

Corporate Credit Rating

New Update

Sector: Textile

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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	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

EBITDA Margin (%)



ROAE (%)



Current Ratio (x)



Adj.Net Debt/EBITDA (x)



Adj. Debt/Capital (%)



EBITDA/Adj.Interest (x)



Mega Polietilen Köpük Sanayi ve Ticaret Anonim Şirketi

JCR Eurasia Rating, has evaluated **Mega Polietilen Köpük Sanayi Ve Ticaret A.Ş.** and assigned the Long-Term National Issuer Credit Rating at '**BBB+ (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/Negative**' as parallel to international ratings and outlooks of Republic of Türkiye.

Mega Polietilen Köpük Sanayi Ve Ticaret A.Ş. ('the Company' or 'Mega Polietilen') was established in İstanbul in 2005. The Company completed the infrastructure works and machinery purchases of the factory building with a closed area of 8,000 m² located in Hadımköy, İstanbul in 2006 and started polyethylene production at the beginning of 2007. Also, the Company started producing knitted fabric in İstanbul in 2018. After purchasing a factory in Adıyaman in 2020, continued fabric production in this factory in Adıyaman Besni Organized Industrial Zone. In addition, the Company has dyeing plant in Adıyaman.

The Company's shares have been publicly traded on the Borsa İstanbul (BIST) under the ticker symbol "**MEGAP**" since 2012.

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

Strengths

- Upward trend in sales revenue over the analyzed years underpinned by the sales volume and price increases which maintained in 1H2023
- Enhancement in EBITDA and net profit margin over the reviewed periods
- Improvement in adjusted net debt/EBITDA ratio in 2022 which maintained in 1H2023 period
- Operating with net working capital surplus and adequate level of current ratio
- Additional revenue expectation after the commencement of garment operations through the new established subsidiary at the beginning of 2024
- Successful track record in the sector
- High level of compliance with corporate governance practices as a company listed in BIST

Constraints

- Negative cash flow from operations and free operating cash flow figures in last three consecutive years
- Despite the paid-in capital increases via issued shares premium and retained earnings, decline in equity to total assets ratio in 2022
- Severe competition environment throughout textile industry along with volatility in raw material prices may lead fluctuations on profit margins
- 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, the Company's Long-Term National Issuer Credit Rating has been assigned at '**BBB+ (tr)**'. Upward trend in sales revenue, enhancement in EBITDA and net profit margin, improvement in adjusted net debt/EBITDA ratio, net working capital surplus, negative cash flow from operations and free operating cash flow figures, decline in equity to total assets ratio in 2022, successful track record, competition in the sector along with ongoing uncertainties arisen from geopolitical tensions as well as global tight financial conditions 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 sustainability of profitability performance, sales growth, liquidity position, debt structure and asset quality 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.