

01.08.2023

Rating of KSG Agro S.A. is renewed

August 1, 2023 the rating committee of RA “Expert-Rating” made decision to renew a long-term credit rating of KSG Agro S.A. at the level **uaA+** according to the national scale (the rating according to the international scale is at the level BBB.) The borrower or the particular debt instrument with rating uaA is characterized by a high creditworthiness compared to other Ukrainian borrowers or debt instruments. The level of creditworthiness is susceptible to the impact of adverse commercial, financial and economic conditions. The Agency renewed the credit rating on the Company’s request after the analysis of data of the consolidated statements of KSG Agro S.A for the first quarter of 2023.

Table

Indicators of KSG Agro S.A for the first quarter of 2023 year (th. USD, p.p., %)

Indicators	QI of 2023 (31.03.2023)	QI of 2022 (31.03.2022)	Change	Growth rate, %
Balance sheet indicators and financial results				
Fixed assets	10 403	14 178	-3 775	-26,63%
Long-term biological assets	5 762	27 682	-21 920	-79,19%
Current biological assets	5 273	10 177	-4 904	-48,19%
Stocks and agricultural products	9 238	9 183	55	0,60%
Cash and cash equivalents	229	939	-710	-75,61%
Accounts receivable	1 007	3 629	-2 622	-72,25%
Total assets	34 180	68 732	-34 552	-50,27%
Long-term bank and other loans	24 002	25 973	-1 971	-7,59%
Long-term liabilities, total	24 883	26 716	-1 833	-6,86%
Short-term bank and other loans	2 671	3 423	-752	-21,97%
Accounts payable	7 478	6 314	1 164	18,44%
Current liabilities, total	20 662	18 592	2 070	11,13%
Total liabilities	45 545	45 308	237	0,52%
Shareholders' equity	11 365	23 424	-12 059	-51,48%
Authorized (share) capital	150	150	0	0,00%
Revenue	5 116	3 540	1 576	44,52%
Net profit	1 528	1 842	-314	-17,05%
Calculated indicators and coefficients:				
EBITDA	1 873	1 524	349	22,90%
Ratio between shareholders' equity and liabilities, %	24,95%	51,70%	-26,75 п.п.	-
Ratio between EBITDA and liabilities, %	4,11%	3,36%	0,75 п.п.	-
Ratio between EBITDA and total loans (excluding cash and cash equivalents), %	7,08%	5,36%	1,72 п.п.	-
ROS	29,87%	52,03%	-22,16 п.п.	-
ROA	4,47%	2,68%	1,79 п.п.	-
ROE	13,44%	7,86%	5,58 п.п.	-

Source: consolidated financial statements of KSG Agro S.A., calculations by RA “Expert-Rating”

1. For the period from 31.03.2022 to 31.03.2023 the shareholders' equity of KSG Agro S.A. decreased by 51,48% and as at the beginning of the second quarter of 2023 amounted to USD 11,37

mln. The size of the Company's shareholders' equity was affected by the increase in the amount of undistributed loss in its structure as a result of the unprofitable activity of KSG Agro S.A. in 2022 year. Throughout the analyzed period the liabilities of KSG Agro S.A. remained almost unchanged and as of March 31, 2023 amounted to USD 45,55 mln. The corresponding movement of indicators resulted in a decrease in the ratio between shareholders' equity and liabilities of KSG Agro S.A. by 26,75 p.p. down to 24,95%.

2. In the structure of long-term liabilities of KSG Agro S.A. as of 31.03.2023, the predominant share belonged to long-term loans, their volume in the analyzed period decreased by 7,59% down to USD 24 mln. Short-term loans, obtained by KSG Agro S.A., for the period from 31.03.2022 to 31.03.2023 decreased by 21,97% and amounted to USD 2,67 mln.

3. Sales of the Company's products significantly grew in the analyzed period: sales revenue for the first quarter of 2023 year compared to the first quarter of 2022 year grew by 44,52% and amounted to USD 5,12 mln. This significant growth occurred due to a relatively low base of comparison in the first quarter of 2022 (when the Company's sales fell due to the russian invasion of Ukraine), as well as due to an increase in grain exports in the first quarter of 2023. Net profit of KSG Agro S.A. according to the results of the first quarter of 2023 year compared to the same period of 2022 year decreased by 17,05% down to USD 1,53 mln. A considerable increase in sales of KSG Agro S.A. against the background of decrease in assets and shareholders' equity positively affected the corresponding profitability indicators.

4. Analysis of the consolidated financial statements of KSG Agro S.A. showed that EBITDA according to the results of the first quarter of 2023 year compared to the first quarter of 2022 year grew by 22,90% up to USD 1,87 mln., and the ratio between EBITDA for the first quarter of 2023 year and the volume of loans as of 31.03.2023 compared to the previous year indicator grew by 1,72 p.p. up to 7,08% that was appreciated by the Agency.

The Agency notes that, according to the Company's information, since the beginning of the russian invasion, no hostilities have taken place in the immediate vicinity of Agroholding's assets. Pig complex of KSG Agro S.A. and its fields are in the center of Ukraine, where there are no hostilities. Also, they were not affected by the flood due to russia's detonation of the Kakhovska HPP dam in June 2023, as they are located upstream and have alternative sources of water supply. As last year, in the first quarter of 2023, KSG Agro S.A. used more of its own grain for feed production instead of purchasing it, which reduced Agroholding's dependence on external suppliers of feed components during the war. The company successfully completed the spring sowing campaign and the management of KSG Agro S.A. does not expect significant interruptions in its production cycle and a significant negative impact of the Russian invasion on economic activity in the near future.

Therefore, having analyzed the consolidated financial statements of KSG Agro S.A. for the first quarter of 2023 year, the Agency notes: increase of sales and the Company's efficiency indicators, as well as growth of ratio between EBITDA and loans.

At the same time, the Agency notes that the current rating level determines the probability of default in the case of the company's activity under normal circumstances and does not take into account force majeure circumstances, as well as the effect of other force majeure circumstances.

Analytical service of RA «Expert-Rating»