

Corporate Credit Rating

New Update

Sector: Automotive

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RATINGS		Long Term	Short Term
ICRs (Issuer Credit Rating Profile)	National ICR	A- (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)	International LC ICR Outlooks	Negative	-
	National ISR	-	-
	International FC ISR	-	-
Sovereign*	International LC ISR	-	-
	Foreign Currency	BB (Negative)	-
	Local Currency	BB (Negative)	-

* Assigned by JCR on Aug 18, 2022

OTOSOR OTOMOTİV A.Ş.

JCR Eurasia Rating has evaluated "Otosor Otomotiv A.Ş." in the investment level category, revised the Long-Term National Issuer Credit Rating to 'A- (tr)' from 'BBB (tr)' and affirmed 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 determined as 'BB/Negative' as parallel to sovereign 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, with all sales transactions structured on a monthly repayment basis. These repayment plans typically span from 3 months to 48 months in duration. Upon making a sale, the Company mandates a minimum down payment of 30% of the vehicle's price from customers. In addition to vehicle sales, Otosor offers various services to its customers. These services include instant purchase options for their vehicles, exchange services to facilitate the acquisition of a new vehicle, and sale and leaseback arrangements. Under the sale and leaseback arrangement, customers have the option to sell their vehicle to the Company and lease it back for continued use.

As of the report date, Otosor provides its services through its website and operates more than 1,500 locations across Türkiye. The Company's headquarter is situated in İstanbul and the average number of personnel working within the Company during FY2023 is 98 (FY2022: 86). 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 Nurol Girişim Sermayesi Yatırım Fonu". According to the Public Disclosure Platform statement dated April 15, 2022, the title of the fund has been changed to "Nurol Portföy Yönetimi A.Ş. Dördüncü Nurol Girişim Sermayesi Yatırım Fonu".

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

Strengths

- Steady increase in sales revenue in the reviewed period,
- Sustainable EBITDA generation capacity and profitability ratios,
- Favorable leverage profile supported by the equity increases,
- 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 in close cooperation with Nurol Bank.

Constraints

- Long cash conversion cycle leading high external borrowing needs due to the nature of operations,
- Negative cash flow metrics and further deterioration with IAS 29 effect,
- Relatively low coverage indicators in the reviewed period,
- 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 Long-Term National Issuer Credit has been revised to 'A- (tr)' from 'BBB (tr)'. The Company's revenue generation capacity, improved profitability, sustainable leverage indicators, solid equity structure and strong shareholder support as well as weak cash generation capacity and existing risks in the markets and 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 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.

