

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)	J2 (tr)
	National ICR Outlooks	Stable	Stable
	International FC ICR	BB	-
	International FC ICR Outlooks	Stable	-
	International LC ICR	BB	-
ISRs (Issue Specific Rating Profile)	International LC ICR Outlooks	Stable	-
	National ISR	-	-
	International FC ISR	-	-
Sovereign (*)	International LC ISR	-	-
	Foreign Currency	BB (Stable)	-
	Local Currency	BB (Stable)	-

* Assigned by JCR on May 10, 2024

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 revised the Long-Term National Issuer Credit Rating from 'A (tr)' to 'A- (tr)' and the Short-Term National Issuer Credit Rating at 'J2 (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 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 single ply or vortex yarn 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 December 2023, the free float rate is approximately 42%.

The Company's main ultimate controlling shareholder is Molu Family.

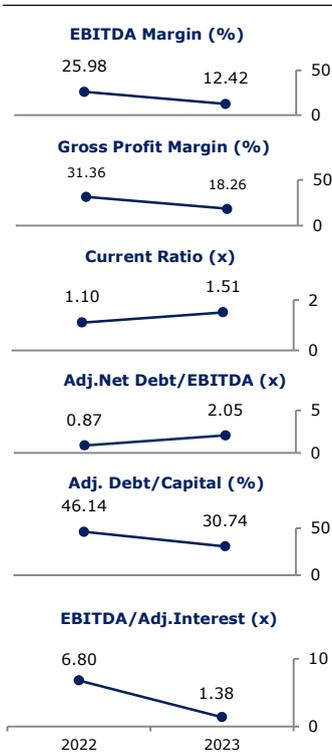
Key rating drivers, as strengths and constraints, are provided below.

Strengths

- Mitigating currency risk to certain extent through hard currency income streams,
- Acceptable net debt to EBITDA multiplier despite deterioration mainly due to decline in EBITDA generation capacity in 2023,
- Asset quality supported by inter/national diversified customer base, direct debit system utilisation and insurance of receivables,
- Reasonable equity level underpinned by inflation-adjusted capital and retained earnings,
- Established operating history dating back to the 1970s, enhancing Company's market reputation,
- Maintaining high corporate governance practices as a publicly listed Company.

Constraints

- Contraction in sales volume coupled with increasing production costs, led to a deterioration in profitability indicators in 2023 and Q1-2024,
- Plunge in EBITDA generation capacity along with interest rates hikes distorting coverage metrics in 2023,
- Import dependency on raw materials pose a risk to profit margin due to its high sensitivity to price fluctuations in the global market,
- Intense competition across the textile sector's domestic and national markets,
- 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.



The Company's audited financial statements include inflation adjustments. Adjustments have been made in accordance with the terms of IAS 29 "Financial Reporting in Hyperinflationary Economies" regarding the changes in the general purchasing power of the Turkish Lira as of 31 December 2023. Considering the aforementioned points, the Company's the Long-Term National Issuer Credit Rating has been revised as 'A- (tr)'. The Company's sectoral experience, reasonable equity and hard-currency generation capacity 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.