

## Corporate Credit Rating

□New ☑Update

**Sector:** Furniture Industry

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RATINGS		Long Term	Short Term
ICRs (Issuer Credit Rating Profile)	National ICR	BBB- (tr)	J3 (tr)
	National ICR Outlooks	Stable	Stable
	International FC ICR	BB-	J4
	International FC ICR Outlooks	Stable	Stable
	International LC ICR	BB-	J4
ISRs (Issue Specific Rating Profile)	International FC ISR	-	-
	International LC ISR	-	-
	Foreign Currency	BB (Stable)	-
Sovereign*	Local Currency	BB (Stable)	-

\* Assigned by JCR on May 31, 2021

## Dođanlar Mobilya Grubu İmalat Sanayi ve Ticaret A.Ş.

JCR Eurasia Rating, has evaluated the "Dođanlar Mobilya Grubu İmalat Sanayi ve Ticaret A.Ş." in the investment-level category and affirmed the Long-Term National Issuer Credit Rating at 'BBB- (tr)' and the Short-Term National Issuer Credit Rating at 'J3 (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-/Stable'.

**Dođanlar Mobilya Grubu İmalat Sanayi ve Ticaret A.Ş.**, formerly named as Dođtaş Kelebek Mobilya Sanayi ve Ticaret A.Ş. (herein referred to as "Dođanlar Mobilya" or "the Company") commenced its operations in 1935 and 1972 respectively for the brands of 'Kelebek Mobilya' and 'Dođan Mobilya'. 'Kelebek Mobilya' was founded in 1935 for the production of plywood parts of airplane wings. The company continued plywood production at his Haliç facilities in Istanbul under the trademark of Kelebek until 1986. In 1978, 'Kelebek Mobilya' launched its Modular Furniture Factory in Düzce as one of the largest factories (186,000 m<sup>2</sup> open area and 42,000 m<sup>2</sup> area of indoor) in Europe, with the technical collaboration of projects groups in the world. Currently, Kelebek Mobilya continues to produce furniture, kitchen and bathroom groups, living room groups, and special wooden equipments in its facilities. 'Dođtaş Mobilya' with its former name 'Dođan Mobilya' was founded by Ali Dođan in Biga/Çanakkale, in 1972 and then continues to stand out in the furniture industry with a wide range of products from seating groups to dining room furniture; child, teen, and adult bedroom furniture in its Biga facilities which has an open area of 212,000 m<sup>2</sup> and a closed area of 72,000 m<sup>2</sup>. As of the end of 2021, Dođanlar Mobilya had a total of 439 stores in Turkey and 70 stores in abroad and conducts its production activities in Düzce and Çanakkale. The Company's shareholders are the Dođan Family members with 35.78% shares, Dođanlar Yatırım Holding with 10.50% shares and the remaining 53.71% shares are traded on the BIST.

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

### Strengths

- Steady increase in sales volume and revenue through expanding operations,
- Contrary to growth appetite, moderate level of profit margins and slight improvement in debt coverage indicators,
- Solid cash flow metrics supporting the growth,
- Benefitting from brand awareness which supported by its extensive store network, through large nationwide number of sales points and expanding international stores,
- Long-lasting presence in the sector dating back to 1935,
- High level of compliance with Corporate Governance Practices.

### Constraints

- Notably high level of doubtful receivables as well as overdue receivables pressuring the asset quality,
- High share of revaluation gains in equity,
- High level of indebtedness despite the downward trend and the capital increase through right issues,
- Volatile input prices due to global supply & demand conditions,
- Price-driven competition and rising production cost suppressing the profitability,

Considering the aforementioned points, the Company's the Long-Term National Issuer Credit Rating has been affirmed as 'BBB- (tr)'. The steady increase in sales volume and revenue, EBITDA generation capacity, expansion of operation without breaking the debt service coverage figures have been evaluated as important indicators for the stability of the ratings and the outlooks for Long and Short-Term National Issuer Credit Ratings are determined as 'Stable'. The Company's cash flow and liquidity indicators, indebtedness level, fluctuations of the exchange rates, profitability figures, 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.

