

Corporate Credit Rating

New Update

Sector: Acrylic Fiber
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RATINGS

RATINGS		Long Term	Short Term
ICRs (Issuer Credit Profile)	National ICR	AAA (tr)	J1+ (tr)
	National ICR Outlooks	Stable	Stable
	International FC ICR	BB	J3
	International FC ICR Outlooks	Stable	Stable
	International LC ICR	BB	J3
	International LC ICR Outlooks	Stable	Stable
ISRs (Issue Specific Profile)	National ISR	-	-
	International FC ISR	-	-
	International LC ISR	-	-
Sovereign*	Foreign Currency	BB (Stable)	-
	Local Currency	BB (Stable)	-

* Assigned by JCR on May 31, 2021

AKSA AKRİLİK KİMYA SANAYİİ A.Ş.

JCR Eurasia Rating, has evaluated the consolidated structure of "Aksa Akriklik Kimya Sanayii A.Ş." in the high-level investment grade category and upgraded the ratings on the Long -Term National Issuer Credit Rating two notches to "AAA (tr)" and affirmed the Short-Term National Issuer Credit Rating as "J1+ (tr)" with "Stable" outlooks. On the other hand, the Long Term International Local and Foreign Currency Issuer Ratings and outlooks of the Company were assigned as "BB/Stable", parallel to international ratings and outlooks of Republic of Turkey.

Aksa Akriklik Kimya Sanayii A.Ş. ("Aksa Akriklik" or the "Company") was established industrial complex dating back to 1968 as an Akkök Holding group of companies. Currently, Aksa Akriklik operates with an annual production capacity of 330,000 tons on its 600K 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 Akriklik'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 retardant. Additionally, Aksa Akriklik 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 wind energy, automotive, defence and aerospace, building and infrastructure reinforcement industries.

The Company has been quoted on the Borsa Istanbul Stock Exchange (BIST) since 1986 and **36.64%** of shares are publicly traded on the BIST with the ticker symbol "AKSA" as of FY2021, while the controlling shareholder is "Akkök Holding A.Ş.", hence the Dinçök family. As of FY2021, the paid in capital and equity of Aksa Akriklik Kimya Sanayii A.Ş. stood at TRY 323.75mn and TRY 2.83bn, respectively. Akkök Holding A.Ş. is the ultimate shareholder of the Company with a share of 39.59% as of the report date.

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

Strengths

- Steady increase in sales revenues promotes continuous striking performance in net income and EBITDA growth capacity due to high-value added various product portfolio with continuous investments, particularly in FY2020 & FY2021
- Robust debt service capacity supported with resilient operating cash flow
- Low financial leverage with a large equity base comprised of retaining earnings and strong debt metrics
- Notable FX income generation capacity stemming from both export and domestic sales and geographical diversification of exports
- Effective currency risk management by utilizing derivative instruments for hedge purposes
- Significant level of cash and cash equivalents and upward trend in FFO provide solid liquidity metrics
- Possessing a sturdy market position in the inter/national area and sector know-how more than 50 years driven by being the first and only Turkish company operating in the acrylic fiber sector
- Emphasis on sustainable and efficient production in addition to adoption of strong corporate governance principles

Constraints

- Relatively high level of cost of sales reflecting fluctuations in raw material prices dictated by foreign suppliers in tandem with the nature of the business, while the Company can pass through the costs to the customers
- Level of impaired receivables
- Competitive threats stemming from Chinese producers
- Geopolitical and economic concerns witnessed in neighbouring regions

Considering the aforementioned drivers, the Company's the Long-Term National Issuer Credit Rating has been upgraded to "AAA (tr)" from "AA (tr)". The competitive advantage obtained through its predictable cash flows, profitability indicators, satisfactory debt service capacity, robust liquidity position, production and export power, competition and market efficiency in the inter/national market, the steady revenue and EBITDA growth trend and organizational framework compatible with the group size as well as deterioration on local and global economic outlook due to ongoing Covid-19 pandemic on economic activities constitute the principle reasons underlying the assignment the outlooks for the Long and Short-Term National Ratings as "Stable". The Company's equity level, 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 as well.

