

## Corporate Credit Rating

New  Update

**Sector:** Tire Production  
**Publishing Date:** 25.09.2024

### Team Leader

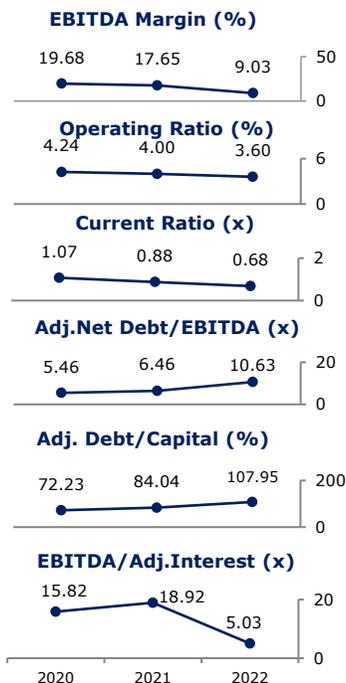
Alperen Adanir  
 +90 212 352 56 73  
[alperen.adanir@jcrer.com.tr](mailto:alperen.adanir@jcrer.com.tr)

### Assistant Analyst

Yusuf Ziya Karaaslan  
 +90 212 352 56 73  
[yusufziya.karaaslan@jcrer.com.tr](mailto:yusufziya.karaaslan@jcrer.com.tr)

R A T I N G S		Long Term	Short Term
ICRs (Issuer Credit Rating Profile)	National ICR	BBB (tr)	J2 (tr)
	National ICR Outlooks	Stable	Stable
	International FC ICR	BBB-	-
	International FC ICR Outlooks	Stable	-
	International LC ICR	BBB-	-
ISRs (Issue Specific Rating Profile)	International LC ICR Outlooks	Stable	-
	National ISR	-	-
	International FC ISR	-	-
Sovereign*	International LC ISR	-	-
	Foreign Currency	BB (Stable)	-
	Local Currency	BB (Stable)	-

\* Assigned by JCR on May 10, 2024



## SUMİTOMO RUBBER AKO LASTİK SAN. VE TİC. A.Ş.

JCR Eurasia Rating, has evaluated "Sumitomo Rubber AKO Lastik San. ve Tic. A.Ş." in the investment grade category and affirmed the Long-Term National Issuer Credit Rating as 'BBB (tr)' and the Short-Term National Issuer Credit Rating as 'J2 (tr)' with 'Stable' outlooks. On the other hand, the Long Term International Foreign and Local Currency Issuer Credit Ratings and outlooks were affirmed as 'BBB-/Stable'.

**Sumitomo Rubber AKO Lastik San. ve Tic. A.Ş.** (hereinafter referred to as "Sumitomo" or "the Company"), was established in 2013 with the aim of tire production. The Company started the production process in 2015 via its 618k m<sup>2</sup> plant located in Çankırı. It manufactures and sells radial tires for automobile in its factory, and two offices are positioned in İstanbul and Ankara provinces of Türkiye. The Company has three different brands within its structure; Sumitomo, Falken and Dunlop. As of FYE2023, the Company employed 2,632 personnel (FYE2022: 2,528).

The Company is owned by Sumitomo Rubber Industries Ltd ('SRI Group' or 'the Group') and Abdulkadir Özcan Otomotiv Lastik San. ve Tic A.Ş. (AKÖ Lastik). The Company's main shareholder, Sumitomo Rubber Group (share 80%), is a Japan centered global company which mainly operates on the production and sales of tires. It achieves sales on many parts of the world by producing and selling Dunlop, Falken and Sumitomo brand tires with experience more than 100 years. Other shareholder, AKÖ Lastik (share 20%) was established in 1970 and produces tires, batteries, and rims and tire coating.

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

### Strengths

- Steady growth in export revenues in FY2023 and 1H2024, through supply to group companies as Sumitomo Rubber Group's sole tire production center in EMEA region,
- Improvement in gross and operating profit margins in 2023 and 1H2024, according to TAS-based financials, as a consequence of new pricing policy of the Group,
- Being a subsidiary of a globally-reputed group, which the Company shares its name and logo, entailing moral obligation to the Group to meet liabilities.

### Constraints

- Limited comprehensive analysis, due to independent audit report for FY2023 has not yet been finalized during the rating process,
- Insufficient equity base due to accumulated losses mainly stemming from FX losses throughout the analysed periods, despite partial recovery in 1H2024,
- Continued high financial leverage profile, despite partial improvement in 2023 driven by increased EBITDA generation capacity,
- Short FX position continued in 2023, due to notable foreign currency loans, despite strong export volumes providing a natural hedge to a certain extent,
- Long cash conversion cycle mainly stemming from long inventory turnover, pressurizing operational efficiency and creating constant external financing needs,
- 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.

As of the reporting date, since the Company's independent audit report for 2023 has not been finalized, the credit rating process is based on the audit report for 2022 and corporate tax returns for 2022 and 2023.

Considering the aforementioned points, the Company's Long-Term National Issuer Credit Rating has been affirmed as 'BBB (tr)'. The Company's increasing export volume, improvement in profitability metrics, level of indebtedness, equity structure, group support along with ongoing uncertainties arisen from geopolitical tensions as well as 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 affirmed as 'Stable'. The Company's profitability performance, borrowing structure, leverage profile, equity level 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 frame about the sector will be monitored as well.