

Corporate Credit Rating

New Update

Sector: Textile 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	-
	International LC ICR Outlooks	Negative	-
ISRs (Issue Specific Rating Profile)	National ISR	-	-
	International FC ISR	-	-
	International LC ISR	-	-
Sovereign*	Foreign Currency	BB (Negative)	-
	Local Currency	BB (Negative)	-

* Assigned by JCR on Aug 18, 2022

DİNARSU İMALAT VE TİCARET T. A.Ş.

JCR Eurasia Rating has evaluated "Dinarsu İmalat ve Ticaret T. A.Ş." in the investment level category, affirmed the Long-Term National Issuer Credit Rating at 'BBB+ (tr)' and the Short-Term National Issuer Credit Rating at 'J2 (tr)' with 'Stable' outlooks. On the other hand, the Long-Term International Foreign and Local Currency Issuer Credit Ratings and outlooks were assigned as 'BB/Negative' in line with the international ratings and outlooks of Republic of Türkiye.

"Dinarsu İmalat ve Ticaret T. A.Ş." (hereinafter referred to as "Dinarsu" or "the Company") was established on July 22, 1953 in İstanbul, Türkiye. The Company, which was incorporated into Erdemoğlu Group in November 2005, operates in the carpet and home textile sector.

Dinarsu has an annual production capacity of 11,559,600 m² of tufted carpets at its factory in Çerkezköy/Tekirdağ, which is built on 323,443 m² of land and has a closed area of 145,028 m². In addition, the Company has an annual production capacity of 7,296,000 kg of synthetic tops-acrylic, 5,325,000 kg of worsted yarn, 7,512,000 kg of acrylic wool pes fiber dyeing and 23,352,000 kilowatt hours of electricity production capacity at its facility in Alaplı/Zonguldak.

Dinarsu ranked 316th on the basis of sales from production in the list of Türkiye's Top 500 Industrial Enterprises published by İstanbul Chamber of Industry in 2021 (2020: 290th).

The Company has a total of 1,573 employees as of FYE2022 (FYE2021: 1,717).

The Company's sole shareholder is Erdemoğlu Holding A.Ş. with 100% share as of FYE2022.

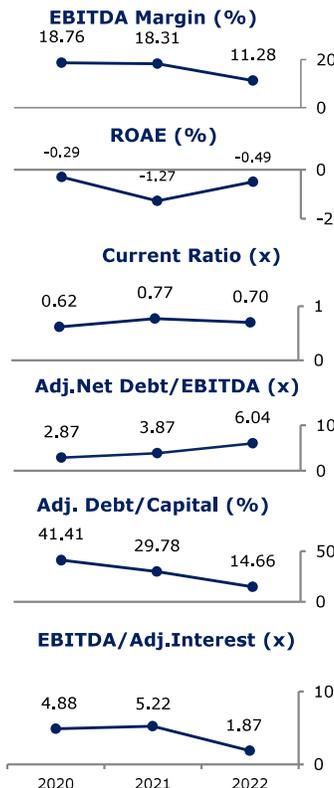
Key rating drivers, as strengths and constraints, are provided below.

Strengths

- Steady increase in sales revenue as well as gross profit and EBITDA generation capacity during the analyzed period,
- Low level of operating ratio supporting efficiency,
- FX linked revenue stream providing natural hedging opportunity against currency risk in a certain extent,
- Accumulated know-how in the sector and strong market influence particularly through registered brands and high production capacity,
- Diversified product range thanks to its strong R&D center and new product-brand creation power,
- Reputable brand name of Erdemoğlu Holding and the synergy created within the group companies,
- Long-lasting presence in the sector dating back to 1953.

Constraints

- Contraction in core profitability margins in FY2022 mainly arising from high CoGS and OpEX level,
- Financing expenses mainly arising from unrealized FX losses pressuring bottom-line results,
- Increasing trend in net debt to EBITDA multiplier due to increasing external funding needs,
- Ongoing NWC deficit along with negative CFO and FOCF,
- Low level of paid-in capital within equity structure,
- Global economic growth slows down evidenced by commodity prices and trade figures on the back of rapid monetary tightening, whereas domestic restrictive financial conditions limit access to finance.



Considering the aforementioned points, the Company's the Long-Term National Issuer Credit Rating has been affirmed at 'BBB+ (tr)'. The Company's increasing sales performance, EBITDA generation capacity, FX linked revenue stream, long-lasting presence in the sector as well as contraction in core profitability margins, negative bottom-line results, negative NWC and slowing global economic growth 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'. The Company's financial structure, sales and profitability performance, continuity of EBITDA generation capacity and debt structure will be closely monitored by JCR Eurasia Rating in the upcoming periods. The macroeconomic indicators at national and international markets, as well as market conditions and legal framework about the sector will be monitored as well.