Corporate Credit Rating

☐New ☒Update

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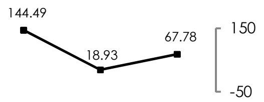
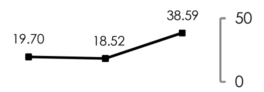
RATINGS		Long Term	Short Term
ICRs (Issuer Credit Rating Profile)	**National ICR**	**A+ (tr)**	**J1+ (tr)**
	National ICR Outlooks	Stable	Stable
	International FC ICR	BB	-
	International FC ICR Outlooks	Negative	-
	International LC ICR	BB	-
	International LC ICR Outlooks	Negative	-
ISRs (Issue Specific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

** Assigned by JCR on Aug 18, 2022*

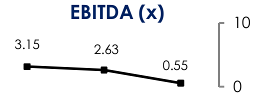
Sales Growth (%)



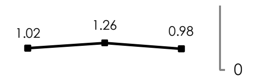
EBITDA Margin (%)



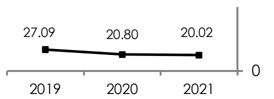
Adjusted Net Debt / EBITDA (x)



Current Ratio (x)



Equity Ratio (%)



Bagfaş Bandırma Gübre Fabrikaları A.Ş.

JCR Eurasia Rating, has evaluated the **"Bagfaş Bandırma Gübre Fabrikaları A.Ş."** in the high investment-level category and revised the Long-Term National Issuer Credit Rating from **'A (tr)'** to **'A+ (tr)'** and the Short-Term National Issuer Credit Rating at **'J1+ (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/Negative'** as parallel to international ratings and outlooks of Republic of Türkiye.

"Bagfaş Bandırma Gübre Fabrikaları A.Ş." (herein referred to as **"Bagfaş"** or **"the Company")** was established by local farmers and merchants headed by Recep Gençer who had seen the increasing fertilizer requirements in the region back in year 1969. Bagfas shares have been quoted in the stock market since 1986 with ticker of BAGFS. In 1978, the headquarters were agreed to be moved to Istanbul. The company operates in the fields of chemical fertilizer and acid manufacture, import, internal and external sales. Main products of the Company are aluminum sulfate (AS), diammonium phosphate (DAP), calcium ammonium nitrate (CAN), and composite fertilizers. In addition to fertilizers, Bagfas also produces sulfuric acid, phosphoric acid and nitric acid, which are used extensively in fertilizer production. The Company conducts production activities in its factory located in Bandırma, Erdek. In FY2021, fertilizer sales volume of the Company reached 500.578 tons and acid sales volume reached 714,492 tons. The Company employed an average workforce of 291 in 1H2022. (FYE2021: 333).

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

Strengths	Constraints
• Revenue and EBITDA growth in FY2021 and 1H2022 as well as favorable profit margins along with increasing trend of fertilizer prices • Cash flow generation capacity from operations in analyzed years and strong liquid asset level exceeding short-term financial liabilities • Decreasing trend of Net Debt/EBITDA multiplier • Considerable share of export sales and geographical diversification despite the decreasing trend of export volume • Receivable quality strengthened by low collection risk • Investment-incentives and tax advantages • One of the prominent players in the sector with its capacity, wide dealer network and high experience • High level of compliance regarding corporate governance implementations	• Import dependence in raw material supply and fluctuations of the commodity prices • Decreasing sales and production volume in FY2021 and 1H2022 despite the growth in sales revenues • Foreign currency risk exposure despite providing natural hedge to a certain extent • Liability of EUR 24.5mn regarding ongoing litigation process, exerting pressure on profitability and posing a possible negative effect on cash flow • Possible negative impacts of sectoral legislation and regulatory environment • The geopolitical risks stemming from the Russia-Ukraine tension and global recession concerns increasing uncertainties • Adverse effects of global energy price hikes' on the fertilizer industry

Considering the aforementioned points, the Company's the Long-Term National Issuer Credit Rating has been upgraded as **'A+ (tr)'**. The successful track-record in the sector, increasing revenues and profitability, cash flow generation capacity from operations, solid liquidity structure and capability to access funding resources along with decreasing sales volumes and tight geopolitical risks-driven uncertainties 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 sales and profitability performance, cash flow generation capacity, trend of financial indebtedness, asset and equity growth, FX position, regulation's effect on the performance, asset quality 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.