

Corporate Credit Rating

New Update

Sector: Textile Industry

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R A T I N G S		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	Stable	-
	International LC ICR	BB	-
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 (%)



Gross Profit Margin (%)



Current Ratio (x)



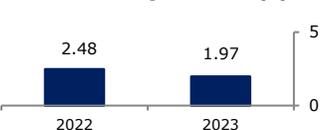
Adj.Net Debt/EBITDA (x)



Adj. Debt/Capital (%)



EBITDA/Adj.Interest (x)



MERİNOS HALI SANAYİ VE TİCARET A.Ş.

JCR Eurasia Rating, has evaluated the consolidated structure of "Merinos Halı Sanayi ve Ticaret A.Ş." in the investment level category and affirmed 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 are determined as 'BB/Stable' in line with the sovereign ratings and outlooks of Republic of Türkiye.

Merinos Halı Sanayi ve Ticaret A.Ş., (hereinafter referred to as "Merinos" or "the Group") established in 1990 by Erdemoğlu Family, a well-known family in Gaziantep, is one of the world's leading machine-made carpet manufacturer. It carries out its production activities in its head office, factory and warehouses in Gaziantep 4th Organized Industrial Zone with a closed area of 680,940 m². Annual machine-made carpet production capacity is 45,000,000 m², tufting carpet 40,000,000 m², acrylic yarn production capacity is 15,879 tons, masterbatch dyeing capacity is 4,743 tons, polypropylene carpet yarn production capacity is 46,256 tons, polyester yarn production capacity is 56,020 tons and fiber dyeing capacity is 28,473 tons. In addition, the acrylic yarn facility established in Besni Organized Industrial Zone has a closed area of 53,000 m². Of the total 31,259 tons of acrylic yarn production 15,380 tons are produced in Besni and the rest in Gaziantep. In addition, carpet and yarn production is carried out at the factory in Çerkezköy with an open area of 323,443 m² and closed area of 145 028 m², and yarn production is carried out at the factory in Zonguldak/Alaplı with an open area of 141,572 m² and closed area of 70,560 m². Both facilities were acquired as part of the merger of Merinos with Dinarsu İmalat ve Ticaret T.A.Ş. in 2023. It has 13 regional dealers and approximately 2000 retail sales points throughout Türkiye. It ranked 73rd in the "Türkiye's 500 Largest Industrial Enterprises" ranking prepared by the Istanbul Chamber of Industry for the year 2023. Merinos is the first brand in the carpet industry to receive the TURQUALITY® certificate. The Group employed 7,332 personnel yearly average as of FYE2023 (FYE2022: 6,924).

The Group's ultimate control belongs to Erdemoğlu Holding A.Ş. with 100% shares as of FYE2023. As a worldwide carpet industry leader, the Erdemoğlu Holding A.Ş., through over 5.000 sales points, 16k employees, over 2 million m² production area in 8 cities in Türkiye and in Russia, exports over 50 countries.

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

Strengths

- Development in sales revenues and reasonable profit margins despite a slight decline,
- Robust cash flow metrics supporting liquidity structure despite a limited deterioration to some extent,
- Strong operating ratio level and rapid cash cycle supporting efficiency of the operations,
- Ongoing investments expected to contribute to revenues and profitability,
- Geographical divergence contributing to risk mitigation supported by natural hedging opportunity to a certain extent,
- Having competitive advantages thanks to operational integration and ecological approach,
- Emphasis on innovation and R&D activities creating a competitive advantage through wide product range,
- The accumulated know-how in the sector and strong market influence particularly through registered brands and high production capacity,
- Reputable brand name of Erdemoğlu Holding and the synergy created within the group companies.

Constraints

- Short-term weighted profile of financial liabilities and comparatively high level of net debt to EBITDA multiplier despite improvement expectation in FY2024,
- Worsening interest coverage metric owing to rising financing expenses and recession in EBITDA generation capacity,
- Deepening net working capital deficit leading external funding needs,
- Leading economic indicators signal global economic slowdown whereas quantitative tightening actions aim to restrict consumption growth and achieve a soft-landing in the domestic side.

Considering the aforementioned points, the Group's Long-Term National Issuer Credit Rating has been affirmed at 'BBB+ (tr)'. The Group's revenue growth, reasonable profit margins, operating ratio, cash conversion cycle, long business track record, world-wide recognition through established brands, exporter structure, solid market share both in national and international scale 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 Group's liability structure, adjusted net debt to EBITDA multiplier and net working capital 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 also be monitored.