

Corporate Credit Rating

New Update

Sector: Electrical Equipment Manufacturing

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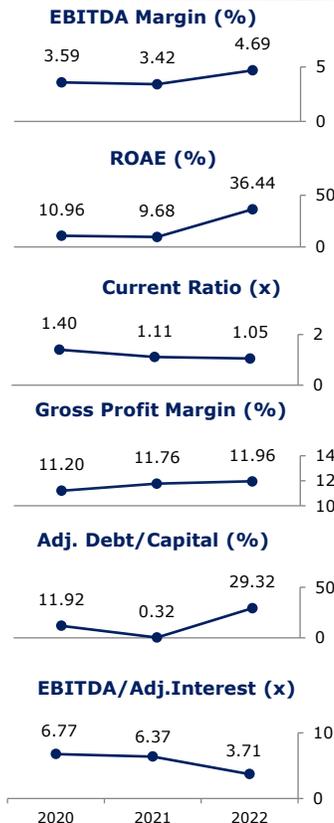
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RATINGS

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

* Assigned by JCR on August 18, 2022



TÜRK PRYSMIAN KABLO VE SİSTEMLERİ A.Ş.

JCR Eurasia Rating, has evaluated the "Türk Prysmian Kablo ve Sistemleri A.Ş." 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 affirmed as 'BBB/Stable'.

Türk Prysmian Kablo ve Sistemleri A.Ş. (hereinafter referred to as "the Company" or "the Group" or "Türk Prysmian") was established in 1964. The Group manufactures all energy cables up to 220 kV, communication cables with copper conductors up to 3,600 pairs, and fiber optic cables. The Company's head office and facility is located in Mudanya/ Bursa and operates on a total of 180,000 m² open area (79,000 m² closed area). Türk Prysmian's capacity utilisation rate was 71% in FY2022 (FY2021: 79%). The facility includes thermal, mechanical, chemistry, and electrical scientific research and test laboratories with TSE qualification with a high technological level in the cable sector. According to the list of Türkiye's Top 500 Industrial Enterprises (ISO 500), the Company ranked 166th in 2021. (2020: 164th) In addition, according to the latest Top 1000 Exporter Companies list compiled by the Turkish Exporters Assembly ("TIM"), Türk Prysmian was ranked as the 430th biggest exporter in 2022. (2021: 345th) The current shareholder structure of the Company is Draka Holding B.V. (84%) and publicly held (16%). The ultimate parent of the Group is Prysmian S.P.A. based in Italy. The number of personnel employed by the Group as of 1H2023 is 597. (FYE2022: 598)

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

Strengths

- Sustainable gross profitability and EBITDA generation capacity through the actions taken to reflect the volatile raw material costs to the market,
- Strong leverage profile despite short-term weighted funding structure,
- Below zero cash conversion cycle which strengthens the operational efficiency,
- One of the leading energy and telecommunication cable producer companies along with presence in the overseas region as a member of global Prysmian Group,
- Prysmian Group's operational and financial support,
- Emphasis given to R&D, innovation, sustainability,
- As an institution subject to Capital Market Law, improved transparency with regard to corporate governance compliance.

Constraints

- Net loss due to high level of financing expenses arising from the increase in financial liabilities mainly stemming from the maturity mismatch between the expenditures and progress payments in the ongoing works, and derivative instrument cost in 1H2023,
- Short-term weighted maturity profile of rising borrowings leading to deterioration in net working capital and the downward trend in equity to total assets in parallel with the increase in debt burden,
- Import dependency on raw materials used in production causes high sensitivity to changes in raw material prices, and high competition in the cable sector limits profit margins,
- Global economic growth slows down evidenced by commodity prices and trade figures on the back of rapid monetary tightening, whereas domestic restrictive financial conditions limit access to finance.

Considering the aforementioned points, the Company's the Long-Term National Rating has been affirmed as 'AA+ (tr)'. On the other hand, the Company's strong position in the sector, Prysmian Group's operational and financial support, sustainable profitability margins, long lasting presence in the sector, ability to access financing channels, high receivable collection capability, modest liquidity structure 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 revenue and profitability performance, development of cash conversion cycle, liquidity position, level of indebtedness, and developments regarding the macro conditions 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.