

## Corporate Credit Rating

New  Update

**Sector:** Textile Manufacturing  
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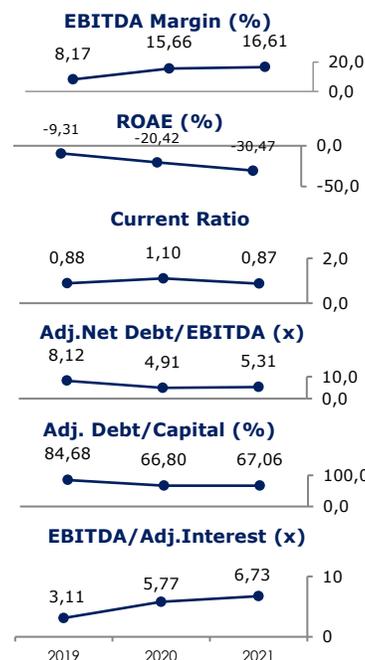
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RATINGS		Long Term	Short Term
ICRs (Issuer Credit Rating Profile)	National ICR	A- (tr)	J2 (tr)
	National ICR Outlooks	Stable	Stable
	International FC ICR	BB	-
	International FC ICR Outlooks	Negative	-
	International LC ICR	BB	-
	International LC ICR Outlooks	Negative	-
ISRs (Issue Specific Rating Profile)	National ISR	-	-
	International FC ISR	-	-
	International LC ISR	-	-
Sovereign*	Foreign Currency	BB (Negative)	-
	Local Currency	BB (Negative)	-

\* Assigned by JCR on Aug 18, 2022



## Menderes Tekstil Sanayi ve Ticaret A.Ş.

JCR Eurasia Rating has evaluated the consolidated structure of "Menderes Tekstil Sanayi ve Ticaret A.Ş." in an investment grade category and upgraded the Long-Term National Issuer Credit Rating from 'BBB+ (Trk)' to 'A- (Trk)' and affirmed 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 the international ratings and outlooks of the Republic of Türkiye.

Menderes Tekstil Sanayi ve Ticaret A.Ş. (referred to as 'Menderes Tekstil' or 'the Company') was established as Türkiye's first fully integrated facility with the title of Pamuklu Mensucat in 1958 within the borders of Sarayköy district of the province of Denizli. The plant which comprised spinning, weaving and dyeing-finishing departments, is the first integrated textile factory of the region and was put into service in 1962. In 1983, the Company was rebranded as Menderes Tekstil and it became a part of AKÇA Group. It started the production in 1991 by making a dyeing-printing investment equipped with high-tech technology in an indoor space of 12.000 m<sup>2</sup> within the factory area in 1990 with the increased dyeing and printing process capacity requirements. It also started Finishing Plant investments within the same year. Menderes Tekstil has a world class home textile manufacturing plant with a total factory area of 500.000 m<sup>2</sup>. Today, the Company produces cotton press, electric energy, yarn, fabric, valances, dust ruffles, ruffled and tailored shams, comforter shells, printed towels and linens in integrated cotton and synthetic textile establishment. Furthermore, on 31.03.2021, Akça Enerji Üretim Otoproduktör Grubu A.Ş. and Tan Elektrik Üretim A.Ş. which were also owned by the Company, merged within Menderes Tekstil with the "Simplified Merger Procedure" method and accordingly, the energy production and sales activities have been included in the operations of Menderes Tekstil. The Company maintains its operations by an average staff force of 3.334 employees as of 9M2022 (FYE2021: 3.577) and its subsidiaries and affiliates are as follows; Smyrna Seracılık Ticaret A.Ş. (makes greenhouse activities) and Aktur İzmir Gayrimenkul A.Ş. (earns rental income from the properties it owns). Menderes Tekstil has a paid-in capital of TRY 250mn and Akça Holding is the controlling shareholder with the share of 50.87% as of 9M2022. 46.74% of shares are traded in Borsa İstanbul (BIST) with the stock ticker "MNDRS". Menderes Tekstil is registered with the Capital Markets Board and its publicly held shares have been traded on Borsa İstanbul since 2000.

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

### Strengths

- Strong sales performance and notable EBITDA generation leading to improving profit margins in 9M2022
- Recovery in leverage profile proven by Net Financial Debt/EBITDA multiplier in 9M2022 despite the deterioration at FYE2021
- Hard-currency income generation capacity thanks to high level of export share in sales
- Planned capacity investment in the energy segment, expected to support the efficiency and growth in upcoming period
- Long-lasting presence and know-how in the sector
- High level of compliance with Corporate Governance Practices and international quality standards

### Constraints

- Short maturity profile of financial liabilities
- High financial expenses mainly stemming from unrealized FX losses, pressuring on profitability
- High non-cash contribution of revaluation gains from tangible assets in equity
- Global recession and geopolitical risks stemming from the Russia-Ukraine tension increasing uncertainty and monetary tightening across the globe deteriorating growth projection

Considering the aforementioned points, Menderes Tekstil's the Long-Term National Issuer Credit Rating has been upgraded from 'BBB+ (tr)' to 'A- (tr)'. Menderes Tekstil's solid market share both in national and international scale, sales, EBITDA and net profit generation performance in 9M2022, high level of compliance with Corporate Governance Practices along with its high debt level and short maturity profile of financial liabilities as well as the dependence on regulations and macroeconomic risks-driven uncertainties 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 revenue growth, EBITDA generation capacity, equity level, cash flow, indebtedness structure and profit margins 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.