

## 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 August 18, 2022

## Gübre Fabrikaları Türk A.Ş.

JCR Eurasia Rating, has evaluated consolidated structure of "Gübre Fabrikaları Türk A.Ş." in investment-level category on the national scales and affirmed its Long-term National Issuer Credit Rating at 'A+ (tr)' and 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') was founded in 1952 and is headquartered in Kadıköy, İstanbul. The Company operates in the field of production, trading and marketing of chemical fertilizers. The Company has five production plants located in Yarımca, Kocaeli and Aliğa, İzmir with 800k tons of solid fertilizer and 100k tons of liquid and powder fertilizer production capacity. In addition, the Company has plans to realize new liquid and powder fertilizer facility investment in İskenderun. 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 2022, the Company achieved to post 2.72 million tons of sales volume including liquid and powdered fertilizers, down by 13.52% YoY while production decreased by 22.5% YoY and realized as 1.86 million tons. Last but not least, the Company has mining field, which phase one construction has been completed, in the northwestern province of Bilecik whose gold reserves are estimated to be around 3.5 million ounces.

Türkiye 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, 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, which decreased to 6.4 million tons in 2021 and 5.9 million tons in 2022.

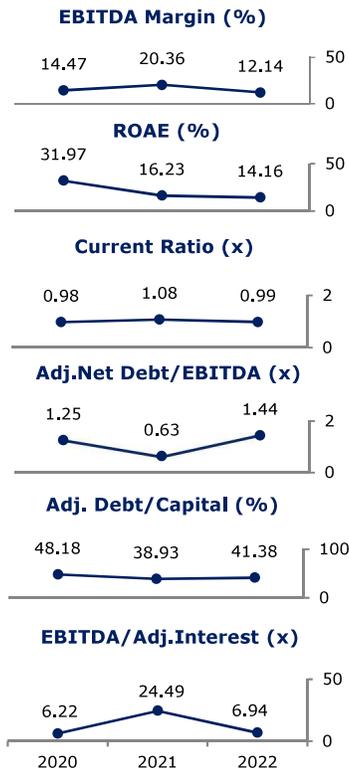
Key rating drivers, as strengths and constraints, are provided below.

### Strengths

- Significant portion of domestic sales made to main shareholder with low collection period results in sustained cash conversion cycle
- Ability to reach alternative financial sources through debt instruments and utilization of derivative instruments when necessary
- Operations in mining segment provides diversity in revenue generation in a certain extent
- Strong domestic network and well-known brand
- Long lasting presence in the industry and successful track record with notable market share
- Compliance with the corporate governance practices

### Constraints

- Qualified opinion in audit report and ongoing court case stemming from Iran operations which may adversely affect the financials if concluded against the company
- Significant contraction in EBITDA margin alongside with deterioration in financial leverage indicators in 9M2023
- Downward trend in sales volume during review period
- Ongoing sanctions on Iran and unsecured sales to Iran state authorities stands out as a risk for profitability margins
- Exposure to fluctuations in the global input prices and weather conditions
- Regulations causing fluctuations in the sector may increase competition and put pressure on profit margins as well as affecting export volume
- Leading economic indicators signal global economic slowdown as quantitative tightening actions aim to restrict consumption growth and achieve a soft-landing in the domestic side



Considering the aforementioned points, the Company's Long-Term National Issuer Credit Rating has been affirmed at 'A+ (tr)'. The Company's strong brand recognition and market share, experienced risk management practices, cash generation ability, ongoing investments in mining segment, exposure to fluctuations of global input prices along with ongoing uncertainties arisen from geopolitical tensions as well as global tight financial conditions 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 revenue and profitability performance, liquidity position, cash generation capacity, term structure of liabilities, access to the external financial sources and local and global macroeconomic indicators as well as market conditions and legal framework about the sector will be closely monitored by JCR Eurasia Rating.