

## Corporate Credit Rating

New  Update

**Sector:** Textile Production

**Publishing Date:** 23/06/2023

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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	-
	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 Aug 18, 2022.

## 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 affirmed 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/Negative', as parallel to international ratings and outlooks of Republic of Türkiye.

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 the production and marketing of raw and finished knitted fabrics as well as dyed fabrics made from processed cotton, artificial, and synthetic fibers that are prominently imported from abroad or purchased from various regions of Türkiye. The shares of the Company were offered to the public in 1994 and as of 31 March 2023, the free float rate is approximately 42%.

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

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

### Strengths

- Consistently achieved regular revenue growth in reviewed years, despite a decrease in sales volume in 2022,
- Foreign currency denominated income stream providing natural hedge in a certain extent,
- Satisfactory level of leverage and profitability metrics supported by EBITDA generation capacity and elevated cash and cash equivalents in 2022,
- Numerous inter/national clients offer variety in the income channels, and collateralized receivables support the asset quality,
- Deep-rooted operating history dating back to 1970s promoting its market perception,
- High level of compliance with Corporate Governance Practices due to being publicly listed company.

### Constraints

- Deterioration in profit margins as a result of EU recession in Q1 2023,
- Import dependency on raw materials may exert pressure on profitability,
- Low paid-in capital compared to asset size and high non-cash contribution of revaluation gains from tangible assets,
- Intense competition environment throughout textile sector's export market,
- Global economic growth slows down evidenced by commodity prices and trade figures on the back of rapid monetary tightening, whereas domestic restrictive financial conditions limit access to finance.

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 affirmed as 'A (tr)'. Continuous revenue growth in reviewed years, high export sales, sufficient profit metrics, long track record in the sector as well as import dependency and low paid-in capital 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 capital adequacy, financial structure, sales performance, asset quality, growth performance, profitability ratios and the trends of the existing risks in the markets and the business environment 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.

