

Corporate Credit Rating

☑ New ☐ Update

Sector: Milk&Dairy Products
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RATINGS

		Long Term	Short Term	
National	Local Rating	A (Trk)	A-1 (Trk)	
	Outlook	Stable	Stable	
	Issue Rating	-	-	
International	Foreign Currency	BB	B	
	Local Currency	BB	B	
	Outlook	FC	Stable	Stable
		LC	Stable	Stable
	Sponsor Support	2	-	
Stand-Alone	AB	-		
Sovereign*	Foreign Currency	BB	-	
	Local Currency	BB	-	
	Outlook	FC	Stable	-
		LC	Stable	-

*Assigned by JCR on May 31, 2021

PINAR SÜT MAMÜLLERİ SANAYİİ A.Ş.

JCR Eurasia Rating, has evaluated the "Pinar Süt Mamülleri Sanayii A.Ş." (referred to as "the Company" or "Pinar Süt") in the investment grade category and assigned / affirmed the Long-Term National Note at 'A (Trk)' and the Short-Term National Note at 'A-1 (Trk)' with 'Stable' outlooks. On the other hand, the Long Term International Foreign and Local Currency ratings and outlooks were assigned as 'BB/Stable' as parallel to international ratings and outlooks of Republic of Turkey.

Pinar Süt Mamülleri Sanayii A.Ş. was established in 1973 in İzmir. The Company's main field of activity is to produce and sell milk and dairy products (cheese, yoghurt, etc.), fruit juices, sauces and powders. In 1975, the company introduced Turkish consumers to long-lasting milk and packaged milk products for the first time, leading to the establishment of these concepts in Turkey. Since its establishment, the company has made the first productions in Turkey for many products in its sector. Pinar Süt continues to produce milk, yogurt, buttermilk, cheese, fruit juice, butter, cream, pudding, ketchup, mayonnaise, mustard, honey, sauce, jam and powder products at European Union standards in its İzmir, Eskişehir and Şanlıurfa factories. The company has a total production area of 357 thousand m², 111 thousand m² of which is closed area, in its production facilities in 3 different cities. The Company 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 (Borsa İstanbul A.Ş.) since 1986. The headquarters of the Company is located in Bornova/İzmir. The average number of personnel employed within the Company in 9M2021 is 1.163 (2019: 1.013).

The Company's main ultimate controlling shareholder is Yaşar Holding with 61,41% share.

Strengths

- Steady revenue base
- Established market share via strong brand reputation through a well-diversified product portfolio
- R&D operations creating competitive advantage and increasing adaptation ability to the new trends
- Advantages of the wide distribution network
- High level of compliance with corporate governance structure
- Benefiting from the synergy of Yaşar Holding's group companies

Constraints

- Negative operating cash flow in 9M2021 and FYE2020 due to net working capital requirements
- Increasing short-term financial debt reflecting rising costs, deteriorating debt metrics
- Cost pressure due to increases in input costs of dairy sector
- High non-cash contribution of revaluation gains from tangible assets to growth in equity
- Competition in the domestic/global FMCG (Fast moving consumer goods) industry

Adjusted Net Debt / EBITDA (x)



EBITDA Margin (%)



ROAA (%)



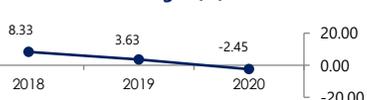
ROAE (%)



Net Working Capital / Assets (%)



CFO Margin (%)



Considering the aforementioned points, the Company's the Long-Term National Rating has been assigned/affirmed as 'A (Trk)'. Steady revenue base of the company, established market share via strong brand reputation through a well-diversified product portfolio, efficient R&D operations, advantages of the wide distribution network structure as important indicators for the stability of the ratings and the outlooks for Long and Short-Term National ratings are determined as 'Stable'. The Company's debt and equity level, cash flow and liquidity level, realized production levels, asset quality, financial risk indicators, profit margins and sectoral regulations 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.

The Sponsor Support notes and associated risk assessments reflect the financial and non-financial positions of the controlling shareholder of the Company, and its ability to provide liquidity and equity if such a need arise. It is considered that the Company's shareholders have the willingness to supply liquidity and equity within their financial capability when liquidity needs arise in the short or long-term perspective. In this regard, the Company's Sponsor Support Grade has been assigned as (2) in JCR Eurasia Rating's notation scale.

The Company's 'Stand Alone Rating' has been assigned with respect to the Company's over 48 years of experience in the industry, established market share, reputable brand name with a proven successful track record. When the above factors are considered, our opinion is that Pinar Süt has the desired level of experience, know-how and other required capabilities to manage the occurring/and potential additional risks in its financial structure through internal means. In this respect, the "Stand-Alone" rating of Company has been assigned as "AB" in JCR Eurasia Rating notation system.