2023 mainly due to ongoing investments,
- Positive cash flow metrics and net working capital in FY2023,
- Providing a natural hedge against currency risk by FX linked revenue stream in a certain extent,
- Well positioned subsidiaries providing synergy via diversified region and operations,
- Strong presence in the local market and experience in the sector,
- Strong partnership structure with a proven track record of OYAK and compliance with corporate governance principles.

Constraints

- Maintenance of high dividend pay-out ratio over the years except FY2023,
- Fluctuations in external factors affecting revenue and profitability figures,
- 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 Company's Long-Term National Issuer Credit Rating has been affirmed at 'AAA (tr)'. The Company's moderate sales revenue and EBITDA generation capacity, reasonable net debt to EBITDA multiplier, positive cash flow metrics and NWC, FX linked revenue stream as well as slowdown signal in the global economy 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, sales and profitability performance, liquidity and leverage indicators 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.



* CS: Cash Surplus