

Corporate Credit Rating

New Update

Sector: Wholesale of Tobacco and Beverage Products

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Team Leader

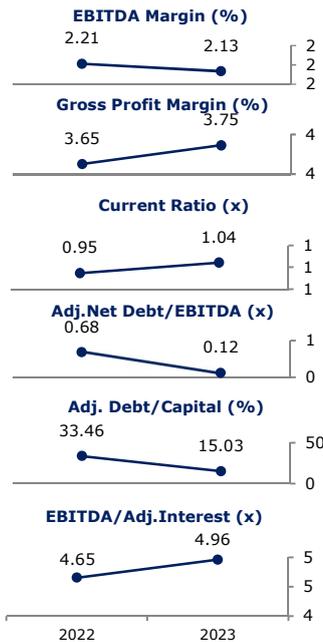
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RATINGS		Long Term	Short Term
ICRs (Issuer Credit Rating Profile)	National ICR	A- (tr)	J1 (tr)
	National ICR Outlooks	Stable	Stable
	International FC ICR	BB	-
	International FC ICR Outlooks	Stable	-
	International LC ICR	BB	-
ISRs (Issue Specific Rating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

* Assigned by JCR on May 10, 2024



Güzel İnşaat Malzemeleri Tütün Mamulleri Alkollü Alkolsüz İçecekler Gıda Maddeleri Paz. Sat. Tic. ve San. Ltd. Şti.

JCR Eurasia Rating, has evaluated "Güzel İnşaat Malzemeleri Tütün Mamulleri Alkollü Alkolsüz İçecekler Gıda Maddeleri Paz. Sat. Tic. ve San. Ltd. Şti." in the investment grade category with high credit quality and upgraded the Long-Term National Issuer Credit Rating from 'BBB+ (tr)' to 'A- (tr)' and the Short-Term National Issuer Credit Rating from 'J2 (tr)' to '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.

Güzel İnşaat Malzemeleri Tütün Mamülleri Alkollü Alkolsüz İçecekler Gıda Maddeleri Paz. Sat. Tic. ve San. Ltd. Şti. (hereinafter referred to as 'Güzel Tütün' or 'the Company') was established on September 15, 1997, in Mersin. The Company currently sells and distributes cigarettes and alcoholic beverages. The Company's cigarette sales cover the eastern districts of Antalya and the entire city of Mersin, and its current cigarette sales point is 4,415. The Company also sells and distributes wholesale alcoholic beverages in a total of 3,466 points in Mersin, Adana, Gaziantep and Hatay. Güzel Tütün's headquarters is in Anamur/Mersin. According to the audit report, as of FY2023, the Company employed an average of 128 personnel (FY2022: 114). The Company's current shares belong to Ayhan Güzel at 70%, Hasan Güzel at 10%, Arif Güzel 10% and Pınar Aksoy at 10%.

The key rating drivers, as strengths and constraints, are provided below.

Strengths

- Upward trend in volume and value-based sales thanks to wide sales and distribution network,
- Solid leverage ratios supported by decreasing net debt as of FYE2023, and remained at a sustainable level despite increasing financial borrowing in 3Q2024 according to the provisional tax return,
- Maintenance of profitability margins at sustainable levels during the periods under review, despite the inherently low profitability metrics of the sector,
- Positive cash flow metrics in FY2023, along with short cash conversion cycle over the analyzed periods, prevented a significant increase in external borrowing,
- Low exposure to concentration risk owing to diversified distribution channels,
- Working with top-tier brands and maintaining a solid foothold in the region.

Constraints

- Significant tax-related cost hikes may put downward pressure on market demand,
- Restricted promotional efforts in cigarette and alcohol sales, along with stricter legal regulations driven by authorities and health institutions,
- Improvement needs regarding corporate governance compliance policies,
- As actions for a global soft-landing gain prominence, decisions with the potential to adversely affect global trade are engendering considerable uncertainty.

Considering the aforementioned points, the Company's Long-Term National Issuer Credit Rating has been upgraded to 'A- (tr)'. Satisfactory revenue growth and EBITDA generation capacity, sustainable low financial leverage ratios, short cash conversion cycle due to the nature of the sector, along with domestic interest rate hiking cycle and taxes, 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 performance, the number of products sold, changes in financial debts, cash level and cash generation capacity, together with the trends in the wholesale sector, 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.