

Corporate Credit Rating

New Update

Sector: Textile Manufacturing

Publishing Date: 22.12.2022

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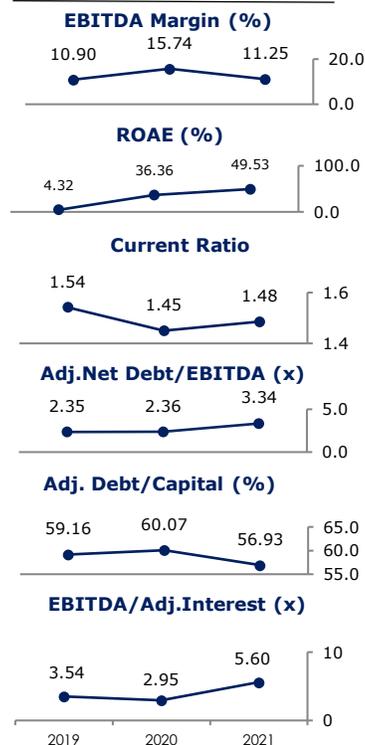
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RATINGS

RATINGS		Long Term	Short Term
ICRs (Issuer Credit Rating Profile)	National ICR	AA- (tr)	J1+ (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 August 18, 2022



KARAFİBER TEKSTİL SAN. VE TİC. A.Ş.

JCR Eurasia Rating, has evaluated the "Karafiber Tekstil San. Ve Tic. A.Ş." in investment-level category and affirmed the Long-Term National Issuer Credit Rating as 'AA- (tr)' and assigned the Short-Term National Issuer Credit Rating at 'J1+ (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' as parallel to international ratings and outlooks of Republic of Türkiye.

Karafiber Tekstil San. Ve Tic. A.Ş. (hereinafter "the Company", "the Group" or "Karafiber Tekstil") was established in 1988, Gaziantep. Its main field of activity is yarn, fabric, stretch film manufacturing and fabric dyeing. Some of the yarn types produced by the Group are cotton, knitwear, twisted and melange yarns. The fabric types produced by the Group are spunlace and airlaid. The Group continues its operations at open-end, ring, stretch, nonwoven, vortex, knitting and painting facilities.

The main shareholder of the Group is the Kara Family members. As of FYE2021, the Group employed 1,754 employees. (FYE2020: 1,678)

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

Strengths

- Increase in sales both in value and volume in FY2021 and sustainable performance in 3Q2022,
- Sizeable liquidity buffer covering financial short-term debt in FY2021,
- Improvement in cash metrics facilitating liquidity management particularly in FY2021,
- Positive net working capital and satisfactory level of current ratio,
- Equity structure supported by internal means,
- Hard-currency income generation capacity thanks to export share in sales,
- Continuation of being among the first 1000 exporters and top 500 Industrial Organizations of Türkiye contributing to the brand value,
- Long experience in the sector.

Constraints

- High level of financial leverage together with increasing level of adjusted net debt in FY2021,
- The contraction in EBITDA margin and gross profit margin mainly due to the increase in the costs of sales to sales ratio in FY2021,
- Improvement needs in the level of compliance with corporate governance practices,
- 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 together the Company's the Long-Term National Issuer Credit Rating has been affirmed as 'AA- (tr)'. Growth in sales, increase in operating and net profit, strong equity structure by internal generation capacity, level of indebtedness, long lasting presence in the sector 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 growth strategy, profitability indicators, level of indebtedness and asset quality 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.