

Corporate Credit Rating

New Update

Sector: Yarn Manufacturing
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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)	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

Nazar Tekstil Sanayi ve Ticaret A.Ş.

JCR Eurasia Rating, has evaluated the "Nazar Tekstil Sanayi ve Ticaret A.Ş." in the investment-grade category and affirmed the Long-Term National Issuer Credit Rating as '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 affirmed as 'BB/Stable' as parallel to the sovereign ratings and outlooks of Republic of Türkiye.

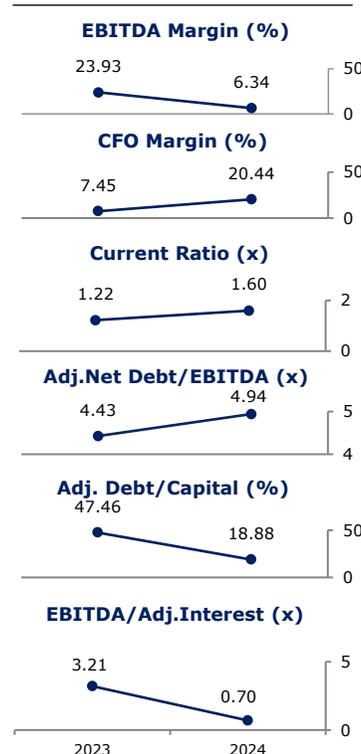
Nazar Tekstil Sanayi ve Ticaret A.Ş. (referred to as "the Company" or "Nazar Tekstil") was established in Kahramanmaraş in 1993. The Company's core business is the establishment and operation of yarn production facilities, with a focus on open-end and ring compact yarn manufacturing. Its annual production capacity reaches 13,000 tons for Ring Compact yarn and 28,000 tons for Open-End yarn, all of which is carried out at its facilities located in Kahramanmaraş. The production process is conducted at the factory facility situated in Kahramanmaraş. Nazar Tekstil, which originated in the cotton farming and trading activities of the Balduk Family in the 1960s, currently produces a total of 11 million tons per annum for 335 distinct customers in 18 countries worldwide. In addition to its textile operations, the Company has made strategic investments in energy generation through its subsidiaries and under the Nazar Tekstil brand. Within the scope of the YEKDEM program, the Company operates a 4.5 MWe cogeneration plant (natural gas-based power generation) and a 2.2 MWe rooftop solar power system. The solar panels installed on the roof of the yarn factory generate approximately 2.9mn kWh of renewable energy annually. Furthermore, the Company continues its efforts in the development of long-fiber cotton seed varieties. In recognition of this initiative, Nazar Tekstil was awarded third place at the 10th Productivity Project Awards organized by the Ministry of Industry and Technology in 2024, under the category of "Sustainable Raw Material Studies with Cotton Genotypes Developed in Türkiye". Additionally, the Company maintains 6 subsidiaries/affiliates that are engaged in the energy generation and distribution sector. The shareholders of the Company are members of the Balduk Family and the head office of Nazar Tekstil is located in Kahramanmaraş. As of FYE2024, the number of personnel of the Company is 316 (FYE2023: 437). Key rating drivers, as strengths and constraints, are provided below.

Strengths

- Growth in sales revenue in terms of volume and value in FY2024, along with a volume increase in 1Q2025,
- Improvement in cash flow metrics and net working capital facilitate liquidity management in FY2024,
- Satisfactory equity level supported by revaluation gains, along with paid-in capital increase via capital adjustment differences in FY2024,
- Ability to comply with international quality standards and emphasize ESG through activities in the energy sector,
- Deep-rooted operating history together with focus on R&D activities with Tübitak approved projects.

Constraints

- Decline in EBITDA generation capacity in FY2024 due to rising costs, coupled with ongoing tightening in core profit margins,
- Weak leverage and coverage indicators over the analyzed periods despite decrease in financial debt as of FYE2024,
- Long cash conversion cycle due to long inventory turnover during the periods analysed,
- Fierce competition environment in the global textile industry due to the negative effects of rising production cost, particularly labor cost, on profit margins,
- Room for improvement in the level of corporate governance practices,
- As actions for a global soft-landing gain prominence, decisions with the potential to adversely affect global trade are engendering considerable uncertainty.



Considering the aforementioned points, the Company's Long-Term National Issuer Credit Rating has been affirmed as 'BBB (tr)'. The Company's revenue structure, improvement in cash flow metrics, satisfactory equity level, decrease in EBITDA generation capacity have been evaluated as important indicators for the stability of the ratings, and the outlooks for Long and Short-Term National Issuer Credit Rating are determined as 'Stable'. The Company's profitability performance, cash generation capacity, debt service position, and equity structure with the trends in the industry 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.