

Corporate Credit Rating

New Update

Sector: Information and
 Communication Technologies
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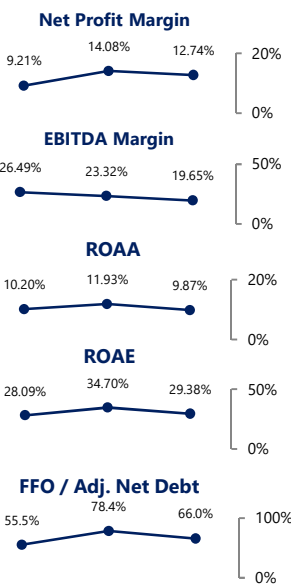
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RATINGS

		Long Term	Short Term
National	Local Rating	AA- (Trk)	A-1+ (Trk)
	Outlook	Stable	Stable
	Issue Rating	-	-
International	Foreign Currency	BB+	B
	Local Currency	BB+	B
	Outlook	FC Negative LC Negative	Negative Negative
Sponsor Support	1	-	-
Stand-Alone	A	-	-
Sovereign*	Foreign	BB+	-
	Local Currency	BB+	-
	Outlook	FC Negative LC Negative	- -

*Assigned by JCR on April 10, 2020



Karel Elektronik Sanayi ve Ticaret A.Ş.

JCR Eurasia Rating, has evaluated **Karel Elektronik Sanayi ve Ticaret A.Ş.** in an investment grade category at national level and determined the ratings on the Long-Term National Scale as **'AA- (Trk)'** and the Short-Term National Scale to **'A-1+ (Trk)'** with **'Stable'** outlooks. On the other hand, the Long-Term International Foreign and Local Currency Ratings of the Company have been assigned as **'BB+'** with **'Negative'** outlooks.

Karel Elektronik Sanayi ve Ticaret A.Ş. (referred to as 'the Company' or 'Karel') was established in 1986 and is headquartered in Istanbul, Turkey. The core activity of the Company is the design, production, development and marketing of a diverse of telecommunication devices and electronic systems. The company provides its communication solutions for various sectors such as cargo transportation, hotels and touristic facilities, public institutions, hospitals and medical institutions, universities and educational institutions, factories and industrial production facilities, merchandising and retail business, banks, leasing and factoring companies, equity houses, and other financial institutions. In time, the Company has enriched its business with new activities in EMS, defence and large-scale turnkey project areas. With EMS activity covering all processes from design to production, Karel provides electronic manufacturing services to its local and international customers. White goods electronic board production has an important share in its EMS business. The Company also designs defence solutions using its R&D power and telecommunication know-how and manufactures and sells them to domestic and international military organizations. The main customers of Karel in turnkey projects are telecommunication service providers. Besides infrastructure solutions, the Company provides installations, maintenance and support services to operators. Karel has R&D and manufacturing centers in Ankara, Turkey. Karel went public in October 2006. The number of personnel employed across operations was 2,660 as of 31 December 2020 (as of 31 December 2019: 1,958).

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

Strengths

- Considerable profit generation capacity and continuing sales performance
- Operations in different segments creating revenue diversification
- Continuation of strong liquidity levels
- Competitive advantage of having own R&D center and production facilities with the highest level of design, know-how and quality
- Broad sales and distribution network
- Reputable customer portfolio in public and corporate segments minimizing credit risk

Constraints

- Ongoing uncertainties arising from the global pandemic and Covid-19 outbreak's unprecedented damage on the national and global economy
- Technological changes in shorter product cycles
- Rising raw material prices which may exert pressure on profitability margins

Considering the aforementioned points, the Company's the Long-Term National Rating has been determined at **'AA- (Trk)'**. Unpredictable duration and extent of the coronavirus outbreak and the general outlook of the sector have been evaluated as important indicators. Consequently, the outlooks for long and short terms national ratings have been determined as **'Stable'**. The macroeconomic indicators at national and international markets, indebtedness ratio, foreign currency position, the national and international impact of the COVID-19 pandemic will be continued to be monitored by JCR Eurasia Rating.

It is considered that the Company's main shareholder, **Tunaoğlu Family** has the propensity to offer financial support within their financial capability when liquidity needs arise in the short or long-term perspective. In this regard, the Company's Sponsor Support grade has been determined as **(1)** on JCR Eurasia Rating's notation scale.

Karel's 'stand-alone rating' has been determined with regard to the Company's brand, sales growth, asset quality, equity structure, risk management policies, and the trends of the existing risks in the markets and the business environment by taking its internal sources into account. Within this context, the Stand-alone note of **Karel** has been determined as **(A)** in the **JCR Eurasia Rating** notation system.