

## Corporate Credit Rating

New  Update

Sector: Yarn & Carpet Production

Publishing Date: 02/08/2021

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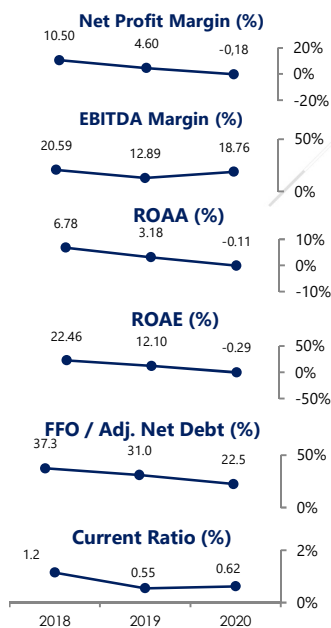
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### RATINGS

		Long Term	Short Term
National	Local Rating	<b>BBB+ (Trk)</b>	<b>A-2 (Trk)</b>
	Outlook	<b>Stable</b>	<b>Stable</b>
	Issue Rating	-	-
International	Foreign Currency	BB	B
	Local Currency	BB	B
	Outlook	FC Stable LC Stable	Stable Stable
Sovereign	Sponsor Support	2	-
	Stand-Alone	B	-
	Foreign Currency	BB	-
Sovereign	Local Currency	BB	-
	Outlook	FC Stable LC Stable	- -

\*Assigned by JCR on May 31, 2021



## Dinarsu İmalat ve Ticaret T.A.Ş.

JCR Eurasia Rating has determined the Long Term National credit rating of **Dinarsu İmalat ve Ticaret T.A.Ş.** in the investment-level category of **'BBB+ (Trk)'** on the Long-Term National Scale and **'A-2 (Trk)'** on the Short-Term National Scale with **'Stable'** outlooks. International ratings of the Company are determined with respect to the global to local mapping methodology of JCR-ER and Long Term International Foreign and Local Currency Ratings and their Outlooks have been assigned at **'BB/Stable'**

Dinarsu İmalat ve Ticaret T.A.Ş. (referred to as 'the Company' or 'Dinarsu') was established in 1955 in İstanbul. Dinarsu brand joined Erdemoğlu Holding in November 2005 and today manufactures wall-to-wall carpet, area rug and yarn. The company has a production capacity of 12mn m2 tufting carpet per year in its 111,640 m2 closed area production facility located in Çerkezköy. Ak-Al İplik which joined the Holding in 2011 today renders services with the Dinarsu brand. Its factory located in Alaplı, Zonguldak manufactures acrylic and worsted knit yarn mixed with acrylic. Dinarsu adopts a management understanding of protecting environment with the concept of quality operations and considering occupational health and safety important. The factory holds the world-acclaimed "Oeko-Tex Standard 100" certificate. Together with its notable presence in carpet product sector both in Europe and Turkey, Dinarsu ranked 290rd in the 'Turkey's Top 500 Industrial Enterprises 2020 Survey' of Istanbul Chamber of Industry. All shares of the company belong to the Erdemoğlu Holding A.Ş.

Erdemoğlu Holding, operates in nonwoven, manufacture of man-made fibres, yarn and carpet production sectors. Within the Group, there are leading companies in the textile and carpet sector such as Dinarsu İmalat ve Ticaret T.A.Ş., Merinos Halı Sanayi ve Ticaret A.Ş., Sasa Polyester Sanayi A.Ş.

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

#### Strengths

- Consistent sales volume and asset growth in recent years
- Moderate indebtedness structure despite a short-term weighted maturity composition of total financial liabilities
- Reasonable EBITDA generation capacity and margins
- Synergies within prominent Erdemoğlu Group
- Diversified product range thanks to its strong R&D center and new product-brand creation power

#### Constraints

- Increase in financing cost, though mostly consisting of unrealized FX translation losses, puts pressure on profitability
- Operation in capital-intensive industry and net working capital deficit
- Position in the publicly listed Group company with a commanding share in assets, inducing volatility in the equity through market valuations
- Uncertainties in global and domestic economies due to the Covid-19 pandemic

Considering the aforementioned points, the Company's the Long-Term National Rating has been assigned as **'BBB+ (Trk)'**. The Company's market perception, high brand awareness, proven track record in the sector and operational performance of FY2020 despite tough economic conditions due to Covid-19 pandemic have been evaluated as important indicators for **'Stable'** outlooks of long and short-term national ratings. Sales and profitability performance, indebtedness structure and debt ratio, changes in raw material prices, local and global macroeconomic indicators are the major issues which will be monitored by JCR Eurasia Rating in the upcoming period.

The sponsor support note of Dinarsu has been resolved in deference to financial strength, financial capacity, indebtedness structure and willingness of the majority shareholder; Dinarsu along with financial capacity and willingness of Erdemoğlu Holding and Erdemoğlu Family; ultimate controlling parties. Within this scope, the Sponsor Support of the Company has been determined as **(2)** in JCR Eurasia Rating's notation system, indicating a moderate external support possibility. Considering the Company's flexible production structure, notable presence both in domestic and overseas markets, profit generation capacity, free total cash credit line, risk management practices and highly skilled and experienced senior management, the Stand Alone Note of Dinarsu has been determined as **'B'** which denotes a strong company