

**Corporate Credit Rating
(Update)**
**Wholesale Trade
[Leather Footwear, Apparel & Accessories]**

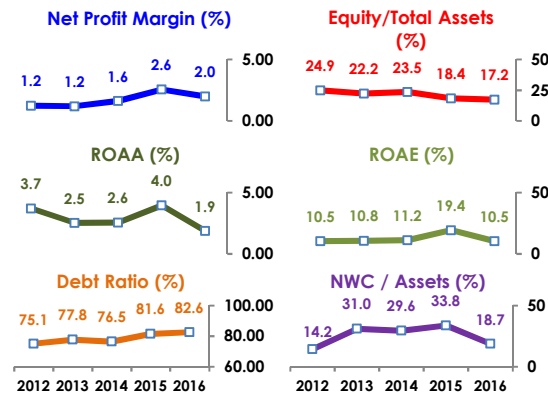
DERİMOD		Long Term	Short Term	
International	Foreign currency	BBB-	A-3	
	Local currency	BBB-	A-3	
	Outlook	FC	Stable	Stable
		LC	Stable	Stable
Issue Rating	-	-		
National	Local Rating	BBB	A-3 (Trk)	
	Outlook	Stable	Stable	
	Issue Rating	BBB	A-3 (Trk)	
Sponsor Support		2	-	
Stand Alone		B	-	
Sovereign*	Foreign currency	BBB-	-	
	Local currency	BBB-	-	
	Outlook	FC	Stable	-
		LC	Stable	-

*Affirmed by Japan Credit Rating Agency, JCR on October 7, 2016

Derimod Konfeksiyon Ayakkabı Deri San. ve Tic. A.Ş.					
Financial Data	2016/9*	2015*	2014*	2013*	2012*
Total Assets (000 USD)	80,124	68,745	57,239	59,310	57,179
Total Assets (000 TRY)	231,846	199,884	132,731	126,585	101,641
Equity (000 TRY)	40,015	36,821	31,155	28,109	25,330
Net Profit (000 TRY)	3,194	5,225	2,525	2,053	1,625
Sales (000 TRY)	161,340	204,399	155,787	172,387	132,431
Net Profit Margin (%)	1.98	2.56	1.62	1.19	1.23
ROAA (%)	n.a.	3.96	2.56	2.53	3.70
ROAE (%)	n.a.	19.38	11.21	10.81	10.48
Equity / Total Assets (%)	17.24	18.42	23.47	22.21	24.92
Net Working Capital / T. Assets (%)	18.67	33.76	29.55	31.03	14.23
Debt Ratio (%)	82.64	81.58	76.53	77.79	75.08
Asset Growth Rate (%)	15.99	50.59	4.85	24.54	50.35

* End of year ** End of period

Overview
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Derimod Konfeksiyon Ayakkabı Deri San. ve Tic. A.Ş. (Derimod, the Company) is the procurer of the "Derimod" group companies and brand. The Company provides its sister company, Derimod Deri Konfeksiyon Paz. San. ve Tic. A.Ş. (Derimod Pazarlama) with leather footwear, apparel, purses and accessories. Derimod Pazarlama in turns sells the merchandise via its retail branch network and online sales channels. Founded more than 40 years ago, Derimod is among the leading leather fashion companies in Turkey.

Derimod Group is resident in the domestic market with a growing foothold in certain emerging markets such as Russia and Middle East. In this regard, Derimod Group has leased stores in Russian market and adopted a franchise system in Saudi Arabia and Iran.

The Group maintains a "fast-fashion" business model, renewing the inventory in rapid pace to satisfy the customer needs. Restrictive measures to protect domestic leather shoe producers as in additional customs duties and testing requirements induced the Group to supply merchandise from local producers.

Strengths

- Continued business growth despite strong headwinds
- Reduction of short FX position owing to restructuring of trade terms with suppliers
- Preservation of the operating margins and internal resource generation capacity
- Diversified funding mix with ability to raise funds from the capital markets
- Established brand name and market presence
- Financial and operational advantages of the Turquality program, facilitating international investments through subsidies and consultancy

Constraints

- Increasing net debt level, even though partly balance with growing business volume
- External funding requirement due to long cash conversion cycle, while partly alleviated by the dynamic fund management of the Group
- Rising interest expenses as the external funding increases
- Rigorous competition in the sector, pressurizing pricing policies, necessitating sizable marketing budgets
- Challenging investment environment in the aftermath of strong political headwinds, insurgence in the Middle East and stagnating global economy