

Corporate Credit Rating

New Update

Sector: Food Products

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

* Assigned by JCR on May 10, 2024

SELVA GIDA SANAYİ A.Ş.

JCR Eurasia Rating has evaluated the consolidated structure of "Selva Gıda Sanayi A.Ş." in the investment level category in a periodic annual review and revised the Long-Term National Issuer Credit Rating from 'BBB (tr)' to 'BBB- (tr)' and the Short-Term National Issuer Credit Rating from 'J2 (tr)' to '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 'BB-/Stable'.

Selva Gıda Sanayi A.Ş. (hereinafter referred to as "Selva Gıda" or "the Company" or "the Group") was established in 1988 to manufacture flour made from cereals. In the following years, Selva Gıda started to produce semolina and pasta, and today it has reached a product variety of over 180 pasta, semolina and flour products in 15 categories. Although the Company can also produce flour and semolina, the main focus of its production and activities is pasta production. The Company has a total production area of 34,561 m², including 16,382 m² closed area with 790-ton daily production capacity in Konya Organized Industrial Zone. As of September 30, 2024, the average number of personnel employed by the Company during the year is 209 persons (December 31, 2023: 186).

As of September 30, 2024, 23.33% share of the Company belong to Loras Holding A.Ş., 18.33% belongs to İmaş Makina Sanayi A.Ş. and the remaining 58.34% is traded in the stock market.

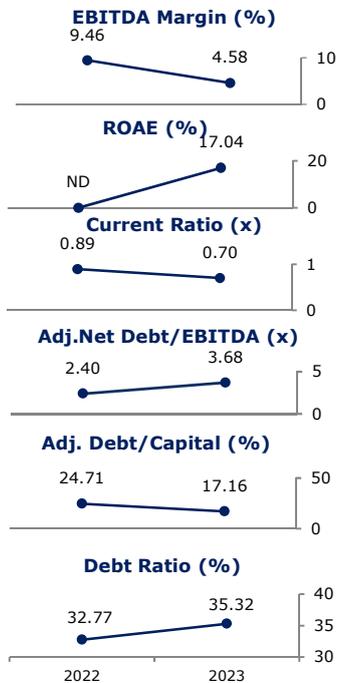
Key rating drivers, as strengths and constraints, are provided below.

Strengths

- Production growth in the analysed periods through the implementation of modernization and capacity-enhancing investments,
- High share of export sales among total revenues and geographical diversification of exports, despite relatively concentration in far east region,
- Expected increase in sales volume after completion of ongoing investments,
- Compliance with corporate governance practices as a publicly traded company.

Constraints

- Deterioration in leverage metrics in 2023, and upward trend in bank loans due to investment and working capital needs in 2024,
- Improvement needs in liquidity metrics,
- Downward trend of profit margins during the periods under review,
- Relatively low paid-in capital level comparing to equity and asset size, despite high equity ratio,
- Fluctuations in commodity prices may put pressure on profitability,
- Grain production's vulnerability to drought and extreme weather and decline in agricultural sector in the Türkiye's gross domestic product (GDP) share over the years,
- Intense competition due to low barriers to enter into the pasta sector and large number of global and local companies,
- 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.



ND: Not Defined

The Company's audited financial statements include inflation adjustments. Adjustments have been made in accordance with the terms of IAS 29 "Financial Reporting in Hyperinflationary Economies" regarding the changes in the general purchasing power of the Turkish Lira as of December 31, 2023 and September 30, 2024.

Considering the aforementioned points, the Company's the Long-Term National Issuer Credit Rating has been revised as 'BBB- (tr)'. The Company's sales volume, long experience in the sector as well as 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'. Indebtedness profile, profit margins, sustainability of domestic and international demand and regulations, as well as market conditions are the prior issues be closely monitored by JCR Eurasia Rating in upcoming periods. The macroeconomic indicators of national and international markets, market conditions, and the legal frameworks of the sector will be monitored.