

## Corporate Credit Rating

New  Update

**Sector:** Agrochemicals

**Publishing Date:** 27/10/2023

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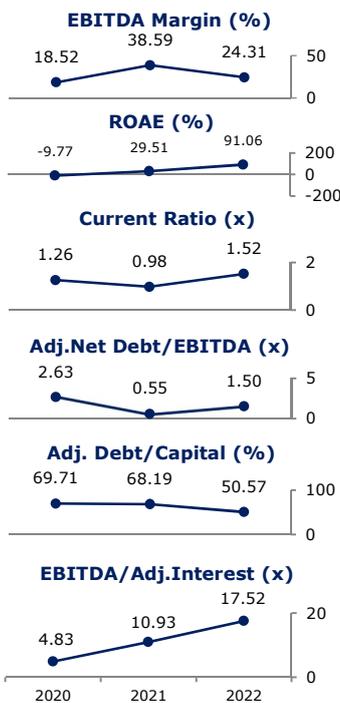
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RATINGS		Long Term	Short Term
ICRs (Issuer Credit Rating Profile)	National ICR	A (tr)	J1 (tr)
	National ICR Outlooks	Stable	Stable
	International FC ICR	BB	-
	International FC ICR Outlooks	Negative	-
	International LC ICR	BB	-
ISRs (Issue Specific 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



## Bagfaş Bandırma Gübre Fabrikaları A.Ş.

JCR Eurasia Rating has evaluated "Bagfaş Bandırma Gübre Fabrikaları A.Ş." in the investment level category with high credit quality and revised the Long-Term National Issuer Credit Rating from 'A+ (tr)' to 'A (tr)' and the Short-Term National Issuer Credit Rating from 'J1+ (tr)' to '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), calcium ammonium nitrate (CAN). 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 FY2022, fertilizer sales volume of the Company reached 346.635 tons and acid sales volume reached 375,759 tons. The Company employed an average workforce of 173 in 1H2023. (FY2022: 265).

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

### Strengths

- Moderate financial leverage metrics in FY2022
- Long-term weighted financial debt structure as of 1H2023 easing liquidity management
- Asset quality strengthened by high receivables turnover
- Existing investment incentives and tax advantages
- One of the prominent players in the sector with high experience and wide dealer network
- High level of compliance regarding corporate governance implementations

### Constraints

- Declining operational profit margins in FY2022 and negative EBITDA in 1H2023
- Decreasing production and sales volume of fertilizers in FY2021 and FY2022
- Negative cash flow from operations in FY2022
- Liability of EUR 29mn regarding ongoing litigation process, exerting pressure on profitability and posing a possible adverse effect on cash flow
- Import dependence in raw material supply and fluctuations of the commodity prices
- Possible negative impacts of sectoral legislation and regulatory environment
- Global economic growth slows down on the back of rapid monetary tightening coupled with domestic restrictive financial conditions limit access to finance

Considering the aforementioned points, the Company's the Long-Term National Issuer Credit Rating has been revised from 'A+ (tr)' to 'A (tr)'. High experience of the Company in the sector, market position, moderate financial leverage and capability to access funding resources as well as geopolitical risks-driven uncertainties and global interest rate hiking cycle 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.