

Corporate Credit Rating

New Update

Sector: Automotive

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RATINGS		Long Term	Short Term
ICRs (Issuer Credit Rating Profile)	National ICR	AA (tr)	J1+ (tr)
	National ICR Outlooks	Positive	Stable
	International FC ICR	BBB-	-
	International FC ICR Outlooks	Stable	-
	International LC ICR	BBB-	-
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

ANADOLU ISUZU OTOMOTİV SANAYİ VE TİCARET A.Ş.

JCR Eurasia Rating has evaluated the consolidated structure of "Anadolu Isuzu Otomotiv Sanayi ve Ticaret A.Ş." in the high investment-level category and affirmed the Long-Term National Issuer Credit Rating at **AA (tr)** with 'Positive' outlook, and the Short-Term National Issuer Credit Rating at **J1+ (tr)** with 'Stable' outlook. On the other hand, the Long Term International Foreign and Local Currency Issuer Credit Ratings and outlooks were assigned at **'BBB-/Stable'**.

The foundations of "Anadolu Isuzu Otomotiv Sanayi ve Ticaret A.Ş." (hereinafter referred to as 'Anadolu Isuzu' or 'the Company') were laid in 1965. The Company started its activities with the production of light trucks and motorcycles under the name of Çelik Montaj, and the production of Skoda light trucks continued until 1986. The Company assumed its current name through a license agreement signed with Isuzu Motors Ltd. in 1983, and production of Isuzu vehicles started at the Istanbul Kartal Plant in 1984. The Company operated in the commercial vehicle segment of the automotive industry, after-sales services and a widespread dealer and technical service network. The Company carries out both the manufacturing and marketing of commercial vehicles; trucks, light trucks, buses, midi-busses with production facilities based in Şekerpınar, Çayırova and marketing of and pick-up truck. The Çayırova manufacturing facility of the Company is established on a 300k m² of land, and it has 97k m² of indoor space. Along with the current manufacturing facilities and machinery park, its total annual production capacity is about 19,000 units in a year (8,000 truck, 7,300 pick-up/light truck, 1,152 bus, 2,560 midi-bus). Providing service to its customers with 91 authorized service providers in 57 provinces across Türkiye, Anadolu Isuzu has distributors in 43 countries. The Company's financial statements are fully consolidated with its %100 owned subsidiary Ant Sinai ve Tic. Ürünleri Paz. A.Ş., which trades automotive spare parts.

In the current situation, 55.4% share of the Company belong to AG Anadolu Grubu Holding A.Ş., 16.99% belongs to Isuzu Motors Ltd., 9.46% belongs to Itochu Corporation Tokyo, 3.28% belongs to Itochu Corporation İstanbul and the remaining 14.87% is traded in the stock market.

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

Strengths

- Continuous growth in unit base sales volume and income stream in both 2023 and Q1-2024,
- Favourable level of profitability metrics despite partial contraction in Q1-2024,
- Robust leverage and coverage structure supported by strong EBITDA generation and considerable amount of cash assets in reviewed periods,
- Asset quality supported by immaterial doubtful receivables,
- Competitive advantages through strong R&D centre and new product creation power,
- Reputable partnership structure backed by AG Anadolu Holding, Isuzu and Itochu,
- Compliance with corporate governance practices owing to listed status.

Constraints

- Increasing receivables and inventory turnover resulting negative cash flow from operating activities in FY2023,
- Noteworthy contribution of non-cash revaluation to expansion of asset size and equity,
- Leading economic indicators signal global economic slowdown whereas quantitative tightening actions aim to restrict consumption growth and achieve a soft-landing in the domestic side.

The Company's audited financial statements include inflation adjustments in accordance with the terms of IAS 29 "Financial Reporting in Hyperinflationary Economies". Considering the aforementioned points, the Company's the Long-Term National Issuer Credit Rating has been affirmed at **'AA (tr)**'. Proven successful track record in Türkiye and various countries, steady progress in sales volume both in 2023 and Q1 2024, and robust indebtedness structure are important indicators for the outlook of ratings, and the outlooks for Long-Term National Issuer Credit Ratings are affirmed at **'Positive'**. The Company's sales and profitability performance, cash flow generation capacity, trend in financial indebtedness, asset and equity growth, and FX position asset quality will be closely monitored by the JCR Eurasia Rating during the upcoming periods.

