

Corporate Credit Rating

New Update

Sector: Construction Materials

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RATINGS		Long Term	Short Term
ICRs (Issuer Credit Rating Profile)	National ICR	BBB-(tr)	J3 (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

UŞAK SERAMİK SANAYİ ANONİM ŞİRKETİ

JCR Eurasia Rating, has evaluated "Uşak Seramik Sanayi Anonim Şirketi" in the investment-grade category and revised the Long-Term National Issuer Credit Rating to 'BBB-(tr)' from 'BBB (tr)' and the Short-Term National Issuer Credit Rating to 'J3 (tr)' from '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'.

Roots back to 1972, Uşak Seramik Sanayi Anonim Şirketi's (hereinafter referred to as "Uşak Seramik" or "the Company") main activity is the production and sale of floor and wall tiles in ceramic. Uşak Seramik has been quoted on the Borsa Istanbul Stock Exchange (BIST) since 1990. As of report date 81.13% of shares are publicly traded on the BIST with the ticker symbol "USAK". The products are sold in more than 40 countries in addition to nearly 120 dealers in Türkiye. The headquarter and the production facility of the Company is located in Banaz, Uşak. As of the end of 3Q2024, the Company has 471 personnel (FYE2023: 423). Uşak Seramik's shareholders are Tanışlar Yapı San. ve Tic. A.Ş. with a share of 22.30%, Çiğdem Meto with a share of 6.08%, Ömer Hayati Kondu with a share of 5.04% and other individuals and legal entities with a share of 66.58% as of 3Q2024.

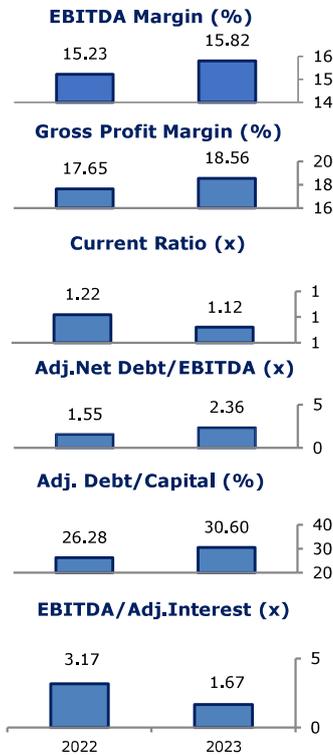
Key rating drivers, as strengths and constraints, are provided below:

Strengths

- Decent level of debt to capital ratio against the upward trend in financial borrowing in FYE2023 and 3Q2024,
- Favorable operating ratio pointing to efficiency,
- Steps taken to reduce energy costs that suppressing profitability,
- High reputation in the sector and long-standing customer portfolio,
- Compliance with corporate governance practices and quality standards as a publicly traded company,

Constraints

- Decline in sales revenue in real base in FY2023 despite the hikes in exchange rates and maintained sales volume,
- Drop in profitability metrics in 3Q2024 compared to the same period of the previous year,
- Deterioration in net debt to EBITDA and EBITDA interest coverage multipliers in FYE2023 and expectation for the ongoing deterioration in 2024 financials,
- Negative FOCF pointing external funding needs due to planned investment expenditures,
- High level of related party transactions,
- Highly vulnerable sector structure to fluctuations in the construction sector,
- 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 revised to 'BBB-(tr)' from 'BBB (tr)'. The Company's adequate debt to capital ratio, favourable OPEX efficiency, decline in sales revenue, decrease in profitability metrics in 3Q2024, deterioration in leverage and coverage indicators, negative FOCF pointing external funding needs due to planned investment expenditures and high level of related party transactions 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 profitability performance, leverage metrics, efficiency indicators, equity structure and economic conditions in local and global environments are the priority issues to be 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 also be monitored.