

Corporate Credit Rating

New Update

Sector: Textile Industry

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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	-
	International LC ICR	BB-	-
ISRs (Issue Specific Rating Profile)	National ISR	-	-
	International FC ISR	-	-
	International LC ISR	-	-
Sovereign*	Foreign Currency	BB (Stable)	-
	Local Currency	BB (Stable)	-

* Assigned by JCR on May 10, 2024

Uğur Demir Halı Sanayi ve Ticaret Limited Şirketi

JCR Eurasia Rating, has evaluated consolidated structure of "Uğur Demir Halı Sanayi ve Ticaret Limited Şirketi" in investment grade category on the national scales and assigned its Long-term National Issuer Credit Rating as 'BBB- (tr)' and 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-/Stable'.

Uğur Demir Halı Sanayi ve Ticaret Limited Şirketi (referred to as 'Uğur Demir' or 'the Company' and its subsidiaries together 'the Group') was established in 1993 in Gaziantep. The main activity of the Company is the production and sale of polypropylene yarn, textured yarn, polyester yarn and machine-made carpet. The Company operates in a factory that three facilities and 24 stalls within the Gaziantep Organized Industrial Zone, covering areas of 75,000 m² in total with annual polypropylene acrylic polyester machine carpet production is 16.00mn m² per year and polypropylene yarn and polyester yarn production is 42,000 m per year. The Company's total number of employees stands at 826 as of FYE2023 (FYE2022: 513).

The Company's paid-in capital was TRY 600.0mn as of FYE2023 (FYE2022: TRY 500.0mn). The shareholders of the Company are Mehmet Bostan (50%) and Halit Bostan (50%).

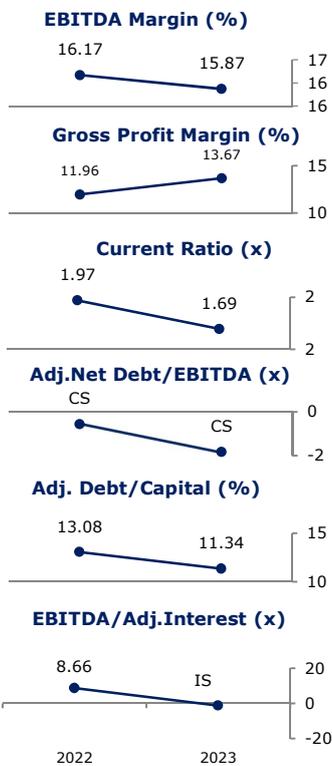
Key rating drivers, as strengths and constraints, are provided below.

Strengths

- Strong financial position proven by cash surplus in reviewed years and expected to maintain as of FYE2024
- Solid equity level supported by internal resource generation and cash injections by shareholders in FY2023
- FX indexed sales providing natural shield for the Company to a certain extent
- Long lasting presence in the sector

Constraints

- Limited core profit margins and further deterioration in 9M2024 period due to rising manufacturing costs
- Long cash conversion cycle creating external funding needs
- Limited analysis ability due to the accounting policy of the entity
- Severe competition environment in the textile industry and volatility in raw material prices may put pressure on profit margins
- Improvement needs in corporate governance practices
- 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 Long-Term National Issuer Credit Rating has been assigned as 'BBB- (tr)'. The Company's strong financial position proven by cash surplus position, FX indexed revenue stream, solid equity level, experience in the sector along with low level of core profit margins and ongoing uncertainties arisen from geopolitical tensions as well as global tight financial conditions have been evaluated as important indicators for the stability of the ratings and the outlooks for Long and Short-Term National Issuer Credit Ratings are determined as 'Stable'. The Company's indebtedness volume, sales growth, profitability, liquidity indicators, local and global macroeconomic indicators as well as market conditions and legal framework about the sector will be closely monitored by JCR Eurasia Rating.