

Corporate Credit Rating

☐ New ☒ Update

Sector: Textile Manufacturing
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RATINGS		Long Term	Short Term
ICRs (Issuer Credit Rating Profile)	National ICR	A- (tr)	J2 (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

Korteks Mensucat Sanayi ve Ticaret A.Ş.

JCR Eurasia Rating has evaluated the consolidated structure of "Korteks Mensucat Sanayi ve Ticaret A.Ş." in an investment grade category and affirmed the Long-Term National Issuer Credit Rating at 'A- (tr)' and assigned the Short-Term National Issuer Credit Rating at '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/Negative' as parallel to the international ratings and outlooks of the Republic of Türkiye.

Korteks Mensucat Sanayi ve Ticaret A.Ş. (referred to as 'Korteks or 'the Group') which was established in 1976 in Bursa, Türkiye to manufacture polyester yarn and to make export, is one of the textile manufacturing companies of Zorlu Textile Group besides Zorluteks Tekstil. Korteks commenced operation in 1989 with the manufacture of yarns under the "TAÇ YARN" brand. Since its foundation, the Group invested significantly in integrating recent and pioneering technologies into its production process, positioning Korteks as a major player. In addition to its dominant position in Türkiye, Korteks is known as a prominent yarn manufacturer in the European market with global export capabilities. The Group's wide and diversified product range include various types of polyester yarns to be used in ready-made garments, home textile, medical textile, carpets, automotive textile and sportswear in its two major integrated production facilities in Bursa Organized Industrial Zone. At its plants located in Bursa, Korteks produces the superior-quality yarns demanded by textile manufacturers.

The Group maintains its operations by 5.280 employees as of 1H2022 (FYE2021: 5.123) and its subsidiaries are as follows; Zorluteks Tekstil Sanayi ve Ticaret A.Ş. (Türkiye), Zorlu Dış Ticaret A.Ş. (Türkiye), Zorluteks SNG (Moscow), Zorluteks D.O.O. (Macedonia) and Zorlu UK Ltd. (England). Korteks, through its subsidiaries, manage several brands including 'Taç', 'Linens', 'Valeron', 'Casabel' and 'Brielle'. The Group is ultimately owned by Zorlu Family members, via Zorlu Holding A.Ş.

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

Strengths

- Maintenance of operational volume growth as indicated by the continuous EBITDA and sales growth by the years
- Upward trend in profitability indicators in FYE2021 and 1H2022
- Significant net profit generation in FYE2021 and also in 1H2022 particularly stemming from FX gains from financing
- Sustainable positive net working capital over the years
- Variety of products underpinning sales and competition
- Long-lasting presence and know-how in the sector

Constraints

- High debt level and inadequate level of short-term debt service coverage despite a slight improvement in FYE2021
- Notably high receivables from related parties distorting balance sheet integrity
- Impaired receivables on a cumulative basis pressuring on asset quality
- High non-cash contribution of revaluation gains from tangible assets in equity
- Global recession and geopolitical risks stemming from the Russia-Ukraine tension increasing uncertainty and monetary tightening across the globe deteriorating growth projection

Considering the aforementioned points, Korteks's the Long-Term National Issuer Credit Rating has been affirmed at 'A- (tr)'. Korteks's solid market share both in national and international scale, EBITDA and net profit generation capacity and the steady revenue streams along with its high debt level and notably high related party receivables as well as the dependence on regulations and macroeconomic risks-driven uncertainties 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'. Korteks's revenue growth, EBITDA generation capacity, equity level, cash flow, indebtedness structure and profit margins 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.

