

Corporate Credit & Issue Rating

New Update

Sector: Chemical

Publishing Date: 15/12/2020

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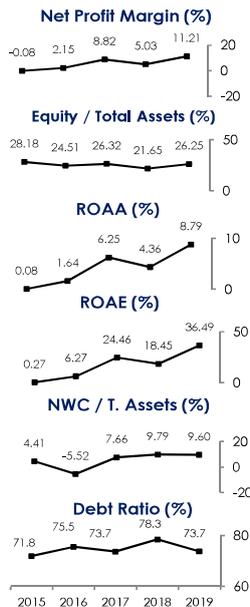
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RATINGS

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

*Assigned by JCR on April 10, 2020



Ak-Kim Kimya San. ve Tic. A.Ş.

JCR Eurasia Rating, has evaluated National Corporate credit ratings of “Ak-Kim Kimya San. ve Tic. A.Ş.” in a very 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. Long Term International Local and Foreign Currency ratings and outlooks of the Company are capped at “BB+/Negative”, the same level as the sovereign ratings and outlooks of Turkey.

“Ak-Kim Kimya Sanayi ve Ticaret A.Ş.” (hereinafter referred to as “Ak-Kim” or the “Company”), was established in 1977 as an affiliate of Akkök Holding A.Ş., which operates mainly in chemical, energy and real-estate sectors through 19 trade and industrial companies and 19 production facilities. Ak-Kim Kimya San. ve Tic. A.Ş. operates primarily in chemical sector and serves its customers in 6 continents with a wide range of products including chlor-alkali and derivatives, methylamines, persulfates, peroxides, bisulfides, textile auxiliaries, paper and water treatment chemicals, cement and concrete additives. As market leader in many products in basic chemicals and performance chemicals; the Company also serves in the cleaning, chemical, textile, paper, water treatment, food, metal, pesticide, energy, building, mining, plastic and construction sectors.

Ak-Kim manufactures in high-tech and environmentally friendly facilities with producing more than 500 chemical raw materials and auxiliary materials with a total capacity of 600 thousand tons. Also, the Company has been selling its know-how and technologies to foreign companies since 2002 and offers many different services from engineering studies to turnkey contracts. As of FY2019, the paid in capital and equity of Ak-Kim stood at TRY 198mn and TRY 535.42mn, respectively. Akkök Holding is the largest shareholder of the Company with a share of 42.00% at FY2019.

Strengths

- Having a strong business profile in the national / international market,
- Less affected by the Covid-19 pandemic compared to other companies through a well-diversified product portfolio, which provides consistency in cash flows and profitability,
- Improvement in net income and EBITDA growth despite the domestic recessionary environment throughout FY2019,
- Steady increase in sales revenues,
- High predictable of annual sales revenues through well-known customers,
- Satisfactory debt service capacity supported with resilient operating cash flow and improvement in debt indicators,
- Having a steady liquidity management due to strong net working capital,
- Natural hedging through matching operating activities denominated to a large extent in foreign currencies,
- Attained know-how in R&D and emphasis on compliance with international quality standards,
- High level of compliance with the Corporate Governance Principles.

Constraints

- Pressured gross profit margin due to fluctuations in raw material prices and continuation of high level of cost of sales,
- Exposure to foreign currency losses arising from financial activities,
- Projected contraction on global and local economy in 2020, triggered by coronavirus outbreak.

Considering the aforementioned drivers, the Company’s the Long-Term National Rating has been assigned as “AA-(Trk)”. The competitive advantage obtained through its predictable cash flow capacity supported by diversified income streams, production and export power, competition and market efficiency in the international market, accumulated wealth effect with strong main partner support, predictable cash flow capacity, the steady revenue and EBITDA growth trend, know-how in R&D and organizational framework compatible with the group size constitute the principle reasons underlying the assignment the outlooks for the Long and Short-Term National Ratings as “Stable”. The economic impact of Covid -19 outbreak on the Group, fluctuations of the exchange rates, debt maturity and its level, cash flow and liquidity level, EBITDA margin and net profit indicators are the priority issues to be followed by JCR Eurasia Rating in the upcoming period. The macroeconomic indicators at national and international markets, as well as market conditions and legal frame about the sector will be continued to be monitored.

It is considered that the major controlling shareholder, “Akkök Holding A.Ş.” possess the financial strength and willingness to provide liquidity for “Ak-Kim Kimya San. ve Tic. A.Ş.” should such a need arise taking into consideration its long operational track record, the wide-recognition of the created brands by consumers, investments dispersed across the country and generated employment opportunities. Within this context, the Sponsor Support grade has been determined as (1) on JCR Eurasia Rating’s notation scale, denoting a highest level.

Taking into account the Company’s market shares, equity level, ongoing operations, liquidity reachability, internal resource generation capacity, growth rates and EBITDA generation capacity, we, as JCR Eurasia Rating, state the opinion that the Company has reached the level of adequate experience and facilities to manage the incurred risks on its balance sheet regardless of any assistance from the shareholders, if it preserves its current customer level, efficiency and existing macroeconomic level in the market. Within this context, the Stand-Alone grade of the Company has been assigned at (AB) in the JCR Eurasia Rating notation system, indicating a high level.