

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)	International LC ICR Outlooks	Stable	-
	National ISR	-	-
	International FC ISR	-	-
Sovereign*	International LC ISR	-	-
	Foreign Currency	BB (Stable)	-
	Local Currency	BB (Stable)	-

* Affirmed by JCR on September 1, 2025

Söktaş Tekstil Sanayi ve Ticaret A.Ş.

JCR Eurasia Rating, has evaluated of the consolidated structure of "Söktaş Tekstil Sanayi ve Ticaret A.Ş." in the investment grade category and affirmed the Long-Term National Issuer Credit Rating at 'BBB- (tr)' and revised the Short-Term National Issuer Credit Rating from 'J3 (tr)' to 'J2 (tr)' with 'Stable' outlooks. On the other hand, the Long Term International Foreign and Local Currency Issuer Credit Ratings and outlooks were affirmed 'BB-/Stable', in line with the global and international scale rating matching published by JCR Eurasia Rating.

Söktaş Tekstil Sanayi ve Ticaret A.Ş. (hereinafter referred to as "Söktaş Tekstil" or "the Company" or "the Group") was established in 1971 in Aydın, and operates in manufacturing of shirting fabric. The Company designs and manufactures for its globally well-known customers which includes Stella, McCartney, Hugo Boss, Barba, Canali, Zara, Massimo Dutti, Lacoste, Gucci, COS, Paul & Shark and Max Mara. The Company carries out its production in its facility located in Söke/Aydın. In addition to its production facilities, the Company has design offices in Türkiye and Italy.

In 2011, Söktaş Tekstil separated its textile manufacturing and agricultural and livestock activities in Türkiye via a partial demerger. The main activities thereafter included managing subsidiaries, handling cotton and staple fiber yarns, and trading yarns and fabrics. Following the demerger, Söktaş Dokuma İşletmeleri Sanayi ve Ticaret A.Ş. (Söktaş Dokuma), which was the Company's wholly owned subsidiary, continued its fabric manufacturing operations, while Efeler Çiftliği Tarım ve Hayvancılık A.Ş. (Efeler Çiftliği) maintained its agricultural and livestock activities. As a result of the merger with Söktaş Dokuma as of 31 December 2018, fabric manufacturing operations have since been carried out by Söktaş Tekstil. According to the Public Disclosure Platform (PDP) announcement dated December 25, 2024, the Company's wholly owned subsidiary, Efeler Çiftliği, which was engaged in agricultural and livestock activities, has been divested.

As of 3Q2025, the shareholders of the Company are Kayhan Holding A.Ş. (23.94%), Eyüp Hilmi Kayhan (8.98%), Muharrem Hilmi Kayhan (7.11%) and the rest of the shares (59.97%) have been traded on Istanbul Stock Exchange (BIST) since 1995 under the ticker-name of 'SKTAS'.

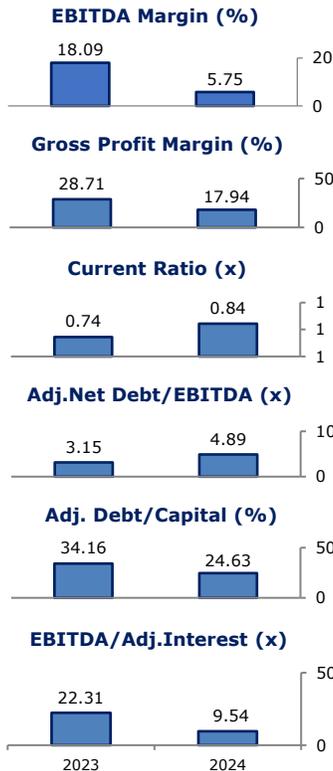
Key rating drivers, as strengths and constraints, are provided below.

Strengths

- Customer base mostly comprising globally recognized brands, mitigating the collection risk,
- Relatively short cash conversion cycle,
- Steps taken towards sustainability through investments in solar power plants,
- Extensive sector experience and track record, underpinned by robust corporate governance standards stemming from its publicly listed status.

Constraints

- Contraction in net sales in 2024 and year-on-year basis in 3Q2025 due to the decline in sales volume and IAS 29 impact,
- Notable decline in core profit margins as well as recording operating loss in 2024, despite a recovery in 3Q2025 which still remained below 2023 levels,
- Deteriorated financial leverage profile as a result of regression in EBITDA generation in 2024 and further worsening in 3Q2025,
- Weak EBITDA/Adjusted Interest Paid ratio in 3Q2025, despite the satisfactory level in last two consecutive years,
- Strained liquidity profile, driven by negative cash flow indicators in 3Q2025 and net working capital deficit over the reviewed periods, increasing reliance on external funding to meet short-term liabilities,
- Incurred net losses mainly stemming from financing expenses, exerting pressure on equity base to some extent,
- Severe competition environment throughout the industry along with volatility in raw material prices may put pressure on profit margins,
- 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 the Long-Term National Issuer Credit Rating has been affirmed at 'BBB- (tr)'. Slight recovery in gross profit margin in 3Q2025, globally-well known customer portfolio, and relatively short cash conversion cycle as well as contraction in net sales in 2024 and 3Q2025, decline in profit margins and operating loss in 2024, deterioration in financial leverage and regression in EBITDA generation in 2024 and 3Q2025, negative cash flow indicators in 3Q2025, net working capital deficit and net losses recorded have been evaluated as important indicators for the stability of the ratings and the outlooks for Long and Short-Term National Issuer Credit Ratings has been affirmed at 'Stable'. The Company's EBITDA generation capacity, profitability figures, production and sales volume, domestic and global market conditions and the possible impacts of the global macroeconomic policies on Türkiye's economy and its effects on the Company's activities will be closely monitored by JCR Eurasia Rating in upcoming periods.