

Corporate Credit Rating

New Update

Sector: Food , Grain Trade

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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	-
	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

ULUSOY UN SANAYİ VE TİCARET A.Ş.

JCR Eurasia Rating, has evaluated the consolidated structure of "Ulusoy Un Sanayi ve Ticaret A.Ş." in the high 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' in line with international ratings and outlooks of Republic of Türkiye.

Ulusoy Un Sanayi ve Ticaret Anonim Şirketi (referred to as 'The Company' or 'Ulusoy Un') was established in 1989 to manufacture, trade, import and export all kinds of foodstuffs such as flour, semolina, pasta and biscuits made of cereals and pulses. The main activity of Ulusoy Un is the production, trade of wheat flour, bran and other feed raw materials, domestic and foreign sales, as well as domestic and international trade of various cereals, especially wheat. Ulusoy Un purchased the all shares of Söke Değirmencilik A.Ş. amounted TRY 168.9mn paid in cash in FY2022 and EUR 650k will be paid in 2023. The Company, which has a daily wheat processing capacity of 2,085 tons in Samsun and Çorlu, has a grain storage capacity of more than 300 thousand tons. With the acquisition of Söke Değirmencilik A.Ş., Ulusoy Un has reached an additional production capacity of 1,100 tons per day with its factories located at Ankara and Söke, which belong to Söke. Ulusoy Un started exporting in 1995 and has exported flour to 92 countries to date. There are 5 subsidiaries within the Company. Licensed warehousing activities and sales channels are managed with these companies, of which Ulusoy Un is the sole shareholder. Ulusoy Un and its consolidated subsidiaries are hereinafter referred to as "the Group". The Group ranked 375th in Türkiye's Top 500 Industrial Enterprises in 2021.

Ulusoy Un is managed by members of the Ulusoy Family. The main shareholder of Ulusoy Un is Eren Günhan Ulusoy with the share of 26% as of 3Q2021. Ulusoy Un's shares (34%) have been traded on Borsa İstanbul Index (BIST) since 2014 under the ticker-name of "ULUUN".

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

Strengths

- Notable increase in sales revenue and profitability indicators in 3Q2022 thanks to the increase in wheat prices,
- High share of export sales providing natural hedging opportunity and geographical diversification contributing to risk mitigation,
- Robust net working capital and positive cash flow metrics supporting the Group's liquidity position during the analyzed periods,
- Low collection risk supporting asset quality,
- As a publicly traded company, compliance with Corporate Governance Practices

Constraints

- Relative high debt level and short maturity profile of financial liabilities during the periods under review,
- Pressure on profitability ratios due to increasing financing costs largely dominated by FX losses in FY2021,
- Low equity level compared to asset size,
- Global recession and geopolitical risk stemming from the Russia-Ukraine tension increasing uncertainty and monetary tightening across the globe deteriorating growth projections

Considering the aforementioned points, the Group's Long-Term National Issuer Credit Rating has been affirmed as 'A (tr)'. The Group's profitability indicators, asset size, equity structure, and cash position, as well as many years of experience in the sector, along with ongoing uncertainties arisen from geopolitical tensions as well as global interest rate hiking cycle, 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 Group's profitability performance, asset quality, equity structure, and debt level together with the industry specific developments 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.

