

Corporate Credit Rating

New Update

Sector: Automotive

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Team Leader

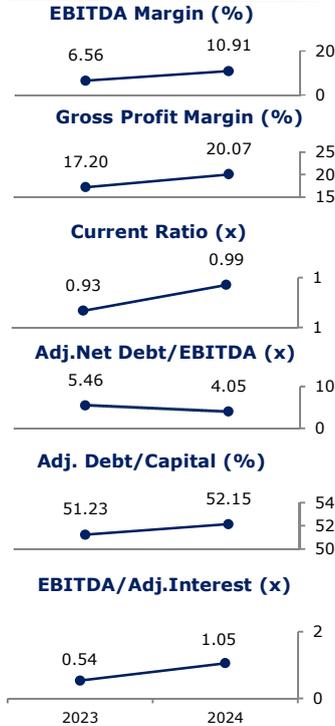
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RATINGS		Long Term	Short Term
ICRs (Issuer Credit Rating Profile)	National ICR	A (tr)	J1 (tr)
	National ICR Outlooks	Stable	Stable
	International FC ICR	BB	-
	International FC ICR Outlooks	Stable	-
ISRs (Issue Specific Rating Profile)	International LC ICR	BB	-
	International LC ICR Outlooks	Stable	-
Sovereign*	National ISR	-	-
	International FC ISR	-	-
Sovereign*	International LC ISR	-	-
	Foreign Currency Local Currency	BB (Stable)	-
Sovereign*	Local Currency	BB (Stable)	-

* Assigned by JCR on May 10, 2024



KARSAN OTOMOTİV SANAYİ VE TİCARET A.Ş.

JCR Eurasia Rating has evaluated "Karsan Otomotiv Sanayi ve Ticaret A.Ş." in the investment grade category with high credit quality and revised the Long-Term National Issuer Credit Rating from 'A- (tr)' to 'A (tr)' and the Short-Term National Issuer Credit Rating from 'J2 (tr)' to 'J1 (tr)' with 'Stable' outlooks. On the other hand, the Long Term International Foreign and Local Currency Issuer Credit Ratings and outlooks have been assigned as 'BB/Stable' as parallel to international ratings and outlooks of Republic of Türkiye.

Karsan Otomotiv Sanayi ve Ticaret A.Ş. (referred to as 'the Company' or 'Karsan'), was established on August 27, 1966 by 269 investors. The majority of Karsan's shares were acquired by Koç Group in 1979, and it operated as a subsidiary of Koç Group until 1998. With the acquisition of the majority of shares of the Company by İnan Kıraca, the new group of the Company became Kıraca Holding. The Company's shares have been traded on the İstanbul stock exchange since 2000 under the ticker symbol "KARSN". According to the independent audit report, as of 31.12.2024, 58.51% of the Company's shares belong to Kıraca Holding A.Ş., and 2.05% belong to other investors. 39.44% is free float. In addition to its own branded vehicles, Karsan has developed its production culture by collaborating with many global brands such as Renault, Renault Truck, Hyundai and Peugeot. The Company currently produces models named Jest, Ata and Atak under its own brand and also carries out contract-based production. Since the early 2010s, the Company has continued its activities as an important public transportation vehicle manufacturer both locally and globally, with an increasing number of new Karsan-branded vehicle models. The Company, headquartered in Bursa/Nilüfer, has three facilities in Hasanağa Organized Industrial Zone (2) and Bursa Organized Industrial Zone. According to the independent audit report, as of 2024, Karsan employed an average of 2,364 personnel (2023: 2,496).

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

Strengths

- Maintaining a solid revenue structure in FY2024 thanks to electric vehicles, contract-based production and high capacity utilization rates,
- Improvement in financial leverage profile as of FYE2024 supported by increased EBITDA capacity,
- Sound export volume, supported by geographical diversification, provides a barrier to FX rate risk to some extent,
- Long-track record in the automotive industry and focusing on ESG activities together with electric vehicle exports, R&D, and innovation activities,
- Compliance with corporate governance practices while the operations are supported by initiatives in sustainability and social responsibility.

Constraints

- Negative net working capital in the periods analyzed due to the short-term borrowing structure,
- Long cash conversion cycle and deteriorated cash flow metrics in FY2024, due to high production and operational costs,
- Price fluctuations triggered by energy and labour costs may suppress profitability by affecting the ability to compete with global players,
- As actions for a global soft landing gain prominence, decisions with the potential to adversely affect global trade are engendering considerable uncertainty.

Considering the aforementioned points, the Company's Long-Term National Issuer Credit Rating has been revised from 'A- (tr)' to 'A (tr)'. The Company's strong revenue performance, especially in export share, recovery in financial leverage and profitability metrics, along with ongoing uncertainties arisen from geopolitical tensions as well as global interest rate hiking cycle, 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 profitability performance, asset quality and equity structure 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.