

Corporate Credit & Issue Rating

New Update

Sector: Yarn Manufacturing
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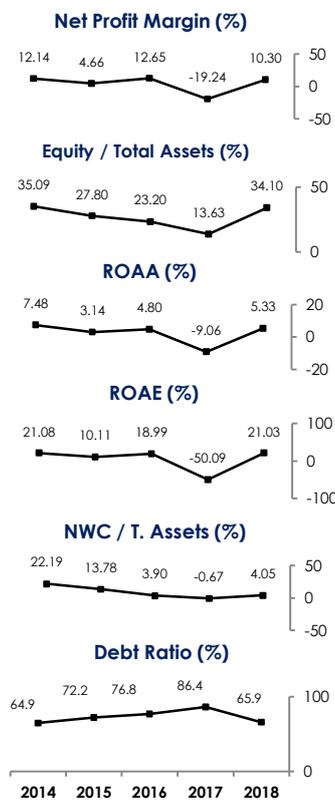
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RATINGS

		Long Term	Short Term
International	Foreign Currency	BBB-	A-3
	Local Currency	BBB-	A-3
	Outlook	FC Negative LC Negative	Negative Negative
	Issue Rating	BBB-	A-3
National	Local Rating	A (Trk)	A-1 (Trk)
	Outlook	Stable	Stable
	Issue Rating	A (Trk)	A-1 (Trk)
Sponsor Support	Stand-Alone	2	-
	Stand-Alone	AB	-
Sovereign*	Foreign Currency	BBB-	-
	Local Currency	BBB-	-
	Outlook	FC Negative LC Negative	- -

*Affirmed by JCR on November 27, 2018



Korteks Mensucat Sanayi ve Ticaret A.Ş.

Company Overview

Financial Data	1H2019	2018	2017	2016	2015
Total Assets (000 USD)	1,386,111	1,423,661	1,486,146	1,389,253	1,362,748
Total Assets (000 TRY)	7,977,205	7,489,740	5,605,595	4,889,059	3,962,326
Equity (000 TRY)	2,397,386	2,554,364	764,259	1,134,402	1,101,381
Net Profit (000 TRY)	114,255	342,810	-468,409	211,086	73,209
Sales (000 TRY)	1,762,324	3,328,245	2,435,005	1,668,197	1,570,864
Net Profit Margin (%)	6.48	10.30	-19.24	12.65	4.66
ROAA (%)	n.a.	5.33	-9.06	4.80	3.14
ROAE (%)	n.a.	21.03	-50.09	18.99	10.11
Equity / Total Assets (%)	30.05	34.10	13.63	23.20	27.80
Net Working Capital / T. Assets (%)	2.75	4.05	-0.67	3.90	13.78
Debt Ratio (%)	69.95	65.90	86.37	76.80	72.20
Asset Growth Rate (%)	n.a.	33.61	14.66	23.39	21.25

Korteks Mensucat Sanayi ve Ticaret A.Ş. ('Korteks Mensucat' or 'the Company') started its operations in 1989 in the realm of yarn production with the brand name of "Taç Yarn" as its first manufacturing plant opened in Bursa. Since then, Korteks Mensucat has been investing a great deal in integrating recent and pioneering technologies into its production process, which enabled the Company to achieve economies of scale and become the top-ranking polyester yarn manufacturer by means of the volume of sales and exports, not only in Turkey but also in the European market. Today, the Company produces various types of polyester yarns to be used in ready-made garments, home textile, medical textile, carpets, automotive textile and sportswear in its two major integrated production facilities in Bursa Organized Industrial Zone. The major ones of Korteks Mensucat's subsidiary companies could be enumerated as Zorluteks Tekstil Sanayi ve Ticaret A.Ş. ('Zorluteks Tekstil') which operates in the realm of manufacturing home textile products under the brand names of 'Taç', 'Linens', 'Valeron', 'Casabel' and 'Brielle', Zorlu Dış Ticaret A.Ş. ('Zorlu Dış Ticaret') which specializes in the distribution of the Group's international sales, Zorluteks SNG which operates in Russia since 2005, Zorluteks D.O.O. which was established in the Republic of North Macedonia in 2004 and Zorlu UK Ltd. which deals with the wholesale of the Group's products in the U.K. since 2002. Together with its broadly extended sales organization, Korteks Mensucat has attained a stable growth both in its turnovers and asset size in the recent years. In consolidated terms, the Company increased its sales to TRY 3,328mn and its asset size to TRY 7,490mn as of FYE2018, which were TRY 2,435mn and TRY 5,606mn as of FYE2017, respectively.

The only shareholder of Korteks Mensucat is Zorlu Holding A.Ş. ('Zorlu Holding', 'the Group'), which is one of the largest conglomerates in Turkey with its investments in a wide range of industries such as textile, durable consumer goods, mining and metallurgy, factoring and energy.

Strengths

- Maintaining a stable growth pattern both in asset size and sales volume
- Powerful recovery in profitability after the impact of one-off loss from the investment in Zorlu Yapı Yatırım A.Ş. has expired
- Strong shareholder structure
- Mitigation of FX risk via pricing
- Improvement in liquidity structure
- Recovery in indebtedness

Constraints

- Decreasing cash ratio in 2018 together with the continuing large portion of receivables from shareholders and subsidiaries
- The negative impacts of regulations on the taxation of the import of certain raw materials which are used in polyester yarn production
- The impact of revaluation gains from tangible assets in the rising equity level
- Increasing short FX position in 2018