

## Corporate Credit Rating

New  Update

Sector: Automotive  
 Publishing Date: 10/11/2020

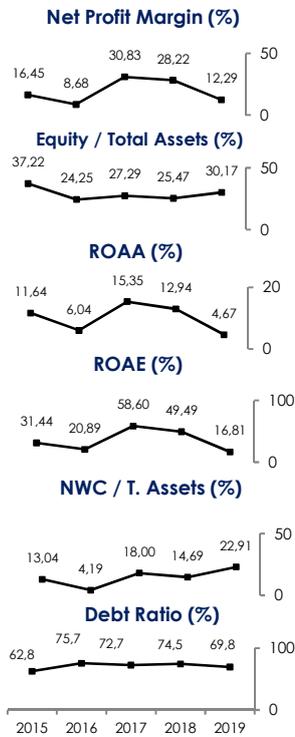
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### RATINGS

		Long Term	Short Term	
International	Foreign Currency	BB+	B	
	Local Currency	BB+	B	
	Outlook	FC	Negative	Negative
		LC	Negative	Negative
Issue Rating	-	-		
National	Local Rating	A (Trk)	A-1 (Trk)	
	Outlook	Stable	Stable	
	Issue Rating	-	-	
Sponsor Support	2	-	-	
Stand-Alone	B	-	-	
Sovereign*	Foreign Currency	BB+	-	
	Local Currency	BB+	-	
	Outlook	FC	Negative	-
LC		Negative	-	

\*Assigned by JCR on April 10, 2020



## Bozankaya Oto. Mak. İma. İth. ve İhr. A.Ş.

JCR Eurasia Rating has evaluated **Bozankaya Otomotiv Makine İmalat İthalat ve İhracat A.Ş. (Bozankaya)** 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 at “**BB+ / Negative**”.

**Bozankaya** has its roots from Germany as an R&D company established in 1989. In 2003, **Bozankaya** expanded to Turkey. The company was established as a limited company in Ankara, where it became a domestic brand, building on its R&D investments of the previous years. In 2011, the legal status of the Company was changed to a joint stock company. In 2018, **Bozankaya** expanded further with the new 100,000m<sup>2</sup> production center in the Sincan 1<sup>st</sup> Organized Industrial Zone on the outskirts of Ankara. This facility was specifically designed for the production of rail system vehicles such as metro trains, trams as well as electric commercial vehicles such as the trambus and e-bus. **Bozankaya**, which has pre-dominantly delivered projects in the domestic market along with the completion of numerous others in the international arena, maintains its growth trend through its enriched production facilities and workforce that utilizes and implements modern technologies. In June 2018, **Bozankaya** became the first Turkish company to export metro trains to the project in Bangkok. The Company also built an extensive know-how in the tram business with completed projects in Romania. With this strong track record, the Company expands its project portfolio with new contracts.

### Strengths

- Pioneer profile in the e-bus, tram, and metro vehicles production and favorable core operating profitability supported with new contracts
- Strong R&D center and new product and technology creation power
- Reputable brand name with a proven successful track record and rising project portfolio volume in various countries
- High growth potential in the rail system vehicles’ business in target markets and established relationships and close ties with global brands
- Moderate equity level dominated by retained profits
- High sectoral support encouraging the use of rail system vehicles as well as electric commercial vehicles

### Constraints

- Ongoing uncertainties arising from the global Covid-19 pandemic, pressuring the local and global economic outlook
- Foreign currency risk exposure through financial liabilities, requiring close monitoring despite FX linked revenues providing natural hedge
- Increasing share of short-term debt in total financial debt
- Competitive pressures inherent in the sector in key markets, downwardly pressuring profit margins
- Further improvement needs in the level of compliance with Corporate Governance Practices given the Company’s size and international reach

Considering the aforementioned points, the Company’s the Long-Term National Rating has been assigned at “**A (Trk)**”. The Company’s proven track record, know-how, brand awareness and capability to access funding resources along with the deterioration both in local and global macroeconomic indicators and ongoing uncertainties due to the Covid-19 pandemic have been evaluated as important indicators for “**Stable**” outlooks of long and short-term national ratings. On the other hand, the Company’s revenue and profitability performance, trend of trade receivables, risk impacts of the TRY’s depreciation on activities and local and global macroeconomic indicators during Covid-19 pandemic will be closely monitored by JCR Eurasia Rating.

It is considered that the major controlling shareholder, **Murat Bozankaya**, has the willingness and capability to ensure long term liquidity equity as well as provide efficient operational support to **Bozankaya** within its financial capability if required, when taking into consideration the Company’s position achieved in its sector. In this regard, the Company’s Sponsor Support grade has been determined as (2) on JCR Eurasia Rating’s notation scale, denoting an adequate level.

On the other hand, we, as **JCR Eurasia Rating**, believe that **Bozankaya** has the sufficient experience and facilities to manage its obligations without any assistance from its shareholders taking into account the Company’s know-how and long experience in domestic and overseas markets, the improved ability to create beneficial and collaborative international and local partnerships, current pipelined projects with relatively high cash and profit generation potential, asset size and quality, equity-debt level, and experienced senior management team. Within this context, the Stand Alone note of **Bozankaya** has been determined as (B) in the **JCR Eurasia Rating** notation system, indicating an adequate level.