

## Corporate Credit Rating

New Update

**Sector:** Food Industry

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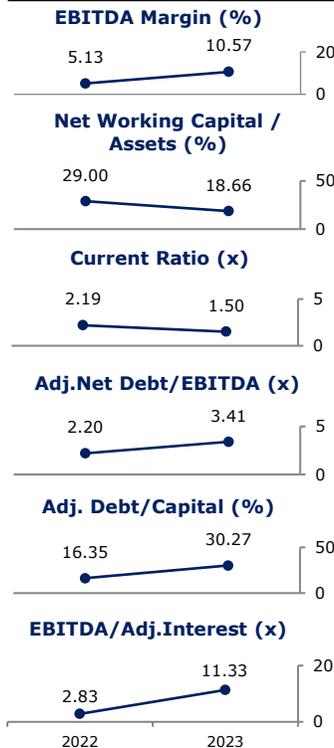
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R A T I N G S		Long Term	Short Term
ICRs (Issuer Credit Rating Profile)	National ICR	BBB- (tr)	J3 (tr)
	National ICR Outlooks	Stable	Stable
	International FC ICR	BB-	-
	International FC ICR Outlooks	Stable	-
	International LC ICR	BB-	-
ISRs (Issue Specific Rating Profile)	International LC ICR Outlooks	Stable	-
	National ISR	-	-
	International FC ISR	-	-
Sovereign*	International LC ISR	-	-
	Foreign Currency	BB (Stable)	-
	Local Currency	BB (Stable)	-

\* Assigned by JCR on May 10, 2024



## A.V.O.D. Kurutulmuş Gıda ve Tarım Ürünleri San. Tic. A.Ş.

JCR Eurasia Rating, has evaluated "A.V.O.D. Kurutulmuş Gıda ve Tarım Ürünleri San. Tic. A.Ş." in the investment grade category and assigned the Long-Term National Issuer Credit Rating as 'BBB- (tr)' and the Short-Term National Issuer Credit Rating as 'J3 (tr)' with 'Stable' outlooks. On the other hand, the Long Term International Foreign and Local Currency Issuer Credit Ratings and outlooks were assigned as 'BB-/Stable' according to JCR-ER's national-global mapping methodology.

**A.V.O.D. Kurutulmuş Gıda ve Tarım Ürünleri San. Tic. A.Ş.** (hereinafter referred to as 'AVOD A.Ş.' or 'the Company'), established in 2003, is a leading player in the production, processing, and international trade of dried tomatoes and various vegetable derivatives. The Company's roots extend to 1995 through its affiliation with Hasat BNO Grup Gıda Yemek Hayvancılık Tekstil İnşaat Sanayi Ticaret A.Ş. ("Hasat BNO Group"), which provides a strong foundation in agriculture. AVOD A.Ş. operates a production facility, covering 15,000 m<sup>2</sup> of open area and 5,000 m<sup>2</sup> of indoor space, with an annual capacity to produce 3,000 tons of finished goods. The Company sources its raw materials through Hasat BNO Group's own fields and leased lands, as well as through contractual agreements with local farmers. Focused on global markets, AVOD A.Ş. ensures top-tier quality and food safety by adhering to BRC and IFS Global Food Standards since 2007, aligning its operations with international requirements for food safety and quality assurance according to the information given on the Company's website.

The Company was listed on Borsa Istanbul on November 30, 2011. 93.9% of the shares are publicly traded. Nazım Torbaoğlu and Burak Kızak, who are the founders of the Company, owns the rest of the shares, 3% each.

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

### Strengths

- High share of export providing natural hedge sales despite customer and geographical concentration
- Increase in EBITDA generation capacity in FY2023 despite sales revenues remaining at the same level as the previous year
- Compliance with corporate governance practices as a publicly listed company

### Constraints

- Ongoing legal proceedings in the Court of Appeal initiated by Capital Markets Board (CMB) against the Company's shareholders may potentially have impacts on the Company
- Increase in mainly short-term financial indebtedness as of FYE2023 and deterioration in leverage indicators
- Negative FOCF and CFO, along with long cash conversion cycle due to nature of the business, creating external funding need for operational cycle
- Escalated financial expenses as of 1Q2024, pressuring bottom-line results
- Increasing agricultural production costs, FX rate fluctuations and freight prices potentially restricting margins
- 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 points, the Company's Long-Term National Issuer Credit Rating has been assigned as 'BBB- (tr)' as the Company's high share of export sales, increasing EBITDA generation capacity and compliance with corporate governance practices as a publicly listed company despite ongoing legal cases against the shareholders, increase in short-term indebtedness, negative cash flow metrics along with long cash conversion cycle, negative bottom-line results mainly related to escalated financial expenses, increasing production costs and other global downsides have been evaluated as important indicators for the stability of the ratings and the outlooks for Long and Short-Term National Issuer Credit Ratings are determined as 'Stable'. The Company's EBITDA and cash generation, profitability performance, indebtedness and liquidity level together with the trends in the industry will be closely monitored by JCR Eurasia Rating in upcoming periods. The macroeconomic indicators at national and international markets, as well as market conditions and legal framework about the sector will be monitored as well.