

## Corporate Credit Rating

New  Update

**Sector:** Food Products Industry

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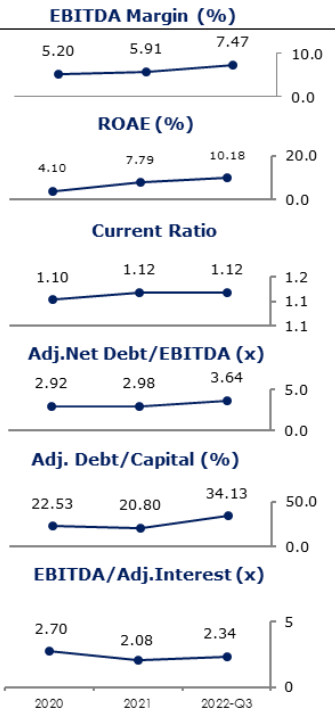
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RATINGS		Long Term	Short Term
ICRs (Issuer Credit Rating Profile)	National ICR	A (tr)	J1 (tr)
	National ICR Outlooks	Stable	Stable
	International FC ICR	BB	-
	International FC ICR Outlooks	Negative	-
	International LC ICR	BB	-
ISRs (Issue Specific Rating Profile)	National ISR	-	-
	International FC ISR	-	-
	International LC ISR	-	-
Sovereign*	Foreign Currency	BB (Negative)	-
	Local Currency	BB (Negative)	-

\* Assigned by JCR on Aug 18, 2022



## PINAR SÜT MAMÜLLERİ SANAYİİ A.Ş.

JCR Eurasia Rating, has evaluated "Pinar Süt Mamülleri Sanayii A.Ş." in the investment level category and affirmed the Long-Term National Issuer Credit Rating at 'A (tr)' and the 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.

Pinar Süt Mamülleri Sanayii A.Ş. (hereinafter referred to as "Pinar Süt" or "the Company"), was established in 1973 in İzmir. The Company's main field of activity is to produce and sell milk and dairy products (cheese, yoghurt, etc.), fruit juices, sauces and powders. In 1975, the Company started to produce long-lasting milk and packaged milk products. Since its establishment, the Company has made many innovative products for its sector in Türkiye. Pinar Süt continues to produce milk, yogurt, buttermilk, cheese, fruit juice, butter, cream, pudding, ketchup, mayonnaise, mustard, honey, sauce, jam and powder products in European Union standards in İzmir, Eskişehir and Şanlıurfa factories. The Company has a total production area of 357,000 m<sup>2</sup>, 111,000 m<sup>2</sup> of which is closed area, in its production facilities in 3 different cities. The Company works under contracts with more than 20,000 raw milk producers and 126 farms in addition to over 155,000 sales points. The shares of the Company have been traded on the Istanbul Stock Exchange (BIST) since 1986. The headquarters of the Company is located in Bornova/İzmir. Among the Türkiye's largest industrial corporations list, Pinar Süt ranks 156<sup>th</sup> (2020: 116<sup>th</sup>) in the list of Türkiye's Top 500 Industrial Enterprises published by the Istanbul Chamber of Industry in 2021. The average number of personnel employed within the Company in 9M2022 is 1,265 (2021: 1,162).

The Company's main ultimate controlling shareholder is Yaşar Holding with 61.41% share. The remaining 37.95% shares are publicly traded and other shares are 0.64%.

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

### Strengths

- The continuity of the upward trend in sales revenues in FYE2021 and Q3 2022 with the contribution of volume and unit prices,
- Increase in profitability and EBITDA generation capacity,
- Strong position in the market with a well-diversified product portfolio and brand reputation,
- Continuous R&D activities that create competitive advantage and increase adaptability to new trends,
- Wide marketing and distribution network throughout Türkiye,
- Competitiveness and diversification provided by the support of Yaşar Holding's group companies,
- High level of compliance with the corporate governance practices as a publicly listed company since 1986.

### Constraints

- Increase in indebtedness level as of Q3 2022 and short-term weighted liability profile due to continuity of rising production costs,
- Continuity of the slight contraction in financial leverage metrics,
- Negative measurement of CFO and FOCF metrics in Q3 2022 creating external funding need for operational cycle,
- Sizeable level of overdue but not impaired other receivables and intragroup transactions in balance sheet composition,
- Notable share of non-cash revaluation gains in equity and low level of paid-in capital despite continued profitability,
- Global recession and geopolitical risks stemming from the Russia-Ukraine tension increasing uncertainty and monetary tightening across the globe deteriorating growth projections.

Considering the aforementioned points, the Company's the Long-Term National Issuer Credit Rating has been affirmed at 'A (tr)'. Additionally, upward trend in sales revenues, increase in profitability and EBITDA generation capacity, strong position in the market with a well-diversified product portfolio and brand reputation, R&D activities, wide marketing and distribution network, support of group companies and compliance with corporate governance 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 debt and equity level, cash flow and liquidity metrics, asset quality, financial risk indicators, profit margins and sectoral regulations 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.