

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)	J3 (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

İZMİR DEMİR ÇELİK SANAYİ A.Ş.

JCR Eurasia Rating, has evaluated "İzmir Demir Çelik Sanayi A.Ş." in investment grade category and revised the Long-Term National Issuer Credit Rating from 'BBB (tr)' to 'BBB- (tr)' and the Short-Term National Issuer Credit Rating from 'J2 (tr)' to 'J3 (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'.

İzmir Demir Çelik Sanayi A.Ş. (hereinafter referred to as "İDÇ", "the Company" or "the Group"), was established in 1975 in İzmir with the aim of producing construction iron. The rolling mill facilities of the Company were put into operation in 1983, and the steel mill in 1987. İDÇ continues its production activities in an area of over 550,000 m² in Aliğa Heavy Industry Zone in İzmir. With the completion of the new steel mill production facility in June 2024, the Company's capacity has been increased to 3.1 million tons/year and the bar mill production capacity has been increased to 1.4 million tons/year over time. In 2013, İDÇ took over a profile rolling mill with an annual capacity of 400,000 tons to expand its product range. At present, the main activities of the Company and its subsidiaries are the production, sales and marketing of iron and steel products as well as port services, energy generation and trading. In the list of Türkiye's 500 largest industrial enterprises published every year by the Istanbul Chamber of Industry, the Company ranked 49th (2022: 42th) in the general ranking in 2023. Moreover, İDÇ ranked 113rd in the general ranking and 13th in the sector ranking in the Top 1000 list for 2023 announced by the Turkish Exporters Assembly. The shares of İDÇ have been traded on the Istanbul Stock Exchange (BIST) since 24.01.1986 with the ticker of IZMDC. The average number of personnel employed within the Group as of September 2024 is 2,184 (FYE2023: 1,993).

The main ultimate controlling shareholder of İDÇ is Şahin-Koç Çelik Sanayi A.Ş., holding a 58.13% stake, while the remaining 41.87% of shares are publicly traded.

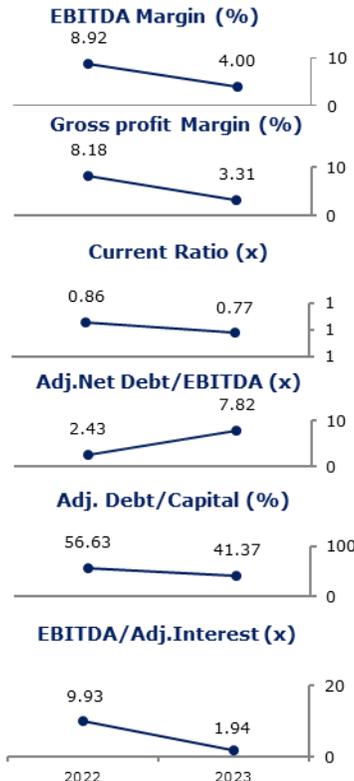
Key rating drivers, as strengths and constraints, are provided below.

Strengths

- Recent growth in steel billet production and sales volume following the completion of the factory investment in 2024,
- Low level of doubtful receivables and OpEx as well as reasonable cash conversion cycle,
- Predominantly FX denominated sales providing a natural hedge to some extent,
- Compliance with the corporate governance practices as a publicly traded company since 1986.

Constraints

- Contraction in profit margins in 2023, in addition to gross loss and negative EBITDA as of 3Q2024 and a lower contribution of other sectors in the consolidation,
- Increased FX-denominated financial debt together with higher FX losses and financing costs,
- Worsening of leverage and coverage metrics in 2023,
- Higher CAPEX continued to reduce FOCF and increased external funding needs in 2023,
- Dominant share of short-term liabilities continues to lead an unfavorable net working capital and a relatively weak liquidity structure,
- 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 the Long-Term National Issuer Credit Rating has been revised from 'BBB (tr)' to 'BBB- (tr)'. Additionally, improved steel billet capacity and increased sales volume in 3Q2024, receivable quality and reasonable level of efficiency ratios, a partial hedge ensured by export sales and FX-based domestic sales, compliance with the corporate governance practices as well as negative profitability in 3Q2023, high financial debt level and inadequate leverage and coverage, negative FOCF and other cash flow metrics, weak liquidity structure and fluctuating pattern of the commodity prices 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 affirmed as 'Stable'.

The Group's production and other activities, debt and equity level, cash flow and liquidity metrics, asset quality, financial risk indicators, profit margins, customer portfolio and sectoral regulations, contribution of new factory investment and the outlook of the metal industry 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.