

Corporate Credit Rating

**Manufacturing & Trade
(Plastic Construction Materials)**

PAKPEN		Long Term	Short Term	
International	Foreign Currency	BB+	B	
	Local Currency	BB+	B	
	Outlook	FC	Stable	Stable
		LC	Stable	Stable
National	Local Rating	BBB- (Trk)	A-3 (Trk)	
	Outlook	Stable	Stable	
Sponsor Support		2	-	
Stand Alone		B	-	
Sovereign*	Foreign Currency	BBB-	-	
	Local Currency	BBB-	-	
	Outlook	FC	Stable	-
		LC	Stable	-

*Assigned by Japan Credit Rating Agency, JCR on July 11, 2014

Senior Analyst: Gökhan İYIGUN/+90 212 352 56 74
gokhan.iyigun@jcrer.com.tr

PAKPEN PLASTİK BORU ve YAPI ELEM. SAN. ve TİC. A.Ş. and ITS SUBSIDIARY					
Financial Data	2014*	2013*	2012*	2011*	2010*
Total Assets (000 USD)	342,413	351,460	304,438	267,838	282,648
Total Assets (000 TRY)	794,022	748,751	541,170	505,919	434,599
Equity (000 TRY)	236,446	218,271	157,575	76,334	112,804
Net Profit (000 TRY)	1,455	-13,983	34,777	-36,470	-3,973
Sales (000 TRY)	475,308	422,391	412,466	342,445	250,618
Net Profit Margin (%)	0.31	-3.31	8.43	-10.65	-1.59
ROAA (%)	-0.25	-2.83	8.36	-9.47	-1.12
ROAE (%)	-0.84	-9.72	37.44	-47.09	-3.57
Equity / Total Assets (%)	29.78	29.15	29.12	15.09	25.96
Net Working Capital / T. Assets (%)	9.92	20.72	17.46	8.88	16.29
Debt Ratio (%)	70.22	70.85	70.88	84.91	74.04
Asset Growth Rate (%)	6.05	38.36	6.97	16.41	4.45

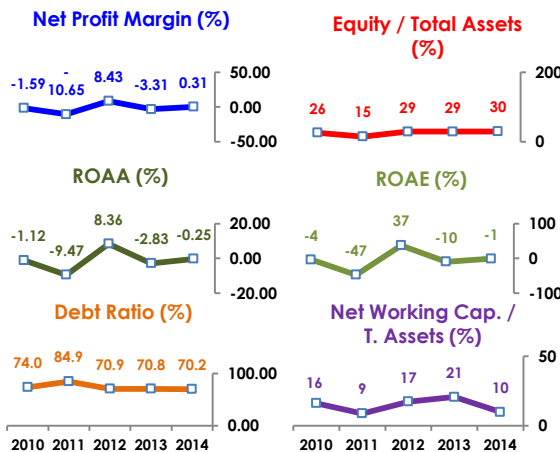
*End of year

Overview

Pakpen Plastik Boru ve Yapı Elemanları San. ve Tic. A.Ş. (hereafter, Pakpen, the Company or the Group), was founded in 1989 in Konya. Main activity fields of the Company include the production of polyvinyl chloride (PVC) materials, marketing and sale of PVC doors, windows and shutters in domestic and overseas markets and the production of infrastructure, internal plumbing, sewage, clean water and gas pipes.

The Company carries out its production activities through 7 integrated factories in Konya, comprising approximately 250k m2 of facilities, about 120k m2 of which is indoor area. Marketing and sale activities are performed through 5 regional directorates in Istanbul, Ankara, Konya, Izmir and Antalya. The Company has a dealer network of 650 throughout the country. The Company's profile, pipe and insulation products under the brand names of **PAKplast**, **PAKPEN**, **PAKDoor**, **PAKForm**, **PAKsiding**, **PAKcountry**, **PakBoard** and **Pakpanel** are offered for sale in almost 1,500 sales points including the sub-dealers. The Company's overseas sales started in 1998, spread to 42 countries and composed 17.7% of its gross sales as of FYE2014. Moreover, the Company ranked among the Top 500 Largest Industrial Organization – 2013 of Istanbul Chamber of Industry, Fortune 500 – 2013 and Super Brands – 2014.

As of FYE2014, the Company's controlling shareholder with a 88.50% stake was **Tuza Holding A.Ş.**, wholly owned by TUZA Family Members. Cofounder **Mr. Mehmet TUZA** held a 9.24% stake. Additionally, the Company had a wholly-owned subsidiary (**Pakpen Dış Ticaret A.Ş.**) and an average labor force of 768 FY2014 (FY2013: 773).



Strengths

- Competitive edge in raw material procurement, manufacturing and sales processes achieved through synergy and economies of scale stemmed from the production of three interrelated main product groups
- High brand recognition and effective market efficiency contributing to the ability to reflect the cost changes in prices
- Wide-ranging distribution network leading to a comparatively broad customer base
- Management strategy emphasising R&D along with innovative and pioneering products, contributing to market efficiency, brand recognition and productivity
- Continuously increasing sales revenue over the years, contributing to market efficiency and almost steady gross profit margin facilitating future forecasts and planning
- Balance sheet and receivables/payables term structure generating positive working capital with upward trend, relieving liquidity management
- Upward growth trend along with supportive legislations and practices providing positive outlook to business sectors

Constraints

- High import dependency inherit in the sector for the supply of raw materials and consequently high effect of oil prices and exchange rates on costs giving rise to difficulty in planning and volatility in profitability
- Foreign currency position along with decreasing trend, generating volatility potential in profitability and restraining internal equity generation capacity in upward foreign exchange market
- Relatively high off-balance sheet commitments and contingencies augmenting the risk level and restraining asset quality
- Comparatively high sales deductions level inherit in the sector, restraining profit generation capacity
- Increasing trend in NPL ratio along with decreasing provisioning level suppressing asset quality
- Upward trend in financial liabilities and its short-term weighted structure along with short-term bond issuance projection
- Relatively high competition in the domestic and overseas plastic construction products sector

Publication Date: March 27, 2015

"Global Knowledge supported by Local Experience"