

## Corporate Credit Rating

New  Update

**Sector:** Agrochemicals

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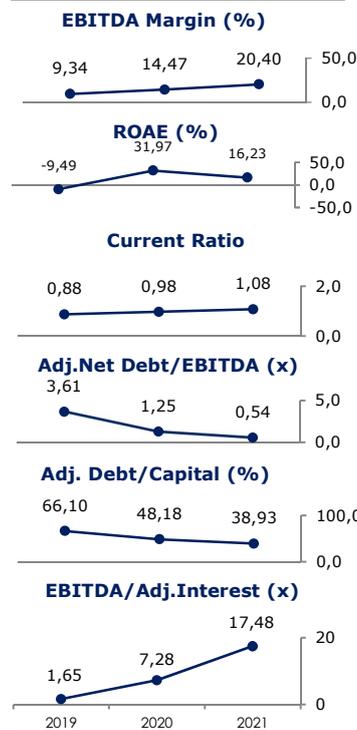
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RATINGS		Long Term	Short Term
ICRs (Issuer Credit Rating Profile)	National ICR	A+ (tr)	J1 (tr)
	National ICR Outlooks	Stable	Stable
	International FC ICR	BB	-
	International FC ICR Outlooks	Negative	-
	International LC ICR	BB	-
ISRs (Issue Specific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

\* Assigned by JCR on August 18, 2022



## Gübre Fabrikaları Türk A.Ş.

JCR Eurasia Rating, has evaluated consolidated structure of **Gübre Fabrikaları Türk A.Ş.** in the investment-level category on the national scales and affirmed the Long-Term National Issuer Credit Rating at '**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.

**Gübre Fabrikaları Türk A.Ş.** (referred to as 'the Company' or 'Gübre Fabrikaları') operates in the field of production, trading and marketing of chemical fertilizers. The Company has five production plants located in Yarımca, Kocaeli and Aliağa, İzmir with 985k tons of solid fertilizer and 100k tons of liquid and powder fertilizer production capacity. In addition, the Company consider to establish new liquid and powder fertilizer facility in İskenderun which is expected to be fully operational in 2023. Moreover, the Company has operations in Iran, through Razi Petrochemical Co., an affiliate of the Company, conducts the production and sale of fertilizer and fertilizer raw materials. Ammonia, Urea, DAP, Sulfur, Sulfuric Acid and Phosphoric Acid are the outputs of the Razi and Arya, an affiliate of Razi. In addition, the Company is in the field of port management field. The Company's ports, located in İskenderun and Yarımca in which logistic activities of the Company are carried out largely through these ports. Total warehouse capacity is 450k tons. In 2021, Company achieved to post 3.15 million tons of sales volume including liquid and powdered fertilizers, down by 6.6% YoY while production increased by 4.3% YoY and reached 2.4 million tons. Last but not least, the Company has mining field in the northwestern province of Bilecik whose gold deposit is estimated to be around 3.5 million ounces. The Company consider to invest around USD 450 million as a capital expenditure and start to gold production in 2023. The Company was founded in 1952 and is headquartered in Kadıköy, İstanbul.

Turkey lacks raw material sources like natural gas, phosphate rock and potassium salts required to produce fertilizers, therefore imports most of its need. While total production capacity of industry is over 6.0 Mt/year, AN, CAN, DAP, Urea and compound fertilizers are the main outputs in the production facilities. Consumption fluctuated around 6.0 million tons/year between 2016 and 2019 and reached all-time high level of 7.1 million tons in 2020 indicating a 18% YoY growth, which realized as 6.4 million tons in 2021 indicating 10% decline YoY basis.

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

### Strengths

- Significant improvement in sales revenue in both 2021 and January-September 2022, despite the contraction in EBITDA margin in 9M2022 period
- Ability to reach alternative financial sources through debt instruments
- Adequate level of financial leverage ratios
- Improvement in net working capital in 2021
- Utilization of derivative instruments supporting the bottom line
- Strong domestic network and well-known brand
- Long experience in the sector and successful track record

### Constraints

- Qualified opinion in audit report and ongoing court case stemming from Iran operations which may adversely affect the activities if the case is concluded against the company
- Unsecured sales and upward trend of sizeable overdue receivables from Iran state authorities decrease asset quality
- Raw material prices and currency fluctuations may put pressure on profitability margins
- Ongoing sanctions on Iran pressuring profitability margins
- Foreign currency risk due to high short FX position
- Regulations causing fluctuations in the sector may increase competition and put pressure on profit margins
- Global recession and geopolitical risks stemming from the Russia-Ukraine tension increasing uncertainty and monetary tightening across the globe deteriorating growth projections

Considering the aforementioned points, the Company's the Long-Term National Issuer Credit Rating has been affirmed at '**A+ (tr)**'. The Company's profitability level, cash generation ability, ability to access funding sources, experienced risk management practices, strong position in the market, along with ongoing uncertainties arisen from geopolitical tensions as well as 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 sustainability of profitability performance, sales growth and cash generation capacity, developments in the global economy, effects of the Covid-19 pandemic 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.