

Corporate Credit & Issue Rating

New Update

Sector: Pharmaceuticals
 Publishing Date: 17/05/2018

Analysts

Sevket Gülec (Group Head)
 +90 212 352 56 73

sevketg@jcrer.com.tr

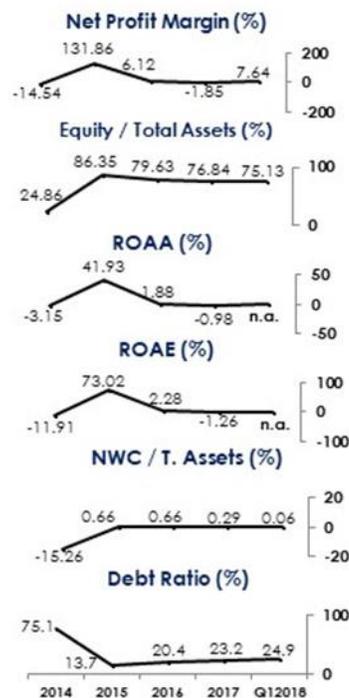
Dincer Semerciler (Ast. Analyst)
 +90 212 352 56 73

dincer.semeciler@jcrer.com.tr

RATINGS

	Long	Short	
International	Foreign Currency	BBB- A-3	
	Local Currency	BBB- A-3	
	Outlook	FC	Stable Stable
		LC	Stable Stable
National	Issue Rating	- -	
	Local Rating (Trk)	BBB- A-3	
	Outlook	Post. Stable	
	Issue Rating (Trk)	BBB- A-3	
Sovereign*	Sponsor Support	2 -	
	Stand-Alone	BC -	
	Foreign Currency	BBB- -	
		Local Currency	BBB- -
Outlook	FC	Stable -	
	LC	Stable -	

*Affirmed by JCR on November 10, 2017



Biofarma İlaç Sanayi ve Ticaret A.Ş.

Financial Data	1Q2018**	2017*	2016*	2015*	2014*	2013*
Total Assets (000 USD)	141,050	141,813	149,220	162,789	181,371	200,345
Total Assets (000 TRY)	556,991	540,363	525,135	473,327	420,580	427,596
Equity (000 TRY)	418,465	415,215	418,189	408,703	104,544	119,705
Net Profit (000 TRY)	3,773	-2,759	9,652	167,617	-15,185	-78,599
Sales (000 TRY)	49,376	148,977	157,837	127,121	104,465	100,836
Net Profit Margin (%)	7.64	-1.85	6.12	131.86	-14.54	-77.95
ROAA (%) - Pre-tax Profit	n.a.	-0.98	1.88	41.93	-3.15	-15.91
ROAE (%) - Pre-tax Profit	n.a.	-1.26	2.28	73.02	-11.91	-43.34
Equity / Total Assets (%)	75.13	76.84	79.63	86.35	24.86	27.99
Net Working Capital / T. Assets (%)	0.06	0.29	0.66	0.66	-15.26	-3.43
Debt Ratio (%)	24.87	23.16	20.37	13.65	75.14	72.01
Asset Growth Rate (%)	5.22	2.90	10.95	12.54	-1.64	-3.02

*IFRS compliant end of year, **unaudited results, ROAA: Return on Average Equity, ROAE: Return on Average Assets

Company Overview

With roots dating back to 1945, 'Biofarma İlaç Sanayi ve Ticaret A.Ş.' (hereinafter referred to as 'Biofarma İlaç' or 'the Company'), established initially by the Evcim family, is one of the earliest players in Turkey's generics pharmaceutical market. The Company was acquired by pharmacist Mr. Mustafa Oncel and conducted its operations in the Mercan district of Istanbul until 1990, after which it moved to its current production facilities in Sancaktepe. It continuously diversified and expanded its product range to include a wide range of therapeutic areas and was acquired by Citi Venture Capital International (CVCI) and Partners in Life Sciences (PILS) in 2006 in line with the increased foreign investor interest in Turkey's expanding drugs market. Following its acquisition by Isanne S.a.r.l. in 2014, SBK Holding A.Ş. became the qualified shareholder of the Company that is currently ranked 15th place in the Turkish domestic generics market.

The Company is engaged in the production, trade, import and export of a wide range of medical pharmaceuticals along with the manufacturing, trade, import and export of all raw-materials and goods necessary for production. It places a high level of emphasis on Research & Development Activity with an R&D center that obtained state approval in 2016 whilst the production facilities comply with the internationally acclaimed Good Medical Practice (cGMP) and Good Laboratory Practice (cGLP) standards. With an annual production capacity of 79 million units, the Company's products are exported to 10 countries in addition to the domestic market. As of FYE2017, 547 personnel were employed across Company operations of which 248 were part of the sales and marketing activities.

Strengths

- Significant share of equity and low net financial leverage levels setting a suitable base for further expansion
- Highly diversified product portfolio along with the expected contribution of planned product launches in the pipeline to future earnings
- Established track record along with emphasis on R&D and compliance with international quality standards
- Export revenues with further growth potential along with sizeable tangible and intangible assets creating a wealth effect
- Upward momentum in market share in the prescribed medications segment creating a competitive advantage in the generics market
- Convergence of per-capita Turkish pharmaceutical spending with developed country levels in the medium and long-term driving market expansion

Constraints

- Fluctuating sales growth performance stemming from high level of discounted sales weakening internal equity generation capacity despite improving trend in the current year
- Rise in operating expenses in relation to sales revenues throughout FY2017 with improving trend in the 1Q2018
- Short-term weighted nature of financial liabilities exerting pressure on net working capital levels
- Import dependence for raw material requirements and severity of competition across the sector
- Price erosion faced by the industry due to the reference-based pricing system exacerbated by the current context of market volatility and subsequent TRY depreciation
- Need for improvement in the level of compliance with Corporate Governance Practices in the medium and long-term