

Corporate Credit Rating

New Update

Sector: FMCG (Food)

Publishing Date: 31.10.2022

Chief Analyst

Merve Hayat

+90 212 352 56 73

merve.hayat@jcrer.com.tr

Assistant Analyst

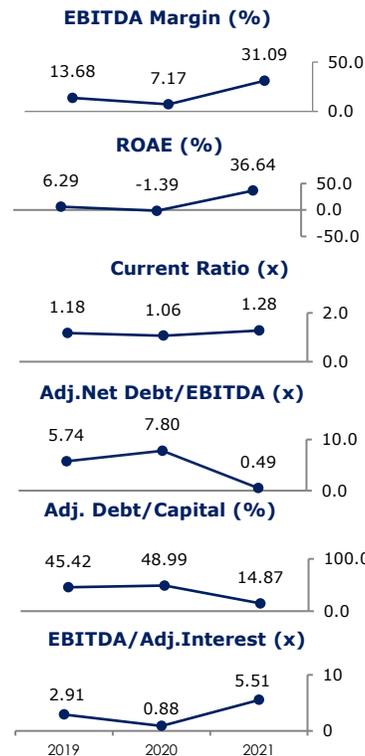
Muhammed Recep Durupinar

+90 212 352 56 73

recep.durupinar@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	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 Aug 18, 2022



Kayseri Şeker Fabrikası Anonim Şirketi

JCR Eurasia Rating has evaluated the "Kayseri Şeker Fabrikası Anonim Şirketi" in the high investment-grade category and upgraded the Long-Term National Issuer Credit Rating from 'BBB (tr)' to 'A- (tr)' and assigned the Short-Term National Issuer Credit Rating as 'J1 (tr)' with 'Stable' outlooks. On the other hand, the Long Term International Foreign and Local Currency Issuer Credit Ratings and outlooks have been assigned as 'BB/Negative' in parallel to international ratings and outlooks of Republic of Türkiye.

Kayseri Şeker Fabrikası Anonim Şirketi (hereinafter referred to as "Kayseri Şeker" or "the Company") was established in 1954, started its operations with the establishment of Kayseri Sugar Factory in 1955. As of April 30, 2022, the shareholder structure of Kayseri Şeker is as follows: Kayseri Beet Planters Cooperative with 58.60% share, Turkey Wealth Fund with 11.07% share and 23 Beet Planters Cooperatives and others with 30.33% share.

The main activity of Kayseri Şeker Fabrikası Anonim Şirketi is the production of crystal sugar from beet. Kayseri Şeker, own 3 sugar factories, has 16.32% of total quota for MY 2021/2022 and MY 2022/2023 in Turkey. Kayseri Şeker ranks among the top 500 industrial companies (İSO 500) in Turkey (ranked 106 in 2021 and 121 in 2020). Kayseri Şeker, through its subsidiaries, operates in fields such as livestock, greenhousing, warehousing, trade and transportation of fuel products and woven sack production. The Company maintains its operations by staff force of 2,255 employees as of April 30, 2022.

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

Strengths

- Maintaining of revenue and strong market position with a quota share of 16.32%,
- Notable recovery in leverage ratios in FYE2021 due to decline in financial debts and increase in EBITDA generation,
- Substantial level of positive net working capital and improvement cash flow metrics easing liquidity management,
- Expected cash generation capability thanks to have high amount investment properties,
- Powered by its agricultural cooperative model with links to thousands of farmers,
- Asset quality strengthened by the low collection risks and credible customer base,
- Long track record in the sector.

Constraints

- High financial expenses pressuring on profitability ratios,
- Short-term weighted borrowing structure pressuring on financial structure,
- High non-cash contribution of revaluation gains from tangible assets to growth in equity,
- Inconsistency in profitability due to the mismatch between sugar raw material and crystal sugar price changes in the years reviewed,
- Competition in the domestic/global FMCG industry,
- Growing uncertainties along with geopolitical tensions and European recession concern.

Considering the aforementioned points, the Company's Long-Term National Issuer Credit Rating has been upgraded from 'BBB (tr)' to 'A- (tr)'. Taking into account the Company's long business track record, fund generation capacity in last year, sustainable of asset and sales growth, experienced and qualified management team, being one of the largest players in the sugar manufacturing sector, operational performance, predictability cash flow from operations, as well as, European recession concerns, Russia-Ukraine crisis and geopolitical risks-driven uncertainties; 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'. An achievement of budget targets of the Company, debt ratio, profit margins and regulations, as well as market conditions regarding the 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.