

Corporate Credit Rating

New Update

Sector: Food Products Industry

Publishing Date: 30.01.2024

Team Leader

Hulusi Girgin

+90 212 352 56 73

hulusi.girgin@jcrer.com.tr

Analyst

Nurullah Şaşa

+90 212 352 56 73

nurullah.sasa@jcrer.com.tr

RATINGS		Long Term	Short Term
ICRs (Issuer Credit Rating Profile)	National ICR	BBB+ (tr)	J2 (tr)
	National ICR Outlooks	Stable	Stable
	International FC ICR	BB	-
	International FC ICR Outlooks	Negative	-
	International LC ICR	BB	-
	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

PINAR SÜT MAMÜLLERİ SANAYİİ A.Ş.

JCR Eurasia Rating, has evaluated "Pinar Süt Mamülleri Sanayii A.Ş." in the investment level category and revised the Long-Term National Issuer Credit Rating from 'A (tr)' to 'BBB+ (tr)' and the Short-Term National Issuer Credit Rating from 'J1 (tr)' to 'J2 (tr)' with 'Stable' outlooks. On the other hand, the Long Term International Foreign and Local Currency Issuer Credit Ratings and outlooks were affirmed 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, yogurt, etc.), fruit juices, sauces, and powders. In 1975, the Company began producing long-lasting milk and packaged milk products. Pinar Süt continues to manufacture milk, yogurt, buttermilk, cheese, fruit juice, butter, cream, pudding, ketchup, mayonnaise, mustard, honey, sauce, jam, and powder products in European Union standards at its facilities in İzmir, Eskişehir, and Şanlıurfa. The Company boasts a total production area of 357,000 m², 111,000 m² of which is enclosed, across its facilities in three different cities. Pinar Süt 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) with the ticker of 'PNSUT' since 1986. The headquarter of the Company is located in Bornova/İzmir. Among the Türkiye's largest industrial corporations list, Pinar Süt ranks 165th (2021: 156th) in the list of Türkiye's Top 500 Industrial Enterprises published by the Istanbul Chamber of Industry in 2022. The average number of personnel employed within the Company in 9M2023 is 1,273 (2022: 1,277).

As of the reporting date, 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

- Extensive brand recognition and strong position in the market thanks to its well-established history in the sector,
- Significant competitive advantages through strong marketing and distribution channels,
- Synergy within the group facilitated by other companies under Yaşar Holding,
- Maintenance of sustainable levels in net working capital and liquidity metrics,
- High level of compliance with corporate governance practices as a publicly listed company since 1986.

Constraints

- Decline in volume-based sales and slight contraction in profit margins in 2022 and 3Q2023,
- Unfavourable CFO and FOCF metrics in 3Q2023 continue to create external funding needs for the operating cycle,
- Increased financial expenses resulting from the rising short-term debt burden continued to put pressure on bottom line profitability,
- Deterioration of leverage and coverage metrics due to increase in financial liabilities and shrinkage of EBITDA margin in 3Q2023,
- Ongoing level of overdue but not impaired other receivables and intragroup transactions in balance sheet composition,
- Continued high contribution of other non-cash instruments to equity growth and low paid-in capital compared to asset size,
- 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 the Long-Term National Issuer Credit Rating has been revised from 'A (tr)' to 'BBB+ (tr)'. Additionally, positive NWC and reasonable liquidity metrics, strong position in the market with a well-diversified product portfolio and brand reputation, R&D activities, wide marketing and distribution network, intra-group synergy provided by Yaşar Holding 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 affirmed as 'Stable'. The Company's production volume, distribution and marketing activities, debt and equity level, other receivables from related parties, cash flow and liquidity metrics, collection of overdue receivables, asset quality, financial risk indicators, profit margins, customer portfolio and sectoral regulations and the outlook of the milk and dairy industry 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.

