

Corporate Credit Rating

New Update

Sector: Carpet & Yarn Production

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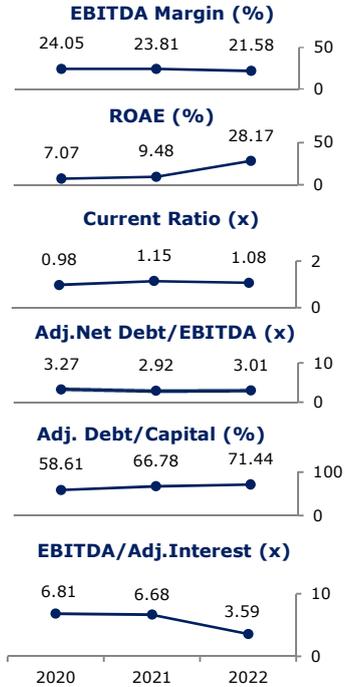
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| RATINGS | | Long Term | Short Term |
|--------------------------------------|-------------------------------|-------------|------------|
| ICRs (Issuer Credit Rating Profile) | National ICR | BBB+ (tr) | J2 (tr) |
| | National ICR Outlooks | Stable | Stable |
| | International FC ICR | BB | - |
| | International FC ICR Outlooks | Stable | - |
| ISRs (Issue Specific Rating Profile) | International LC ICR | BB | - |
| | International LC ICR Outlooks | Stable | - |
| | National ISR | - | - |
| Sovereign* | International FC ISR | - | - |
| | International LC ISR | - | - |
| | Foreign Currency | BB (Stable) | - |
| | Local Currency | BB (Stable) | - |

* Assigned by JCR on May 10, 2024



Sırma Halı Tekstil Sanayi ve Ticaret A.Ş

JCR Eurasia Rating, has evaluated "Sırma Halı Tekstil Sanayi ve Ticaret A.Ş." in investment-grade category and affirmed the Long-term National Credit Rating as 'BBB+ (tr)' and the Short-Term National Credit Rating at 'J2 (tr)' with 'Stable' outlook. On the other hand, the Long Term International Foreign and Local Currency Ratings and outlooks were assigned as 'BB/Stable' according to JCR-ER's national-global mapping methodology, as parallel to international ratings and outlooks of Republic of Türkiye.

Sırma Halı Tekstil Sanayi ve Ticaret A.Ş. (hereinafter referred to as Sırma Halı or 'the Company') was established in 2002 in Gaziantep. The Company operates in fields of producing and exporting of carpets and polypropylene carpet yarn. The facility of the Company is in Gaziantep 5th Organized Industrial Zone which is covers a total area of 55,000 m² open and 36,529 m² closed area.

The Company's paid in capital TRY 132.00mn and the shareholder structure of the Company is as follows: Hanifi Şireci (30%), Uğur Şireci (30%), Esat Şireci (30%) and Ahmet Şireci (10%).

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

Strengths

- Satisfactory profitability ratios over the reviewed periods
- Low collection risk supporting asset quality
- Natural hedging opportunity in a certain extent derived from international sales made through the group company
- Experienced shareholders with long lasting presence in the sector

Constraints

- Continuing high financing expenses in FY2023 due to FX losses mainly derived from hard currency weighted financial borrowings harming bottom line results
- Negative operating cash flow figures along with long cash conversion cycle resulting in external funding requirement for operational cycle
- Severe competition environment throughout textile industry along with volatility in raw material prices may suppress profit margins
- Improvement needs in the level of compliance with corporate governance practices
- Leading economic indicators signal global economic slowdown as quantitative tightening actions aim to restrict consumption growth and achieve a soft-landing in the domestic side

Considering the aforementioned points, the Company's the Long-Term National Credit Rating has been affirmed as 'BBB+ (tr)'. The Company's satisfactory profitability ratios over the reviewed periods, low collection risk strengthening asset quality, natural hedging opportunity to a certain extent derived from international sales made through the group company, experienced shareholders with long-lasting presence in the sector 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 Credit Ratings are determined as 'Stable'. The Company's, revenue and profitability performance, adequacy of liquidity, indebtedness level, market position and regulations in the sector are the main factors that 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.