

Corporate Credit Rating

New Update

Sector: Industrial Machinery & Equipment Manufacturing and Repair

Publishing Date: 30/03/2022

Chief Analyst

Kasım Fatih ÖZÜDOĞRU

+90 212 352 56 73

fatih.ozudogru@jcrer.com.tr

Team Leader

Çiğdem KÜÇÜKBAKIRCI

+90 212 352 56 73

cigdem.kucukbakirci@jcrer.com.tr

Analyst

Furkan GÜVEN

+90 212 352 56 73

furkan.guven@jcrer.com.tr

RATINGS		Long Term	Short Term
ICRs (Issuer Credit Rating Profile)	National ICR	A- (tr)	J2 (tr)
	National ICR Outlooks	Stable	Stable
	International FC ICR	BB	J3
	International FC ICR Outlooks	Stable	Stable
ISRs (Issue Specific Rating Profile)	National ISR	-	-
	International FC ISR	-	-
	International LC ISR	-	-
	International LC ISR Outlooks	Stable	Stable
Sovereign*	Foreign Currency	BB (Stable)	-
	Local Currency	BB (Stable)	-
	Currency	BB (Stable)	-

* Assigned by JCR on May 31, 2021

Tümosan Motor ve Traktör Sanayi A.Ş.

JCR Eurasia Rating, has evaluated the 'Tümosan Motor ve Traktör Sanayi A.Ş.' in the investment-level category and revised the Long-Term National Issuer Credit Rating from 'BBB+ (Trk)' to 'A- (tr)' and the Short-Term National Issuer Credit Rating at 'J2 (tr)' with 'Stable' outlooks. On the other hand, the Long Term International Foreign and Local Currency Issuer Credit Ratings and outlooks were assigned as 'BB/Stable' as parallel to international ratings and outlooks of Republic of Turkey.

Tümosan Motor ve Traktör Sanayi A.Ş. (referred to as 'Tümosan Motor' or 'the Company'), was established in 1975 to produce motor drive and transmission organs and similar equipment, but has concentrated its operations on diesel engine and tractor production. The first diesel engine manufacturer of Turkey, Tümosan not only provided diesel engines to tractors with the same brand, but also produced diesel engines for other brands for long years.

Tümosan Motor manufactures diesel engines and tractors with a production capacity of 75,000 diesel engines and 45,000 tractors in its Konya factory, which has a total area of 1.6 million m², 132.000 m² of which is closed. This facility with production capacities takes place in the first ranks among the largest manufacturing plants in Turkey. At present, the Company produces tractors with 268 models in 10 series and 25 main models. Apart from the agricultural machine engines, the Company also produce yacht-marine, generator and forklift engines. Currently, Tümosan Motor continues with its operations through 87 dealers, 384 services and 42 spare part dealers across the country.

The Company was founded initially as a public enterprise and then included in the scope of privatization in 1998. After the first privatization which did not result as expected, then the shares were transferred to Sümerbank in 2003. In the second privatization, the Company shares acquired by Albayrak Group company, Alçelik Çelik Yapı, in July 2004. Albayrak Group which is established in 1952, one of Turkey's diversified conglomerates active across 6 business segments namely; construction, industry, logistic, services, media and tourism with 30 companies that employ close to 20.000 workers. As of the current period, Tümosan Motor's shareholders are Ereğli Tekstil (60.87%) which is controlled by Albayrak Family, Albayrak Family members with 10.44% shares and 28.69% of the total shares are publicly traded on Borsa İstanbul (BIST). On December 5, 2012 the shares of the Company were offered to public and have been traded on the Borsa İstanbul (BIST) with the 'TMSN' ticker-name. The Company currently takes places in the constituents of BIST Star, BIST 100, BIST Industrials, BIST Konya, BIST Metal Products and Machinery.

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

Strengths

- Improvement in receivables turnover, supporting the cash flow of the Company
- The turnover growth supported by the increase in engine sales, as well as the preserved tractor demand in line with the ongoing incentive - based structure of agriculture sector in 2021
- Improvement in the EBITDA generation capacity with increase in sales volume and the effective cost management
- Brand awareness in both agriculture and defense sectors with its long track record and strategic production activities
- Attained importance in R&D capabilities and emphasis on compliance with international quality standards
- Conformity with the corporate governance principles as a publicly traded company

Constraints

- Increase in non-performing receivables level in total receivables
- Despite the raise in EBITDA generation, increased short term debt service coverages in line with high inventory level policy
- Notable contribution of revaluation gains in equity composition, which do not reduce funding needs
- The geopolitical risks stemming from the Russia-Ukraine tension increasing commodity prices and weakening the risk appetite towards EMS

Considering the aforementioned points, the Company's the Long-Term National Issuer Credit Rating has been revised from 'BBB+ (Trk)' to 'A- (tr)'. Expansion of asset size, strong equity level, increase in net sales, upward trend in EBITDA generation capacity, Tümosan Motor sector experience and brand awareness have been evaluated as important indicators for the stability of the ratings and the outlooks for Long and Short-Term National Issuer Credit Ratings are affirmed as 'Stable'. The Company's financial structure, efficiency of investments, the possible impacts of the Russia-Ukraine War on the global and Turkey's economy and its effects on the Company's activities are closely monitored by JCR Eurasia Rating in upcoming periods. The macroeconomic indicators at national and international markets, as well as market conditions and legal framework about the sector will be monitored as well.

