

## Corporate Credit Rating

☐New ☒Update

**Sector:** Automotive

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**Manager**

Ömer Sucu

+90 212 352 56 73

[omer.sucu@jcrer.com.tr](mailto:omer.sucu@jcrer.com.tr)

**Analyst**

Ezgi Çiçek Yılmaz

+90 212 352 56 73

[ezgi.yilmaz@jcrer.com.tr](mailto:ezgi.yilmaz@jcrer.com.tr)

**Assistant Analyst**

Ömer Emre Yücel

+90 212 352 56 73

[omeremre.yucel@jcrer.com.tr](mailto:omeremre.yucel@jcrer.com.tr)

RATINGS		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	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 Aug 18, 2022

## OTOSOR OTOMOTİV A.Ş.

JCR Eurasia Rating has evaluated the "Otosor Otomotiv A.Ş." in the investment level category with good credit quality and affirmed the Long-Term National Issuer Credit Rating at 'BBB (tr)' and the Short-Term National Issuer Credit Rating at 'J2 (tr)' with 'Stable' outlooks. The Long-Term International Foreign and Local Currency Issuer Credit Ratings and outlooks were also affirmed at 'BB/Negative' as parallel to international ratings and outlooks of the Republic of Türkiye.

**Otosor Otomotiv A.Ş.** (hereinafter referred to as "Otosor" or "the Company") was established by Osman Hakan Demirel on December 15, 2017. The primary focus of the Company is the sale of second-hand automobiles, and all sales transactions are conducted with a monthly repayment structure. These repayments typically have maturities ranging from 3 months to 48 months. When making sales, the Company requires a minimum down payment of 30% of the vehicle price from the customers. Additionally, Otosor provides various services to customers, including instant purchase options for their vehicles, exchange services to facilitate the acquisition of a new vehicle, and sale and leaseback arrangements where customers can sell their vehicle to the Company and lease it back for continued use. As of the report date, Otosor provides its services throughout its website and more than 1,500 across Türkiye. The Company's head office is located in Ataşehir, İstanbul and the average number of personnel working within the Company during FY2022 is 86 (FY2021:63).

At the Board of Directors meeting held on March 24, 2021, it has been decided to transfer all shares of Osman Hakan Demirel, who is the 100% shareholder of the Company, to "Neo Portföy Yönetimi A.Ş. Dördüncü Nürol Girişim Sermayesi Yatırım Fonu". According to the Public Disclosure Platform statement dated April 15, 2022, the title of the fund has been changed to "Nürol Portföy Yönetimi A.Ş. Dördüncü Nürol Girişim Sermayesi Yatırım Fonu".

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

### Strengths

- Upward trend of sales revenues and operational volume,
- Progress in the profitability indicators in the reviewed period,
- Low doubtful receivables ratio due to vehicle pledge as security of promissory notes,
- Diversified borrowing profile through debt security issuances contributing to borrowing structure,
- Well-organized management infrastructure and close cooperation with Nürol Bank.

### Constraints

- High external borrowing needs due to the nature of operations,
- Low level of equity compared to the resources of the Company, despite the growth in FY2022,
- Long cash conversion cycle despite improvement and deterioration in cash flow metrics due to net working capital need,
- Further improvement needs in the level of compliance with corporate governance practices.
- 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 Issuer Credit Rating has been affirmed at 'BBB (tr)'. The Company's sales performance, profitability indicators, satisfactory collection capacity, and diversified borrowing profile as well as an excessive level of financial debt, low equity base, illiquid cash flow metrics, compliance level with corporate governance practices, and the existing risks in the markets and the business environment 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 attainability of the budgeted projections, indebtedness indicators, cash flow metrics, profitability margins and sustainability of demand in the market will be closely monitored by JCR Eurasia Rating in the upcoming periods. The macroeconomic indicators in national and international markets, as well as market conditions and legal framework about the sector will be monitored as well.

