Corporate Credit Rating

☐New ☒Update

Sector: Metal Industry
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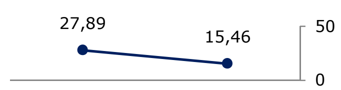
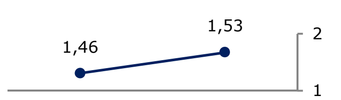
RATINGS		Long Term	Short Term
ICRs (Issuer Credit Rating Profile)	**National ICR**	**BBB+ (tr)**	**J2 (tr)**
	National ICR Outlooks	Stable	Stable
	International FC ICR	BB	-
	International FC ICR Outlooks	Stable	-
	International LC ICR	BB	-
	International LC ICR Outlooks	Stable	-
ISRs (Issue Specific 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*

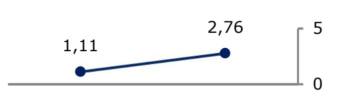
EBITDA Margin (%)



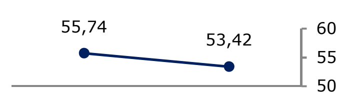
Current Ratio (x)



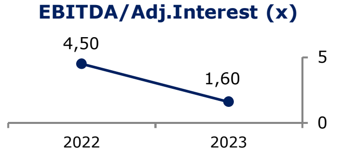
Adj.Net Debt/EBITDA (x)



Adj. Debt/Capital (%)



EBITDA/Adj.Interest (x)



Yükselen Çelik A.Ş.

JCR Eurasia Rating has evaluated the consolidated structure of **'Yükselen Çelik A.Ş.'** in an investment grade category and revised the Long-Term National Issuer Credit Rating from **'A- (tr)'** to **'BBB+ (tr)'** and the outlook from **'Negative'** to **'Stable'**. The Short-Term National Issuer Credit Rating has been affirmed at **'J2 (tr)'** with **'Stable'** outlook. On the other hand, the Long Term International and Local Currency Issuer Credit Ratings and outlooks were assigned as **'BB/Stable'** in line with the global and national scale rating matching published by JCR Eurasia Rating.

Yükselen Çelik A.Ş. (referred to as 'the Company or 'Yükselen Çelik') was established in İstanbul in 1989. The main field of activity of the Company is to manufacture, to make foreign and domestic trade of all kinds of carbon and alloyed and non-alloyed, stainless, tool, qualified and unqualified iron and steel products which are used in the machinery, automotive, ship, defense industry and railway industries, together with providing steel service center services. The main production facility of Yükselen Çelik is located in Esenyurt, İstanbul with an annual capacity of 100k tons. The main production facility of Yükselen Çelik is located in Esenyurt, İstanbul with an annual capacity of 100k tons. The construction of a new facility in Dilovası, established on a total area of 5,000 square meters completed in 2023. The products that Yükselen Çelik trades are listed under three main headings in ascending order with added value as; carbon steels, alloy steels and tool steels. Under these three main headings, the Company sells "standard products", "design products" with specifications and/or patents belonging to the Company, and the products of companies that it distributes. The Company trades these products directly, as well as selling processed products by providing steel service center services. Yükselen Çelik has been publicly traded on Borsa İstanbul since November 2019 with "YKSLN" ticker with a public share ratio of 29.58% as of report date. Main shareholders of the Company have been Göktürk family. As of 31 December 2023, the average number of employees of Yükselen Çelik is 68. (31 December 2022: 75). Key rating drivers, as strengths and constraints, are provided below.

Strengths

- Positive net working capital easing liquidity management,
- Diversified borrowing sources via corporate bond issuance in 2023,
- Low level of impaired receivables on the back of collaterals including credit insurance, DDS and L/G,
- Long-lasting presence in the sector,
- Enhancement in the level of compliance with corporate governance practices.

Constraints

- Remarkable contraction in revenue and profitability margins in 2023 along with further decrease in Q12024,
- Deterioration in leverage and coverage metrics due to decrease in EBITDA generation despite decline in net financial debt in 2023,
- High level of financing expenses suppressing the bottom line profitability,
- Dependence on imported raw materials in production rises sensitivity to price fluctuations,
- 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 the Long-Term National Issuer Credit Rating has been revised from **'A- (tr)** to **'BBB+ (tr)'**. The Company's Long-Term National outlook revised from **'Negative'** to **'Stable'** considering positive net working capital figures, asset quality and long-lasting presence in the sector along with tight financial conditions and global macroeconomic concerns. The Company's revenue and EBITDA generation performance, profitability ratios, indebtedness structure, liquidity profile, equity level, asset quality and operation process 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.