

Corporate Credit Rating

New Update

Sector: Specialty Vehicles & Equipment, Defense

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

* Assigned by JCR on August 18, 2022

KATMERCİLER ARAÇ ÜSTÜ EKİPMAN SAN. VE TİC. A.Ş.

JCR Eurasia Rating, has evaluated the "Katmerciler Araç Üstü Ekipman Sanayi ve Ticaret A.Ş." (referred to as "the Company" or "Katmerciler") in the investment-level category and affirmed the Long-Term National Issuer Credit Rating at 'A+ (tr)' and the Short-Term National Issuer Credit Rating at 'J1 (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/Negative' as parallel to international ratings and outlooks of Republic of Türkiye.

Katmerciler was established in 1985 by registered to İzmir Trade Registry. The Company and its subsidiaries ("the Group") operate in all manner of onboard equipment manufacturing, painting and welding activities. The Company is a producer of specialty vehicles, equipment and machinery such as defense industry vehicles, firefighting, garbage, jetting, rescue and tipping trucks and water cannon vehicles (Toma). The Company has a wide export network reaching more than 50 countries in the Middle East, Europe, Africa and Asia. The Company continues its operations at headquarter located in Izmir, as well as its offices located in Ankara, Istanbul and Iraq, as well as at its two factories in Ankara. As of 2Q2022, the total number of people employed by the Group is 350 (FYE2021: 387).

Company shares were offered to the public in 2010, as of 2Q2022, 79.85% of shares are trading Istanbul Stock Exchange Inc. (Borsa İstanbul). The ultimate parent of Group is İsmail Katmerci.

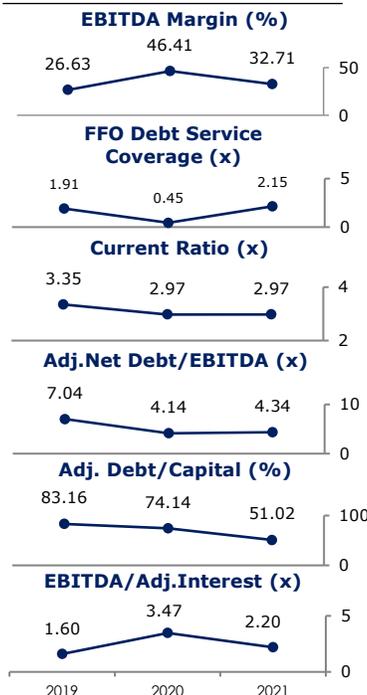
Key rating drivers, as strengths and constraints, are provided below.

Strengths

- Paid-in capital increases through right issue method
- Steady EBITDA generation capacity even if EBITDA margin fluctuates
- Acceptable liquidity metrics as a result of the long-term weighted borrowings
- Ongoing investments in the defense and other industries providing growth potential and order backlog
- Effective export network and export focused production and sales, diminishing the country risk and providing hedging against FX exposure in a certain extent
- Modest collection risk due to the customer profile populated with government entities and major vehicle producers
- High compliance with corporate governance practices owing to listed status

Constraints

- Net losses arising from mainly unrealized FX losses over the reviewed fiscal year ends
- High cash conversion cycle due to the business model
- Defense industry specific operational risk related with trade barriers of countries
- Severe competition environment in the sector



Considering the aforementioned points, The Company's Long-Term National Rating has been affirmed at 'A+ (tr)'. Export network and sales, low collection risk, paid-in capital increases and acceptable liquidity metrics 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 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.