

Corporate Credit Rating

Annual Update

Non-Financial Sector

TRADE

CALIK COTTON		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	-

* Affirmed by Japan Credit Rating Agency, JCR on July 19, 2016

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ÇALIK PAMUK DOĞAL VE SENTETİK ELYAF A.Ş.				
Financial Data	2015*	2014*	2013*	2012*
Total Assets (000 USD)	38,215	35,646	34,017	14,753
Total Assets (000 TRY)	111,114	82,660	72,602	26,224
Equity (000 TRY)	40,141	35,871	11,561	9,864
Net Profit (000 TRY)	7,930	4,315	1,700	-88
Sales (000 TRY)	395,914	248,982	96,511	49,328
Net Profit Margin (%)	2.00	1.73	1.76	-0.18
ROAA (%)	10.52	6.95	4.35	-0.48
ROAE (%)	26.82	22.75	20.09	-1.27
Equity / Total Assets (%)	36.13	43.40	15.92	37.61
Net Working Capital / T. Assets (%)	33.27	41.31	14.07	68.05
Debt Ratio (%)	63.87	56.60	84.08	62.39
Asset Growth Rate (%)	34.42	13.85	176.85	n.a

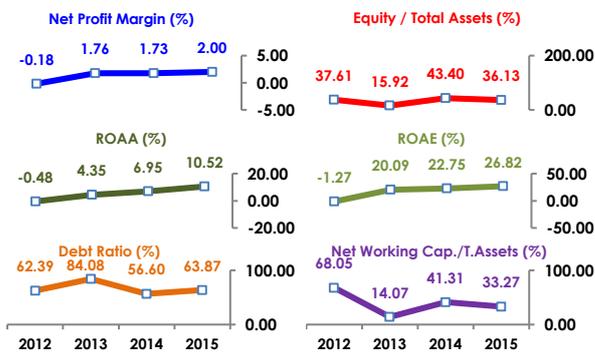
*End of year

Company Overview

Çalık Pamuk ve Doğal Sentetik Elyaf Tic. A.Ş. (herein referred to as 'Çalık Pamuk' or 'the Company') was established in İstanbul in 2011, under the scope of Çalık Holding A.Ş. (rated by JCR Eurasia Rating on Aug 10, 2016 as BBB+(Trk) on the Long Term National Scale with a Positive outlook). The Company operates mainly in the trade of cotton and has also strategically undertaken cooperation with a company in cotton ginning machinery. Inter/national yarn and denim manufacturers and companies constitute the Company's customer portfolio.

The shares of the previous main shareholder of Çalık Denim were transferred to Ahmet Çalık, Çiğdem Çalık, Mahmut Can Çalık, and Mert Turgut Çalık in June 2016. Currently, Mahmut Can Çalık the majority shares of 50% and the remaining shares are held by Ahmet Çalık (20%), Çiğdem Çalık (20%), and Mert Turgut Çalık (10%).

The Company is headquartered in İstanbul and operates with a staff force of 21 as of FYE2015. Cotton is primarily imported from Turkmenistan, the USA, Burkina Faso and Greece; and exported mainly to Bangladesh, Egypt, and Greece through domestic and international offices.



Strengths

- Significant sales and asset growth via increasing cotton trade volume, noticeably strengthening profitability and market share
- Positively affected inventory turnover cycle contributing to the cash conversion cycle thanks to the sale of imported cotton before reaching the warehouse
- Successful implementation of hedging techniques to protect itself from possible financial risks from volatile cotton prices
- Leading cotton trade company importing Turkmen cotton to Turkey and the first exporter of Turkish cotton to Greece and Bangladesh
- Enhanced product quality as the only Turkish company providing cotton sales to China with AQSIG certification
- Strong and reliable supplier position through competitive pricing policy
- Enhanced market reputation thanks to high quality cotton supplied through global sales offices
- Existence of competent and visionary management team and business development strategies despite a short operational history in the sector

Constraints

- Tight price margins in commodity trade due to dependence on the Cotton Index
- Short term weighted borrowing structure distressing liquidity position
- Global competition in the sector and fluctuations in the transaction volume depending upon the economic environment
- Constrained ability to set its own prices due to the dominant position of the major international players in setting prices
- Short position resulting from the foreign currency bank loans
- High cost of sales ratios despite its declining trend due to the significant portion of freight costs in Cost of Sales
- Augmented level of related parties' total receivables, increasing vulnerability on asset quality
- Growing perception of pressure in the markets through risks arising from the current social unrest, political instability on economic influences, global environment, and the recent unsuccessful coup attempt