

Corporate Credit & Issue Rating

New Update

Sector: Yarn Manufacturing
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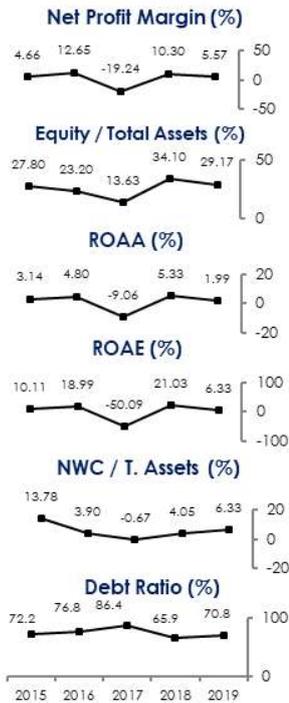
Senior Analyst

Özgür Fuad Engin, CFA
 +90 212 352 56 73
 ozgur.engin@jcrer.com.tr

RATINGS

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

*Assigned by JCR on April 10, 2020



Korteks Mensucat Sanayi ve Ticaret A.Ş.

JCR Eurasia Rating has downgraded the ratings of **Korteks Mensucat Sanayi ve Ticaret A.Ş.** ('Korteks' or 'the Company') to '**A- (Trk)**' from '**A (Trk)**', on the long-term national scale and '**A-1 (Trk)**' on the short-term national scale with '**Stable**' outlooks, maintaining the investment grade. International Local and Foreign Currency ratings of the Company are mapped as '**BB/Negative**', according to JCR-ER's national-global mapping methodology.

Established in 1989, Korteks is currently a leading provider of polyester yarn products worldwide. Since its foundation, the Company invested significantly in integrating recent and pioneering technologies into its production process, positioning Korteks as a major player. In addition to its dominant position in Turkey, Korteks is prominent yarn manufacturer in the European market with global export capabilities. The Company's wide and diversified product range include 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. Korteks, through its subsidiaries, manage several brands including 'Taç', 'Liners', 'Valeron', 'Casabel' and 'Brielle'. The Company is owned by Zorlu Group, via Zorlu Holding A.Ş.

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

Strengths

- Stable revenue generation base
- Diversified product range and strong production capacity
- Favourable domestic market presence and international sales network
- R&D investments and focus on sustainable textile products
- Mitigation of FX risk via pricing

Constraints

- High share of related part receivables, distorting balance sheet integrity
- Elevated levels of net debt levels due to related part funding
- Downside regulative risks with respect to raw material imports
- Susceptibility of natural hedge to potential sales volume contractions

The Company's capacity utilization and revenue generation performance is resilient, despite the pandemic and the subsequent impact on demand and supply side. In this sense, Korteks' fundamental financial performance is evaluated as strong. On the other hand, due to increasing size and stickiness of related party financing, affecting the financial profile and indebtedness of the Company, JCR Eurasia Rating downgraded the long-term national rating of Korteks to '**A- (Trk)**' and affirmed the short-term national rating as '**A-1 (Trk)**'. The main elements of the rating are the level of operational cash flows of the company and its market position in its main fields of activity, production and export capacity, pricing efficiency, on the other hand, the level of indebtedness and the size of related party transactions. **JCR-ER** will continue to monitor the impact of global and local macroeconomic developments, input costs, export figures, effects of related party transactions on the financial structure and potential impact of the pandemic.

The only shareholder of Korteks is Zorlu Holding A.Ş. 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. Considering the size and scope of related party transactions where the Company provides funding to the parent, Zorlu Holding A.Ş., (2) has been assigned as the Sponsor Support rating of Korteks.

Korteks' own financial structure is determined as satisfactory to manage the risks it faces through internal means. Therefore, the stand-alone note of the Company has been determined as (B) in the **JCR Eurasia Rating** notation system.