

## Corporate Credit

### Rating

New  Update

**Sector:** Automotive

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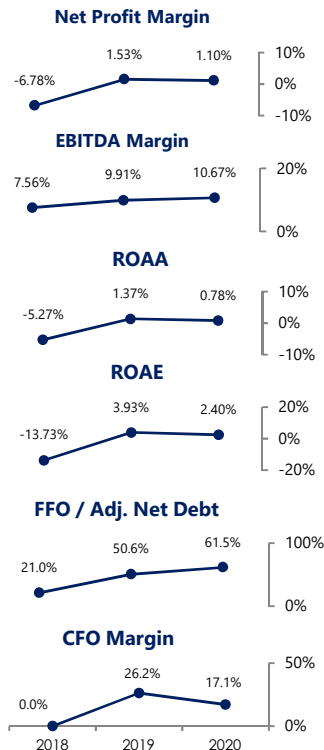
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### RATINGS

		Long Term	Short Term
National	Local Rating	A (Trk)	A-1 (Trk)
	Outlook	Stable	Stable
	Issue Rating	-	-
International	Foreign Currency	BBB-	A-3
	Local Currency	BBB-	A-3
	Outlook	FC: Stable LC: Stable	Stable
	Sponsor Support	1	-
Sovereign*	Stand-Alone	A	-
	Foreign Currency	BB	-
	Local Currency	BB	-
	Outlook	FC: Stable LC: Stable	-

\*Assigned by JCR on May 31, 2021



## 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 an investment-grade category and assigned the ratings as “A (Trk)” on the Long-Term National Scale and as “A-1 (Trk)” on the Short-Term National Scale with ‘Stable’ outlooks. On the other hand, the Long Term International Foreign and Local Currency Ratings have been assigned as ‘BBB-/Stable’.

The foundations of “Anadolu Isuzu Otomotiv Sanayi ve Ticaret A.Ş.” (hereinafter referred to as ‘ASUZU’ 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 93 authorized service providers in 60 provinces across Turkey, Anadolu Isuzu has distributors in more than 40 countries. The Company’s financial statements are fully consolidated with its %100 owned subsidiary **Ant Sınai ve Tic. Ürünleri Paz. A.Ş.**, which trade 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 14.86% is traded in the stock market.

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

#### Strengths

- Recovery in commercial vehicle sales volume and leader position in domestic light truck and midi-bus production,
- Increase in profitability metrics driven by EBITDA generation capacity,
- Strengthened cash generation capacity and cash flow metrics underpinning financial stability,
- Improvement on financial risk indicators through decreasing financial leverage,
- Attaching great importance to R&D activities,
- High level of compliance regarding corporate governance implementations.

#### Constraints

- Raw material prices, FX rate fluctuations and freight prices may pressure profitability margins,
- Global economic slowdown exacerbated by the Covid-19 pandemic,
- Import dependence on merchandise requirements from the Group,
- Global chip shortage stands out as a potential risk ahead for the company and industry,
- Low level of paid in capital compared to asset and equity size, pressuring equity quality.

Considering the aforementioned points, the Long-Term National Rating of Company has been assigned as ‘A (Trk)’. Additionally, positive developments in the automotive sector in 2020 and the first half of 2021, and accordingly the increase in company’s sales volume and profitability, liquidity profile, term structure of existing debt facilities, strong shareholder structure and group synergy are the drivers of the “Stable” outlook on the ratings. Debt and equity level, cash flow and liquidity metrics, asset quality, net profit indicators and domestic/global sectoral developments are the priority issues to be followed by JCR Eurasia Rating in the upcoming period. The macroeconomic indicators at national and international markets, as well as market conditions and legal frame about the sector will be continued to be monitored.

The Sponsor Support notes and associated risk assessments reflect the financial and non-financial positions of AG Anadolu Grubu Holding A.Ş., Isuzu Motors Ltd. and Itochu Corporation, the ultimate controlling shareholders of the Company. Considering financial strength, long-lasting presence, operational support of the controlling shareholders, the Company’s Sponsor Support Grade has been assigned as “1”, which denotes the highest level of external support. Considering the Company’s sufficient knowledge and experience to manage the risk in their balance sheet without shareholder support, the Stand Alone Note of the Company has been assigned as “A”, corresponding to the highest level in JCR Eurasia Rating’s notation system.