

Corporate Credit Rating

New Update

Sector: Acrylic Fibres
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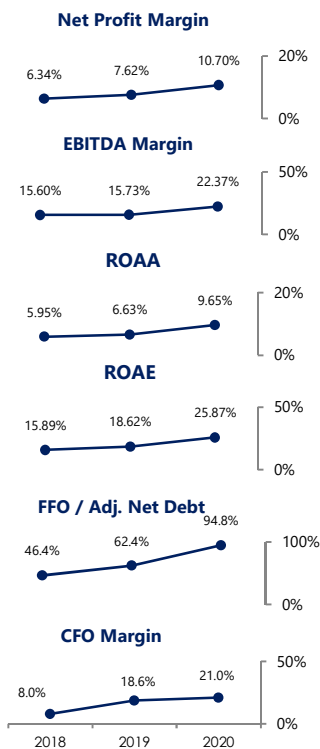
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RATINGS

		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	-	-	
Sovereign*	Sponsor Support	1	-	
	Stand-Alone	AB	-	
	Foreign Currency	BB+	-	
Sovereign*	Local Currency	BB+	-	
	Outlook	FC	Negative	
		LC	Negative	

*Assigned by JCR on April 10, 2020



Aksa Akrilik Kimya Sanayii A.Ş.

JCR Eurasia Rating has determined the Long-Term National credit rating of **Aksa Akrilik Kimya Sanayii A.Ş.** consolidate structure ('Aksa' or 'the Company', 'the Group') in the investment-level category of **'AA (Trk)'** on the Long-Term National scale and **'A-1+ (Trk)'** on the short-term national scale with **'Stable'** outlooks. Long Term International Local and Foreign Currency ratings of the Company are capped at **'BB+',** the same level as the sovereign ratings of Turkey, at **'BB+/Negative'**.

Aksa Akrilik is an established industrial complex dating back to 1968 as an Akkök Holding company. Currently, Aksa operates with an annual production capacity of 330,000 tons on its 502K sqm facilities, positioning the Company in a dominant spot in domestic market as the only acrylic fibre producer in Turkey. The manufacturing facility is based in Yalova, as an integrated complex comprising Akkök Group's several other chemical facilities, their own electricity generation plant & seaport access.

Due to consistent R&D investments, Aksa Akrilik's manufactures a wide range of products covering both industrial and consumer-use merchandise with value-added features such as increased resilience, outdoor use, chemical & flame resistance. Additionally, Aksa Akrilik has important investments in carbon fibre sector via its joint venture with DowEurope, namely, DowAksa. DowAksa offers carbon fibre intermediate and composite material solutions to the automotive, wind energy, defence and aerospace, building and infrastructure reinforcement industries.

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

Strengths

- Established track record and manufacturing capacity in acrylic fibre industry
- Strong market share in domestic market and notable export capabilities
- Highly integrated production complex comprising internal electricity generation & logistics access via its own port
- Resilient operating cash flow, resulting in high debt service capacity
- Collaborations and investments in carbon fibre segment
- Prudent financial management & clear corporate governance policies

Constraints

- High dividend pay-out ratio, limiting internal resource generation, though coverage ratios are resilient
- Volatile input prices due to global supply & demand conditions and technical difficulties experienced by raw material suppliers, though most of the costs are passed-through
- Global economic slowdown and uncertainties exacerbated by the Covid-19 pandemic, affecting commodity prices, demand and investment plans in the world

Considering the aforementioned factors, Company's the Long Term National Rating has been assigned at **'AA (Trk)'**. The Group's high debt-service capacity, resilient operating cash flows and market position are the main pillars of the rating. Aksa's capital structure, net debt metrics and financial policy are the drivers of the **'Stable'** outlook on the rating. JCR-ER will monitor the global and domestic macroeconomic indicators, in particular with respect to the size and scope of the post-pandemic recovery, commodity prices and demand elasticity.

Aksa's primary shareholder is 'Akkök Holding A.Ş.' a major conglomerate in Turkey. Accounting for the Group's and Akkök Holding's long track record and the Group's operational scale, it is considered that the shareholders would have the willingness to provide support to Aksa, thus Sponsor Support grade is assigned as **(1)**.

Taking into account the Company's market shares, production and export power, 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.