

## Corporate Credit Rating

New  Update

**Sector:** Textile Manufacturing

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RATINGS		Long Term	Short Term
ICRs (Issuer Credit Rating Profile)	National ICR	BBB+ (tr)	J2 (tr)
	National ICR Outlooks	Stable	Stable
	International FC ICR	BB	-
	International FC ICR Outlooks	Negative	-
	International LC ICR	BB	-
	International LC ICR Outlooks	Negative	-
ISRs (Issue Specific Rating Profile)	National ISR	-	J2 (tr) (Stable)
	International FC ISR	-	-
	International LC ISR	-	-
Sovereign*	Foreign Currency	BB (Negative)	-
	Local Currency	BB (Negative)	-

\* Assigned by JCR on Aug 18, 2022

## EREĞLİ TEKSTİL TURİZM SANAYİ VE TİCARET A.Ş.

JCR Eurasia Rating, has evaluated "Ereğli Tekstil Turizm 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 'J2 (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' as parallel to international ratings and outlooks of Republic of Türkiye.

Operating in the textile sector, Ereğli Tekstil Sanayi ve Ticaret A.Ş. (referred to as 'Ereğli Tekstil' or '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, fabric dyeing services, contract manufacturing of all kind military textile 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% and the remaining 55% shares belongs to the Albayrak Family members. Ereğli Tekstil has two investments valued by equity method namely Trabzon Liman İşletmeleri A.Ş. (30.48%) and Varaka Kağıt (31.55%), in addition to its subsidiary of Tümosan Motor. Tümosan Motor, the first diesel engine manufacturer in Türkiye and produces diesel engine tractors 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 834 as of 30.06.2023.

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

### Strengths

- Access to financing through Tümosan's share pledges on loan utilizations in addition to its contribution to the consolidated outlook with its strong financial position in 1H2023,
- Turnover generation to some extent with the contribution of camouflage production tenders received from the public sector and tent production and the expectation of productivity due to abroad factory investment, on the textile side,
- Reasonable level of net working capital and current ratio,
- Advantages of diversified business activities of investments in consolidation and valued by equity method.

### Constraints

- Significant increase in financial liabilities due to issued bonds and bank loans, putting pressure on leverage metrics as of 1H2023,
- Declining equity base coupled with the notable contribution of non-cash revaluation to expansion of asset size, as well as ongoing inadequate paid-in capital,
- Deterioration in cash flow metrics in 1H2023,
- Dominance of Tümosan on financials and negative impact of possible declines in its sales volume and profit margins in 2024 due to cyclicalty in the sector and the current tight financial conditions,
- Leading economic indicators signal global economic slowdown while quantitative tightening actions aim to restrict consumption growth and achieve a soft-landing in the domestic side.

Considering the aforementioned points, the Company's the Long-Term National Issuer Credit Rating has been affirmed at 'BBB+ (tr)'. Sustained asset growth, improvement in revenues and profitability in line with the Tümosan's operations which has been dominating the financials, sector experience, brand awareness, and continuing value-added investments as well as current high indebtedness level, and continuity of the low level of paid-in capital 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 affirmed at 'Stable'. The Company's indebtedness level, negative cash flow indicators, order book amount in the textile side, contribution of the abroad investment to financials and equity structure 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.

No separate rating report has been compiled as the resources obtained from the bond issue will be carried in the Company's balance sheet and has been subject to analysis in the corporate credit rating report. The planned bond issue carries no difference in comparison to the Company's other liabilities with respect to its legal standing and collateralization. As such, the notations outlined in the corporate credit rating report also reflect the issue rating but do not cover any structured finance instruments.

