

Corporate Credit Rating

New Update

Sector: Lining&Interlining, Upholstery Fabrics and Home Textile Products

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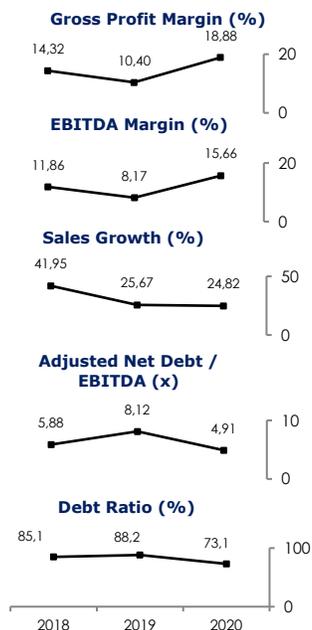
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RATINGS

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

*Assigned by JCR on May 31, 2021



Menderes Tekstil Sanayi ve Ticaret A.Ş. and Its Subsidiaries

JCR Eurasia Rating has evaluated "Menderes Tekstil Sanayi ve Ticaret A.Ş. and Its Subsidiaries" and assigned the ratings on the Long-Term National Scale as 'BBB+ (Trk)' and the Short-Term National Scale as 'A-2 (Trk)' with 'Stable' outlooks. On the other hand, the Long Term International Foreign and Local Currency Ratings have been assigned as "BB/Stable".

Menderes Tekstil Sanayi ve Ticaret A.Ş. (referred to as 'Menderes Tekstil' or 'the Company'), its subsidiaries and equity participations are referred as 'Group' in the accompanying consolidated financial statements, is one of the first integrated plants of the region and started to be built in 1958 within the borders of Sarayköy district of the province of Denizli under the name of Sarayköy Pamuklu Mensucat. The plant which comprised spinning, weaving and dyeing-finishing departments and is the first integrated textile factory of the region was put into service in 1962. In 1983, **the Company** was later rebranded as **Menderes Tekstil** and it became a part of **AKÇA Group**. It started production in 1991 by making a dyeing-printing investment equipped with state-of-the-art technology in an indoor space of 12,000 m² within the factory area in 1990 with the increased dyeing and printing process capacity requirements. It also started Finishing Plant investments within the same year. **Menderes Tekstil** has a world class home textile manufacturing plant with a total factory area of 500,000 m². Today, **the Company** produces cotton press, electric energy, yarn, fabric, valances, dust ruffles, ruffled and tailored shams, comforter shells, printed towels and linens in integrated cotton and synthetic textile establishment.

On 31.03.2021, **Akça Enerji Üretim Otoproduktör Grubu A.Ş.** and **Tan Elektrik Üretim A.Ş.** which are owned in all by **Menderes Tekstil**, merged within Menderes Tekstil with the "Simplified Merger Procedure" method and registered by İzmir Trade Registry Office. As of 3Q2021, **Menderes Tekstil's** subsidiaries and affiliates are as follows; **Smyrna Seracılık Ticaret A.Ş.** (full consolidation method) and **Aktur İzmir Gayrimenkul A.Ş.** (equity pick up method). **Menderes Tekstil** maintains its operations by an average staff force of 3.626 employees as of 3Q2021. (FYE20: 4.071). **The Company** has a paid-in capital TRY 250mn and **Akça Holding** is the controlling shareholder with the share of 50.83% as of September 30, 2021. 46.78% of shares are traded in Borsa İstanbul (BIST) with the stock ticker "MNDRS". **Menderes Tekstil** is registered with the Capital Markets Board and its publicly held shares have been traded on Borsa İstanbul since 2000.

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

Strengths

- Sustainability in revenue and EBITDA generation capacity mainly triggered by international sales
- Hard-currency income generation capacity thanks to high level of export share in sales
- Limited collection risk supporting asset quality
- Emphasis on e-commerce activities creating a competitive advantage and participation in the Turquality programme
- Established track record with a focus on R&D investments
- High level of compliance with corporate governance principles of CMB

Constraints

- High debt level and short maturity profile of financial liabilities
- High financial expenses mainly stemming from unrealized FX losses, pressuring on profitability
- Cumulative net losses deteriorating equity level
- High non-cash contribution of revaluation gains from tangible assets to growth in equity in 3Q2021 and FYE20
- Sensitivity to fluctuations in raw material prices
- Volatility of TRY increasing uncertainty
- Covid-19 outbreak creating vagueness on global and local economic activity

Considering the aforementioned factors, the Company's the Long-Term National Rating has been assigned at 'BBB+ (Trk)'. The Company's outlook for Long and Short-Term National ratings has been determined as 'Stable' with respect to Menderes Tekstil's long business track record, fund generation capability, brand awareness, sustainable of asset and sales growth, experienced and qualified management team, being one of the largest players in the sector along with ongoing uncertainties due to the Covid-19 pandemic. Realization of budget targets of the Company, debt ratio, profit margins and sustainability of domestic demands, as well as market conditions regarding the sector and the negative effects of the COVID-19 pandemic are the priority issues to be monitored by JCR Eurasia Rating in the upcoming period.

It has been assessed that the main shareholders **Akça Holding A.Ş.** has financial strength to provide long-term liquidity or equity and the adequate experience to provide efficient operational support to **Menderes Tekstil**. Within this context, JCR Eurasia Rating has assigned the 'Sponsor Support' note as '(2)' of **Menderes Tekstil**. On the other hand, **the Stand-Alone** note is formed depending on **Menderes Tekstil's** market size and effectiveness, brand awareness, operational efficiency, EBITDA generation and sectoral experience. It is considered that **Menderes Tekstil** and its managerial staff have reached the level of adequate experience and facilities to manage its obligations even in case the shareholders do not provide any assistance. In this respect, the **Stand-Alone** note of **Menderes Tekstil** has been assigned as '(B)' in the JCR Eurasia Rating notation system.