

## Corporate Credit Rating

New  Update

**Sector:** Agrochemicals

**Publishing Date:** 15/09/2023

**Manager**

Abdullah DEMİRER

+90 212 352 56 73

[abdullah.demirer@jcrer.com.tr](mailto:abdullah.demirer@jcrer.com.tr)

**Assistant Analyst**

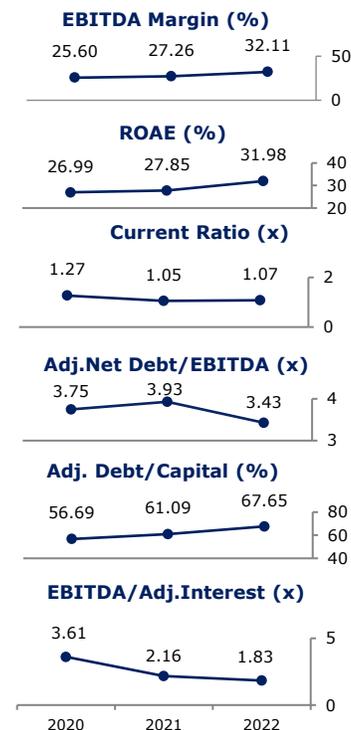
Fatih Furkan BALCIOĞLU

+90 212 352 56 73

[fatihfurkan.balcioglu@jcrer.com.tr](mailto:fatihfurkan.balcioglu@jcrer.com.tr)

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	-
	Local Currency	Negative	-

\* Assigned by JCR on August 18, 2022



## Hektaş Ticaret Türk A.Ş.

JCR Eurasia Rating, has evaluated **Hektaş Ticaret Türk A.Ş.** in the investment-level category on the national scale and affirmed its Long-Term National Issuer Credit Rating at '**AA (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.

**Hektaş Ticaret Türk A.Ş.** (hereinafter referred to as 'Hektaş' or 'the Company') engages in production of agrochemicals for crop protection. 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 June, 2023, the Company generated TRY 5,683 mn of 12-mnth trailing sales revenue and the total number of employees working for the Company recorded as 869 (FYE2022: 879).

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 many subsidiaries from various industries, currently holds 55.37% of the Company's shares. The rest of the shares of the Company are publicly held and traded in Borsa İstanbul since 1986 with the ticker symbol 'HEKTS'.

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

### Strengths

- Robust sales revenue growth in 2022 solely driven by unit price hikes, but lost momentum in 1H2023 due to sales volume contraction
- Revenue stream diversification via broad product range and operations in different segments
- Prudent collection policy supporting the asset quality through received letter of guarantees and Direct Debit System
- Backed by OYAK Group one of the experienced brands in Türkiye
- Gaining competitive edge through R&D operations and capacity increase investments
- Long lasting presence in the sector and strong domestic network & well-known brand recognition
- High level of compliance with corporate governance practices

### Constraints

- Cash outflow from operations over the review period stemming from working capital requirements funded by external borrowings
- High level of short-term net debt to EBITDA ratio and cash conversion cycle puts pressure on liquidity management of the Company
- Downward trend in interest coverage ratios over the analyzed periods and net loss recorded in 1H2023 stemming from financing expenses
- Import-oriented raw material prices and currency are the solid source of material risk for the profitability margins
- Downward trend in equity's share among total assets
- Global economic growth slows down evidenced by commodity prices and trade figures on the back of rapid monetary tightening, whereas domestic restrictive financial conditions limit access to finance

Considering the aforementioned points, the Company's Long-Term National Issuer Credit Rating has been affirmed at '**AA (tr)**'. The Company's ongoing revenue growth, and notable market share in the sector, group support from OYAK, high level of short-term weighted debt structure, 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, debt structure, liquidity position and asset quality 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.