

Corporate Credit Rating

New Update

Sector: Textile Manufacturing
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RATINGS		Long Term	Short Term
ICRs (Issuer Credit Rating Profile)	National ICR	BBB-(tr)	J3 (tr)
	National ICR Outlooks	Negative	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 (Stable)	-
	Local Currency	BB (Stable)	-

* Assigned by JCR on May 10, 2024

Korteks Mensucat Sanayi ve Ticaret A.Ş.

JCR Eurasia Rating has evaluated the consolidated structure of "Korteks Mensucat Sanayi ve Ticaret A.Ş." in the speculative level category and revised the Long-Term National Issuer Credit Rating from "BBB (tr)" to "BBB- (tr)" and its outlook from "Stable" to "Negative". The Short-Term National Issuer Credit Rating has been revised from "J2 (tr)" to "J3 (tr)" with "Stable" outlook. On the other hand, the Long Term International Foreign and Local Currency Issuer Credit Ratings and outlooks were assigned as "BB-/Negative" in line with the global and national scale rating matching published by JCR Eurasia Rating.

Korteks Mensucat Sanayi ve Ticaret A.Ş. (referred to as 'Korteks' or 'the Group') which was established in 1976 in Bursa, Türkiye to manufacture polyester yarn and to make export, is one of the textile manufacturing companies of Zorlu Textile Group besides Zorluteks Tekstil. Korteks commenced operation in 1989 with the manufacture of yarns under the "TAÇ YARN" brand. Since its foundation, the Group invested significantly in integrating recent and pioneering technologies into its production process, positioning Korteks as a major player. In addition to its dominant position in Türkiye, Korteks is known as a prominent yarn manufacturer in the European market with global export capabilities. The Group's wide and diversified product range include various types of polyester yarns to be used in ready-made garments, home textile, medical textile, carpets, automotive textile and sportswear in its two major integrated production facilities in Bursa Organized Industrial Zone. At its plants located in Bursa, Korteks produces the superior-quality yarns demanded by textile manufacturers.

The Group maintains its operations by 4.340 employees as of FYE2023 (FYE2022: 5.082) and its subsidiaries are as follows; Zorluteks Tekstil Sanayi ve Ticaret A.Ş. (Türkiye), Zorlu Dış Ticaret A.Ş. (Türkiye), Zorluteks SNG (Moscow), Zorluteks D.O.O. (Macedonia) and Zorlu UK Ltd. (England). Korteks, through its subsidiaries, manage several brands including 'Taç', 'Linens', 'Valeron', 'Casabel' and 'Brielle'. The Group is ultimately owned by Zorlu Family members, via Zorlu Holding A.Ş.

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

Strengths

- Operating with net working capital surplus and adequate level of current ratio
- Diversified products underpinning sales and competition
- Ultimate controlling shareholders' operating history dating back to 1950s

Constraints

- Ongoing leveraged financial structure and considerable worsening in Net Financial Debt/EBITDA multiplier in FY2023
- Distorting effect of sizable volume of intra-company financing on asset
- Active loan delinquency records in the banks
- Operating loss in FY2023 and further deterioration in 1H2024 according to interim audited report
- Notable contraction in profit margins in FY2023
- Challenges in meeting of loan interest payments through the generated EBITDA in FY2023
- Pressure on bottom-line profitability of high financing expenses mainly arising from FX losses
- Impaired receivables on a cumulative basis pressuring on asset
- High non-cash contribution of revaluation gains from tangible assets in equity
- In the shadow of geopolitical risks, leading economic indicators point to continued weakness in global demand conditions, whereas actions for a soft-landing are at the forefront

Considering the aforementioned points, Korteks's the Long-Term National Issuer Credit Rating has been revised from "BBB (tr)" to "BBB- (tr)". The Group's long-lasting proven track and being one of the important players in the home textile sector in Türkiye along with its notably high debt burden, active loan delinquency records in the banks and sizable related party receivables 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 "Negative". The Group's revenue growth, EBITDA generation capacity, profitability and leverage, equity level, profit margins and solvency performance 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.

