

Corporate Credit Rating

New Update

Sector: Polyester Manufacturer
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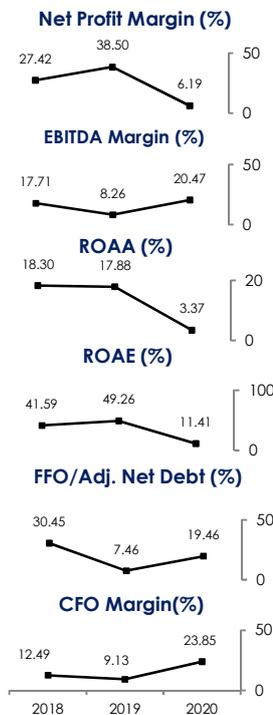
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RATINGS

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

*Assigned by JCR on May 31, 2021



Sasa Polyester Sanayi A.Ş.

JCR Eurasia Rating has evaluated SASA Polyester Sanayi A.Ş. (referred to as 'SASA' or 'the Company') in the investment-level category of '**A (Trk)**' on the long-term national scale and '**A-1 (Trk)**' on the short-term national scale with '**Stable**' outlooks. Long Term International Local and Foreign Currency ratings of the Company are assigned as '**BB/Stable**', same as country ceiling.

SASA Polyester Sanayi A.Ş., a subsidiary of Erdemoğlu Holding A.Ş. was established in 1966 in Adana. As one of leading industrial enterprises in the sector thanks to its current capacity and investments, the main operating field of Group is to produce and sell polyester staple fiber, filament yarn and polymer. Operating in the polyester polymer, SASA constitutes a significant part of global production with a polymerization capacity of 1,365,000 tons/year in 2020 based on both DMT and PTA Technologies in fiber and filament yarn sectors. SASA, the largest producer in Turkey, provides customized polyester solutions depending on customer needs both in the domestic and international arena. SASA's plan to achieve end-to-end vertical integration in polyester production will strengthen its leadership position by providing additional competitive advantage.

The Company has been quoted on the Borsa Istanbul Stock Exchange (BIST) since 1996. Erdemoğlu Holding A.Ş. with its 50 years of experience, operates in different sectors such as machine-made carpets, special polymers and chemicals, home textiles and yarn, became the controlling shareholder of SASA once purchasing the shares of H.Ö. Sabancı Holding A.Ş. in 2015. 15.20% of shares are publicly traded on the BIST with the ticker symbol "SASA".

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

Strengths	Constraints
<ul style="list-style-type: none"> Solid presence in the sector with over 55 years and established market share via strong brand reputation One of the leading manufacturer of polyester fiber, filament yarn, polyester based polymers, specialty polymers through flexible manufacturing capability and high-tech integrated production facilities from design to production and distribution operations Robust inter/national client base underpinning revenue generation and EBITDA growth via diversified product portfolio serving different sectors and geographies providing consistency in cash flows and contributing risk mitigation of revenue generation Solid equity level mainly dominated by retained profits Maintenance of sound operating volume growth through ongoing investments and the growth potential in Company's export level with its power to spread to different locations Strong R&D center and new product-brand creation power As a publicly traded company, high level of compliance with Corporate Governance Practices 	<ul style="list-style-type: none"> Short term dominated funding structure and net working capital deficit leading to more demanding external funding needs for continuous investments Currency risk exposure due to foreign debt amount leaving bottom line vulnerable to currency shocks despite providing a natural hedge through FX income generation capacity Pressure on profitability due to notably increasing financing costs largely dominated by exchange difference expenses Ongoing uncertainties arising from the global pandemic and Covid-19 outbreak's unprecedented damage on the economic activities affecting investment plans

JCR Eurasia Rating has assigned a '**Stable**' outlook for SASA Polyester Sanayi A.Ş. regarding the national short and long-term perspectives. The Company's established market position both in national and international platforms, production and export power, strong sales revenue, EBITDA and cash flow generation capacity via serving a wide range of sectors and locations including diversified product portfolio, strong operating profit from its core activities, moderate financial leverage, internal resource generation capacity and expectation of improvement in high added value product range driven by ongoing investments, the efforts of the Company to manage FX risk through largely dominated FX sales revenue which providing natural hedge, effective risk management and prudent financial management, ease of access to affordable & long-term financing, increasing equity level through rising retained earnings constitute the main factors in determining Long and Short Term Notes of Company with '**Stable**' outlook. JCR Eurasia Rating will continue to monitor the developments regarding the macro conditions, massive uncertainties in the global and domestic economic condition, progress on the ongoing investments and additional cash flows that will be generated by completed and ongoing investments, EBITDA margin and profitability indicators, the attainability of the Company's budgeted projections and the generation of internal resources, and cash flows to meet debt payments.

The controlling shareholder, namely **Erdemoğlu Holding A.Ş.** and ultimately the **Erdemoğlu Family**, are thought to possess the financial strength and willingness to provide long-term liquidity and equity to SASA as well as providing effective operational support should such a need arise. Within this regard, the Company's **Sponsor Support** grade has been assigned as **(1)** in JCR Eurasia Rating's notation system, denoting the strongest level.

The Stand-Alone note is formed depending on the Company's knowhow and long experience in the sector, level of reached market reputation, EBITDA generation capacity, growth rates in sales revenue, asset size and quality, the returns on assets and equity, liquidity position, net working capital need, equity-debt level, sectoral and geographical diversification of revenues, competitive advantages conferred through ensuring sustainable developments, high level of corporate governance practices and experienced senior management team. Within this context, the Stand-Alone grade of the Company has been assigned as **(AB)** in the JCR Eurasia Rating notation system.