

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 FC ISR	Stable	-
	International LC ISR	-	-
	Foreign Currency	BB (Negative)	-
Sovereign*	Local Currency	BB (Negative)	-
	Local Currency	BB (Negative)	-

* Assigned by JCR on Aug 18, 2022

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)**, revised the outlook from 'Stable' to 'Positive' 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 90 authorized service providers in 57 provinces across Turkey, 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

- Despite the weakening global economy, constraints on supply delivery logistics challenges, and chip inadequacy, increase in revenue and sales volume on unit basis through years,
- Upward trend in profitability indicators during the reviewed periods,
- Robust leverage structure in spite of short-term weighted maturity composition of total financial liabilities,
- Satisfactory cash flows metrics underpinning financial stability in the recent periods,
- Asset quality supported by immaterial collection risks,
- Strong cash conversion cycle although high level of inventory due to risk management measures against supply chain bottlenecks,
- Reputable partnership structure backed by AG Anadolu Holding, Isuzu and Itochu.

Constraints

- Increasing share of short-term financial debt in the funding structure, may pressuring liquidity metrics,
- Noteworthy contribution of non-cash revaluation to expansion of asset size and equity,
- Global economic growth slows down evidenced by commodity prices and trade figures on the back of rapid monetary tightening, coupled with domestic restrictive financial conditions.

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, increasing sales volume, Q1 2023 financial results of the Company and expectations for the sector are important indicators for the outlook of ratings and the outlook for Long-Term National Issuer Credit Rating is revised as '**Positive**'. The Company's sales and profitability performance, cash flow generation capacity, trend of financial indebtedness, asset and equity growth, FX position asset quality will be closely monitored by JCR Eurasia Rating in the upcoming periods.

