

Corporate Credit Rating

☑New ☐Update

Sector: Pharmaceutical Industry
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Team Leader

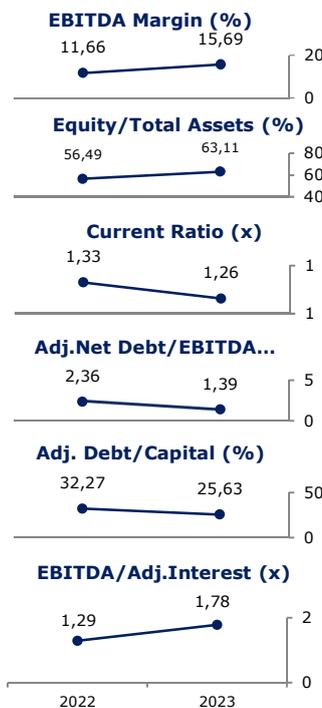
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RATINGS		Long Term	Short Term
ICRs (Issuer Credit Rating Profile)	National ICR	BBB (tr)	J2 (tr)
	National ICR Outlooks	Stable	Stable
	International FC ICR	BB	-
	International FC ICR Outlooks	Stable	-
	International LC ICR	BB	-
ISRs (Issue Specific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



TURK İLAÇ VE SERUM SAN. A.Ş.

JCR Eurasia Rating has evaluated the "Turk İlaç ve Serum Sanayi A.Ş." in the investment level category and assigned the Long-Term National Issuer Credit Rating as 'BBB (tr)' and 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 determined as 'BB/Stable', as parallel to international ratings and outlooks of Republic of Türkiye.

Turk İlaç ve Serum Sanayi A.Ş. (hereinafter referred to as "Turk İlaç" or "the Company") was established in 2012 with name of "Turkilaç İlaç ve Serum Sanayi Anonim Şirketi" and has obtained its current title in 2013. The Company's main activity is the production of diphtheria tetanus vaccine, serum and dialysis solution. The Company also produces and sells all kinds of human tablets, capsules, ampoules, vials, ointments, creams, parenteral solutions, nutritional solutions, amino acids and other chemical substances. The company has an annual production capacity of 120 million units of serum, 160mn units of ampul/vial products and 15 million units of dialysis solution. The Company is headquartered in Akyurt, Ankara and also has a warehouse in Ankara. The Company had a total of 439 employees as of FYE2023 (FYE2022: 332).

As of the reporting date, the Company's ultimate controlling shareholder is Mehmet Berat Battal with 40.14% share. Remaining 59.86% of shares are publicly traded on the Borsa Istanbul (BIST) with the ticker symbol "TRILC" since February, 2021.

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

Strengths

- Notable improvement in EBITDA generation in FY2023 and 1Q2024
- Additional revenue expectation upon completion of capacity expansion and modernization investments in FY2024
- Strong equity level driven by retained earnings and inflation adjusted paid-in capital
- Adequate level of liquidity metrics over years
- Having competitive advantage in the sector owing to its position as a key producer of diphtheria and tetanus vaccines in Türkiye

Constraints

- Volatile trend in sales volumes due to reliance on tender-based vaccine sales, though increase in the serum sales contributing to revenue generation in the last two years
- Notable increase in financial debts resulting in higher net debt to EBITDA multiplier in 1Q2024 period due to ongoing investments
- Low and volatile trend in interest coverage metrics over the reviewed period
- Bottom-line loss in 1Q2024 mainly due to increased financing expenses
- Leading economic indicators signal global economic slowdown as 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 assigned as 'BBB (tr)'. Notable improvement in EBITDA generation, adequate liquidity ratios, strong equity level, experience in the sector, the impact of ongoing investments 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 of the Long and Short-Term National Issuer Default Ratings have been determined as 'Stable'. The Company's revenue and profitability performance, financial leverage indicators, liquidity position and debt structure 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.