

## Corporate Credit Rating

New  Update

**Sector:** Textile Production

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RATINGS		Long Term	Short Term
ICRs (Issuer Credit Rating Profile)	National ICR	A (tr)	J1 (tr)
	National ICR Outlooks	Stable	Stable
	International FC ICR	BB	J3
	International FC ICR Outlooks	Stable	Stable
	International LC ICR	BB	J3
ISRs (Issue Specific Rating Profile)	International LC ICR Outlooks	Stable	Stable
	National ISR	-	-
	International FC ISR	-	-
Sovereign*	International LC ISR	-	-
	Foreign Currency	BB (Stable)	-
	Local Currency	BB (Stable)	-

\* Assigned by JCR on May 31, 2021

## KARSU TEKSTİL SAN. VE TİC. A.Ş.

JCR Eurasia Rating has evaluated "Karsu Tekstil San. Ve Tic. A.Ş." in the investment-level category and assigned the Long-Term National Issuer Credit Rating at 'A (tr)' and 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/Stable' as parallel to international ratings and outlooks of Republic of Turkey.

Karsu Tekstil San ve Tic. A.Ş (Karsu Tekstil or the Company) was established in Kayseri with the initiative of Arif Molu in 1973. The main fields of activities of the Company consist of cotton yarn and cotton synthetic or artificial fiber blend yarn, yarn dyeing and production & marketing of raw and finished knitted fabrics, dyed fabrics by processing cotton, artificial and synthetic fibers purchased from various regions of Turkey or imported from abroad. The shares of the Company were offered to the public in 1994 and as of March 31, 2022, the free float rate is approximately 42%. With the capacity of producing 50 tons of yarn per day and 15,000 tons of yarn per year, Karsu Tekstil exports around 50% of its total production to 38 different countries.

The Company's main ultimate controlling shareholder is Molu Family with 37.75% share.

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

### Strengths

- Continuous revenue growth in reviewed years, reflecting the Company's growth potential in the upcoming periods,
- High share of export sales among total sales and geographical diversification of exports,
- Improvement in EBITDA generation capacity, profit and leverage metrics,
- High earning potential thanks to ongoing investments, diversified product range and being on the Inditex's approved supply list,
- Long track record in the sector and established production capacity,
- High level of compliance with Corporate Governance Practices due to being publicly listed company.

### Constraints

- Import dependency causing sensitivity to raw material prices,
- High non-cash contribution of revaluation gains from tangible assets in equity,
- High competition in the export market of textile sector,
- The geopolitical risks stemming from the Russia-Ukraine tension increasing uncertainty.

Considering the aforementioned points such as growth potential, operational performance in reviewed years and high sectoral experience, the Company's the Long-Term National Issuer Credit Rating has been assigned as 'A (tr)'. Continuous revenue growth in reviewed years, high export share in total sales, sufficient profit metrics and high earning potential with ongoing studies 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 import conditions, raw material prices and debt structure 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.

