

Corporate Credit & Issue Rating

New Update

Sector: Manufacturing / Wood Products/ Furniture

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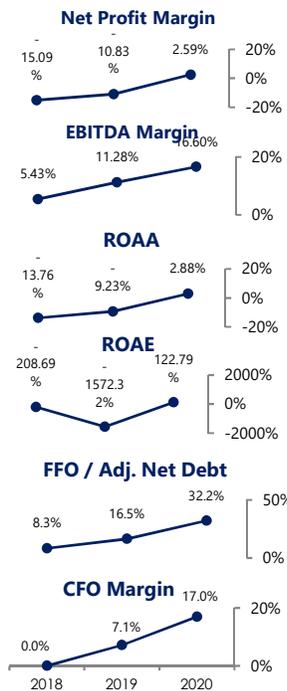
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RATINGS

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

*Assigned by JCR on April 10, 2020



Doğtaş Kelebek Mobilya San. ve Tic. A.Ş.

JCR Eurasia Rating, has evaluated National Corporate credit ratings of “Doğtaş Kelebek Mobilya San. ve Tic. A.Ş.” in an investment grade category and assigned the ratings as “BBB- (Trk)” on the Long-Term National Scale and as “A-3 (Trk)” on the Short-Term National Scale with “Stable” outlooks. Long Term International Local and Foreign Currency ratings and outlooks of the Company are mapped as “BB-/Negative”, according to JCR-ER’s national-global mapping methodology.

“Doğtaş Kelebek Mobilya Sanayi ve Ticaret A.Ş.”, (herein referred to as ‘Doğtaş Kelebek Mobilya’ or ‘the Company’, ‘the Group’) commenced its operations in 1935 and 1972 respectively for the brands of ‘Kelebek Mobilya’ and ‘Doğan Mobilya’. ‘Kelebek Mobilya’ was founded in 1935 for the production of plywood parts of airplane wings. The company continued plywood production at his Haliç facilities in Istanbul under the trademark of Kelebek until 1986. In 1978, ‘Kelebek Mobilya’ launched its Modular Furniture Factory in Düzce as one of the largest factories (186,000 m² open area and 40,000 m² area of indoor) in Europe, with the technical collaboration of projects groups in the world. Currently, Kelebek Mobilya continues to produce furniture, kitchen and bathroom groups, living room groups, and special wooden equipments in its facilities. ‘Doğtaş Mobilya’ with its former name ‘Doğan Mobilya’ was founded by Ali Doğan in Biga/Çanakkale, in 1972 and then continues to stand out in the furniture industry with a wide range of products from seating groups to dining room furniture; child, teen, and adult bedroom furniture in its Biga facilities which has an open area of 200,000 m² and a closed area of 70,000 m². As of the end of 2020, Doğtaş Kelebek Mobilya and Lova Yatak had a total of 415 stores in Turkey and abroad and conducts its production activities in Düzce and Çanakkale.

“Doğtaş Doğanlar Mobilya İmalat Enerji Üretim San ve Tic. A.Ş.” acquired 67% shares of “Kelebek Mobilya Sanayi ve Ticaret A.Ş.” (“Kelebek Mobilya”) on 6 September 2012 and after the completion of merger transaction, the legal name of the Company changed as “Doğtaş Kelebek Mobilya Sanayi ve Ticaret A.Ş.”. The Company is registered in Capital Market Board (“CMB”) and its shares have been traded in Borsa İstanbul A.Ş. (“BIST”) since 1990 with the ‘DGKLB’ ticker and takes place in the constituents of BIST Stars, BIST 100, BIST Industrials, BIST Wood, Paper, Printing.

As of the current period, Doğtaş Kelebek Mobilya shareholders are Doğanlar Yatırım Holding A.Ş. (7.34%), Doğan family members (35.76%) and the remaining shares (56.9%) are traded on the BIST.

Strengths

- Established market presence and boosted sales performance driven by the consumers’ focus on the home as a result of pandemic as of FYE2020,
- Less affected by the Covid-19 pandemic compared to other sectors with the contribution of monetary expansion policies.
- Steady progress in operating profit and considerable gross profit growth, despite the cumulative net losses over the previous periods,
- Improvement in net income and EBITDA growth despite the domestic recessionary environment throughout FY2020,
- The change in currency composition of the funding structure resulted a decrease in short position,
- Attained know-how in R&D and emphasis on compliance with international quality standards,

Constraints

- The notably low level of equity due to retained losses, increased moderately as a result of revaluation of the assets and recent capital increase.
- Liquidity management and cash flow need for support to more sustainable levels,
- The highly discretionary nature of the Company’s products and exposure to economic cycles,
- Raw material supply of the sector being intensely foreign source dependent which pressures the predictability of profit.

Considering the aforementioned drivers, the Company’s the Long-Term National Rating has been assigned as “BBB- (Trk)”. The steady revenue and EBITDA growth trend in contrast to contraction of other sectors in Covid-19 period, the commissioning of supportive policies to the furniture and also construction sectors in 2020, the brand awareness and top ranking in the sector, the expansion in store numbers both in domestic and international, the paid capital increase which realized in January, 2021 are underlying the assignment the outlooks for the Long and Short-Term National Ratings as “Stable”. The economic impact of Covid -19 outbreak on the Group, regulations to the sector, fluctuations of the exchange rates, debt level, cash flow and liquidity level, EBITDA margin and net profit indicators are the priority issues to be followed by JCR Eurasia Rating in the upcoming period. The macroeconomic indicators at national and international markets, as well as market conditions and legal frame about the sector will be continued to be monitored.

It is considered that the major controlling shareholder, “Doğanlar Yatırım Holding A.Ş.” possess the financial strength and willingness to provide liquidity for “Doğtaş Kelebek Mobilya Sanayi ve Tic. A.Ş.” should such a need arise taking into consideration its long operational track record, the wide-recognition of the created brands by consumers, investments dispersed across the country and generated employment opportunities. Within this context, the Sponsor Support grade has been determined as (2) on JCR Eurasia Rating’s notation scale, indicating high level.

Taking into account the Company’s market shares, internal resource generation capacity, growth rates and EBITDA generation capacity, equity level, liquidity reachability, growth rates and EBITDA generation capacity, we, as JCR Eurasia Rating, state the opinion that the Company has reached the level of adequate experience and facilities to manage the incurred risks on its balance sheet regardless of any assistance from the shareholders, if it preserves its current customer level, efficiency and existing macroeconomic level in the market. Within this context, the Stand-Alone grade of the Company has been assigned at (B) in the JCR Eurasia Rating notation system.