

Corporate Credit Rating

New Update

Sector: Textile

Publishing Date: 30/07/2024

Team Leader

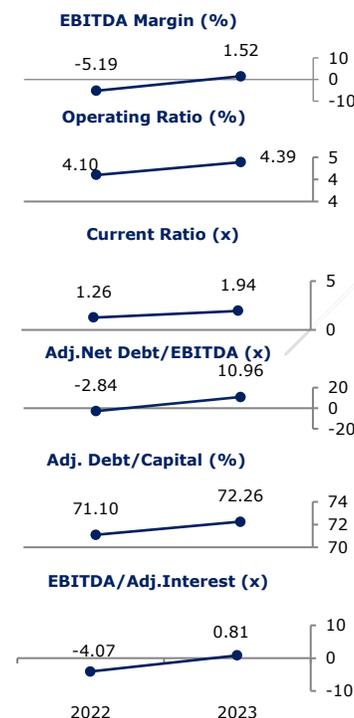
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R A T I N G S		Long Term	Short Term
ICRs (Issuer Credit Rating Profile)	National ICR	BB+ (tr)	J3 (tr)
	National ICR Outlooks	Positive	Stable
	International FC ICR	B+	-
	International FC ICR Outlooks	Positive	-
	International LC ICR	B+	-
ISRs (Issue Specific Rating Profile)	International FC ISR	-	-
	International LC ISR	-	-
	Foreign Currency	BB (Stable)	-
Sovereign*	Local Currency	BB (Stable)	-

* Assigned by JCR on May 10, 2024



Hateks Hatay Tekstil İşletmeleri Anonim Şirketi

JCR Eurasia Rating, has evaluated "Hateks Hatay Tekstil İşletmeleri Anonim Şirketi" in the speculative grade category and assigned the Long-Term National Issuer Credit Rating as 'BB+ (tr)' with 'Positive' outlook and the Short-Term National Issuer Credit Rating as 'J3 (tr)' with 'Stable' outlook. On the other hand, the Long Term International Foreign and Local Currency Issuer Credit Ratings and outlooks were assigned as 'B+ /Positive'.

Hateks Hatay Tekstil İşletmeleri Anonim Şirketi (referred to as 'Hateks' or 'the Company') was established in 1973 in Antakya, Hatay in Türkiye. The Company manufactures and exports home textile products such as towels, bathrobes, mats, cotton and cotton blended yarns. The Company operates at its facility in Hatay, with a 60,000 m² indoor area and a land area of 760,000 m² in total, employing about 600 personnel. The Company sells its products to wholesale companies, large-scale retailers and large supermarket chains along with famous textile brands in Europe and North America. In addition, the Company has 2 subsidiaries in France that operate in wholesale and retail sales of all kinds of textile products. These subsidiaries are consolidated in the financial statements in the independent audit report.

The Company's headquarter and productions are carried out in Hatay province. The Company's shares have been traded on Borsa Istanbul with the ticker "HATEK" since 2011. As of the rating report date, the Company's free float is 62.30%. The remaining shares belong to Abud Abdo (9.09%), Toni Abdo (8.43%), Nuhat Altuğ (5.21%), Cihat Gazel (5.28%), Gazi Huri (8.82%), Kristian Huri (9.39%) The Company's paid-in capital was TRY 63mn in FYE2023.

The key rating drivers, as strengths and constraints, are provided below.

Strengths

- Satisfactory equity level thanks to retained earnings despite net loss recorded in the last two fiscal years,
- Sustainable FX income-generation capability provides a natural hedge mechanism to a certain extent, thanks to notable share of export in total sales revenue,
- High compliance with corporate governance practices owing to listed status,
- Compliance studies for ESG strategies with vegan production and global transformation certificates,
- Long experience in the textile sector dating back to the 1970s

Constraints

- Sales volume and sales revenues contraction in FY2023 due to the earthquake disaster, though expected to be mitigated during FY2024,
- Deterioration in financial leverage ratios due to the negative EBITDA in FYE2023 despite a slight reduction in net financial debt,
- Decline in profitability margins in FY2023,
- Contraction in operating ratio as a result of notable decline in sales revenues despite modest increase in OpEx in FY2023,
- Intensely competitive structure of the textile sector, high exposure to raw material costs and macroeconomic conjuncture,
- Leading economic indicators signal global economic slowdown whereas quantitative tightening actions aim to restrict consumption growth and achieve a soft-landing in the domestic side.

Considering the aforementioned points, the Company's Long-Term National Issuer Credit Rating has been assigned as 'BB+ (tr)'. Reasonable equity level, long track record in the textile sector, notable export shares in total sales revenues, decrease in sales revenues and deterioration financial outlook due to the earthquake disaster despite expecting a recovery in upcoming periods, have been evaluated as important indicators for the ratings and the outlooks for Long-Term and Short-Term National Issuer Credit Ratings are determined as 'Positive' and 'Stable' respectively. The Company's profitability performance, the number of products sold, changes in financial debts, cash level and cash generation capacity, together with the trends in 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 be monitored as well.