

Corporate Credit Rating

New Update

Sector: Chemical Manufacturing

Publishing Date: 28/02/2024

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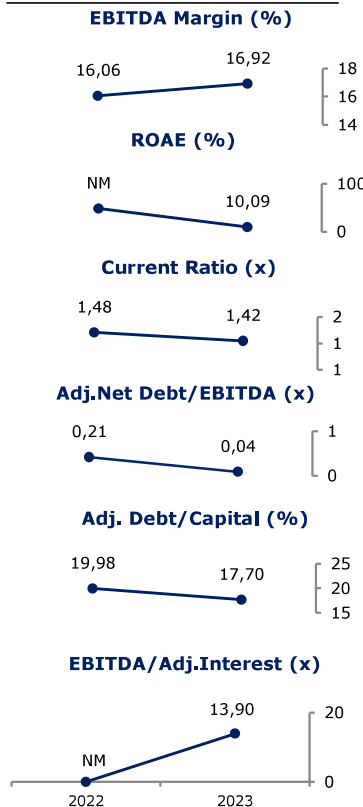
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RATINGS

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

* Assigned by JCR on Aug 18, 2022



AKSA AKRİLİK KİMYA SANAYİİ A.Ş.

JCR Eurasia Rating has evaluated "Aksa Akriklik Kimya Sanayii A.Ş." in the investment grade category with the highest credit quality and affirmed the ratings on the Long -Term National Issuer Credit Rating as "AAA (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.

Aksa Akriklik Kimya Sanayii A.Ş. ("Aksa Akriklik" or the "Company") was established as an industrial complex dating back to 1968 as Akkök Holding group of companies. Currently, Aksa Akriklik operates with an annual production capacity of 355,000 tons on its 600K sqm facilities, positioning the Company in a dominant spot in the domestic market as the biggest acrylic fibre producer in Türkiye. The manufacturing facility is based in Yalova, as an integrated complex comprising Akkök Group's several other chemical facilities, with their own electricity generation plant & seaport access. Due to consistent R&D investments, Aksa Akriklik 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 Dow Europe, namely DowAksa. DowAksa offers carbon fibre intermediate and composite material solutions to the wind energy, automotive, defence and aerospace, building and infrastructure reinforcement industries with an annual production capacity of 9,000 ton.

The Company has been quoted on the Borsa Istanbul Stock Exchange (BIST) since 1986 and **34.65%** of shares are publicly traded on the BIST with the ticker symbol "AKSA" as of FYE2023. While the controlling shareholder is "Akkök Holding A.Ş." with a share of 39.59%, the Dinçök family is the principal shareholder of the Group. As of FYE2023, the paid in capital and equity of Aksa Akriklik Kimya Sanayii A.Ş. stood at TRY 323.75mn and TRY 16.73bn, respectively.

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

Strengths

- Sound financial leverage ratio thanks to short-term cash surplus and improving net debt to EBITDA multiplier
- Sturdy liquidity profile supported by cash conversion cycle, net working capital and FFO level
- Solid equity structure despite dividend distributions
- High share of export sales among total revenues with geographical diversification
- Sufficient collateral policy contributing asset quality to a certain extent
- Well-diversified product portfolio and investments in carbon fibre segment leads to sector diversification
- High compliance with the corporate governance principles and attained know-how in R&D
- Long-lasting track record dating back to 1968 along with integrated nature of Akkök Group operations

Constraints

- Slow-down in sales revenues and EBITDA generation stemming from the globally decreasing ACN prices despite the sales volume growth in FY2023
- Negative FOCF due to accelerated investment expenditures in the reporting period
- Leading economic indicators signal global economic slowdown whereas 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 "AAA (tr)". The competitive advantage obtained through its long-lasting presence in the sector, profitability indicators, debt service capacity, robust liquidity position, production and export power, competition and market efficiency in the inter/national market, decent EBITDA generation ability, 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.