

Corporate Credit & Rating

New Update

Sector: Automotive (PC & LCV)

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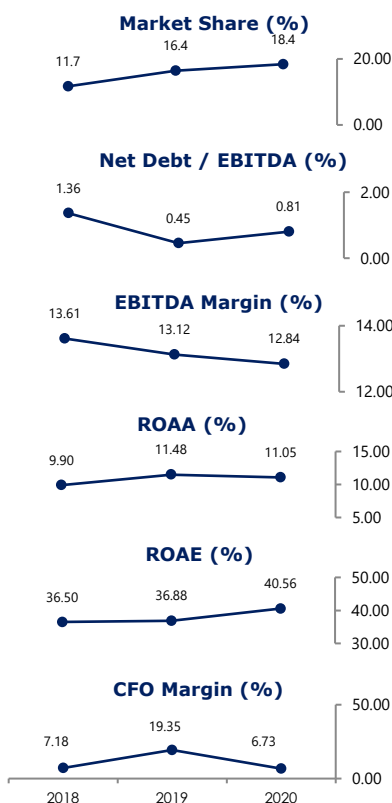
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RATINGS

		Long Term	Short Term
National	Local Rating	AAA (Trk)	A-1+ (Trk)
	Outlook	Stable	Stable
	Issue Rating	AAA (Trk)	A-1+ (Trk)
International	Foreign Currency	BB	B
	Local Currency	BB	B
	Outlook	FC Stable LC Stable	Stable Stable
Sponsor Support		1	-
Stand-Alone		A	-
Sovereign	Foreign Currency	BB	-
	Local Currency	BB	-
	Outlook	FC Stable LC Stable	- -

*Assigned by JCR on May 31, 2021



Tofaş Türk Otomobil Fabrikası A.Ş.

JCR Eurasia Rating, has evaluated **Tofaş Türk Otomobil Fabrikası A.Ş.** in investment-level grade category assigned the ratings on the Long Term National Scale as '**AAA (Trk)**' and the Short Term National Scale as '**A-1+ (Trk)**' with '**Stable**' outlooks. On the other hand, the Long Term International Foreign and Local Currency Ratings have been assigned as '**BB/Stable**'.

Tofaş Türk Otomobil Fabrikası A.Ş. (referred to as the '**Tofaş**' or '**the Company**' or '**the Group**'), was established in 1968 and is engaged in production of 'FIAT' branded personal cars (PC) and light commercial vehicles (LCV), and is the only company in Turkey that produces both personal cars and light commercial vehicles. In addition to the sedan (SD), hatchback (HB), station wagon (SW) and cross models of the 'Fiat Egea' family, the 'Fiat Doblo' and 'Fiorino' models are also produced in the Tofaş Factory. The Company carries out its productions at its facilities in Bursa, established on a total area of 1,000,000 m², 350,000 m² of which is closed, and the facility has an annual production capacity of 450,000 vehicles. As of FYE2020, the staff force of the Company was 6,943 (5,403 personals were hourly wage workers) (2019: 6,787). The Company exports its vehicles as well as selling them to the domestic market. While Egea is presented to different parts of the world under the brand name of 'Fiat Tipo', Doblo is exported to the USA under the 'Ram ProMaster City' brand and to other parts of the world with its original brand name. The Company is also distributor of six automotive brands (Fiat, Fiat Professional, Alfa Romeo, Jeep®, Maserati, Ferrari) in the domestic market. Tofaş ranked 8th in the 'Turkey's Top 500 Industrial Enterprises 2020' list of Istanbul Chamber of Industry (FYE2019: 7th) and ranked 8th in the general ranking and 4th in the sectoral ranking in the 'Turkey's Top 1000 Exporters 2020' survey of Turkish Exporters Assembly.

The shareholders of the Company are Koç Holding A.Ş. (37.59%), the Koç Group Companies and the Koç Family (0.27%), Stellantis N.V. (37.86%), and rest of the shares (24.28%) have been traded on Borsa İstanbul Index (BIST) since 1991 under ticker-name of 'TOASO'. The Koç Group, whose foundations were laid in 1926, has an important place for the Turkish economy with its combined turnover corresponding to 8% of the national income and 9% share in Turkey's exports. Koç Holding A.Ş., which is one of the leading investments holding companies of Turkey, is the only Turkish company in the Fortune Global 500 list. Koç Holding A.Ş. operates in the energy, automotive, durable consumer goods and finance sectors.

Fiat Chrysler Automobiles (FCA) and Groupe t have officially merged in 1 January, 2021 to create Stellantis N.V., a multinational automotive company, bringing together 14 vehicle brands across the globe. With the completion of a merger that has been in the works for more than a year, Stellantis becomes the fourth-biggest automaker in the world by volume and third-biggest by revenue. Stellantis owns the brands Abarth, Alfa Romeo, Chrysler, Citroen, Dodge, DS, Jeep®, Lancia, Maserati, Opel, Peugeot, Ram and Vauxhall.

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

Strengths

- Remarkable financial results of the Company in 3Q2021
- Low credit risk of receivables supporting to the asset quality
- High level of debt service capacity via improvement in EBITDA generation capacity and in cash level
- Reasonable equity level mainly consisting retained earnings and net profit
- Market diversification via material share of exports and mitigating FX loss risk via creating natural hedge
- Long lasting track record of the Company, supported by well-established parent company and international recognition of 'Fiat' brand
- The leading position of Fiat Brand in domestic and satisfactory production capacity of the Company
- Having competitive advantages thanks to product creation capability through strong R&D center.

Constraints

- Global chip shortage stands out as a potential risk ahead for the Company and the industry
- Competitive nature of the automotive industry
- High correlation with macroeconomic dynamics in the sector
- Contraction in the global automotive sector
- Possible negative impacts of the pandemic (Covid19)'s unprecedented damage on the economy and economic activities

Considering the above-mentioned factors, the Company's Long-Term National Rating has been assigned as '**AAA (Trk)**'. The Company's long lasting record supported by well-established parent company, the leading position in domestic, satisfactory production capacity, market diversification via material share of export, low credit risk of receivables, high level of debt service capacity, reasonable level of equity and strong R&D center have been evaluated as important indicators for the stability of the ratings and the outlooks for Long and Short Term National Ratings are determined as '**Stable**'. The Company's financial structure, efficiency of investments, and the possible impacts of the Covid-19 virus epidemic on the global and Turkey's economy and its effects on the Company's activities are closely monitored by **JCR-ER** in upcoming periods. The macroeconomic indicators at national and international markets, as well as market conditions and legal frame about the sector will be monitored as well.

The financial strength and expected support of the Company's shareholders lay the foundation for the Company's Sponsor Support assessment. The Company's main shareholders are Koç Holding A.Ş. and Stellantis N.V.. The shareholders have the willingness and experience to the ensure long term liquidity and equity depending on the adequacy of their financial strength when required and to provide efficient operational support to the Company. Within this context, the '**Sponsor Support**' has been determined as **(1)** on **JCR Eurasia Rating** notation scale.

On the other hand, considering the Company's equity level, ongoing operations, liquidity reachability and internal resource generation capacity, we, as JCR Eurasia Rating, state the opinion that the Company has reached the level of adequate experience and facilities to manage the incurred risks on its balance sheet regardless of any assistance from the shareholders, if it preserves its current customer level, efficiency and existing macroeconomic level in the market. Within this context, the '**Stand-Alone**' grade of the Company has been affirmed as **(A)** in the **JCR Eurasia Rating** notation system.