

## Corporate Credit Rating

☑ New ☐ Update

**Sector:** Yarn Manufacturing  
**Publishing Date:** 18.08.2023  
**Manager**  
 Fatih Lap  
 +90 212 352 56 73  
[fatih.lap@jcrer.com.tr](mailto:fatih.lap@jcrer.com.tr)  
**Senior Analyst**  
 Alperen Adanir  
 +90 212 352 56 73  
[alperen.adanir@jcrer.com.tr](mailto:alperen.adanir@jcrer.com.tr)

| 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            | -          |
| ISRs (Issue Specific Rating Profile) | International LC ICR Outlooks | Negative      | -          |
|                                      | National ISR                  | -             | -          |
|                                      | International FC ISR          | -             | -          |
| Sovereign*                           | International LC ISR          | -             | -          |
|                                      | Local Currency                | BB (Negative) | -          |
|                                      | Local Currency                | BB (Negative) | -          |

\* Assigned by JCR on Aug 18, 2022

## Nazar Tekstil Sanayi ve Ticaret A.Ş.

JCR Eurasia Rating, has evaluated the "Nazar Tekstil Sanayi ve Ticaret A.Ş." in the investment-level category and assigned the Long-Term National Issuer Credit Rating as 'A- (tr)' and the Short-Term National Issuer Credit Rating as '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.

**Nazar Tekstil Sanayi ve Ticaret A.Ş.** (referred to as "the Company" or "Nazar Tekstil") was established in Kahramanmaraş in 1993. The main activity of the Company is open-end and compact yarn production. Production is carried out in the factory located in Kahramanmaraş. Nazar Tekstil, whose foundations date back to the cotton farming and trading activities of the Balduk Family in the 1960s, today produces a total of 11 million tons per year for 335 different customers in 18 different countries.

Furthermore, the Company has investments in energy production within the Nazar Tekstil and through its subsidiaries. There are solar energy panels on the roof of the Company's yarn facility, which generate an average of 2.9 million KWH of energy annually. Moreover, a cogeneration system investment was made in the facility in 2015. In addition, the Company has 9 subsidiaries/affiliates operating in the energy generation and distribution segment, and the total installed capacity of Nazar Energy Portfolio, according to Nazar Tekstil's share of the partnerships in subsidiaries/affiliates, is 40MW with 68,950,626 KWH production in 2022. The shareholders of the Company are members of the Balduk Family and the head office of Nazar Tekstil is located in Kahramanmaraş. As of FYE2022, the number of personnel of the Company is 374 (FY2021: 361).

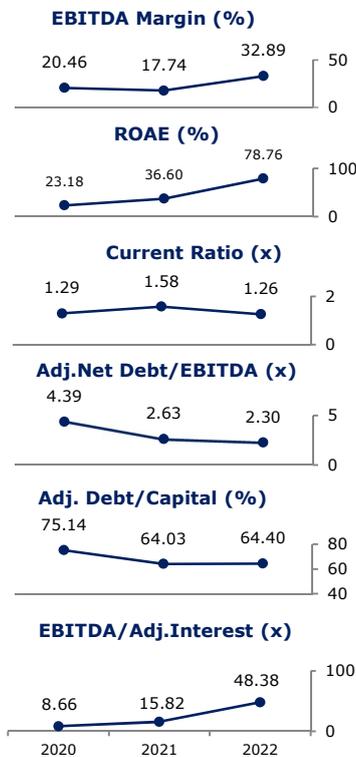
Key rating drivers, as strengths and constraints, are provided below.

### Strengths

- The ability to produce yarn in different counts supports revenue stream,
- Growth in profitability margins in FY2022 with the contribution of activities in the energy segment as well as the core business,
- Improvement in the Net Debt to EBITDA multiplier in FY2022 thanks to the growth in profitability despite increased debt ratio,
- Substantial level of installed capacity from renewable resources within the scope of YEKDEM,
- Cooperation with universities as an R&D center with Tübitak approved projects,
- Emphasis on ESG studies with the actions taken by the Environmental and Social Monitoring Plan, conducted in line with the management plans along with global regulations/standards,
- Long experience in the sector.

### Constraints

- Low level of paid-in capital compared to asset size,
- Considerably high level of cash conversion cycle with the effect of the contraction in demand and negative CFO in FY2022,
- The machines invested for the capacity increase could not be installed as planned period and operated at full capacity,
- Short-term suspension of operational activities due to the recent earthquake in the region and increased wages due to personnel shortage,
- Further improvement needs in corporate governance practices,
- 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 as 'A- (tr)'. The Company's sales performance, increase in profitability metrics, satisfactory level of liquidity indicators, sustainable EBITDA generation capacity and long experience in the sector along with ongoing uncertainties arising from geopolitical tensions as well as the global interest rate hiking cycle, 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 financial structure, indebtedness level, sales and profitability performance, EBITDA generation capacity, adequacy of liquidity together with the trends in the industry are to be monitored by JCR Eurasia Rating. The macroeconomic indicators at national and international markets, as well as market conditions and legal framework about the sector will be monitored as well.