

Corporate Credit Rating

New Update

Sector: Chemical Manufacturing

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RATINGS

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

* Assigned by JCR on Aug 18, 2022

EBITDA Margin (%)



ROAE (%)



Current Ratio (x)



Adj.Net Debt/EBITDA (x)



Adj. Debt/Capital (%)



EBITDA/Adj.Interest (x)



Akkim Kimya Sanayi ve Ticaret A.Ş.

JCR Eurasia Rating has evaluated the consolidated structure of "**Akkim Kimya Sanayi ve Ticaret A.Ş.**" in the investment level category with very high credit quality and affirmed the Long -Term National Issuer Credit Rating as "**AA (tr)**" and the Short-Term National Issuer Credit Rating as "**J1+ (tr)**" with "**Stable**" outlooks. On the other hand, the Long Term International Foreign and Local Currency Issuer Ratings and outlooks of the Company were assigned as "**BB /Negative**" parallel to international ratings and outlooks of the Republic of Türkiye.

"**Akkim Kimya Sanayi ve Ticaret A.Ş.**" (hereinafter referred to as "**Akkim**" 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. Akkim Kimya San. ve Tic. A.Ş. operates primarily in chemical sector and serves its customers in 6 continents and over 70 countries 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.

Akkim manufactures more than 500 chemical raw materials and auxiliary materials with a total capacity of 800 thousand tons. As one of the prominent players in the domestic market in many products in basic chemicals and performance chemicals; the Company serves in the cleaning, chemical, textile, paper, water treatment, food, metal, pesticide, energy, building, mining, plastic and construction sectors. In addition, 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 FYE2022, the paid in capital and equity of Akkim stood at TRY 198mn and TRY 3.32bn, respectively. Akkök Holding is the principal shareholder of the Company with a share of 42.00% at FYE2022.

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

Strengths

- Noteworthy growth in sales revenues thanks to FC-based pricing ability
- Satisfactory debt service capacity underpinned by improvement in net debt/EBITDA multiplier and maintained FFO in FY2022
- Increasing cash flow from operating activities in tandem with the various product range, wide operational area and high capacity utilization rates
- Maintaining favourable profitability indicators through the examined years
- Low collection risk of receivables and creditworthiness of counterparties contributing to asset quality
- Upward trend in net working capital and sound current ratio facilitating liquidity management
- Geographical diversification of export revenues preventing concentration risk in international operations
- Strong R&D capabilities and sector know-how
- Long-lasting track record dating back to 1977 along with integrated nature of Akkök Group operations

Constraints

- Import dependency on raw material procurements affecting COGs and EBITDA margin in FY2022 even though the well-conducted cost management
- Relatively high operating expenses to revenues ratio despite an improvement trend in analysed period
- Leading economic indicators signal global economic slowdown as quantitative tightening actions aim to restrict consumption growth and achieve a soft-landing in the domestic side

Considering the aforementioned drivers, the Company's the Long-Term National Issuer Credit Rating has been affirmed as "**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, sound sales revenues also in FY2023 as per provisional tax return figures and organizational framework compatible with the Company's size as well as political tensions and other global downsides have been evaluated as important indicators for the stability of the ratings and the outlooks for Long-Term and Short-Term National Issuer Credit Ratings are determined 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 prior 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.