Corporate Credit Rating

☐New ☒Update

Sector: Textile Manufacturing
Publishing Date: 27.12.2024

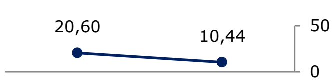
Team Leader
Deniz Ustabaş
+90 212 352 56 73
deniz.ustabas@jcrer.com.tr

Senior Analyst
Sinem Elif Savaş
+90 212 352 56 73
elif.savas@jcrer.com.tr

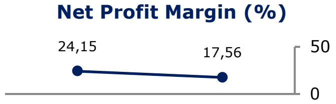
RATINGS		Long Term	Short Term
ICRs (Issuer Credit Rating Profile)	National ICR	A (tr)	J1 (tr)
	National ICR Outlooks	Negative	Stable
	International FC ICR	BB	-
	International FC ICR Outlooks	Stable	-
	International LC ICR	BB	-
	International LC ICR Outlooks	Stable	-
ISRs (Issue Specific Rating Profile)	National ISR	-	-
	International FC ISR	-	-
	International LC ISR	-	-
Sovereign*	Foreign Currency	BB (Stable)	-
	Local Currency	BB (Stable)	-

** Assigned by JCR on May 10, 2024*

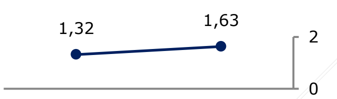
EBITDA Margin (%)



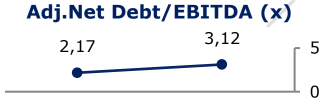
Net Profit Margin (%)



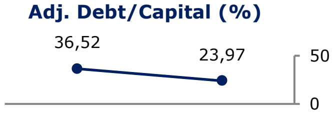
Current Ratio (x)



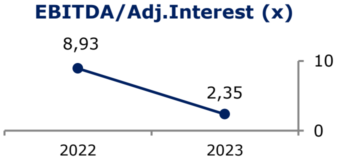
Adj.Net Debt/EBITDA (x)



Adj. Debt/Capital (%)



EBITDA/Adj.Interest (x)



Menderes Tekstil Sanayi ve Ticaret A.Ş.

JCR Eurasia Rating has evaluated the consolidated structure of **"Menderes Tekstil Sanayi ve Ticaret A.Ş."** in the investment grade category with high credit quality and affirmed the Long-Term National Issuer Credit Rating at **'A (tr)'** and revised its outlook from **'Stable'** to **'Negative'**. The Short-Term National Issuer Credit Rating was affirmed at **'J1 (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'** in line with the global and national scale rating matching published by JCR Eurasia Rating.

Menderes Tekstil Sanayi ve Ticaret A.Ş. (referred to as '**Menderes Tekstil** or '**the Group**') 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 m² 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 m². Today, Menderes Tekstil 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 Otoprodüktör 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. As of FYE2023, the Group maintains its operations by an average staff force of 2.526 employees 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 277.29mn and Akça Holding is the controlling shareholder with the share of 48.06% as of FYE2023. 49.79% of shares are traded in Borsa Istanbul (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 Istanbul since 2000.

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

Strengths	Constraints
• Sustainable cash inflow from operations easing liquidity management in FY2023 • Expected revenue generation in the energy segment in FY2024 through the completed turbine investments for capacity increase • Operating with net working capital surplus and adequate level of current ratio • Natural hedging opportunity in a certain extent derived from the export sales • Low collection risk supporting asset quality • Long-lasting presence in the sector • Compliance with Corporate Governance Practices as a publicly traded company	• Notable contraction in profit margins in FY2023 and further deterioration in 9M2024 compared to 9M2023 according to the independent audit report for interim period • Decline in sales revenue mainly driven by textile segment in FY2023 and also in 9M2024 compared to 9M2023 • Slight increase in Net Financial Debt/EBITDA multiplier despite a decrease in net debt level in FY2023 • Considerable worsening in interest coverage ratio in FY2023 • Pressure on profitability of high financing expenses mainly arising from unrealized FX losses • Long cash conversion cycle in FY2023 • 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, Menderes Tekstil's the Long-Term National Issuer Credit Rating has been affirmed at **'A (tr)'.** The Group's positive cash flow metrics in FY2023, asset quality, strong position and experience in the sector along with the downward trend in profit margins and sales revenue mainly driven by textile segment as well as competition in the market have been evaluated as important indicators for the outlook which is revised from **'Stable'** to **'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.