

## Corporate Credit Rating

New  Update

**Sector:** Food Products Industry

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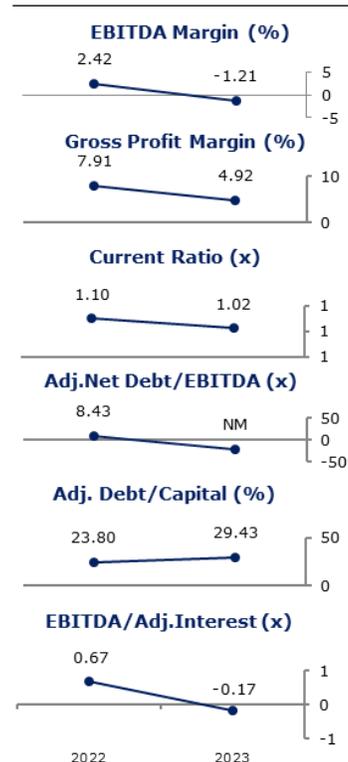
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RATINGS		Long Term	Short Term
ICRs (Issuer Credit Rating Profile)	National ICR	BBB (tr)	J2 (tr)
	National ICR Outlooks	Stable	Stable
	International FC ICR	BB	-
	International FC ICR Outlooks	Stable	-
	International LC ICR	BB	-
	International LC ICR Outlooks	Stable	-
ISRs (Issue Specific Rating Profile)	National ISR	-	-
	International FC ISR	-	-
	International LC ISR	-	-
Sovereign*	Foreign Currency	BB (Stable)	-
	Local Currency	BB (Stable)	-

\* Assigned by JCR on May 10, 2024



## PINAR SÜT MAMÜLLERİ SANAYİİ A.Ş.

JCR Eurasia Rating, has evaluated "Pinar Süt Mamülleri Sanayii A.Ş." in the investment grade category and revised the Long-Term National Issuer Credit Rating from 'BBB+ (tr)' to 'BBB (tr)' and affirmed the Short-Term National Issuer Credit Rating as 'J2 (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/Stable' 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 owns a total production area of 357,000 m<sup>2</sup>, 111,000 m<sup>2</sup> 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 158<sup>th</sup> (2022: 165<sup>th</sup>) in the list of Türkiye's Top 500 Industrial Enterprises published by the Istanbul Chamber of Industry in 2023. The average number of personnel employed within the Company as of 3Q2024 is 1,269 (FYE2023: 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 while other shares accounting for 0.64%.

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

### Strengths

- Maintained strong position in the sector driven by well-established brand reputation and wide product portfolio despite the decline in total UHT milk market share in 3Q2024,
- The contribution of other Yaşar Holding companies in terms of marketing and distribution channels,
- Moderate export capacity provides income diversification and a natural hedge in some extent,
- Sufficient equity level mostly supported by retained earnings,
- Compliance with corporate governance practices as a publicly traded company since 1986.

### Constraints

- Negative EBITDA as of FY2023 despite the slight recovery in 3Q2024, coupled with notably low profit margins over the analysed periods,
- Rising financial indebtedness and financing costs notably deteriorated leverage and coverage ratios which were at inadequate levels in 2023 and 3Q2024,
- Further decline in sales in terms of both overall volume and TRY basis in 2023 and 3Q2024,
- Continued reliance on external financing and short-term weighted funding causing pressure on liquidity,
- Considerable level of intragroup transactions and overdue but not impaired other receivables in balance sheet composition,
- In the shadow of geopolitical risks, leading economic indicators point to continued weakness in global demand conditions, whereas actions for a soft-landing are at the forefront.

Considering the aforementioned points, the Company's the Long-Term National Issuer Credit Rating has been revised from 'BBB+ (tr)' to 'BBB (tr)'. Additionally, established market position and brand reputation with wide product portfolio, synergy provided by Yaşar Holding group companies, reasonable equity level and compliance with corporate governance as well as deteriorated leverage and coverage ratios, narrow profit margins, negative EBITDA in FY2023, increasing and high level of financial borrowings and short-term weighted funding profile 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, market share 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.