

Corporate Credit Rating

New Update

Sector: Retail Industry

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RATINGS		Long Term	Short Term
ICRs (Issuer Credit Rating Profile)	National ICR	BBB (tr)	J2 (tr)
	National ICR Outlooks	Stable	Stable
	International FC ICR	BB	-
	International FC ICR Outlooks	Negative	-
	International LC ICR	BB	-
ISRs (Issue Specific Rating Profile)	International LC ICR Outlooks	Negative	-
	National ISR	-	-
	International FC ISR	-	-
Sovereign*	International LC ISR	-	-
	Foreign Currency	BB (Negative)	-
	Local Currency	BB (Negative)	-

* Assigned by JCR on Aug 18, 2022

DAGI GİYİM SANAYİ VE TİCARET ANONİM ŞİRKETİ

JCR Eurasia Rating has evaluated the consolidated structure of "Dagi Giyim Sanayi ve Ticaret Anonim Şirketi" in the investment-grade category and assigned the Long-Term National Issuer Credit Rating as 'BBB (tr)' and the Short-Term National Issuer Credit Rating as 'J2 (tr)' with 'Stable' outlooks. On the other hand, the Long Term International Foreign and Local Currency Issuer Credit Ratings and outlooks have been assigned as 'BB/Negative' in parallel to international ratings and outlooks of Republic of Türkiye.

Dagi Giyim Sanayi ve Ticaret Anonim Şirketi (hereinafter referred to as "Dagi Giyim" or "the Company") was established in 1984. The Company's shares were acquired by the Koç Family in 2004. Its shareholders are Mahmut Nedim Koç with 49.98%, Dagi Yatırım Holding A.Ş. with 5.20% as of FYE2022. In addition, Dagi Giyim's shares are listed in Borsa Istanbul (BIST) since 2011 with the ticker "DAGI". As of FYE2022, 44.75% of Dagi Giyim's shares are publicly traded. The main shareholder of Dagi Yatırım Holding A.Ş. which are the shareholders of the Company is Mahmut Nedim Koç. Mahmut Nedim Koç is indirectly the main shareholder of Dagi Giyim.

Dagi Giyim has been serving its customers since 1984 by selling underwear, pajamas, nightgowns, tracksuits, maternity and maternity clothes, swimwear, sea shorts, home wear products. The Company has sales in 133 stores both in Türkiye and abroad as of FYE2022. 94 of the stores are domestic retail stores, 13 are domestic franchising stores and 26 are foreign franchising stores. In addition to the physical stores, the Company also has an online store.

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

Strengths

- Upward trend in sales revenue thanks to increase in sales volume,
- Notable recovery in profitability indicators in the post-pandemic period,
- Paid-in capital supported by cash injection in the reviewed periods,
- Natural hedging via maintaining of export sales with a certain extent,
- Diversified income stream thanks to differentiated products and sales channels,
- High level of compliance with corporate governance practices,

Constraints

- Increase in financial debt squeezing leverage indicators,
- High financing expenses due to short-term weighted financial debt structure pressuring bottom line results,
- Continued negative cash flow metrics create need for external financing,
- Low-level of operational efficiency due to high operational expenses and long cash conversion cycle,
- As China's reopening and stable exchange rates generate significant headwinds to Türkiye's exporters, tight financial conditions, accompanied by global banking concerns, disrupt global growth projections.

Considering the aforementioned points, the Company's Long-Term National Issuer Credit Rating has been assigned as 'BBB (tr)'. Taking into account the Company's long business track record, EBITDA generation capacity, sustainable of asset and sales growth, experienced management team, predictability funds from operations, as well as, European recession concerns, Russia-Ukraine crisis and geopolitical risks-driven uncertainties; have been evaluated as important indicators for the stability of the ratings and the outlooks for Long and Short-Term National Issuer Credit Ratings are determined as 'Stable'. An achievement of budget targets of the Company, debt ratio, profit margins and liquidity indicators, as well as market conditions regarding the sector will be closely monitored by JCR Eurasia Rating in upcoming periods. The macroeconomic indicators at national and international markets, as well as market conditions and legal framework about the sector will also be monitored.

