

Corporate Credit & Issue Rating

New Update

Sector: Food

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RATINGS		Long Term	Short Term
ICRs (Issuer Credit Profile)	National ICR	AA-(tr)	J1+(tr)
	National ICR Outlooks	Stable	Stable
	International FC ICR	BB	-
	International FC ICR Outlooks	Negative	-
	International LC ICR	BB	-
ISRs (Issue Specific Profile)	National ISR	AA-(tr)	J1+(tr)
	International FC ISR	-	-
	International LC ISR	-	-
Sovereign*	Foreign Currency	BB (Negative)	-
	Local Currency	BB (Negative)	-

* Assigned by JCR on August 18, 2022

YAYLA AGRO GIDA SAN. VE TİC. A.Ş.

JCR Eurasia Rating, has evaluated "Yayla Agro Gıda San. ve Tic. A.Ş." (referred to as "the Company" or "Yayla Agro") in the very high investment-level category and upgraded the Long-Term National Issuer Credit & Issue Rating from 'A+ (tr)' to 'AA- (tr)' and the Short-Term National Issuer Credit & Issue 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' as parallel to international ratings and outlooks of Republic of Türkiye.

The Company was founded in 1996 with the title of Durukan Gıda ve İhtiyaç Malzemeleri A.Ş. and the title was changed to Yayla Agro in 2010 by Hasan Gümüş. The Company is engaged in the production and trade of pulses, rice, ready to eat foods and sugar. The Company facilitates its domestic sales to more than 60K points through its dealers located in 65 different cities. Export sales are made to more than 65 countries with 25 dealers and agents. The Company was listed on Borsa Istanbul on May 11, 2022. The Company operates in 3 locations:

Head Quarter and packaging facility in Ankara, processing, production and packaging facility in Mersin with total area of 85.5K sqm. In addition to these factories, the Company has a new factory investment in Niğde. The factory will be built on a land of 127K square meters and will have closed area of approximately 90K square meters. The investment is planned to consist of 3 phases and the first phase will be activated in 2023. As of 3Q2022, excavation works have started.

Yayla Agro was ranked as the 273rd largest industrial corporation in Türkiye in terms of revenues generated from production according to the Istanbul Chamber of Commerce's First Top 500 List as of 2021 (2020: 233rd). The Company has Turquality Certificate and is among the largest players in the sector.

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

Strengths

- Strong revenue level and solid international sales volume as of 3Q2022
- Solid leverage indicators when readily marketable inventories (RMI) are considered
- Continuous and robust EBITDA generation capacity
- Acceptable liquidity metrics thanks to cash assets and current assets mostly consisting of RMIs
- Brand awareness and innovative value-added healthy & ready to eat nutrition products in domestic and international markets
- Mature and experienced sales force with long lasting presence in the sector
- High level of investment-incentive and tax advantages
- High compliance with corporate governance practices owing to listed status

Constraints

- Unrealized FX losses due to foreign currency liabilities affect profitability metrics, though largely hedged with mostly FX denominated inventories and international sales
- Partially contraction in profitability margins as of 3Q2022
- Continuous investment needs for handle with intensive competition in industry
- Additional costs that may be required to looking for alternative import sources due to war in Ukraine, an important supplier of the food industry
- Global recession and geopolitical risk stemming from Russia-Ukraine tension increasing uncertainty and monetary tightening across the globe deteriorating growth projections

Considering the aforementioned points, The Company's Long-Term National Rating has been upgraded at 'AA- (tr)'. The Company's leverage indicators, EBITDA generation capacity, liquidity metrics and brand recognition have been evaluated as important indicators for the stability of the ratings and the outlooks for Long- and Short-Term National ratings are determined as 'Stable'. On the other hand, the Company's revenue and profitability performance, trend of trade receivables, risk impacts of the TRY's depreciation on activities 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.

