JCR-ER JCR Eurasia Rating
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TURKEY

# Corporate Credit Rating

# Non-Financial Sector
## Denim Manufacturer

| ÇALIK DENİM | | | 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 | - |

*Assigned by Japan Credit Rating Agency, JCR on October,7 2016*

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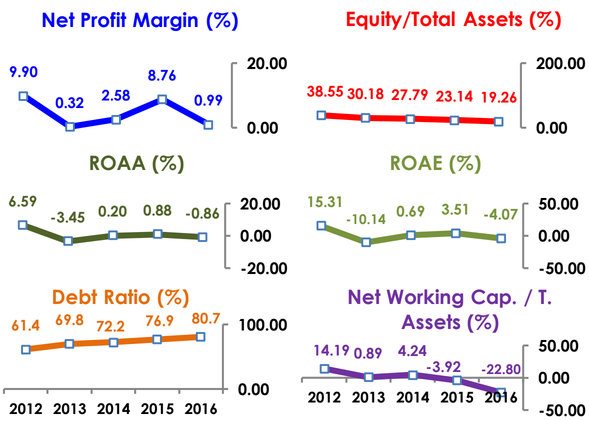


## ÇALIK DENİM TEKSTİL SANAYİ VE TİCARET A.Ş. AND ITS SUBSIDIARIES

| Financial Data | April 2017 | 2016* | 2015* | 2014* | 2013* |
|---|---|---|---|---|---|
| Total Assets (000 USD) | 301,782 | 306,502 | 326,226 | 294,629 | 259,364 |
| Total Assets (000 TRY) | 1,073,378 | 1,078,641 | 948,535 | 683,215 | 553,561 |
| Equity (000 TRY) | 226,519 | 207,699 | 219,528 | 189,835 | 167,061 |
| Net Profit (000 TRY) | 23,981 | 4,178 | 35,229 | 13,009 | 1,185 |
| Sales (000 TRY) | 193,877 | 420,150 | 402,016 | 504,701 | 375,670 |
| Net Profit Margin (%) | 12.37 | 0.99 | 8.76 | 2.58 | 0.32 |
| ROAA (%) | n.a | -0.86 | 0.88 | 0.20 | -3.45 |
| ROAE (%) | n.a | -4.07 | 3.51 | 0.69 | -10.14 |
| Equity / Total Assets (%) | 21.10 | 19.26 | 23.14 | 27.79 | 30.18 |
| Net Working Capital / T. Assets (%) | -12.04 | -22.80 | -3.92 | 4.24 | 0.89 |
| Debt Ratio (%) | 78.90 | 80.74 | 76.86 | 72.21 | 69.82 |
| Asset Growth Rate (%) | -0.49 | 13.72 | 38.83 | 23.42 | 16.08 |

*End of year **Unaudited end of April,2017

## Company Overview

**Çalık Denim Tekstil ve Sanayi ve Ticaret A.Ş.** (hereinafter 'the Company', 'Group' or 'Çalık Denim') was founded in Malatya in 1987 as the first industrial investment of Çalık Holding A.Ş. and operates as one of the leading integrated textile companies in the fields of open-end yarn and ring and uneven ring and denim fabric production. The Company had a total annual production capacity of 42mn meters produced in its integrated manufacturing facilities in an area of 178k m$^2$, supplying a wide range of high quality 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 August 10,2016 as **BBB+(Trk)/Stabil** on the long term national scale) is the largest shareholder (99%) of Company. As being considered a reliable and strong supplier to world famous prestigious brands, contributing further growth in export levels via a wide network channels, international operations and expanding sales offices. Company headquarters is located in Istanbul and R&D and production activities are run in Malatya with a labor force of 1,601 (FYE2015: 1,564). As of December,2016, the Company included into the Turquality program, which was positioned as a branding support platform.

## Strengths

- Strong brand identity and growth structure through product quality, on-time delivery, full capacity utilization and continuously renewal investments and technologies
- One of the top 10 global denim manufacturers with high-tech integrated production facilities
- Distinguished position in the sector thanks to active R&D center and recent inclusion in the Turquality programme, both providing advantage in branding and marketing
- Nature-sensitive products in the gabardine fabric and denim segment providing competitive advantages and considerable savings via innovative techniques
- Strong sales revenue in 1Q2017 thanks to the restructured sales and marketing department and continuous renewed investments that supports meeting the projected figures
- Diversified and globally well-known strong customer base enhanced with negligible level of non-performing loans and asset quality supported by receivable insurance policies
- A wide network of channels, international operations, and expanding sales offices contributing to further growth in export levels

## Constraints

- Deterioration in net working capital along with short-term dominated financial liabilities pressuring liquidity management
- Sharp drop in net profit due to upward accelerated financing expenses stemming from interest payments and FX movements
- High level of receivables from a former related party pressuring assets quality despite strengthened collection ability due to investment properties acquired on behalf of these receivables
- Downward trend in capitalization level due to external financing need in order to fund the Company's growth
- Depreciation of the TRY and the sustainability of the short FX position as a result of weighted financial liabilities denominated in foreign currency
- Dependency on imports of raw materials and breakability against price volatility
- Volatility in macroeconomic indicators and the effects of political risks on trade volume exerting pressure on business prospects

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