

## Corporate Credit & Issue Rating

New  Update

Sector: Automotive  
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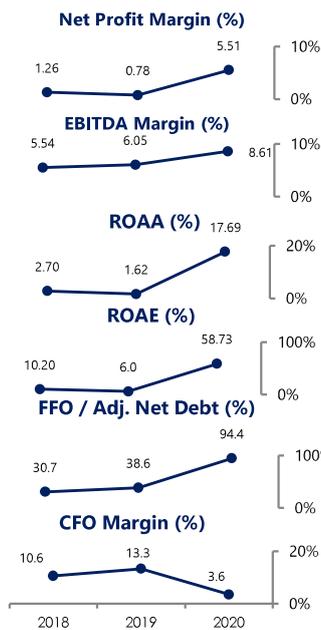
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### RATINGS

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

\*Assigned by JCR on April 10, 2020



## Doğuş Otomotiv Servis ve Ticaret AŞ

JCR Eurasia Rating, has evaluated **Doğuş Otomotiv Servis ve Ticaret AŞ** in investment-level category on the national scale and assigned the ratings on the Long-Term National Scale as **'A+(Trk)'** and the Short-Term National Scale as **'A-1 (Trk)'** with **'Stable'** outlooks.

**Doğuş Otomotiv Servis ve Ticaret A.Ş.** (or "Company") was established on November 24, 1999 as a distributor of Volkswagen AG, and its activities include importing, marketing and selling automobiles and spare parts of Volkswagen Group brands, such as VW, Audi, Seat, Porsche, Bentley, Lamborghini, Bugatti and Scania, Scania Power Solutions industrial and marine engine and, Thermoking climate control systems. With a 50% interest in Yüce Auto, the Distributor of Skoda brand, it only exercises a significant influence but no control on the operations of Yüce Auto. Since the beginning of 2021 it also operates in the field of after sales services and spare parts with Doğuş Marine Services business unit. The Company also operates in the used car market across Turkey throughout its dealer network under the brand name "DOD". Also, the shares of the "Company" have been traded on Borsa Istanbul A.Ş. since 17 June 2004.

The automotive industry is an important economic power and capital-intensive sector globally. The sector, which plays an important role in the development of countries, also supports the global economy. The automotive industry consumes the production of industries such as iron, petrochemical, aluminium, steel, glass, textile, plastic and rubber. Therefore, any problem that may occur in the sector is of strategic importance due to the possibility of rapidly spreading to other sectors.

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

Strengths	Constraints
<ul style="list-style-type: none"> <li>Steady cash inflow and strong EBITDA generation capacity</li> <li>Increase in sales volume and gross profit margin</li> <li>High collection ability of receivables via "VDF Factoring System"</li> <li>Solid corporate governance structure</li> <li>The positive trend in brand portfolio and strong market shares</li> <li>Diversification of revenues through alternative services</li> </ul>	<ul style="list-style-type: none"> <li>Pricing limitations due to high tax level and fluctuations on the value of Turkish Lira against hard currencies</li> <li>Moderately high and stable financial leverage and increasing interest rates affecting coverage ratios</li> <li>Ongoing uncertainties arising from the global Covid-19 pandemic, pressuring the local and global economic outlook</li> <li>Competitive pressures inherent in the sector in key markets, downwardly pressuring profit margins</li> </ul>

Considering the aforementioned points, the Company's Long-Term National Rating has been assigned as **'A+(Trk)'**. Growth in the sales volume and gross profit margin, the positive trend in brand portfolio and brand recognition in the sector 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'**. 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** 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.

The major controlling shareholder is a known conglomerate to possess a good financial strength. It has created brands that are widely recognized by consumers with investments dispersed across the country. The "Company" is known to have an independent autonomous financial structure and it has proven itself with its long operational track record. In consideration, the "Company" is an important player within the shareholding structure. Within this context, the Sponsor Support grade has been determined as **(2)** on **JCR Eurasia Rating's** notation scale denoting an adequate level.

The "Company's" 'stand-alone rating' has been determined with reference to the Company's market share, net asset value and sales growth, asset quality, risk management policies and the trends of the existing risks in the markets and the business environment by taking its internal sources into account. When these factors are considered, our opinion is that the Company has the desired level of experience, know-how and other required capabilities to manage the occurring risks in its financial structure through internal means. As a result of all of these factors, the stand-alone note of the "Company" has been determined as **(AB)**.