

Corporate Credit Rating

New Update

Sector: Yarn Production

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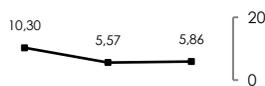
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RATINGS

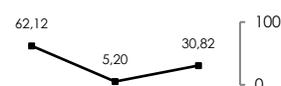
		Long Term	Short Term	
National	Local Rating	A-(Trk)	A-1 (Trk)	
	Outlook	Stable	Stable	
	Issue Rating	-	-	
International	Foreign Currency	BB	B	
	Local Currency	BB	B	
	Outlook	FC	Stable	Stable
		LC	Stable	Stable
Sponsor Support	Stand-Alone	2	-	
	Stand-Alone	B	-	
Sovereign	Foreign Currency	BB	-	
	Local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

*Assigned by JCR on May 31, 2021

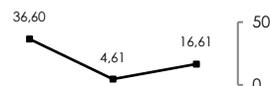
Net Profit Margin (%)



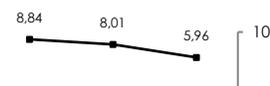
EBITDA Growth (%)



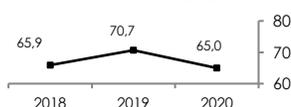
Sales Growth (%)



NWC / T. Assets (%)



Debt Ratio (%)



Korteks Mensucat Sanayi ve Ticaret A.Ş. and Its Subsidiaries

JCR Eurasia Rating, has evaluated **Korteks Mensucat Sanayi ve Ticaret A.Ş.** in a high investment grade category and affirmed the ratings on the Long and Short-Term National Scales as **'A-(Trk)'** and **'A-1 (Trk)'**, respectively, along with the **'Stable'** outlooks. On the other hand, the Long Term International Foreign and Local Currency Ratings of the Company are mapped as **'BB/Stable'**, according to JCR-ER's national-global mapping methodology.

Korteks Mensucat Sanayi ve Ticaret A.Ş. (referred to as **'Korteks'** or **'the Group'**) is one of the world's biggest yarn-makers and commenced operation in 1989 with the manufacture of yarns under the **"TAÇ YARN"** name. Since its foundation, the Group 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 Group'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. At its plants located in Bursa, **Korteks** produces the reliably superior-quality yarns demanded by textile manufacturers. The Group maintains its operations by 5.044 employees as of 1H2021 (FYE20: 5.015) and its subsidiaries are as follows; **Zorluteks Tekstil Sanayi ve Ticaret A.Ş.** (Turkey), **Zorlu Dış Ticaret A.Ş.** (Turkey), **Zorluteks SNG** (Moscow), **Zorluteks D.O.O.** (Macedonia) and **Zorlu UK Ltd.** (England). **Korteks**, through its subsidiaries, manage several brands including **'Taç'**, **'Linens'**, **'Valeron'**, **'Casabel'** and **'Brielle'**. The Group is owned by **Zorlu Group**, via **Zorlu Holding A.Ş.**

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

Strengths

- Established track record with a solid export profile and sustainability in revenue and EBITDA generation capacity mainly triggered by international sales
- Significant sales growth performance and net profit generation as of 1H2021
- Sustainable positive net working capital over the years
- Variety of products underpinning sales and competition
- Focusing on R&D investments for sustainable quality and growth

Constraints

- Elevated levels of net debt levels due to related part funding
- High share of related part receivables distorting balance sheet integrity
- Impaired stock level though fully provisioned
- High non-cash contribution of revaluation gains from tangible assets to growth in equity
- Covid-19 outbreak creating vagueness on global and local economic activity

Considering the aforementioned factors, Group's the Long-Term National Rating has been assigned at **'A-(Trk)'**. The Group's outlook for Long and Short-Term National ratings has been determined as **'Stable'** with respect to Korteks's long business track record, production and export capacity, pricing efficiency, solid market share both in national and international scale, natural hedge mechanism through FX income generation capacity, being one of the important players in yarn production industry in Turkey and capability to access funding resources along with the level of indebtedness, the size of related party transactions and ongoing uncertainties due to the Covid-19 pandemic. Sales and profitability performance, developments in indebtedness structure, additional diversification in export markets, local and global macroeconomic indicators are the major issues which will be monitored by JCR Eurasia Rating in the upcoming period.

The 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 Group provides funding to the parent, Zorlu Holding A.Ş., (2) has been assigned as the Sponsor Support rating of Korteks. On the other hand, Korteks' own financial structure is determined as satisfactory to manage the risks it faces through internal means. Therefore, the Stand-Alone Note of the Group has been determined as **(B)** in the JCR Eurasia Rating notation system.