

Corporate Credit & Issue Rating

New Update

Sector: Textile, Tractor
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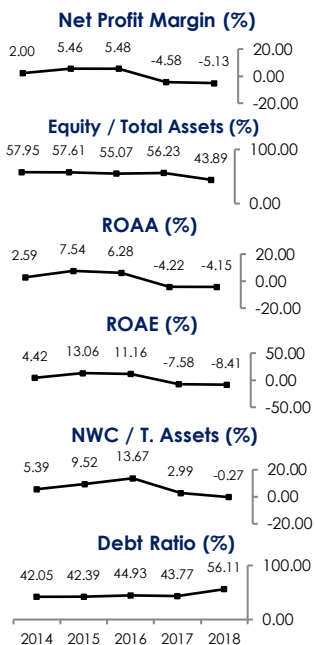
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RATINGS

	Long	Short		
International	Foreign Currency	BBB-	A-3	
	Local Currency	BBB-	A-3	
	Outlook	FC	Negative	Negative
		LC	Negative	Negative
Issue Rating	-	-		
National	Local Rating	BBB(Trk)	A-3(Trk)	
	Outlook	Stable	Stable	
	Issue Rating	BBB(Trk)	A-3(Trk)	
Sponsor Support	2	-		
Stand-Alone	B	-		
Sovereign*	Foreign Currency	BBB-	-	
	Local Currency	BBB-	-	
	Outlook	FC	Negative	-
		LC	Negative	-

*Affirmed by JCR on November 27, 2018



EREĞLİ TEKSTİL TURİZM SANAYİ VE TİCARET A.Ş. Company Overview

Financial Data	2018*	2017*	2016*	2015*	2014*
Total Assets (000 USD)	191,407	206,867	170,819	170,633	188,089
Total Assets (000 TRY)	1,006,975	780,281	601,148	496,134	436,160
Equity (000 TRY)	442,008	438,782	331,076	285,811	252,759
Net Profit (000 TRY)	-29,914	-26,513	27,537	25,982	8,742
Sales (000 TRY)	582,901	578,573	502,453	476,156	436,355
Net Profit Margin (%)	-5.13	-4.58	5.48	5.46	2.00
ROAA (%)	-4.15	-4.22	6.28	7.54	2.59
ROAE (%)	-8.41	-7.58	11.16	13.06	4.42
Equity / Total Assets (%)	43.89	56.23	55.07	57.61	57.95
Net Working Capital/T. Assets (%)	-0.27	2.99	13.67	9.52	5.39
Debt Ratio (%)	56.11	43.77	44.93	42.39	42.05
Asset Growth Rate (%)	29.05	29.80	21.17	13.75	3.74

*End of year

Operating in the textile sector, 'Ereğli Tekstil Turizm Sanayi ve Ticaret A.Ş.' (herein referred to as 'Ereğli Tekstil', 'the Company' or 'the Group') was founded in 1937 by Sümerbank and purchased by the Albayrak Group in 1997. The Group mainly operates in the production and sale of tractors and all kinds of fabrics, fabric dyeing services, manufacturing and sales services of textile and garment products through its subsidiaries and affiliates.

Albayrak Turizm Seyahat İnşaat Ticaret A.Ş., controlled by members of the Albayrak Family, is the main shareholder of Ereğli Tekstil with a share of 45%. Following the recent takeover of 40% of Trabzon Liman İşletmeleri A.Ş. and 42.19% of Varaka Kağıt, Ereğli Tekstil has two investments valued by equity method, in addition to its subsidiary of Tümosan Motor. Tümosan Motor, the first diesel engine manufacturer in Turkey and produces diesel engine cars under its own brand, held the largest share in the consolidated structure of Ereğli Tekstil. The Group is headquartered in İstanbul and operated in fully integrated high-tech plants with a staff force of 533 as of FYE2018. Ereğli Tekstil is a significant provider of clothing to the Turkish Armed Forces.

Strengths

- Strong brand identity of Tümosan Motor through large nationwide number of dealers and sales points, its weighted share in the Group's consolidated structure, and group companies well positioned to benefit against rivalry through diversified business activities
- Estimated additional strong cash flows from the sales revenue of the acquired Varaka Kağıt and the Group's ongoing investments in the Erzurum and Erzincan sugar factories and resultant liquidity and increased ability to fulfil its obligations by creating resource diversity
- Long operational track record history of the Albayrak Group and intra-group synergy and increasing operations with new investments
- Diversified nationwide product range and developing projects that will contribute to market expansion in the international market to compensate for the lost momentum in tractor sales derived from the slowdown in the agricultural sector
- Tümosan Motor's know-how and human resources and upcoming expansion of its operating field via on-going investments
- The continuation of bond issuance in the diversification of external fund resources

Constraints

- Augmented financial costs due to interest payments for bank loans and bond issuances as a result of high dependence on external resources
- Deteriorated revenue figures due to significant deterioration in agricultural sector, competition, costs, and pricing strategies and inability to contribute to internal profitability generation capacity that will support the Group's equity
- Low level of paid in capital in compare to asset size of Company continues its pressure on equity quality
- Negative net working capital mainly derived from noteworthy increase in short term financial liabilities
- Pressure on asset quality as a result of increased related party transactions to fund the Group's ongoing investments
- One-off FX loss due to deferred payment letter of credit of Ereğli Tekstil's operations despite limited exposure of financial figures to currency fluctuations
- High appraisal surpluses largely dominated in Company balance sheet not contributed in cash inflows
- Growing perception of pressure in the markets through risks arising from the current social unrest, political instability on economic influences and global environment