

## Corporate Credit Rating

New  Update

Sector: Ceramics

Publishing Date: 24/11/2021

### Senior Analyst

Başak Erçevik

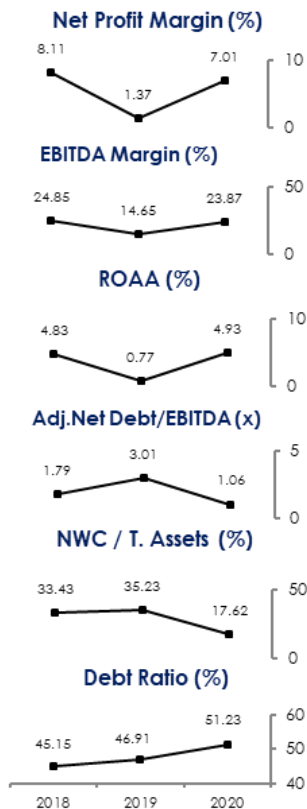
+90 212 352 56 73

basak.ercevik@jcrer.com.tr

### RATINGS

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

\*Assigned by JCR on May 31, 2021



## NG Kütahya Seramik Porselen Turizm A.Ş.

JCR Eurasia Rating evaluated “NG Kütahya Seramik Porselen Turizm A.Ş.” in a very high investment grade category and affirmed the ratings on the Long and Short-Term National Scales as ‘AA- (Trk)’ and ‘A-1+ (Trk)’, respectively, along with the ‘Positive’ outlook for the Long-Term National Grade and the ‘Stable’ outlook for the Short-Term National Grade. On the other hand, the Long Term International Foreign and Local Currency Ratings of the Company are mapped as ‘BB/Stable’, according to JCR-ER’s national-global mapping methodology.

NG Kütahya Seramik Porselen Turizm A.Ş. (referred to as ‘the Company’ or ‘NG Kütahya Seramik’) was established in 2004 as a legal entity, yet, Gural Family’s experience in ceramic sector goes a longer way back to 1989 with ‘Kütahya Seramik’ brand. The registered capital and paid-in capital of NG Kütahya Seramik were TRY 450.00mn and TRY 397.50mn as of 31.12.2020. As of the report date, Mr.Nafi GÜRAL is the senior partner, holding 24.31% of total shares. Ms.Gülsüm GÜRAL possessed 12.03% of the capital and the rest of the shares were distributed equally among Mr.Erkan GÜRAL, Mrs.Sema GÜRAL SÜRMELE, Ms.Hediye GÜRAL, Ms.Gülden GÜRAL. At present, NG Kütahya Seramik carries out its production activities through 7 factories (Floor tiles 1-2, wall tiles, glazed porcelain 1-2, granite and 15 Temmuz Şehitler technical granite factory) with 35 million square meters theoretical annual production capacity and in addition to these production facilities, construction works of a new glazed porcelain tile factory -which is going to be operational in the first months of FY2022 with an additional capacity of 11 million square meters- are still in progress. Within the scope of its business network, NG Kütahya Seramik had 132 business partners and 231 stores throughout Turkey and international sales channels were composed of 79 countries, 353 business partners and 482 sales points as of the report date. The Company also takes place in the scope of Turquality Support Program of ‘Republic of Turkey Ministry of Trade’, ranked 372nd in the general ranking and 11th in the ‘Cement, Glass, Ceramics and Soil Products’ sectoral ranking of the Turkish Exporters Assembly’s ‘Turkey’s Top 1000 Exporters 2020’ survey. (FYE2019: 496th)

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

#### Strengths

- Significant improvement in terms of operational profitability as evidenced by EBITDA margin
- Progressing sales volume and maintained export ratio along with expanding asset size with new investments
- Notably retreating net debt/EBITDA multiplier despite rising debt ratio
- Ever-growing equity size via regularly rising paid-in capital and retained earnings
- Reasonable liquidity profile underpinned with increasing level of liquid assets and moderate level of net working capital
- Notably increasing sales revenue and profitability figures in the first 9 months of FY2021
- Broad experience and being one of the leading ceramics sector players in the domestic market

#### Constraints

- High dependency on external energy resources in the domestic industry
- Potential repressive effects of depreciation of TRY on margins to certain degree despite compensating effects of export sales
- Further improvement needs regarding corporate governance compliance practices and risk management process

Considering the aforementioned points, the Company’s the Long-Term National Rating has been affirmed as ‘AA- (Trk)’. The Company’s significantly improving sales and profit figures in the first nine months of FY2021 have been evaluated as important indicators for assigning a ‘Positive’ outlook for the Long-Term National Rating. On the other hand, the outlook on the Short-Term National Rating has been affirmed as ‘Stable’ taking considerable retreatment in net debt/EBITDA multiplier, profitability performance recovering from FYE2019 figures along with rising foreign exchange losses in financing expenses and macroeconomic uncertainties into account. The Company’s revenue generation performance, liquidity profile, indebtedness structure, export performance, cost of sales and profitability margins along with domestic and global market conditions and macroeconomic indicators are the major issues which will be monitored by JCR Eurasia Rating in the upcoming period.

The sponsor support note of NG Kütahya Seramik has been resolved in deference to financial strength, financial capacity and willingness of the principal shareholder. Regarding the consecutive capital increases and retaining previous years’ earning on the balance sheet instead of dividend distribution, the Sponsor Support note of the Company has been affirmed as ‘1’ in JCR Eurasia Rating’s notation system. On the other hand, considering the Company’s notable export revenue generation performance, continuity of revenue growth, declining net debt/EBITDA multiplier, established borrowing mechanisms, ample cash credit lines and improving operational profitability both at FYE2020 and in the first nine months of FY2021, the Stand-Alone grade of the Company has been affirmed as ‘A’ in the JCR Eurasia Rating notation system.