

Corporate Credit Rating

New Update

Sector: Textile Industry

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RATINGS		Long Term	Short Term
ICRs (Issuer Credit Rating Profile)	National ICR	AA- (tr)	J1+ (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	-	-
	Foreign Currency	BB (Negative)	-
	Local Currency	BB (Negative)	-

* Assigned by JCR on Aug 18, 2022

Sun Tekstil Sanayi ve Ticaret A.Ş.

JCR Eurasia Rating, has evaluated 'Sun Tekstil Sanayi ve Ticaret A.Ş.' in the investment-level category and revised the Long-Term National Issuer Credit Rating from 'AA (tr)' to 'AA- (tr)' and affirmed the Short-Term National Issuer Credit Rating at 'J1+ (tr)' with 'Stable' outlooks. On the other hand, the Long Term International Foreign and Local Currency Issuer Credit Ratings and outlooks were affirmed at 'BB/Negative', in parallel with the international ratings and outlook of the Republic of Türkiye.

Sun Tekstil Sanayi ve Ticaret A.Ş. (referred to as 'Sun Tekstil' or 'the Company' or 'the Group') was established in 1987 in İzmir, and operates in the production of women's textile products from knitted fabric. The Company designs and manufactures for its globally well-known customers which includes Zara, Bershka, Massimo Dutti, Pull&Bear, Stradivarius, H&M, Tesco, Jimmy Key, Next, Marks and Spencer, Kiabi, Reformation and Forever 21.

The Company has two production facilities in Manisa and İzmir, and the production in the facilities corresponds to approximately 10% of the total production. The Company outsources the rest of the production to contract manufacturers. In addition to its production facilities, the Company has 5 design offices in Türkiye, Spain and England, and creates approx. 1,500 new designs every month. The Company's majority of total sales consist of export revenues, and the significant portion of exports are made to Spain and England. Sun Tekstil ranked 381th in the 'Türkiye's Top 500 Industrial Enterprises in 2022' list of İstanbul Chamber of Industry (2021: 312th).

The shareholders of the Company are Elvan Ünlütürk (34.12%), Şefika Günseli Ünlütürk (28.58%), Mehmet Muammer Ünlütürk (5.53%), Azize Ceylan Ünlütürk Yeşilova (5.53%), Ayşe Ünlütürk (5.53%), and the rest of the shares (20.71%) have been traded on Istanbul Stock Exchange (BIST) since May, 2022 under the ticker-name of 'SUNTK'.

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

Strengths

- In addition to gratifying leverage metrics thanks to the sizeable liquidity buffer and flat course in financial debt, short-term cash surplus position in 2022 and 1H2023,
- Noteworthy increase in equity thanks to internal equity generation and public offering gains in 2022,
- Sufficient net working capital and moderate level of current ratio facilitating the liquidity management,
- Considerable level of export revenues ensuring a natural hedge and contributing to FX position
- Strong coverage metrics over the analysed periods,
- Customer portfolio consisting of globally reputed brands, supporting receivables quality,
- Investment incentive allowances received by Ekoten Tekstil, supporting the consolidated bottom line profit.

Constraints

- Contraction in EBITDA generation due to the noteworthy increase in OPEX in 1H2023,
- Contribution of non-cash revaluation gains to bottom line profit,
- Negative CFO and FOCF due to the increase in working capital requirement and investment expenditure in 1H2023,
- Although the customer concentration has reduced, concentration of sales largely on a single textile group, still posing a risk for the sustainability of operations,
- Fierce competition in the global textile sector,
- Global economic growth slows down evidenced by commodity prices and trade figures on the back of rapid monetary tightening, while domestic restrictive financial conditions limiting access to finance.

Considering the aforementioned points, the Company's the Long-Term National Issuer Credit Rating has been revised from 'AA (tr)' to 'AA- (tr)'. Considering robust leverage metrics, cash surplus position in short-term in 2022 and 1H2023, upward trend in equity, sufficient net working capital and high level of export revenues as well as contraction in EBITDA generation, negative CFO and FOCF levels and customer concentration 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, cash flow indicators, profitability figures, production and sales volumes, efficiency of ongoing investments and 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 are closely monitored by JCR Eurasia Rating in upcoming periods.

