

Corporate Credit Rating

New Update

Sector: Chemicals Industry

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Team Leader

Yeşim ÖZÜDOĞRU

+90 212 352 56 73

yesim.karaoglu@jcrer.com.tr

Assistant Analyst

Fatih Furkan BALCIOĞLU

+90 212 352 56 73

fatihfurkan.balcioglu@jcrer.com.tr

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	-
ISRs (Issue Specific Rating Profile)	International LC ICR	BB	-
	International LC ICR Outlooks	Stable	-
	National ISR	-	-
Sovereign*	International FC ISR	-	-
	International LC ISR	-	-
Sovereign*	Foreign Currency	BB (Stable)	-
	Local Currency	BB (Stable)	-
	Local Currency	BB (Stable)	-

* Assigned by JCR on May 10, 2024

Hektaş Ticaret Türk A.Ş.

JCR Eurasia Rating, has evaluated the consolidated structure of "Hektaş Ticaret Türk A.Ş." in the investment grade category with high credit quality on the national scale and revised its Long-Term National Issuer Credit Rating to 'A (tr)' from 'AA (tr)' and Short-Term National Issuer Credit Rating to 'J1 (tr)' from '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.

Hektaş Ticaret Türk A.Ş. (hereinafter referred to as 'Hektaş' or 'the Company') engages in production of agrochemicals for crop protection. The Company's subsidiaries are as follows and will be referred to as 'the Group'; Takimsan, Ferbis, Areo, Sunset, Agriventis, Hektaş Asia and Çantaş. The Company's product portfolio consists of a wide range of agrochemicals such as crop protection and plant nutrition products and seeds. 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. As of June, 2024, the Company generated TRY 2,565mn of sales revenue and the total number of employees working for the Company recorded as 592 (FYE2023: 621).

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 on Borsa Istanbul since 1986 with the ticker symbol 'HEKTS'.

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

Strengths

- Expectation of improvement in terms of indebtedness level through cash injection and planned paid-in capital increase
- Intensified R&D operations providing a competitive edge and broadening the product range
- Collection capacity strengthened by Direct Debit System and letter of guarantees
- Backed by OYAK Group and well-known brand recognition
- Compliance with corporate governance principles as a publicly listed company

Constraints

- Significant contraction in revenue figures in FY2023 which continued in 1H2024 period
- Lack of EBITDA generation in FY2023 which deteriorated further in 1H2024 along with increasing financing costs pressuring bottom line results
- High level of financial leverage indicators as of FYE2023 and 1H2024
- Net working capital deficit along with weak liquidity indicators over the analyzed periods
- Exposure to fluctuations in the global input prices and weather conditions
- 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 revised to 'A (tr)'. The Company's intense R&D operations, collection capacity, group support, compliance with corporate governance principles along with contraction in sales revenue, lack of EBITDA generation, high level of leverage indicators, net working capital deficit and 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.

