

## Corporate Credit Rating

New  Update

Sector: Sugar Production

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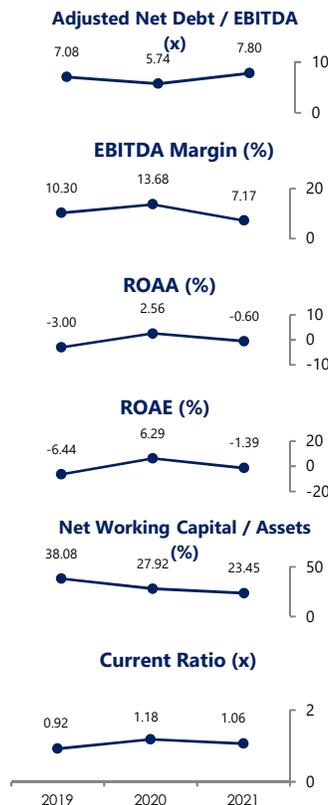
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## RATINGS

		Long Term	Short Term
		BBB (Trk)	A-3 (Trk)
National	Local Rating	BBB (Trk)	A-3 (Trk)
	Outlook	Stable	Stable
	Issue Rating	-	-
International	Foreign Currency	BB	B
	Local Currency	BB	B
	Outlook	Stable	Stable
Sovereign	Foreign Currency	BB	-
	Local Currency	BB	-
	Outlook	Stable	-

\*Assigned by JCR on May 31, 2021



## Kayseri Şeker Fabrikası Anonim Şirketi and Its Subsidiaries

JCR Eurasia Rating has evaluated in an investment category the consolidated structure of “**Kayseri Şeker Fabrikası Anonim Şirketi and Its Subsidiaries**” (referred to as ‘**Kayseri Şeker**’ or ‘**the Group**’) and assigned the ratings on the Long-Term National Scale as ‘**BBB (Trk)**’ and the Short-Term National Scale as ‘**A-3 (Trk)**’ with ‘**Stable**’ outlooks. On the other hand, the Long Term International Foreign and Local Currency Ratings have been assigned as ‘**BB**’ and ‘**Stable**’ outlooks.

**Kayseri Şeker Fabrikası Anonim Şirketi and Its Subsidiaries** was established in 1954, started its operations with the establishment of Kayseri Sugar Factory in 1955. As of April 30, 2021, the shareholder structure of Kayseri Şeker is as follows: Kayseri Beet Planters Cooperative with 58.60% share, Turkey Wealth Fund with 11.07% share and #23 Beet Planters Cooperatives and others with 30.33% share.

The main activity of Kayseri Şeker Fabrikası Anonim Şirketi is the production of crystal sugar from beet. Kayseri Şeker, own 3 sugar factories, has 16.32% of total quota for for MY 2020/2021 and MY 2021/2022 in Turkey. Kayseri Şeker ranks among the top 500 industrial companies (İSO 500) in Turkey (ranked 121 in 2020 and 124 in 2019). Kayseri Şeker, through its subsidiaries, operates in fields such as livestock, greenhousing, warehousing, trade and transportation of fuel products and woven sack production. The Group maintains its operations by staff force of 2,202 employees as of April 30, 2021.

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

### Strengths

- Maintaining of revenue and strong market position with 16.32% quota share,
- Substantial level of positive net working capital,
- Expected cash generation capability thanks to have high amount investment properties,
- Powered by its agricultural cooperative model with links to thousands of farmers and strength of Turkey Wealth Fund,
- High collection capability thanks to diversified portfolio and corporate customers,
- Long track record in the sector enabling economies of scale and scope.

### Constraints

- Announced losses in FY2021 and FY2019, also the generated profit in FY2020 consists of revaluation income of investment properties,
- High financial expenses pressuring on profitability ratios,
- Net debt to EBITDA pressuring the Group’s current financial structure,
- High level of short-term borrowing structure pressuring on liquidity,
- High non-cash contribution of revaluation gains from tangible assets to growth in equity.

Considering the aforementioned points, the Group’s the Long-Term National Rating has been assigned as ‘**BBB (Trk)**’. The Group’s outlook for Long and Short-Term National ratings has been determined as ‘**Stable**’ with respect to the Group’s long business track record, fund generation capacity in last year, sustainable of asset and sales growth, experienced and qualified management team, being one of the largest players in the sugar manufacturing sector. Realization of budget targets of the Group, debt ratio, internal equity generation capacity, profit margins and sustainability of demands, as well as market conditions regarding the sector and the negative effects of the Covid-19 pandemic are the priority issues to be monitored in the following period.

The Group’s Sponsor Support rating denotes the financial capacity and willingness of its shareholders to support the Group in case such a financial need arises. Although it’s key shareholder is Kayseri Beet Planters Cooperative with shares of 58.60%, the ultimate shareholders are the numerous sugar beet planters. In addition, Turkey Wealth Fund is a shareholder of Kayseri Şeker with 11.07% share. Within this context, JCR Eurasia Rating has assigned the Sponsor Support note as ‘**2**’ of Kayseri Şeker Fabrikası Anonim Şirketi.

The Stand-Alone note is formed depending on the Group’s current market size and effectiveness, brand awareness, operational efficiency, growth rates of sales, EBITDA generation and sectoral experience. It is considered that Kayseri Şeker Fabrikası Anonim Şirketi and its managerial staff have reached the level of adequate experience and facilities to manage its obligations even in case the shareholders do not provide any assistance. In this respect, the Stand Alone note of Kayseri Şeker Fabrikası Anonim Şirketi has been assigned as ‘**B**’ in the JCR Eurasia Rating notation system.