

Corporate Credit & Issue Rating

New Update

Sector: Earth Mover and Agricultural Tractor

Publishing Date: 24/12/2021

Senior Analyst

Merve HAYAT
 +90 212 352 56 73

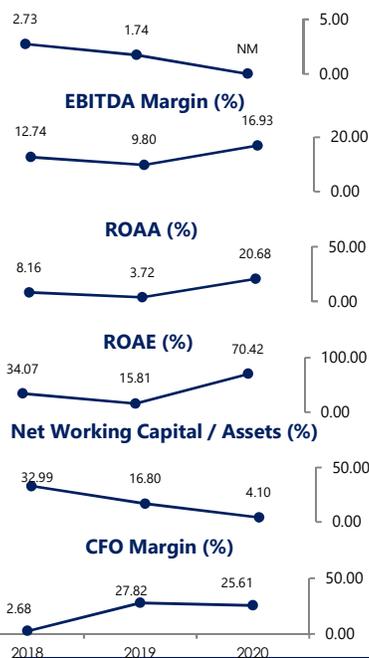
merve.hayat@jcrer.com.tr

RATINGS

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

Adjusted Net Debt / EBITDA (x)



Türk Traktör ve Ziraat Makineleri A.Ş.

JCR Eurasia Rating, has evaluated National Corporate credit ratings of “Türk Traktör ve Ziraat Makineleri A.Ş.” in the highest investment grade category and determined the ratings as “AAA(Trk)” on the Long-Term National Scale and as “A-1+ (Trk)” on the Short-Term National Scale with “Stable” outlooks. Long Term International Local and Foreign Currency ratings and outlooks of the Company are capped at “BB/Stable”, the same level as the sovereign ratings and outlooks of Turkey.

“Türk Traktör ve Ziraat Makineleri A.Ş.” (hereinafter referred to as “TürkTraktör” or the “Company”) established on June 1954 in Ankara, as Minneapolis Moline Türk Traktör ve Ziraat Makineleri A.Ş. by MIKE, TZDK, Ziraat Bankası, Tarış, Çukobirlik and MinneapolisMoline from the US and main operating field of Company is manufacturing and trading of farm tractors, harvesters and other agricultural machinery and equipment. The title of the Company was changed as TürkTraktör Ziraat Makineleri A.Ş. in 1968 following the purchase of 25% of the shares held by Ege Makina ve Ticareti A.Ş., a group company of the Koç Holding A.Ş. (“Koç Holding”).

TürkTraktör continues to stand by the farmers with its widespread sales and service network throughout Turkey. TürkTraktör, transfers its 67 years of experience 4 continents in the world and services to farmers all over Turkey with 131 tractor sales dealers, 147 spare parts dealers and 42 construction equipment dealers. In addition to Company’s import and distribution agreement signed with CNHI International SA, for the domestic oriented activities of providing sales, marketing and after-sales services for New Holland and Case branded imported construction equipment, TürkTraktör also started to manufacture the Case and New Holland construction equipment in Turkey in 2020. The major shareholders of the Company are Koç Holding and CNHI Osterreich GmbH, and 25% of shares are publicly traded on the BIST with the ticker symbol “TTRAK”.

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

Strengths	Constraints
<ul style="list-style-type: none"> As a Turkey’s leading tractor manufacturer, strong market presence and solid synergy created by distributorship of Case and New Holland brands Diversified nationwide customer base thanks to long track record and accumulated know-how in the sector High liquid financial structure and cash surplus against financial debts Increasing equity level thanks to solid internal resource generation capacity Strong inter/national client base sustaining sales revenue with diversified product portfolio and production capacity Segregated position in the sector with the latest technology production processes and R&D activities that embracing innovation and sustainability approach The positive impact of the increasing demand for tractor in agricultural sector and extending sales revenue thanks to large number of dealers and sales points Maintaining growth trend through ongoing investments and expanding product range As a publicly traded company, high level of compliance with corporate governance practices 	<ul style="list-style-type: none"> High dependence on agriculture sector in tractor sales Ongoing uncertainties arising from the global pandemic and Covid-19 outbreak’s unprecedented damage on the economic activities affecting investment plans

Considering the aforementioned drivers, the Company’s the Long-Term National Rating has been determined as “AAA (Trk)”. The competitive advantage owing to established market position, the positive contribution of the recovery in tractor sectors to Company’s sales and production amounts and EBITDA generation capacity, improved financial leverage levels with strengthened equity via solid internal resource generation capacity, expanding sales revenue in domestic and international markets with large nationwide number of dealers and sales points, high liquid balance sheet composition, financing capabilities through the ease of financial access, world-wide export power, manufacturing facilities that are compliant with international quality standards and synergies created by Koç Group and CNHI International SA have been evaluated as important indicators for the determination of the ratings with the outlooks for the Long and Short-Term National Ratings as “Stable”. Sustainability of the Company’s sales performance, cash and EBITDA generation performance together with the trends in the sector, the continuity of liquid financial structure, financial leverage levels, national and international policy implementation to the sector, the developments regarding the global and domestic macroeconomic indicators and the generation of internal resources and cash flows to meet debt payments are the principle factors that will be monitored by JCR Eurasia Rating in the upcoming period.

It is considered that the major controlling shareholder, “Koç Holding A.Ş.” and “CNHI International SA” possess the financial strength and willingness to provide liquidity for “TürkTraktör” should such a need arise taking into consideration its long operational track record, investments and generated employment opportunities. Within this context, the Sponsor Support grade has been determined as (I) on JCR Eurasia Rating’s notation scale, denoting the strongest level.

On the other hand, as JCR Eurasia Rating, regardless of the support at the shareholder level, taking into account the Company’s brand and market awareness in national and international markets, competitive advantages provided by sales to a wide range of prestigious customers, presence of an experienced management team, accelerated sales revenue, EBITDA margin, liquidity position, funding profile, equity structure, risk management practices, we, as JCR Eurasia Rating, are of 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, provided that it improves its current customer level, efficiency, and existing macroeconomic level in the market. Within this context, the Stand Alone grade of the Company has been determined as (A) in the JCR Eurasia Rating notation system, indicating the strongest level.