

Corporate Credit Rating

New Update

Sector: Electrolytic Copper & Copper Tubes

Publishing Date: 30/04/2021

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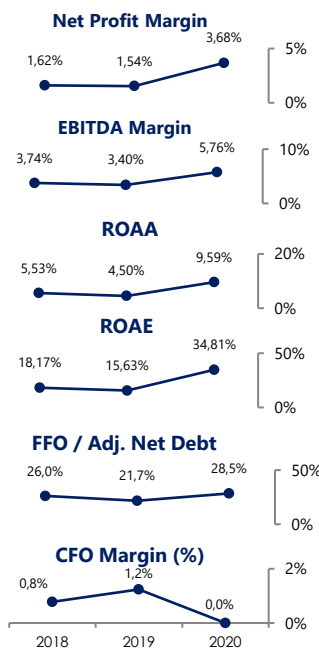
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RATINGS

		Long Term	Short Term
National	Local Rating	A+ (Trk)	A-1 (Trk)
	Outlook	Stable	Stable
	Issue Rating	-	-
International	Foreign Currency	BB+	B
	Local Currency	BB+	B
	Outlook	FC Negative	Negative
		LC Negative	Negative
Sovereign	Sponsor Support	2	-
	Stand-Alone	A	-
	Foreign Currency	BB+	-
	Local Currency	BB+	-
	Outlook	FC Negative	-
		LC Negative	-

*Assigned by JCR on April 10, 2020



Sarkuysan Elektrolitik Bakır Sanayi ve Ticaret A.Ş.

JCR Eurasia Rating, has evaluated **Sarkuysan Elektrolitik Bakır Sanayi ve Ticaret A.Ş.** and assigned the ratings on the Long and Short-Term National Scales as **'A+ (Trk)'** and **'A-1 (Trk)'**, respectively along with the **'Stable'** outlooks. On the other hand, the Long Term International Foreign and Local Currency Ratings have been assigned as **'BB+/Negative'** outlooks.

Sarkuysan Elektrolitik Bakır Sanayi ve Ticaret A.Ş. (referred to as **'Sarkuysan, 'the Group'**) established in 1972 and engages in production of electrolytic copper, copper tubes and copper busbars. The Group, which produces electrolytic copper products, copper tubes and copper busbars over an area exceeding 175,000 m2 in the Gebze and Darıca region, with an indoor area of approximately 90,000 m2, increased its initial capacity of 10,000 tons/year to over 200,000 tons/year and became a global company. Using the **"sks"** brand on its products, Sarkuysan meets a substantial part of the domestic demand while exporting approximately half of its production range to more than 70 countries in 5 continents. Sarkuysan is a group of companies; as of FYE20, Sarkuysan's subsidiaries and affiliates are as follows; **Sarmakina A.Ş., Demisaş A.Ş., Sarda A.Ş., Bektaş A.Ş.,** Turkish industrial organisation in the USA with **Sark Wire** and in Bulgaria with **Sark Bulgaria**. Sarkuysan has also an agency in Italy where is an important country for direct marketing purposes of the products as part of the Company's busy export operations. Furthermore, Sarkuysan facilities located at the **Aegean Free Trade Zone** manufacture and export products with high added value. The Group maintains its operations by an average staff force of 1.110 employees as of FYE20. (FYE19: 1.095). Sarkuysan is wholly publicly owned corporation with its approximately 6,000 partners and there are no partners holding 10% or more shares alone. Nearly all of its shares are traded on the Istanbul Stock Exchange since the Exchange was inaugurated in 1986.

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

Strengths	Constraints
<ul style="list-style-type: none"> Deep-rooted operating history and solid experience in the sector dating back to 1972 Establishment of credible and well-established business and partnerships at local and international level Ongoing improvement in sales performance over the years and significant profit generation capacity High share of export sales among total sales and geographical diversification of exports Diversified product range underpinning revenue stream and EBITDA growth As an institution subject to Capital Market Law, improved transparency with regard to corporate governance compliance 	<ul style="list-style-type: none"> High debt level and short maturity profile of financial liabilities Exposure to changes in international trade regulations and agreements Despite natural hedging by FX-based sales in a certain extent, foreign currency risk due to the foreign trade transactions and the FX-based bank loans Ongoing uncertainties arising from the global pandemic and Covid-19 outbreak's unprecedented damage on the economic activities

Considering the aforementioned factors, Group's the Long-Term National Rating has been assigned at **'A+ (Trk)'**. The Group's outlook for Long and Short-Term National ratings has been determined as **'Stable'** with respect to Sarkuysan's long business track record and high level of sustainability of activities bolstered by particularly the Group's capitalization level, improvement in risk management implementations, being one of the biggest players in sector, sectoral developments along with ongoing uncertainties due to the Covid-19 pandemic. Sales and profitability performance, developments in investment plans, indebtedness structure, additional diversification in export markets, local and global macroeconomic indicators are the major issues which will be monitored by JCR Eurasia Rating in the upcoming period.

The Sponsor Support Note of Sarkuysan has been resolved in deference to financial strength, financial capacity and willingness of the shareholders. Considering capital increase held in FYE20, the Sponsor Support of the Group has been determined as **(2)** in JCR Eurasia Rating's notation system, indicating a moderate external support possibility. On the other hand, the Stand Alone Note of Sarkuysan has been determined as **'A'** considering its long presence in the sector, expertise, know-how, internal resources generation capacity, asset quality, growth performance, sales growth, Ebitda generation, capitalization level, liquidity profile, profitability ratios, risk management practices, and business environment.