

Corporate Credit Rating

New Update

Sector: Textile Industry

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RATINGS		Long Term	Short Term
ICRs (Issuer Credit Rating Profile)	National ICR	BBB (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." at national level and revised the Long-Term National Issuer Credit Rating from 'A- (tr)' to 'BBB (tr)' and affirmed the Short-Term National Issuer Credit Rating as '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 Company's shares were publicly offered in 1994, and as of 31 March 2025, the free float stands at approximately 47%.

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

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

Strengths

- Hard currency sales structure provides natural hedge to certain extent,
- Asset quality underpinned by customer diversification, receivable insurance, and DDS implementation,
- Moderate equity level as of FYE2024, backed by capital adjustment differences despite a significant net loss,
- As a publicly traded Company, compliance with Corporate Governance Practices,
- Deep-rooted operating history dating back to the 1970s.

Constraints

- Sharp erosion in profitability in 2024 and Q1-2025 driven by contraction in sales and escalating cost structure,
- Notable deterioration in leverage metrics attributable to EBITDA compression and rising financial debt burden,
- Bottom-line loss and weakened interest coverage in 2024 driven by compressed operating profitability, coupled with elevated financing costs,
- Heavy reliance on imported raw materials and cotton price volatility may exert pressure on profit margins,
- Strong competitive environment in the domestic and international textile markets,
- As actions for a global soft-landing gain prominence, decisions with the potential to adversely affect global trade are engendering considerable uncertainty.

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 2024.

Considering the aforementioned points, the Company's the Long-Term National Issuer Credit Rating has been revised as 'BBB (tr)'. The Company's asset quality, sectoral experience, and hard-currency generation capacity as well as market conditions, declining profitability and elevated leverage have been evaluated as important indicators for the outlook 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.

