

## Corporate Credit Rating

New  Update

**Sector:** Paper & Forest Products

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RATINGS		Long Term	Short Term
ICRs (Issuer Credit Rating Profile)	National ICR	AA+ (tr)	J1+ (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

## LİLA KAĞIT SANAYİ VE TİCARET A.Ş.

JCR Eurasia Rating has evaluated the consolidated structure of "Lila Kağıt Sanayi ve Ticaret A.Ş." in the investment grade category with very high credit quality, revised the Long-Term National Issuer Credit Rating to 'AA+ (tr)' from 'AA (tr)' and affirmed the Short-Term National Issuer Credit Rating at 'J1+ (tr)' with 'Stable' outlook. On the other hand, the Long-Term International Foreign and Local Currency Issuer Credit Ratings and outlooks were determined as 'BB/Stable' in line with the sovereign ratings and outlooks of Republic of Türkiye.

"Lila Kağıt Sanayi ve Ticaret A.Ş." (hereinafter referred to as "Lila Kağıt", "the Company" or "the Group") was established on January 17, 1984 in İstanbul, Türkiye. The Group, headquartered in İstanbul, operates in the production of jumbo roll, toilet paper, paper towels, paper napkins and tissue paper in its production facility built on an area of 300 thousand m<sup>2</sup> in Ergene, Tekirdağ. Lila Kağıt is one of the key players in the domestic tissue paper market with its registered brands (*Domestic Market; Sofia, Maylo, Ultra Berrak – Foreign Market; Nua, Nua Professional*) and private label products. The Company ranked 191<sup>st</sup> in the list of Türkiye's Top 500 Industrial Enterprises published by İstanbul Chamber of Industry in 2023 (2022: 153<sup>rd</sup>).

Lila Kağıt's shares with a nominal value of TRY 120mn were offered to the public on April 30 and May 1-2, 2024 at a price of TRY 37.39 and started to be traded on the Borsa İstanbul (BIST) with the ticker symbol "LILAK" on May 9, 2024.

The Company has a subsidiary established in Switzerland on January 19, 2023 with the trade name "Lila Paper Swiss AG". The Group has a total of 1,026 employees as of FYE2024 (FYE2023: 1,079).

As of FYE2024, the main ultimate controlling shareholder of the Company is Öğücü Family with 82.95% shares. The remaining 17.05% of the shares are publicly traded on the BIST.

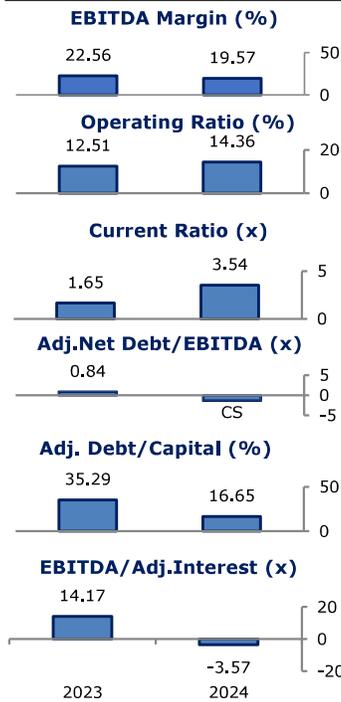
Key rating drivers, as strengths and constraints, are provided below.

### Strengths

- Satisfactory sales revenue and core profitability margins, despite slight contraction in FY2024,
- Net cash position as of FYE2024 supporting leverage indicators,
- Ongoing positive cash flow metrics and increasing net working capital easing liquidity management,
- Strengthened equity level mainly due to accumulated profit and share premiums through IPO in FY2024, despite regular dividend payment,
- Net exporter status supported by geographical diversification together with long FX position in the analyzed periods,
- Expected increase in production capacity with the completion of ongoing investments through a notable contribution of the funds obtained from the initial public offering,
- Low collection risk thanks to a diversified customer portfolio supporting asset quality,
- Compliance with corporate governance and sustainability implementations,
- Long-lasting operating history with a successful track record dating back to 1984.

### Constraints

- Relatively long cash conversion cycle despite improvement and increasing OpEx to net sales ratio in FY2024,
- Import dependency in raw material supply and competitive environment in the sector,
- As actions for a global soft-landing gain prominence, decisions with the potential to adversely affect global trade are engendering considerable uncertainty.



\* CS: Cash Surplus

Considering the aforementioned points, the Group's Long-Term National Issuer Credit Rating has been revised to 'AA+ (tr)' from 'AA (tr)'. The Group's satisfactory sales volume, net cash position, low collection risk, positive cash flow metrics and NWC as well as relatively high operating ratio and uncertainties in the global economy have been evaluated as important indicators for the stability of the ratings and the outlook for the Short-Term National Issuer Credit Ratings is determined as 'Stable'. The Group's financial structure, sales and profitability performance, liquidity and leverage indicators will be closely monitored by JCR Eurasia Rating in the 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.