

## Corporate Credit Rating

New  Update

**Sector:** Textile Manufacturing  
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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)	National ISR	-	J2 (tr) (Stable)
	International FC ISR	-	-
	International LC ISR	-	-
Sovereign*	Foreign Currency	BB (Negative)	-
	Local Currency	BB (Negative)	-

\* Assigned by JCR on Aug 18, 2022

## EREĞLİ TEKSTİL TURİZM SANAYİ VE TİCARET A.Ş.

JCR Eurasia Rating, has evaluated the "Ereğli Tekstil Turizm Sanayi ve Ticaret A.Ş." in the investment-level category and revised the Long-Term National Issuer Credit Rating from 'BBB (tr)' to 'BBB+ (tr)' and affirmed 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'.

Operating in the textile sector, **Ereğli Tekstil Sanayi ve Ticaret A.Ş.** (referred to as 'Ereğli Tekstil' or 'the Company' or 'the Group'), was founded in 1937 by Sümerbank and purchased by the Albayrak Group in 1997. The Group mainly operates in the production and sale of tractors, fabric dyeing services, contract manufacturing of all kind military textile products through its subsidiaries and affiliates.

Albayrak Turizm Seyahat İnşaat Ticaret A.Ş., controlled by members of the Albayrak Family, is the main shareholder of Ereğli Tekstil with a share of 45% and the remaining 55% shares belongs to the Albayrak Family members. Ereğli Tekstil has two investments valued by equity method namely Trabzon Liman İşletmeleri A.Ş. (30.48%) and Varaka Kağıt (31.55%), in addition to its subsidiary of Tümosan Motor. Tümosan Motor, the first diesel engine manufacturer in Türkiye and produces diesel engine tractors under its own brand, held the largest share in the consolidated structure of Ereğli Tekstil. The Group is headquartered in İstanbul and operated in fully integrated high-tech plants with a staff force of 568 as of 30.06.2022.

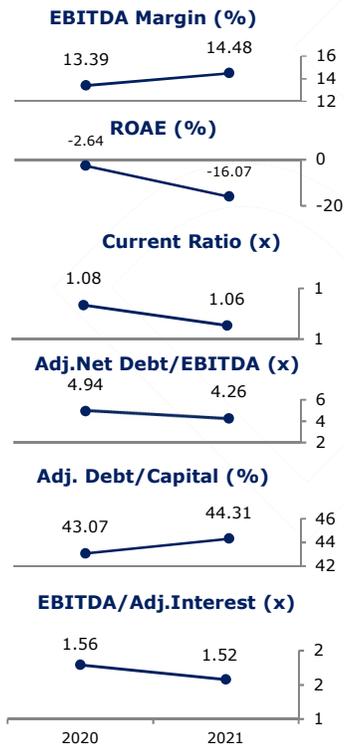
Key rating drivers, as strengths and constraints, are provided below.

### Strengths

- Tümosan Motor's dominant share in revenue and asset structure with relatively solid financials indicating an enhancement in FY2022,
- Efficiency and growth potential in textile activities thanks to the moderate order book from public institutions and a factory investment in Morocco apart from subsidiaries' contributions,
- Admissible liquidity structure and positive net working capital, in parallel with growth in sales performance,
- Diversified business activities with investments valued by the equity method.

### Constraints

- Increasing financial expenses and the negative effect of investments valued by the equity method suppressing the bottom line profitability in FY2021,
- Despite the expected improvement in 2022, the short-term debt structure may put pressure on financials,
- Noteworthy contribution of non-cash re-valuation gains in equity and notable low level of paid-in capital,
- Global recession and geopolitical risks stemming from the Russia-Ukraine tension increasing uncertainty and monetary tightening across the globe deteriorating growth projections.



Considering the aforementioned points, the Company's the Long-Term National Issuer Credit Rating has been revised the Long-Term National Issuer Credit Rating from 'BBB (tr)' to 'BBB+ (tr)'. Sustained asset growth, improvement in revenues and profitability in line with the Tümosan's operations which has been dominating the financials, Tümosan Motor's sector experience, brand awareness, continual value-added investments and current order book level in textile business 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 short-term debt structure and insufficient paid-in capital despite adequate equity base 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 be monitored as well.

No separate rating report has been compiled as the resources obtained from the bond issue will be carried in the Company's balance sheet and has been subject to analysis in the corporate credit rating report. The planned bond issue carries no difference in comparison to the Company's other liabilities with respect to its legal standing and collateralization. As such, the notations outlined in the corporate credit rating report also reflect the issue rating but do not cover any structured finance instruments.