

Corporate Credit Rating

New Update

Sector: Textile Manufacturing

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RATINGS		Long Term	Short Term
ICRs (Issuer Credit Rating Profile)	National ICR	BB (tr)	J3 (tr)
	National ICR Outlooks	Stable	Stable
	International FC ICR	B+	-
	International FC ICR Outlooks	Stable	-
ISRs (Issue Specific Rating Profile)	International LC ICR	B+	-
	International LC ICR Outlooks	Stable	-
	National ISR	-	-
Sovereign*	International FC ISR	-	-
	International LC ISR	-	-
	Foreign Currency	BB (Stable)	-
	Local Currency	BB (Stable)	-

* Assigned by JCR on May 10, 2024

Hateks Hatay Tekstil İşletmeleri Anonim Şirketi

JCR Eurasia Rating has evaluated the consolidated structure of "Hateks Hatay Tekstil İşletmeleri Anonim Şirketi" in the speculative grade category and revised the Long-Term National Issuer Credit Rating from 'BB+ (tr)' to 'BB (tr)' and its outlook from 'Positive' to 'Stable'. The Short-Term National Issuer Credit Rating was affirmed at '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+/Stable' according to JCR-ER's national-global mapping methodology.

Hateks Hatay Tekstil İşletmeleri Anonim Şirketi (referred to as 'Hateks' or 'the Company' or 'the Group') 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 416 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 64.27%. The remaining shares belong to Abud Abdo (9.09%), Toni Abdo (8.43%), Gazi Huri (8.82%), Kristian Huri (9.39%) The Company's paid-in capital was TRY 63mn at FYE2024.

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

Strengths

- Sufficient equity level mainly supported by retained earnings, despite the low paid-in capital and net loss recorded in the last two fiscal years,
- Continuous FX income-generation capacity providing a natural hedge mechanism to a certain extent, despite the decline in EUR terms in FY2023 and FY2024,
- Compliance with corporate governance principles along with attaching high importance to ESG strategies with vegan production and global transformation certificates,
- Long-standing experience in the textile sector and customer portfolio consisted of globally well-known brands

Constraints

- Ongoing contraction in sales volume and revenue in FY2024 due to facility renovation completed in September 2024 as a result of the earthquake disaster in FY2023, despite a recovery expected in FY2025,
- Lack of EBITDA generation and operating losses in FY2024 and 1Q2025,
- Notably weak financial leverage and coverage metrics through analyzed years and increasing indebtedness as of the report date,
- Deteriorated FOCF mainly derived from increasing CAPEX with new facility investment in FY2024,
- High interest expenses pressuring the bottom-line profitability,
- Severe competition environment throughout the textile industry along with volatility in raw material prices may lead to fluctuations in profit margins,
- As actions for a global soft-landing gain prominence, decisions with the potential to adversely affect global trade are engendering considerable uncertainty.

Considering the aforementioned points, the Company's Long-Term National Issuer Credit Rating has been revised from 'BB+ (tr)' to 'BB (tr)'. The Company's FX income generation capacity stemming from export operations, sufficient equity level mainly supported by retained earnings in the analyzed period and its long-standing presence in the sector as well as decline in sales revenues and sales volume following the earthquake and deteriorated financial outlook due to renovation investments in FY2024, and financing expenses pressuring bottom-line profitability, have been evaluated as important indicators for the outlook which is revised from 'Positive' to 'Stable'. The Company's profitability performance, the number of products sold, customer and country diversity, 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.

