

Corporate Credit Rating

New Update

Sector: Metal Industry

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RATINGS		Long Term	Short Term
ICRs (Issuer Credit Rating Profile)	National ICR	BBB (tr)	J2 (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	-	-
	International FC ISR	-	-
	International LC ISR	-	-
Sovereign*	Foreign Currency	BB (Stable)	-
	Local Currency	BB (Stable)	-

* Assigned by JCR on May 10, 2024

ÇELİK HALAT VE TEL SANAYİİ ANONİM ŞİRKETİ

JCR Eurasia Rating, has evaluated "Çelik Halat ve Tel Sanayii A.Ş." in the investment level category and revised the Long-Term National Issuer Credit Rating to 'BBB (tr)' from 'A- (tr)' and affirmed 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.

Çelik Halat Ve Tel Sanayii A.Ş. (hereinafter "the Group", "the Company" or "Çelik Halat") was established in Kartepe, Kocaeli in 1962. The primary objective of this establishment was to fulfill Türkiye's demand for high carbon steel ropes and wires. The Company's products have been utilized across a wide range of sectors, including cranes, construction, the oil and mining industries, ships, elevators, various transportation systems, and agricultural machinery.

Notably, The Company has been listed on the Borsa Istanbul Exchange (BIST) since 1986, trading under the symbol **CELHA**, making it one of the pioneering companies on Türkiye's local exchange market. In 1997, The Company was acquired by Doğan Holding, under whose ownership it operated until 2022. On November 29, 2022, Doğan Holding transferred 28,980,816 shares, representing 93.07% of The Company's share capital, to Artaş İnşaat Sanayi ve Ticaret A.Ş. (Artaş İnşaat) (75%) and Betatrans Lojistik İnşaat Sanayi Ticaret A.Ş. (Betatrans Lojistik) (25%). Çelik Halat Netherlands B.V. (hereinafter "Çelik Halat B.V.") was established in 2018 with the purpose of marketing and sales of the products in European continent and The Company owns 100% of the its shares. As of 2023, the Group was ranked 990th among Turkish industrial enterprises according to the Istanbul Chamber of Industry (ISO), down from 717th in 2022. Additionally, The Company operated with an average of 324 employees in the second quarter of 2024 (FYE2023: 375, FYE2022: 453).

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

Strengths

- High collection capability underlining asset quality,
- Shareholder support and investment process likely to improve efficiency of the operations,
- Well-known brand name and successful track record,
- Greater transparency about corporate governance compliance as an entity subject to Capital Market Law.

Constraints

- Fluctuating profitability ratios and decreasing EBITDA volume in FY2023 also persistent in 1H2024,
- Deteriorating leverage and coverage metrics,
- Negative free operating cash flow stemming from CAPEX combined with NWC deficit increasing the need for external financing in FY2023,
- High operating ratio stressing efficiency profile despite moderate cash cycle,
- 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 the Long-Term National Issuer Credit Rating has been revised to 'BBB (tr)' from 'A- (tr)'. The Company's high collection ability, shareholder support, well-known brand name, transparency about corporate governance as well as fluctuating profitability, deteriorating leverage and coverage ratios, negative FOCF and high operating ratio 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, tight economic conditions 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 at national and international markets, as well as market conditions and legal framework about the sector will be monitored as well.

