

Corporate Credit Rating

New Update

Sector: Textile

Publishing Date: 30/12/2021

Senior Chief Analyst

Orkun İnan

+90 212 352 56 73

orkun.inan@jcrer.com.tr

Assistant Analyst

Mehmet Erkan Kayhan

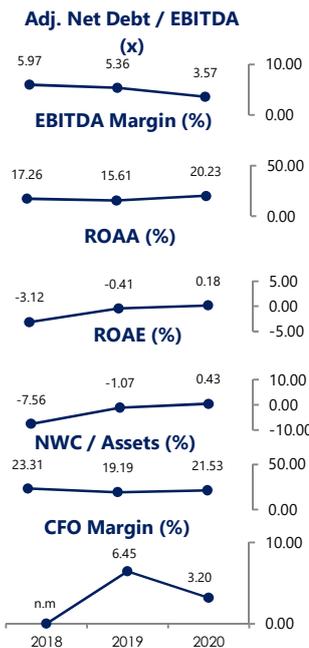
+90 212 352 56 73

mehmet.kayhan@jcrer.com.tr

RATINGS

	Local Rating	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	Stable
		LC	Stable
Sponsor Support	Stand-Alone	3	-
	Stand-Alone	B	-
Sovereign*	Foreign Currency	BB	-
	Local Currency	BB	-
	Outlook	FC	Stable
		LC	Stable

*Assigned by JCR on May 31, 2021



İskur Tekstil Enerji Ticaret ve Sanayi A.Ş. and Its Subsidiaries

JCR Eurasia Rating, has evaluated the consolidated structure of “İskur Tekstil Enerji Ticaret ve Sanayi Anonim Şirketi and Its Subsidiaries” in an investment level category and assigned the Long-Term National Note at ‘**BBB-** (Trk)’ and the Short-Term National Note at ‘**A-3** (Trk)’ with ‘**Stable**’ outlooks. On the other hand, the Long-Term International Foreign and Local Currency Ratings have been assigned as “**BB/ Stable**”.

İskur Tekstil Enerji Ticaret ve Sanayi Anonim Şirketi and Its Subsidiaries (referred to as ‘the Company’, ‘the Group’ or ‘İskur Tekstil’) was founded in 1990 as a family-owned company of Kahramanmaraş, with production of cotton, gin and cotton oil that makes the Group a fully integrated group of companies. It exports its products and services to more than 30 countries on 4 different continents around the globe and has more than 3,500 employees. Daily production of over 190 tons of yarn and 40 tons of fabric is provided from the facilities in Kahramanmaraş and Diyarbakır. The Company, which makes domestic yarn sales directly, sells dye, weaving and denim productions and products prepared for export through group companies. Besides yarn and fabric manufacturing, which is the main area of business, the Group operates in sectors such as automotive, energy, hotel management and insurance services. Together with its own companies and affiliates, it provides energy generation through HEPP, SEPP and WPP with a total size of 142 Mw. Moreover, the Company implements a 13 Mw of roof type SEPP, which will be used for self-consumption. Akedaş, which is also a subsidiary, provides electricity distribution services to the provinces of Kahramanmaraş and Adıyaman. İskur Tekstil’s main shareholder is Abdulkadir Kurtul (66.77%), The paid-in capital of the Group amounted at TRY 84mn as of FYE2020.

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

Strengths	Constraints
<ul style="list-style-type: none"> Steady revenue and EBITDA growth performances over the examined period, Continuously rising asset size and revenues indicating a resilient business model and sustainable growth outlook, Substantial level of positive net working capital easing liquidity management, Value-added products underpinning sales and competition, Focusing technological R&D investments supporting financials through incentives, Long experience in textile sector enabling economies of scale and scope. 	<ul style="list-style-type: none"> Short term weighted high financial debts inhibiting the Company’s financial position, Sizable impaired receivables create pressure on asset quality Noteworthy contribution of non-cash revaluation to asset size and equity, Imported raw materials used in production causes sensitivity to raw material prices, High competition in the export market of textile sector, The Covid-19 pandemic increasing uncertainty on global and local economy, Improvement needed in Corporate Governance Practices.

Considering the aforementioned points, the Group’s Long-Term National Rating has been assigned as ‘**BBB-** (Trk)’. Company’s continuous increase in sales volume, natural hedging opportunities and experience in textile sector have been evaluated as significant indicators for the stability of the ratings and the outlooks for Long- and Short-Term National ratings are determined as ‘**Stable**’. The Company’s financial structure, fluctuations in raw material prices, possible effects of the Covid-19 outbreak on the company are closely monitored by JCR Eurasia Rating in upcoming periods. The macroeconomic indicators at national and international markets, as well as market conditions and legal frame about the sector will be monitored as well.

The financial strength and expected support of the Company’s shareholders lay the foundation İskur Tekstil’s Sponsor Support assessment. The willingness and financial strength of the Group’s owners to provide operational and financial assistance have been assessed with respect to the financial capabilities of the shareholders. The shareholders are thought to be willing to deliver support to the Group should such a need arise. Considering İskur Tekstil’s asset size, sales performance and market position, the Group’s Sponsor Support Grade has been assigned as (3). This grade signifies an adequate external support to the Company.

The Stand Alone note of the Group has been constituted particularly with respect to the Group’s internal resource generation capacity and sales performance, asset quality, growth performance, equity structure, liquidity profile, profitability ratios, risk management practices and the development of existing risks in the market and business environment. When the factors above are considered, our opinion is that İskur Tekstil has reached a level of adequate experience and facilities to manage the occurring risks in its balance sheet through internal means without any assistance by its shareholders, provided that it maintains the current customer level and efficiency in the market. The Stand-Alone Rating has been determined as (B), in JCR Eurasia Rating’s notation system.