

Corporate Credit Rating

New Update

Sector: Construction Materials
 Manufacturing

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Team Leader

Deniz Ustabas
 +90 212 352 56 73

deniz.ustabas@jcrer.com.tr

Analyst

Muhammet Emin Şişman
 +90 212 352 56 73

muhammet.sisman@jcrer.com.tr

R A T I N G S		Long Term	Short Term
ICRs (Issuer Credit Rating Profile)	National ICR	A- (tr)	J2 (tr)
	National ICR Outlooks	Stable	Stable
	International FC ICR	BB	-
	International FC ICR Outlooks	Stable	-
	International LC ICR	BB	-
ISRs (Issue Specific Rating Profile)	International LC ICR Outlooks	Stable	-
	National ISR	-	-
	International FC ISR	-	-
Sovereign*	International LC ISR	-	-
	Foreign Currency	BB (Stable)	-
	Local Currency	BB (Stable)	-

* Assigned by JCR on May 10, 2024

Termal Seramik Sanayi ve Ticaret A.Ş.

JCR Eurasia Rating, has evaluated "Termal Seramik Sanayi ve Ticaret A.Ş." in the investment grade category with the high credit quality and assigned the Long-Term National Issuer Credit Rating at 'A- (tr)' and 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 assigned as 'BB/Stable' according to JCR-ER's national-global mapping methodology.

Termal Seramik Sanayi ve Ticaret A.Ş. (hereinafter referred to as 'Termal Seramik' or 'the Company') was established in 1993 in Bilecik. As of FYE2023, the paid-in capital of the Company is TRY 750.00mn. The Company's main controlling shareholder is Mehmet OĞUZMAN with 99.50% share. The Company's main activity of the Company is the production and domestic and foreign trade of all kinds of ceramics, tiles, glazed porcelain, technical granite floor, and wall tiles made of fired clay, and the production of ceramic-based borders, decor, skirting boards, and similar complementary and decorative purposes. The Company's production facilities are located in Bilecik with a closed area of 130,000 m² and an open area of 950,000 m² and the head office is located in Istanbul. The annual production capacity of Termal Seramik, which started production in its first factory in 1997 and in its second factory in 2005, reached 28,000,000 m² with the commissioning of its new investment in December 2021. The Company's average number of personnel employed in 2023 is 1,049 (2022: 1,100).

As of FYE2022, the Company was ranked as the 55th (FYE2021: 236th) largest manufacturer in Türkiye concerning sales revenues generated from production figures in the annual list of the second 500 Largest Industrial Enterprises of Türkiye (ISO Second 500), compiled annually by the İstanbul Chamber of Industry (ISO).

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

Strengths

- Satisfactory core operational profitability indicators despite the decrease seen in 1Q2024 according to the provisional tax return,
- Low level of financial leverage indicators over the analysed years though slight increase,
- Positive measurement of CFO and FFO metrics in the reviewed periods,
- Reasonable net working capital and adequate level of current ratio in 2023,
- Asset quality supported by the low collection risks,
- Long lasting presence and experience in the sector.

Constraints

- Sharp contraction of sales volume and revenues due to shrinking demand,
- High financing expenses pressured the bottom-line profitability in 2023,
- Intense competition environment as a result of the sector's weak export performance,
- Room for improvement regarding corporate governance compliance level,
- Leading economic indicators signal global economic slowdown whereas quantitative tightening actions aim to restrict consumption growth and achieve a soft-landing in the domestic side.

Considering the aforementioned points, the Company's Long-Term National Issuer Credit Rating has been assigned at 'A- (tr)'. The Company's proven track record, satisfactory core operational profitability indicators, low level of financial leverage profile, positive CFO and FFO metrics, sharp contraction of sales volume and revenues, high financing expenses, global market conditions of the sector as well as the geopolitical risks-driven uncertainties, and global interest rate hiking 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 Company's indebtedness volume, sales growth, profitability, and liquidity indicators 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.

