

## Corporate Credit Rating

New  Update

Sector: Agrochemicals

Publishing Date: 17/09/2021

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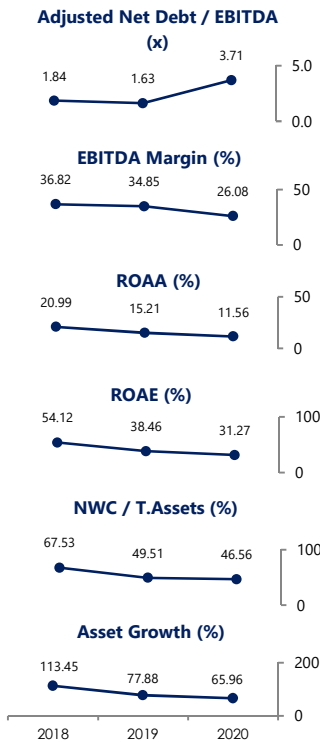
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### RATINGS

		Long Term	Short Term	
National	Local Rating	<b>AA (Trk)</b>	<b>A-1+ (Trk)</b>	
	Outlook	<b>Stable</b>	<b>Stable</b>	
	Issue Rating	-	-	
International	Foreign Currency	BB	B	
	Local Currency	BB	B	
	Outlook	FC	Stable	Stable
		LC	Stable	Stable
Sponsor Support	1	-		
Stand-Alone	A	-		
Sovereign*	Foreign Currency	BB	-	
	Local Currency	BB	-	
	Outlook	FC	Stable	-
		LC	Stable	-

\*Assigned by JCR on May 31, 2021



## Hektaş Ticaret Türk A.Ş. and Its Subsidiaries

JCR Eurasia Rating evaluated “**Hektaş Ticaret Türk A.Ş. and Its Subsidiaries**” (referred to as ‘Hektaş Ticaret’ or ‘the Company’) in investment level category and affirmed the Long-Term National Note at ‘**AA (Trk)**’ and the Short-Term National Note at ‘**A-1+ (Trk)**’ with a ‘**Stable**’ outlooks. The Long Term International Foreign and Local Currency ratings and outlooks were also assigned at ‘**BB/Stable**’.

Hektaş Ticaret was founded by a group of doctors, pharmacologists and engineers in 1956 to produce medicines for human use. In 1962, Hektaş Ticaret changed its field of activity and began to concentrate on the production of agrochemicals for crop protection. Right now, the Company’s product portfolio consists of a wide range of agrochemicals such as crop protection and plant nutrition products, seeds and veterinary medicines. Alongside with the expansion of the smart farming practices in Turkey, agrochemicals sector has shown a rapid growth performance and the demand in this field has constantly improved. The Company continually enriches its diversified product range with its ever-increasing investments in research and development, which gave way to high levels of growth rates in sales and profits in the recent years. As of 1H2021, the Company reached TRY 3.1bn in total assets in consolidated terms, and the total number of employees working for the Company was 595 (FYE2020: 529).

Ordu Yardımlaşma Kurumu (‘OYAK’ or ‘the Group’), which is the pension fund of the members of the Turkish Armed Forces and one of the biggest conglomerates in Turkey with its 90 subsidiary companies from various industries, currently holds 58.82% of the Company’s shares. The rest of the shares of the Company are publicly traded in Borsa Istanbul since 1986.

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

#### Strengths

- Strong revenue and asset growth performance
- Increasing net working capital level
- Recovering liquidity structure as of 1H2021 in spite of impairment in FYE2020
- Robust capability for receivable collection through the ‘Direct Debit System’ via sound risk management practices
- Strong shareholder structure
- Strengthened equity structure by paid-capital increase
- High compliance with the Corporate Governance Principles

#### Constraints

- Increasing financial leverage
- Continuously decline in gross margins and EBITDA generation capacity
- Dependence on imports in the procurement of the active ingredients used in the production
- Exposure to foreign exchange risk due to the sector’s limited export capacity and dependence on imports for the inputs used in production
- Covid-19 outbreak still containing high uncertainty for the upcoming period, in spite of vaccination efforts

Considering the aforementioned points, the Company’s the Long Term National Rating has been affirmed at ‘**AA (Trk)**’. Despite decline in operational profitability indicators, the Company enlarged its net profit thanks to sales growth performance and decline in net financing expenses at FYE2020. Also, the Company increased its capital and this supported the Company’s cash metrics as of 1H2021. Taking account of the Company’s equity structure, steady revenue and asset growth performance, market position, JCR Eurasia Rating has assigned a ‘**Stable**’ outlook on the long and short term national ratings of Hektaş Ticaret. Whether the weakening in the profitability ratios of the Company will continue or not, increasing debt level, asset quality, equity structure and together with continuing global negative effects of the coronavirus, industry-specific developments are to be monitored by JCR Eurasia Rating for the upcoming period.

The main shareholder of the Company is considered to have the willingness and experience to ensure long-term liquidity and equity when required and provide efficient operational support to the Company. In this regard, the Company’s Sponsor Support Grade has been assigned at **(1)**, denoting high level of external support in JCR Eurasia Rating’s notation system. In view of the Company’s internal resource generation capacity, asset quality, steady revenue growth performance and risk management practices, our opinion is that Hektaş Ticaret has the desirable experience, know-how and other required capabilities to manage the occurring risks in its financial structure through internal means without any assistance from its shareholders, as long as it keeps the current customer demand level and efficiency in the market. In this context, the Stand-Alone grade of the Company has been assigned at **(A)** in the JCR Eurasia Rating notation system.