

## Corporate Credit Rating

New  Update

Sector: Chemicals

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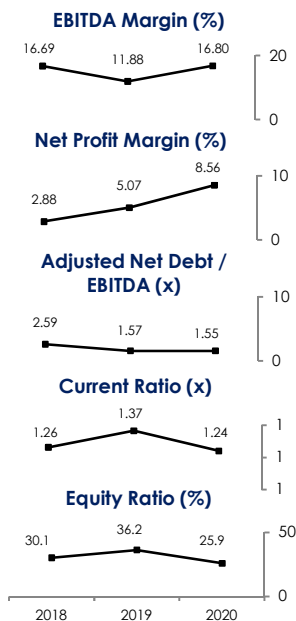
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## RATINGS

		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	Stable	Stable
		LC	Stable	Stable
Sponsor Support	2	-		
Stand-Alone	A	-		
Sovereign*	Foreign	BB	-	
	Local Currency	BB	-	
	Outlook	FC	Stable	-
		LC	Stable	-

\*Assigned by JCR on May 31, 2021



## Kimteks Poliüretan Sanayi ve Ticaret A.Ş. and its Subsidiaries

JCR Eurasia Rating has evaluated consolidated structure of **Kimteks Poliüretan Sanayi ve Ticaret A.Ş. (Kimpur/Company)** in a high-level investment-grade category and assigned the ratings as “**AA- (Trk)**” on the Long-Term National Scale and as “**A-1+ (Trk)**” on the Short-Term National Scale with ‘**Stable**’ outlooks. On the other hand, the Long Term International Foreign and Local Currency Ratings have been assigned as “**BB / Stable**”.

Kimteks Kimya was established in 1983 to provide raw materials for various sectors such as artificial leather, sole, rubber, adhesive and paint, etc. and started to realize production, sales and distribution operations of polyurethane systems for footwear, automotive, furniture and insulation/construction sectors with its ‘Polyurethane System House’ in 1999. **Kimpur** was demerged from Kimteks Kimya in 2015, left its activities for distributorship for Kimteks Kimya and continues its operations since 2015 officially as Kimteks Poliüretan San. ve Tic. A.Ş. as focused on polyurethane. As wholly-domestic polyurethane system manufacturer of Turkey, the Company maintains to produce customized solutions through technology and R&D investments. Production facility of Kimpur is located in Gebze/Kocaeli with production capacity of 105 thousand tons per year as of YE2020. Total capacity of the Company was increased to 120 thousand tons in 2021 through productivity improvement practices. The company’s sales volume reached 73 thousand tons in FY2020 and Kimpur has exports to over 45 countries in 2020. The Company had 3 subsidiaries & affiliates as of 3Q2021 and employed a workforce of 211 people as of September 30, 2021 (FYE2020: 196).

Initial public offering application of the Company was approved by the Capital Markets Council (CMB) on 16 December 2021. The dates of 23 – 24 December 2021 were determined for the book-building process for the public offering. However, the Company has postponed the public offering process to a later date due to the current market conditions.

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

Strengths	Constraints
<ul style="list-style-type: none"> <li>Sales revenue and profitability growth in analyzed period in line with increasing sales volume and further growth potential with capacity increase investment plans</li> <li>Moderate financial leverage profile compared to business volume easing liquidity management</li> <li>Providing a natural hedge in a high extent through foreign currency dominated revenue composition</li> <li>Competitive advantages through attained know-how, strong R&amp;D capability, client-specific solutions creation power along with high capacity and solid market position</li> <li>High level of compliance with the corporate governance principles</li> </ul>	<ul style="list-style-type: none"> <li>Import dependence on raw material supplies and fluctuations of the commodity prices</li> <li>Decreasing free cash flow generation and increasing short-term financial debts in 2020 and ongoing year mainly due to increasing working capital requirements in line with increasing sales volume</li> <li>Dividend payments restraining growth of equity share in the funding structure in analyzed years</li> <li>Intense competition in the domestic/global scale in the sector</li> <li>Covid-19 outbreak creating vagueness on global and local economic activity along with disruption of supply chain</li> </ul>

Considering the aforementioned points, the Long-Term National Rating of Kimteks Poliüretan has been assigned as ‘**AA- (Trk)**’. The Company’s successful track-record in the sector with reputable brand recognition, solid market position, revenue and EBITDA growth in analyzed years, solid projections, moderate financial indebtedness and equity level along with ongoing uncertainties due to the Covid-19 pandemic have been evaluated as important indicators for ‘**Stable**’ outlooks of long and short-term national ratings. On the other hand, the Company’s revenue and profitability performance, cash generation capacity, financial indebtedness, liquidity position, asset quality, recent developments in the industry and local and global macroeconomic indicators during Covid-19 pandemic will be closely monitored by JCR Eurasia Rating.

JCR Eurasia Rating has maintained its opinion that **Mizrahi Family**, the ultimate and qualified shareholders of the Company, has the willingness to ensure long term liquidity if required, when taking into consideration the Company’s position and long-lasting presence of shareholders in its sector. In this regard, the Company’s Sponsor Support grade has been determined as **(2)**.

The Stand-Alone Note is constituted regarding assets quality, equity structure, risk management practices, growth rates and development of market and operational condition risk. JCR Eurasia Rating has determined that Kimpur has reached sufficient knowledge and experience to manage the risk in their balance sheet without shareholder support. The Stand-Alone grade has been assigned as **(A)** considering the ability of the Company to manage its undertaken incurred risks based on its own and current capitalization.