

Corporate Credit Rating

New Update

Sector: Frozen Food & Oil
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RATINGS		Long Term	Short Term
ICRs (Issuer Credit Rating 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 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

Kereviş Gıda Sanayi ve Ticaret Anonim Şirketi

JCR Eurasia Rating, has evaluated **Kereviş Gıda Sanayi ve Ticaret A.Ş.** in the investment-level category and affirmed the Long-Term National Issuer Credit Rating as **'AA- (tr)'** and the Short-Term National Issuer Credit Rating as **'J1+ (tr)'** with **'Stable'** outlooks. On the other hand, the Long Term International Foreign and Local Currency Issuer Credit Ratings and outlooks were affirmed as **'BB/Negative'** according to JCR-ER's national-global mapping methodology.

Kereviş Gıda Sanayi ve Ticaret Anonim Şirketi ('the Company' or 'Kereviş Gıda') was established in 1972. The Company operates in the field of producing of frozen, canned food, oil and margarine. Products in the frozen product category include bakery products, vegetable and fruit products, potato and croquette products, meat products and aquatic products. Canned product categories include canned tuna, canned vegetables and ready meals. Production of frozen and canned products is carried out in 2 factories located in Bursa and Afyon. Production of oil and margarine is carried out in 3 factories located in İstanbul, Adana and Brunei. Donuk Fırıncılık (DFU) produces frozen bakery products in its factory in the Dudullu Organized Industrial Zone and sells in Türkiye and foreign markets. The Company produces frozen food products under the 'SuperFresh' brand and oil products under the 'Bizim', 'Teremyağ', 'Luna', 'Sabah', 'Yayla' and 'Halk' brands. The Company's shares have been publicly traded on the Borsa İstanbul (BIST) under the ticker symbol **"KERVT"** since 1994.

Yıldız Holding, is one of the leading Turkish conglomerates in terms of size and operations in various industries including biscuits, chocolate, food and edible oil, wholesale and retailing, and investment services, owns 54.27% of Kereviş Gıda's shares.

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

Strengths

- Substantial brand recognition and a robust market position by offering a diverse array of products, particularly in the local market,
- Improvement in leverage and coverage indicators thanks to the progress in cash conversion cycle, which limited the external fund need,
- Maintained asset quality via low level of doubtful receivables by dint of Direct Debit System, and liquidity management support from Yıldız Holding,
- Moderate level of equity base compared to asset size despite partially supported by revaluation gains,
- Long track record in the sector and strong shareholder structure,
- High level emphasis on sustainability and compliance with Corporate Governance Practices,

Constraints

- Relatively underwhelming operating ratio suppresses the improvement in gross profit margin in 3Q2023,
- Sectoral high import dependency in oil segment and possible regulatory changes in import and export of the sector may continue to pose risk,
- Climate conditions may represent a source of risk for the supply of frozen food,
- Leading economic indicators signal global economic slowdown whereas quantitative tightening actions aim to restrict consumption growth and achieve a soft-landing in the domestic side.

Considering the aforementioned points, the Company's Long-Term National Issuer Credit Rating has been affirmed at **'AA- (tr)'**. Kereviş Gıda's recovery in debt service capacity, sustainable level of cash flow metrics, reputable and experienced shareholder structure, and high level of compliance with Corporate Governance Practices are important indicators for the stability of the ratings and the outlooks for Long and Short-Term National Issuer Credit Ratings are affirmed as **'Stable'**. The Company's profitability metrics especially considering the impact of high OPEX on the bottom line and indirectly on equity in possible demand declines, market share, external impacts due to climatic conditions and high dependence on imports, cash loan course, and fund relations with Yıldız Holding trend 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.

