

Corporate Credit Rating

New Update

Sector: Chemicals Industry
Publishing Date: 26/12/2024
Team Leader

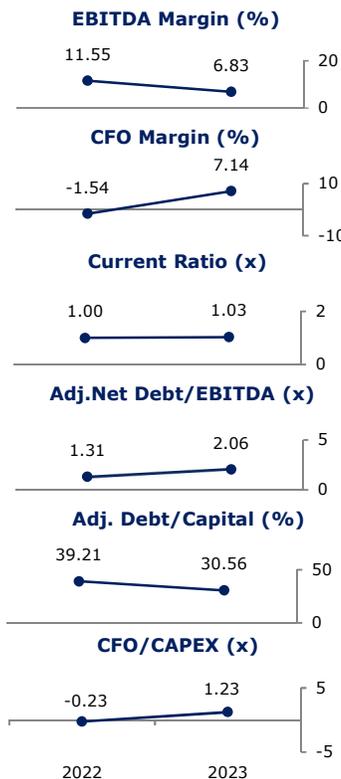
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RATINGS		Long Term	Short Term
ICRs (Issuer Credit Rating Profile)	National ICR	A+ (tr)	J1 (tr)
	National ICR Outlooks	Stable	Stable
	International FC ICR	BB	-
	International FC ICR Outlooks	Stable	-
	International LC ICR	BB	-
ISRs (Issue Specific Rating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

* Assigned by JCR on May 10, 2024



Gübre Fabrikaları Türk A.Ş.

JCR Eurasia Rating, has evaluated consolidated structure of "Gübre Fabrikaları Türk A.Ş." in investment grade category with high credit quality on the national scale 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/Stable' as parallel to international ratings and outlooks of Republic of Türkiye.

Gübre Fabrikaları Türk A.Ş. (referred to as 'the Company' or 'Gübre Fabrikaları' or 'the Group') 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 Aliağa, 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 2023, the Company achieved to post 2.55 million tons of sales volume including liquid and powdered fertilizers, down by 6.44% YoY while production decreased by 5.03% YoY and realized as 1.32 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.

Gübre Fabrikaları is registered within the Capital Market Board and its shares have been traded on the Borsa İstanbul with the ticker "GUBRF" since 1986 while Türkiye Tarım Kredi Kooperatifleri Merkez Birliği is the controlling shareholder with 75.95% share as of September, 2024.

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

Strengths

- Solid EBITDA contribution from mining operations which provides diversification in terms of internal resource generation
- Significant portion of domestic fertilizer sales made to main shareholder with low collection period supporting cash generation capacity
- Reasonable adjusted net debt to EBITDA ratio over the reviewed years
- Strong equity level supported by retained earnings despite the sizeable net loss recognized in 9M2024 and contribution of non-cash components
- Tax advantages obtained with the investment incentive certificates
- Long lasting presence and considerable market share in fertilizer industry with strong domestic network and well-known brand
- Compliance with corporate governance principles as a publicly listed company

Constraints

- Contraction in EBITDA margin due to lower fertilizer prices in FY2023
- Short term weighted funding structure pressuring the liquidity metrics
- Ongoing sanctions on Iran and unsecured sales to Iran state authorities continue to be a risk factor for profitability margins
- Upward trend in operating ratio puts pressure on efficiency of operations
- Exposure to fluctuations in the global input prices and weather conditions
- Regulatory environment affecting profit margins and competition in the fertilizer industry
- 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 Long-Term National Issuer Credit Rating has been affirmed at 'A+ (tr)'. The Company's strong brand recognition and market share in fertilizer industry, experienced risk management practices, strong equity level, solid EBITDA generation in mining operations, trend of profit margins 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.