

Corporate Credit Rating

New Update

Sector: Food Industry
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Team Leader

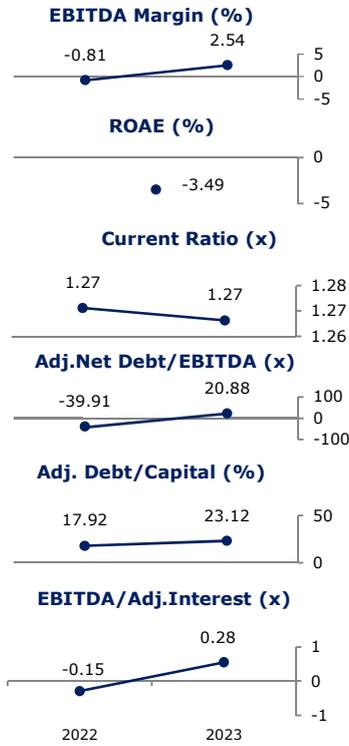
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RATINGS		Long Term	Short Term
ICRs (Issuer Credit Rating Profile)	National ICR	BB+ (tr)	J3 (tr)
	National ICR Outlooks	Stable	Stable
	International FC ICR	B+	-
	International FC ICR Outlooks	Stable	-
	International LC ICR	B+	-
ISRs (Issue Specific Rating Profile)	International LC ICR Outlooks	Stable	-
	National ISR	-	-
	International FC ISR	-	-
*Sovereign	International LC ISR	-	-
	Foreign Currency Local Currency	BB (Stable) BB (Stable)	-

* Assigned by JCR on May 10, 2024



Penguen Gıda Sanayi A.Ş.

JCR Eurasia Rating, has evaluated **Penguen Gıda Sanayi A.Ş.** in the speculative grade category on the national scales and assigned the Long-Term National Issuer Credit Rating as '**BB+ (tr)**' and 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 were assigned as '**B+ /Stable**'.

Penguen Gıda Sanayi A.Ş. (referred to as "Penguen Gıda" or "the Company") was established in Bursa in 1988. The main activity of the Company is the production of frozen food, canned food, pickles, tomato paste and jam products. The Company primarily focuses on producing private label items, but also sells products under its own brand. The Company have the facilities with a closed area of 75,000 m² on a land of 150,000 m² in Bursa. The Company's export rate is around 65%, and these export sales consist entirely of private label products. Around half of domestic sales is private label products, sold to the supermarkets. In addition, the Company sells frozen food products under its own brand to the HoReCa (hotels, restaurants, catering) sector. The share of the sales under its own brand fluctuates between 10-15% of the revenues.

Penguen Gıda went public in 1998. As of the reporting date, the free float is 76.83%. The remaining shares outstanding belongs to Gençoğlu Holding A.Ş., Orhan Ümit Gençoğlu and Turhan Gençoğlu. The Company has 193 employees as of FYE2023 (FYE2022: 189).

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

Strengths

- High level of export income provides resilience for the Company to a certain extent
- Operating with net working capital surplus and adequate level of current ratio during the review periods
- Reputable customer base despite the high level of concentration
- Relatively inelastic demand ensures a natural shield
- Long-lasting presence in the sector and experienced shareholders

Constraints

- Declining sales revenue in FY2023 due to contraction of quantity-based sales figures which is expected to recover in FY2024
- Operating with high level of financial leverage and low interest coverage metrics despite the recent decline in financial borrowings since March 2024
- Low level of EBITDA and profitability margins both in FY2022 and FY2023 according to inflation-adjusted financials
- Low paid-in capital level compared to growing asset size and a considerable share of revaluation gains in the equity base
- Long cash conversion cycle leading to increase in the external funding needs
- Leading economic indicators signal global economic slowdown whereas 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 assigned as '**BB+ (tr)**'. High level of export income, net working capital surplus, reputable customer base despite the high concentration, relatively inelastic demand, experienced shareholders, volatile quantity-based sales figures, financial leverage metrics, equity 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, financial leverage indicators, liquidity position, debt structure 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.