

## 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	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

## Sun Tekstil Sanayi ve Ticaret A.Ş.

JCR Eurasia Rating, has evaluated 'Sun Tekstil Sanayi ve Ticaret A.Ş.' in the investment grade category with very high credit quality and affirmed the Long-Term National Issuer Credit Rating at 'AA- (tr)' and 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 assigned as 'BB/Stable', in parallel with the international ratings and outlook of the Republic of Türkiye.

**Sun Tekstil Sanayi ve Ticaret A.Ş.** (hereinafter referred to as 'Sun Tekstil' or 'the Company' or 'the Group') was established in 1987 in İzmir, and operates in the production of textile products from knitted fabric. The Group designs and manufactures for its globally well-known customers which includes Zara, Bershka, Oysho, Massimo Dutti, H&M, Tesco, Next, Marks & Spencer, Kiabi, Under Armour, Victoria's Secret, Hugo Boss, Lululemon Athletica. The Company carries out its production in its facility located in Torbalı/Izmir Organized Industrial Zone, and the production in the facility corresponds to less than 10% of the total production. The Company outsources the rest of its production to contract manufacturers. In addition to its production facilities, the Company has 5 design offices in Türkiye, Spain and England, and creates more than 1,500 new designs every month. Sun Tekstil ranked 340<sup>th</sup> in the 'Türkiye's Top 500 Industrial Enterprises 2023' list of İstanbul Chamber of Industry (2022: 381<sup>th</sup>). The Company's majority of total sales consist of export revenues, and the significant portion of exports are made to Spain, the USA, England, Sweden and France. The Company ranked 226<sup>th</sup> (12<sup>th</sup> in sectoral ranking) in TEA1000 2023 list, which is prepared by Türkiye Exporters Assembly.

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'.

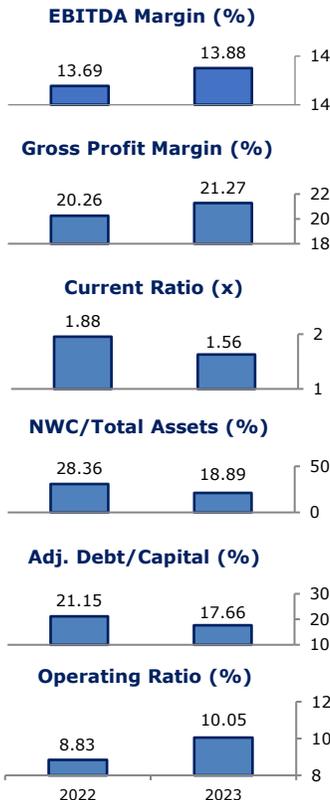
Key rating drivers, as strengths and constraints, are provided below.

### Strengths

- Satisfactory leverage metrics supported by relatively acceptable level of borrowing and slightly increasing EBITDA in 2023 and 1H2024,
- Low collection risk supported by customer portfolio consisting of globally well-known brands, despite uncollateralized structure,
- Robust equity level mainly driven by internal fund generation over the analysed periods,
- Solid coverage metrics during the review periods,
- Hard currency income generation capacity through considerable level of export sales,
- Relatively short cash conversion cycle and reasonable level of net working capital, providing moderate liquidity management in 2023,
- Long history and track record in the sector as well as improvement in Corporate Governance practices and steps taken regarding sustainability.

### Constraints

- Deterioration in profitability margins in 1H2024,
- Ongoing negativity in CFO and FOCF in 1H2024 compared to same period of the previous year's figures due to the investments in progress and the increase in working capital requirement,
- Concentration of sales on a single textile group, posing a risk to the sustainability of the Company's operations,
- Intense competition environment of the global textile industry,
- In the shadow of geopolitical risks, leading economic indicators point to continued weakness in global demand conditions, whereas actions for a soft-landing are at the forefront.



Considering the aforementioned points, the Company's the Long-Term National Issuer Credit Rating has been affirmed at 'AA- (tr)'. Satisfactory leverage and coverage metrics, low collection risk, robust equity level, considerable export revenues, moderate liquidity management and globally well-known customer portfolio as well as deterioration in profitability margins in 1H2024, negative realization in CFO and FOCF 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, profitability figures, production and sales volume, efficiency of investments in progress, 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.