

Corporate Credit Rating

New Update

Sector: FMCG (Food)

Publishing Date: 30.09.2022

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R A T I N G S		Long Term	Short Term
ICRs (Issuer Credit Rating Profile)	National ICR	BB (tr)	J3 (tr)
	National ICR Outlooks	Stable	Stable
	International FC ICR	B+	-
	International FC ICR Outlooks	Negative	-
	International LC ICR	B+	-
	International LC ICR Outlooks	Negative	-
ISRs (Issue Specific Rating Profile)	National ISR	-	-
	International FC ISR	-	-
	International LC ISR	-	-
Sovereign*	Foreign Currency	BB (Negative)	-
	Local Currency	BB (Negative)	-

* Assigned by JCR on Aug 18, 2022

Panagro Tarım Hayvancılık Gıda Sanayi ve Ticaret A.Ş.

JCR Eurasia Rating has evaluated the "Panagro Tarım Hayvancılık Gıda Sanayi ve Ticaret A.Ş." in the speculative-grade category and affirmed the Long-Term National Issuer Credit Rating as 'BB (tr)' and assigned the Short-Term National Issuer Credit Rating as 'J3 (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 'B+ / Negative'.

Panagro Tarım Hayvancılık Gıda Sanayi ve Ticaret A.Ş. (hereinafter referred to as "Panagro" or "the Company") was established in Konya on May 22, 2009 with the partnership of Konya Şeker group companies. In Panagro Meat-Milk Integrated Food Facilities, milk and dairy products production started in the April 2013, while meat and meat products production started in February 2014. The meat-milk integrated production facilities are located on a total of 343 thousand square meters of outdoor area and 80 thousand square meters of indoor area in Meram Campus, Konya. In addition to these, the Company has fruit juice production facilities, rendering facilities and 3 breeding farms with a total capacity of 50 thousand cattle in Konya.

As of December 31, 2021, the main shareholder of the Company is Konya Şeker Sanayi ve Ticaret A.Ş. ("Konya Şeker") and its ultimate controlling partner is Anadolu Birlik Holding A.Ş. ("AB Holding"). The Company's main field of activity consists of production of meat and meat products, milk and dairy products, yoghurt and ayran products, pizzas, pastries, and then sales activities within its own facilities. The Company headquartered in Konya and employed a total workforce of 1,018 as of FYE2021 (FYE2020: 1,098).

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

Strengths

- Diversified income streams through product range,
- Benefit from the synergetic structure of Konya Şeker having reputable brand names in various business segments,
- Powered by its agricultural cooperative model with links to thousands of farmers,
- Attained know-how in R&D, smart production facility with high technology and emphasis on compliance with international quality standards.

Constraints

- High level of debt mainly arising from bank loans together with intra-group funding pressuring the current financial structure,
- Insufficient coverage ratios creating external funding need for operational cycle,
- Remarkably net loss mainly stemming from low EBITDA margin and high interest expenses,
- Low level of equity due to accumulated losses, despite the revaluation surplus and notable level of paid-in-capital,
- Cost pressure due to increases in input costs of meat and dairy sector,
- Competition in the domestic/global FMCG industry.

Considering the aforementioned points, the Company's Long-Term National Issuer Credit Rating has been affirmed as 'BB (tr)'. Taking into account the Company's sales performance, assets growth, diversification of revenues through large product range, EBITDA generation capacity, experienced and qualified organizational structure, as well as, 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.

