

Corporate Credit Rating

Non-Financial Sector Denim Manufacturer

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

GAP Güneydoğu Tekstil Sanayi ve Ticaret A.Ş.					
Financial Data	2014*	2013*	2012*	2011*	2010*
Total Assets (000 USD)	294,629	259,839	268,271	202,175	241,329
Total Assets (000 TRY)	683,215	553,561	476,878	381,889	371,068
Equity (000 TRY)	189,835	167,061	183,859	185,641	184,079
Net Profit (000 TRY)	13,009	1,185	34,002	12,168	-23,120
Sales (000 TRY)	504,701	375,670	343,471	360,411	295,476
Net Profit Margin (%)	2.58	0.32	9.90	3.38	-7.82
ROAA (%)	0.20	-3.45	6.59	5.78	-5.86
ROAE (%)	0.69	-10.14	15.31	11.77	-9.95
Equity / Total Assets (%)	27.79	30.18	38.55	48.61	49.61
Net Working Capital / T. Assets (%)	4.24	0.89	14.19	18.13	16.20
Debt Ratio (%)	72.21	69.82	61.45	51.39	50.39
Asset Growth Rate (%)	23.42	16.08	24.87	2.92	-5.73

*End of year

Company Overview

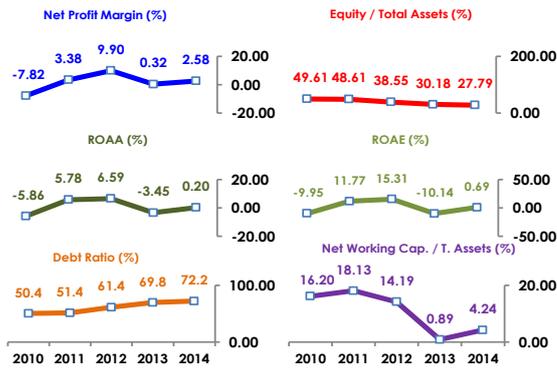
Operating in the textile sector, **Gap Güneydoğu Tekstil ve Sanayi ve Ticaret A.Ş.** (hereinafter 'the Company' or 'Gap Güneydoğu') was founded in 1987 under Çalık Holding A.Ş and produces open-end yarn and ring and uneven ring and denim fabric. The Company also supplies of a wide range of products and services to local and international clients via its subsidiaries as one of the primary denim manufacturers in Turkey.

Çalık Holding A.Ş. (rated by JCR Eurasia Rating on May 12, 2015 as **BBB+(Trk)** on the Long Term National Scale with a Stable outlook), the main shareholder of the Company with a share of 99.20%, was founded in 1981 to conglomerate the companies owned by the Çalık Family. The Holding is one of the most prominent conglomerates in Turkey with stakes in diversified industries, mainly in the fields of energy, textiles, telecom, construction, finance and mining. As of FYE2014, the total asset size of the Holding was TRY 17.39bn.

Gap Güneydoğu carries out production activities through its three production plants in Malatya and sales and marketing activities in its headquarters in Istanbul and through world-wide agents. The Company has benefited from the development of new technologies and production processes since 2011 through its R&D plant located in Malatya.

The Company has maintained a continuous growth and exports high quality products to over 40 countries, mainly Italy, Tunisia and Portugal through world-wide agents. The labor force of the Company was 1,507 in FYE2014 (FYE2013: 1,541).

*Affirmed by Japan Credit Rating Agency, JCR on July 11, 2014
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Strengths

- One of world's leading denim manufacturers thanks to cooperation with world-known designers
- Continuity of Group sales revenue providing consistency in cash flows due to increasing demand and enhanced international brand identity
- Increasing reputation of main shareholder through diversified business fields and intra-group synergy
- Number of offices and sales points positively affecting export efficiency
- High technology modern, integrated production facilities and R&D centre
- Internal equity generation supported by augmented profitability
- Negligible impaired loans compared to the high level of trade receivables indicating high level of risk management processes

Constraints

- Continuously descending equity level due to the reliance on external funding in order to finance the growth in operational volume
- Short term weighted debt structure due to external financing of funding needs exerting pressure on financial expenses and liquidity control
- FX risk due to foreign currency dominated short term borrowing structure
- Lack of hedging techniques leading to steady exposure to short position
- The sector's vulnerability to unstable raw material prices and extensive inter/national market competition
- Need for improvement in the level of compliance with Corporate Governance Practices
- Insistent political and economic stresses along with regional tensions hosting uncertainties and exerting pressure on business prospects

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