

Corporate Credit Rating

New Update

Sector: Wholesale Trade

Publishing Date: Feb 28, 2024

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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

DEM İLAÇ SANAYİ VE TİCARET ANONİM ŞİRKETİ

JCR Eurasia Rating, has evaluated "Dem İlaç Sanayi ve Ticaret A.Ş." in the investment level category and assigned the Long-Term National Issuer Credit Rating as 'A+ (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 Credit Ratings and outlooks were assigned as 'BB/Negative' as parallel to sovereign ratings and outlooks of Republic of Türkiye.

Dem İlaç Sanayi ve Ticaret A.Ş. (hereinafter referred to as "Dem İlaç" or "the Company") was established in 1992 in İstanbul. The Company operates within the pharmaceutical sector, specializing in the import and sale of 82 licensed pharmaceuticals and assorted medical preparations in the domestic market. Dem İlaç distributes its pharmaceuticals to major pharmaceutical warehouses in Türkiye. The Company's product range encompasses an array of medical categories including anesthetic agents, blood products, plasma expanders, antibiotics, biotechnology, and oncology drugs. These products, sourced from global manufacturers and domestically licensed, are utilized in various medical treatments such as alcohol and substance abuse, myeloproliferative diseases, venous thromboembolism, maternal placental syndrome, hemophilia A, and immunodeficiency.

The Company's shareholders are Demir Family members with 100% share. The Company employs 304 personnel as of December 31, 2022 (FYE2021: 263).

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

Strengths

- Upward trend in sales revenues and robust EBITDA generation capacity thanks to the increase in the exchange rates,
- Sustainable profit margins driven by the high share of plasma-derived medicinal products in the portfolio,
- Strong financial profile characterized by healthy cash surplus in FYE2022 leading sound coverage and leverage position,
- Substantial level of positive net working capital and cash flow metrics together with decent current ratio facilitating liquidity management,
- Notably high level of equity supported by the retained earnings and internal resource generation capacity,
- Competitive advantage stemming from selling blood plasma-derived medications under specialized pricing arrangements in the domestic market,
- Developing sector promises large space for future growth with increasing population and life expectancy.

Constraints

- Relatively high level of OpEx in parallel with the sector,
- Fixed exchange rate regime pressuring profitability in pharmaceutical sector,
- 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 the Long-Term National Issuer Credit Rating has been assigned as 'A+ (tr)'. Taking into account the Company's sales and EBITDA performance, strong leverage and coverage positions, competitive advantage obtained through its product portfolio, as well as fixed exchange rate regime and high Opex level in parallel with the pharmaceutical sector 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 profitability indicators, sustainability of domestic and international demands, market position and economic conditions in Türkiye will be closely monitored by JCR Eurasia Rating in the upcoming periods. The macroeconomic indicators at national and international markets, as well as market conditions and legal framework about the sector will also be monitored.

