

Corporate Credit & Issue
Rating

New Update

Sector: Textile, Agricultural
Manufacturing
Publishing Date: 20/04/2020

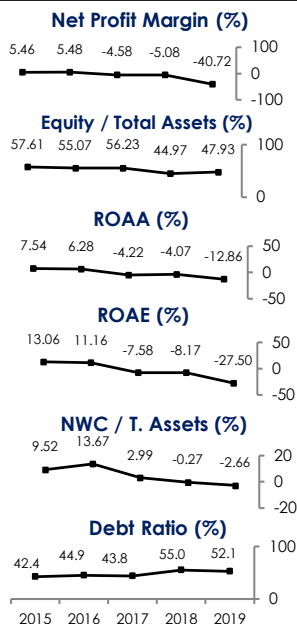
Analyst(s)

Merve Hayat
+90 212 352 56 73
merve.bolukcu@jcrer.com.tr

RATINGS

		Long	Short	
International	Foreign Currency	B-	C	
	Local Currency	B-	C	
	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	BB+	-	
	Local Currency	BB+	-	
	Outlook	FC	Negative	-
		LC	Negative	-

*Assigned by JCR on April,10 2020



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

Financial Data	2019*	2018*	2017*	2016*	2015*
Total Assets (000 USD)	268,760	195,134	206,867	170,819	170,633
Total Assets (000 TRY)	1,596,488	1,026,579	780,281	601,148	496,134
Equity (000 TRY)	765,266	461,612	438,782	331,076	285,811
Net Profit (000 TRY)	-158,020	-29,636	-26,513	27,537	25,982
Sales (000 TRY)	388,107	582,901	578,573	502,453	476,156
Net Profit Margin (%)	-40.72	-5.08	-4.58	5.48	5.46
ROAA (%)	-12.86	-4.07	-4.22	6.28	7.54
ROAE (%)	-27.50	-8.17	-7.58	11.16	13.06
Equity / Total Assets (%)	47.93	44.97	56.23	55.07	57.61
Net Working Capital/T.Assets (%)	-2.66	-0.27	2.99	13.67	9.52
Debt Ratio (%)	52.07	55.03	43.77	44.93	42.39
Asset Growth Rate (%)	55.52	31.57	29.80	21.17	13.75

*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 takeover of 40% of Trabzon Liman İşletmeleri A.Ş. and 31.5% of Varaka Kağıt, Ereğli Tekstil has two investments valued by equity method, in addition to it's 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 487 as of FYE2019. 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
- The accumulated know-how and expansion of its operating field via on-going investments of Tümosan Motor and its weighted share in the Group's consolidated structure
- Established track record of the Group and group companies through diversified business activities
- Varied nationwide product range through continual investments and developing projects to compensate for the lost momentum in sales
- Long FX position and limited exposure of financial figures to currency fluctuations
- Issued capital market instruments diversifying funding base in addition to available bank loans

Constraints

- Strong need for paid-in capital increase and notably low level of paid in capital in compare to asset and equity size, continues its pressure on equity quality
- Augmenting related party transactions, pressures asset quality
- Noteworthy contribution of non-cash re-valuation to expansion of asset size and equity
- Significant drop in gross profit due to slowdown in sales revenue as a result of deterioration in agricultural sector, competition, costs, and pricing strategies and inability to contribute to internal profitability generation capacity
- Continuousness in negative net working capital due to increasing short term financial liabilities, pressuring liquidity
- In addition to rising financing expenses due to high dependence on external resources, the valuation loss from investment property valued by equity method notably pressured the profit figures in FYE2019
- A conservative view on income generation and asset quality of corporates, considering the strong negative risks arising from global recession concerns and the impact of the epidemic Covid-19 virus and its effects on the global and Turkey's economy