

Corporate Credit Rating

New Update

Sector: Agrochemicals

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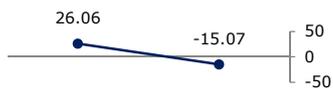
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RATINGS		Long Term	Short Term
ICRs (Issuer Credit Rating Profile)	National ICR	BBB-(tr)	J3 (tr)
	National ICR Outlooks	Negative	Stable
	International FC ICR	BB-	-
	International FC ICR Outlooks	Negative	-
	International LC ICR	BB-	-
ISRs (Issue Specific Rating Profile)	National ISR	-	-
	International FC ISR	-	-
	International LC ISR	-	-
Sovereign*	Foreign Currency	BB (Stable)	-
	Local Currency	BB (Stable)	-

* Assigned by JCR on May 10, 2024

EBITDA Margin (%)



Net Profit Margin (%)



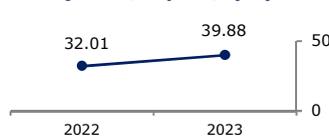
Current Ratio (x)



OpEx/Net Sales(%)



Adj Debt/Capital/ (%)



Bagfaş Bandırma Gübre Fabrikaları A.Ş.

JCR Eurasia Rating has evaluated "Bagfaş Bandırma Gübre Fabrikaları A.Ş." in the investment-level category and revised the Long-Term National Issuer Credit Rating from 'A (tr)' to 'BBB- (tr)' and the outlook from with 'Stable' to 'Negative'. The Short-Term National Issuer Credit Rating revised from 'J1 (tr)' to 'J3 (tr)'. On the other hand, the Long Term International Foreign and Local Currency Issuer Credit Ratings and outlooks were assigned as 'BB-/Negative' in line with the global and national scale rating matching published by JCR Eurasia Rating.

"Bagfaş Bandırma Gübre Fabrikaları A.Ş." (herein referred to as "Bagfas" 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 Sulphuric Acid, Nitric Acid, Ammonium Sulphate (AS) and Calcium Ammonium Nitrate (CAN). The Company conducts production activities in its factory located in Bandırma, Erdek. In FY2023, fertilizer production volume of the Company amounted 292,923 tons (FY2022: 410,525 tons) and acid production volume reached 452,713 tons (FY2022: 632,912 tons). In FY2023, fertilizer sales volume of the Company totaled 328,620 tons (FY2022: 346,635 tons) and acid sales volume amounted to 248,209 tons (FY2022: 375,759 tons). The Company employed an average workforce of 143 in 1H2024. (FY2023: 166).

Strengths

- Asset quality supported 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
- Having production facilities for several types of fertilizers & acids and advantages through its own port in a strategic region and electricity production capability
- Compliance with corporate governance implementations

Constraints

- Declining production and sales volume in FY2023 along with notable decline in sales revenues with falling fertilizer prices
- Notably low level of sales and production volume and significant decline in sales revenues in 1H2024 though partial recovery in EBITDA
- Negative EBITDA, operating & net loss in FY2023 and weak profitability metrics in 1H2024 with maintained operating & net loss
- Increase in net financial debt along with negative cash flow from operations in 1H2024 mainly due to cash outflow related with lost litigation and deterioration in liquidity metrics
- Import dependence in raw material supply and fluctuations of the commodity prices
- Possible negative impacts of sectoral legislation and regulatory environment
- In the shadow of geopolitical risks, leading economic indicators point to continued weakness in global demand conditions, whereas actions for a soft-landing are at the forefront

Considering the aforementioned points, the Company's the Long-Term National Issuer Credit Rating has been revised from 'A (tr)' to 'BBB- (tr)'. Declining trend of sales & production volume, weak profitability metrics in FY2023 and 1H2024, negative cash from operations in 1H2024 and deterioration in liquidity metrics, fluctuations in raw material & fertilizer prices as well as geopolitical risks-driven uncertainties and global macroeconomic concerns have been evaluated as important indicators for the stability of the ratings and the outlooks for Long-Term National Issuer Credit Ratings are determined as 'Negative'. 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.