

## Corporate Credit Rating

New  Update

**Sector:** Metal Industry

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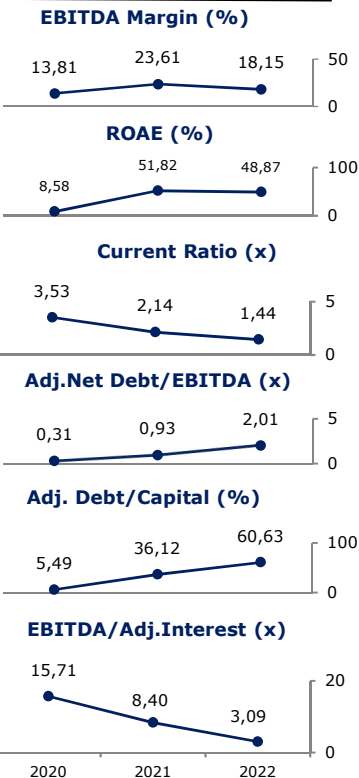
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RATINGS		Long Term	Short Term
ICRs (Issuer Credit Rating Profile)	National ICR	A- (tr)	J2 (tr)
	National ICR Outlooks	Negative	Stable
	International FC ICR	BB	
	International FC ICR Outlooks	Negative	
	International LC ICR	BB	
	International LC ICR Outlooks	Negative	
ISRs (Issue Specific Rating Profile)	National ISR	-	-
	International FC ISR	-	-
	International LC ISR	-	-
Sovereign*	Foreign Currency	BB (Negative)	-
	Local Currency	BB (Negative)	-

\* Assigned by JCR on Aug 18, 2022



## Yükselen Çelik A.Ş.

JCR Eurasia Rating has evaluated 'Yükselen Çelik A.Ş.' in the investment grade category and revised the Long-Term National Issuer Credit Rating from 'A+ (tr)' to 'A- (tr)' and the Short-Term National Issuer Credit Rating from 'J1 (tr)' to 'J2 (tr)'. Outlook for Long-Term National Issuer Credit Rating has been revised from 'Stable' to 'Negative'. On the other hand, the Long-Term International Issuer Credit Ratings and outlooks have been assigned as 'BB/Negative' as parallel to the international ratings and outlooks of the Republic of Türkiye.

**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 construction of a new facility in Dilovası, Kocaeli having 150k tons capacity that established on a total area of 5,000 square meters is projected to be completed in 2023 as per activity report published on August 9<sup>th</sup>, 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 2022, the average number of employees of Yükselen Çelik is 75. (31 December 2021: 65).

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

### Strengths

- Moderate level of revenue and EBITDA generation capability though a notable regression seen in 1H2023,
- Diversified borrowing sources via corporate bond issuance started in 1H2023,
- Low level of impaired receivables on the back of collaterals including credit insurance, DBS and L/G,
- Long-lasting presence in the sector dating back to 1970's,
- High level of compliance with the corporate governance practices.

### Constraints

- Contraction in profitability margins due to volatile raw material costs and decreasing demand as parallel to the sector,
- Increasing leverage figures along with short term weighted maturity profile,
- High dependency on imports in raw material procurement,
- Negative cash flow from operations in FY2022 suppressing the liquidity management,
- Global economic growth slows down evidenced by commodity prices and trade figures on the back of rapid monetary tightening coupled with domestic restrictive financial conditions limit access to finance.

Considering the aforementioned points, the Company's Long-Term National Issuer Credit Rating has been revised from 'A+ (tr)' to 'A- (tr)'. The Company's moderate level of revenue and EBITDA generation capability in FY2022, diversified borrowing sources via corporate bond issuance, low level of impaired receivables and long lasting presence in the sector along with susceptibility to imported input costs, deteriorating leverage and global macroeconomic concerns have been evaluated as important indicators for the stability of the ratings and the outlook for Long-Term National Issuer Credit Ratings are revised from 'Stable' to 'Negative'. The Company's operation process, cash flow and liquidity metrics, asset quality and profitability 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.