

## Corporate Credit Rating

New  Update

**Sector:** Automotive Dealership

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R A T I N G S		Long Term	Short Term
ICRs (Issuer Credit Rating Profile)	National ICR	BBB+ (tr)	J2 (tr)
	National ICR Outlooks	Stable	Stable
	International FC ICR	BB	-
	International FC ICR Outlooks	Stable	-
	International LC ICR	BB	-
ISRs (Issue Specific Rating Profile)	National ISR	-	-
	International FC ISR	-	-
	International LC ISR	-	-
Sovereign*	Foreign Currency	BB (Stable)	-
	Local Currency	BB (Stable)	-

\* Assigned by JCR on May 10, 2024

## İnallar Otomotiv Sanayi ve Ticaret Anonim Şirketi

JCR Eurasia Rating, has evaluated "İnallar Otomotiv Sanayi ve Ticaret Anonim Şirketi" in the investment grade category and upgraded the Long-Term National Issuer Credit Rating from 'BBB- (tr)' to 'BBB+ (tr)' and the Short-Term National Issuer Credit Rating from 'J3 (tr)' to '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 Türkiye.

**İnallar Otomotiv Sanayi ve Ticaret Anonim Şirketi** (hereinafter referred to as 'İnallar Otomotiv' or 'the Company') which was founded in 1990 in Bursa, operates in automotive industry through sales of new/used automobiles, car rental and services. The Company is an authorized dealer of widely-known brands, namely Honda, Kia, Hyundai, Citroen and recently involved Honda Motorcycles. İnallar Otomotiv currently has three showrooms and service centers. Besides, the Company also realizes different types of construction projects including commercial and accommodation, real-estate investments and machine oil export activities. Within its construction activities, the Company completed three residential and one office projects and, continues with three projects having both residential and commercial units.

Since 2019, the Company has issued Private Sector Bonds. Thus, the Company is obliged to form its governance in compliance with Capital Markets Board of Türkiye ('CMB').

The shareholder structure of İnallar Otomotiv is composed solely by Turgut İnal. The Company employed a staff force of 284 as of FYE2023 (FYE2022: 254).

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

### Strengths

- Increase in sales revenues backed by sales volume in FY2023
- Improvement in leverage indicators as of FYE2023
- Notable share of equity size in asset financing supported by the increase in paid-in capital as of FYE2023
- Improvement in cash flow from operations together with strengthening FFO debt service coverage ratio
- Diversification of revenue stream from car sales & rental activities and construction projects
- Long track record in business dating back to 1990s

### Constraints

- Contraction in core profitability metrics due to notably increasing Op-Ex, COGS, and financing expenses in FY2023 which continue as of 2Q2024
- Changing prices due to tax regulations, fluctuations in exchange rate and competitive market conditions that directly affect the vehicle demand
- High exposure of the construction sector to macroeconomic conditions due to the volatile input cost
- Leading economic indicators signal global economic slowdown whereas quantitative tightening actions aim to restrict consumption growth and achieve a soft-landing in the domestic side

Considering the aforementioned points, the Company's Long-Term National Issuer Credit Rating has been upgraded from 'BBB- (tr)' to 'BBB+ (tr)' as the Company's growing revenue along with the increasing business volume, improvement in leverage metrics especially in short-term profile, diversified revenue stream generated from the car sales and rental services besides repair and maintenance through the authorized dealership of well-known brands, ongoing construction works and newly commenced projects despite the contracting key profitability margins, volatile market conditions and susceptibility of the industry to macroeconomic conditions and other global downsides 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 determined as 'Stable'. The Company's cash flows, indebtedness level, revenue and profitability performance, liquidity level and effects of the global recession 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.

