

Corporate Credit Rating

New Update

Sector: Agrochemicals

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RATINGS		Long Term	Short Term
ICRs (Issuer Credit Rating Profile)	National ICR	AA (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)	International LC ICR Outlooks	Negative	-
	National ISR	-	-
	International FC ISR	-	-
Sovereign*	International LC ISR	-	-
	Foreign Currency	BB (Negative)	-
	Local Currency	BB (Negative)	-

* Assigned by JCR on August 18, 2022

Hektaş Ticaret Türk A.Ş.

JCR Eurasia Rating, has evaluated consolidated structure of **Hektaş Ticaret Türk A.Ş.** in investment-level category on the national scale and affirmed its Long Term National Note at '**AA (tr)**' with '**Stable**' outlook. 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.

Hektaş Ticaret Türk A.Ş. (hereinafter referred to as 'Hektaş' or 'the Company' or 'the Group') was founded by a group of doctors, pharmacologists and engineers in 1956 to produce medicines for human use. In 1962, Hektaş Ticaret changed its field of activity and began to concentrate on the production of agrochemicals for crop protection. Right now, the Company's product portfolio consists of a wide range of agrochemicals such as crop protection and plant nutrition products, seeds and veterinary medicines. Alongside with the expansion of the smart farming practices in Türkiye, agrochemicals sector has shown a rapid growth performance and the demand in this field has constantly improved. The Company continually enriches its diversified product range with its ever-increasing investments in research and development, which gave way to high levels of growth rates in sales and profits in the recent years. As of 1H2022, the Company reached TRY 6.35bn in total assets in consolidated terms, and the total number of employees working for the Company was 778 (2021: 665).

Ordu Yardımlaşma Kurumu (OYAK), which is the pension fund of the members of the Turkish Armed Forces and one of the biggest conglomerates in Türkiye with its 90 subsidiary companies from various industries, currently holds 58.82% of the Company's shares. The rest of the shares of the Company are publicly traded in Borsa Istanbul since 1986.

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

Strengths

- Robust sales revenue growth in 2021, gained momentum during 1H2022
- Notable improvement in profitability indicators in 1H2022
- Low level of collection risk supporting asset quality
- Backed by OYAK Group one of the experienced brands in Türkiye
- Competitive advantages through R&D operations and capacity increase investments
- Strong domestic network and brand recognition
- High level of compliance with the corporate governance practices

Constraints

- Upward trend in financial leverage indicators
- Short-term debt structure pressuring liquidity management
- Exposure to foreign exchange risk arising from dependence on imports for the inputs
- Despite improvements in recent years, high level of cash conversion cycle stemming from seasonality in line with industry
- The geopolitical risks stemming from the Russia-Ukraine tension increasing uncertainty

Considering the aforementioned points, the Company's Long-Term National Rating has been affirmed at '**AA (tr)**'. The Company's successful track-record and market share in the sector with reputable brand name, significant sales revenue and EBITDA growth in 2021 and in 1H2022, notable profitability performance, strengthened equity structure while volatility and uncertainty arisen from geopolitical tensions as well as global interest rate hiking cycle constitute the principle reasons underlying the assignment the outlooks for the Long and Short-Term National Ratings as '**Stable**'. On the other hand, the Company's profitability performance, cash generation capacity, asset size and quality, liquidity structure, 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.

