

Corporate Credit Rating

New Update

Sector: Commercial Vehicles & Defense

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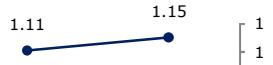
R A T I N G S		Long Term	Short Term
ICRs (Issuer Credit Rating Profile)	National ICR	A+ (tr)	J1 (tr)
	National ICR Outlooks	Stable	Stable
	International FC ICR	BB	-
	International FC ICR Outlooks	Stable	-
ISRs (Issue Specific Rating Profile)	International LC ICR	BB	-
	International LC ICR Outlooks	Stable	-
Sovereign*	National ISR	-	-
	International FC ISR	-	-
Sovereign*	International LC ISR	-	-
	Foreign Currency	BB (Stable)	-
Sovereign*	Local Currency	BB (Stable)	-

* Assigned by JCR on May 10, 2024

EBITDA Margin (%)



Current Ratio (x)



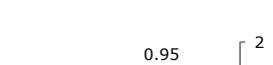
Adj.Net Debt/EBITDA (x)



Adj. Debt/Capital (%)



EBITDA/Adj.Interest (x)



Otokar Otomotiv ve Savunma Sanayi A.Ş.

JCR Eurasia Rating has evaluated "Otokar Otomotiv ve Savunma Sanayi A.Ş." (Otokar/the Company) in the investment-level category with high credit quality and revised the Long-Term National Issuer Credit Rating from 'AA (tr)' to 'A+ (tr)' and the Short-Term National Issuer Credit Rating from 'J1+ (tr)' to '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/Stable' as parallel to international ratings and outlooks of Republic of Türkiye.

Otokar was established in 1963 in Türkiye, to produce the first intercity buses of the country. The Company, produces buses and light trucks in the commercial vehicles segment, and a variety of tactical wheeled and tracked armored vehicles and turret systems for the defense industry at its Arifiye (Sakarya) plant with 552,000 m² production area. The Company offers solutions tailored to customer needs with its technologies, designs and applications. Otokar products are currently sold and used in over 75 countries and 5 continents. Otokar shares have been traded on Borsa Istanbul since April 24, 1995 with ticker symbol "OTKAR". The Company had a work force of 3,580 people as of FYE2023 (FYE2022: 2,942).

Otokar is a subsidiary of Koç Holding which is the Türkiye's largest industrial and services group in terms of revenues, exports, number of employees and total market capitalization on Borsa Istanbul. Koç Holding is the only Turkish company to be listed in Fortune Global 500 list in 2023. Koç Group has leading brands in energy, automotive, consumer durables, finance sectors. Combined revenues of the Koç Group correspond to ~8% of Türkiye's GDP and Group's exports account for ~7% of Türkiye's total exports. As of FYE2023, Koç Holding and publicly traded companies of the Group at BIST 100 accounted for ~22% of the total market capitalization of the companies listed on BIST 100.

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

Strengths

- Strong revenue and EBITDA growth with rising sales figures in FY2023
- High level of export share in the turnover
- Considerable liquid asset level easing liquidity management in a certain extent
- Competitive advantages through strong R&D center and new product-brand creation power
- Diversified external financing sources through bond issuance in FY2023
- Strong presence in Turkish defense industry and commercial vehicle industry with reputable brands and proven successful track record in various countries
- High level of compliance regarding corporate governance implementations
- Being a subsidiary of one of the Türkiye's leading investment holding companies; Koç Holding

Constraints

- Maintaining high financial leverage despite the improvement in FY2023
- Notably low interest coverage metrics
- Noteworthy financing expenses exerting pressure on net profitability
- Significant increase in net debt as of 1Q2024
- High inventory level increasing external financing need and exposure to price fluctuations to a degree
- Long cash conversion cycle
- Defense industry specific operational risk related with trade barriers of countries
- 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 the Long-Term National Issuer Credit Rating has been revised from 'AA (tr)' to 'A+ (tr)'. Proven successful track record in Türkiye and various countries, increasing sales volume and EBITDA, sustaining export share in the turnover and capability to access funding resources as well as geopolitical risks-driven uncertainties and 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 sales and profitability performance, backlog, cash flow generation capacity, trend of financial indebtedness, asset and equity growth, FX position, regulation's effect on the performance, asset quality 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.