

## Corporate Credit Rating

New  Update

**Sector:** Specialty Vehicles & Equipment, Defense

**Publishing Date:** 22.09.2023

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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	Negative	-
	International LC ICR	BB	-
ISRs (Issue Specific Rating 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 "Katmerciler Araç Üstü Ekipman San. ve Tic. 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 affirmed at 'BB/Negative' as parallel to international ratings and outlooks of Republic of Türkiye.

Katmerciler was established in 1985 in İzmir. The Company and its subsidiaries (referred to as "the Group") engage in a wide range of activities, including onboard equipment manufacturing, painting and welding. The Company specializes in manufacturing various specialty vehicles, equipment and machinery, such as defense industry vehicles, firefighting vehicles, garbage trucks, jetting vehicles, rescue vehicles, tipping trucks and water cannon vehicles ("Toma"). The Company has established an extensive export network, serving more than 50 countries in the Middle East, Europe, Africa and Asia. Headquartered in İzmir, the Company operates factories in İzmir and Ankara, with additional offices located in Ankara, İstanbul and Iraq. As of 2Q2023, the Company employs 390 people (FYE2022: 411). The Company's shares have been publicly traded since 2010 and as of the 2Q2023, approximately 79.85% of shares are listed on the Istanbul Stock Exchange Inc. ("BİST").

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

### Strengths

### Constraints

- Capital injections through right issue method in recent years
  - Consistent EBITDA generation capacity
  - Remarkable liquidity metrics and short-term cash surplus position in 2Q2023 thanks to the long-term weighted borrowing structure
  - Continuous investments in the defense and other industries allowing new opportunities and increase in order backlog
  - Effective export network reducing the country risk and providing hedging opportunities against FX exposure in a certain extent
  - Low collection risk due to the customer profile consisting of government entities and major vehicle manufacturers
  - High compliance with corporate governance practices owing to listed status
- Pressure of the mainly unrealized FX losses on profitability
  - High cash conversion cycle due to the business model
  - Defense industry specific operational risk related with trade barriers of countries
  - High competition environment in the sector
  - Global economic growth slows down evidenced by commodity prices and trade figures on the back of rapid monetary tightening, whereas domestic restrictive financial conditions limit access to finance

Considering the aforementioned points, the Company's Long-Term National Rating has been affirmed at 'A+ (tr)'. The Company's EBITDA generation capability, capital injections, remarkable liquidity metrics and low collection risk 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'. The sustainability of the Company's profitability performance, changes in market share and equity level together with the trends in financing opportunity and defense sector are going to be monitored by JCR Eurasia Rating, as well as the macroeconomic indicators at national and international markets and legal frame about the sector.

