

Corporate Credit Rating

New Update

Sector: Rent a Car

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Analyst

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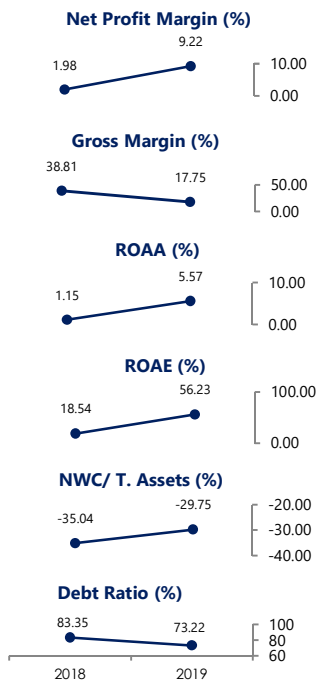
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RATINGS

| | | Long Term | Short Term | |
|---------------|-----------------------------|-----------|------------|----------|
| International | Foreign Currency | CC | C | |
| | Local Currency | CC | C | |
| | Outlook | FC | Negative | Negative |
| | | LC | Negative | Negative |
| Issue Rating | - | - | | |
| National | Local Rating | BB- (Trk) | B (Trk) | |
| | Outlook | Stable | Stable | |
| | Issue Rating | - | - | |
| | Sponsor Support Stand-Alone | 3 | - | |
| Sovereign* | Foreign Currency | BB+ | - | |
| | Local Currency | BB+ | - | |
| | Outlook | FC | Negative | - |
| | | LC | Negative | - |

*Assigned by JCR on April 10, 2020



Zeplin Turizm Taş. Yat. San. ve Tic. Ltd. Şti.

JCR Eurasia Rating, has assigned the ratings of “Zeplin Turizm Taşımacılık Yatırım San. ve Tic. Ltd. Şti.” on the Long-Term National Scale as ‘BB- (Trk)’ and on the Short-Term National scale as ‘B (Trk)’. The outlooks for Long and Short Term National ratings were determined as ‘Stable’. On the other hand, the Long Term International Foreign and Local Currency ratings and outlooks were also assigned at ‘CC/Negative’.

With foundations dating back to 2001, Zeplin Turizm Taşımacılık Yatırım San. ve Tic. Ltd. Şti. (referred to as ‘the Company’ or ‘Zeplin Turizm Taşımacılık’) operates in the fields of car rental services. Headquartered in Antalya, the Company’s has 38 branch office in Adapazarı, Ankara, Antalya, Denizli, İzmir, İstanbul and İzmit as well as 41 agencies in country wide as of FYE2019. The Company, mainly focuses on car rental to corporate clients, rents an average of 2,000 vehicles per day. Additionally, the Company closely monitors sectoral developments and chases the investment opportunity in the fields of “hourly car sharing”. Hakan SEVİM has the total share of the Company as of FYE2019. The Company has no subsidiary or affiliate as of FYE2019.

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

Strengths

- Notwithstanding decrease in operational profit margin, bottom line profit enlargement supported by gain on sales of vehicles
- Expected positive outlook in the medium and long term of fleet leasing and car rental sector due to willingness of companies to prefer leased vehicles
- Client portfolio including corporate companies that supports asset quality
- Low credit risk level evidenced by client structure and concentration level
- Asset structure, capable of converting into cash rapidly

Constraints

- Lack of availability of independent audit report for past periods, limiting trend analysis
- High level of leverage metrics in spite of signs of recovering in debt ratio
- Continuing net working capital deficit over the reviewed period
- Rapid fluctuations in used-car prices in the market
- The Covid-19 pandemic increasing vagueness on global and local economy
- Absence of corporate organization and financial management with clear separation of duties & responsibilities

Considering the aforementioned points, the Company’s the Long Term National Rating has been assigned as ‘BB- (Trk)’. Under normal conditions operational fleet leasing sector as well as rent a car sector is expected to grow in Turkey due to increasing trend of using more leased vehicles by companies instead of buying. However, coronavirus outbreak has become an important phenomenon recently and rearranged all the expectations and forecasts. Notwithstanding daily rental sector is affected negatively due to cancellation of flights, curfews etc., individuals who do not have a car tend to purchase or rent a car instead of using public transportation during the pandemic. On the other hand, the ability of tangible assets to rapidly convert into cash have been evaluated as important indicator for ‘Stable’ outlooks of long and short-term national ratings. Fluctuations in used-car prices, possible effects of the Covid-19 outbreak on the company and legal frame about the sector are closely monitored by JCR Eurasia Rating in upcoming periods. The macroeconomic indicators at national and international markets will be monitored as well.

The Company’s sole shareholder, Hakan Sevim is considered to have the willingness and experience to ensure long-term liquidity and equity within his financial capability when required to the Company. In this regard, the Company’s Sponsor Support Note has been determined as (3), in JCR Eurasia Rating’s notation system. The Company’s ‘Stand-Alone Rating’ has been assigned with respect to the Company’s market shares, growth rates and the development of existing risks in the markets and business environment. When the factors above are considered, our opinion is that the current level will continue depending on the economic conditions. In this context, the Stand-Alone Rating has been determined as (C), in JCR Eurasia Rating’s notation system.