

Corporate Credit Rating

New Update

Sector: Automotive Industry

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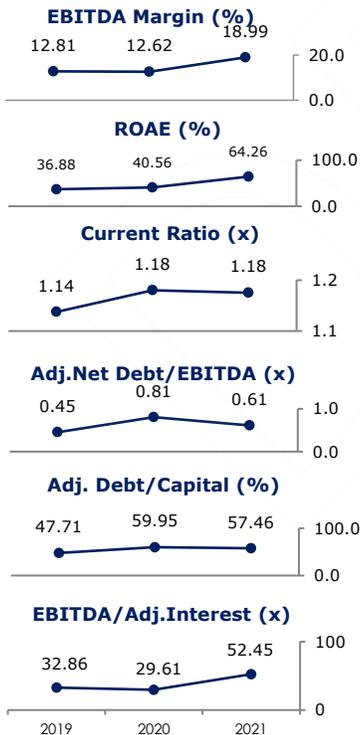
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RATINGS		Long Term	Short Term
ICRs (Issuer Credit Rating Profile)	National ICR	AAA (tr)	J1+ (tr)
	National ICR Outlooks	Stable	Stable
	International FC ICR	BB	-
	International FC ICR Outlooks	Negative	-
	International LC ICR	BB	-
ISRs (Issue Specific Rating Profile)	International FC ISR	-	-
	International LC ISR	-	-
	National ISR	-	-
Sovereign*	Foreign Currency	BB (Negative)	-
	Local Currency	BB (Negative)	-
	Local Currency	BB (Negative)	-

* Assigned by JCR on Aug 18, 2022



Tofaş Türk Otomobil Fabrikası A.Ş.

JCR Eurasia Rating, has evaluated 'Tofaş Türk Otomobil Fabrikası A.Ş.' in the highest investment-level category and affirmed the Long-Term National Issuer Credit Rating at 'AAA (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 assigned as 'BB/Negative', as parallel to international ratings and outlook of Republic of Türkiye.

Tofaş Türk Otomobil Fabrikası A.Ş. (referred to as the 'Tofaş' or 'the Company' or 'the Group'), was established in 1968 and is engaged in production of 'FIAT' branded personal cars (PC) and light commercial vehicles (LCV), and is the only company in Türkiye that produces both personal cars and light commercial vehicles. In addition to the sedan (SD), hatchback (HB), station wagon (SW) and cross models of the 'Fiat Egea' family, the 'Fiat Doblo' and 'Fiorino' models are also produced in the Tofaş Factory. The Company carries out its productions at its facilities in Bursa, established on a total area of 1,000,000 m², 350,000 m² of which is closed, and the facility has an annual production capacity of 450,000 vehicles. As of Q3 2022, the staff force of the Company was 6,046 (4,559 personals were hourly wage workers) (2021: 6,482). The Company exports its vehicles as well as selling them to the domestic market. While Egea is presented to different parts of the world under the brand name of 'Fiat Tipo', Doblo is exported to the USA under the 'Ram ProMaster City' brand and to other parts of the world with its original brand name. The Company is also distributor of six automotive brands (Fiat, Fiat Professional, Alfa Romeo, Jeep®, Maserati, Ferrari) in the domestic market. Tofaş ranked 10th in the 'Türkiye's Top 500 Industrial Enterprises 2021' list of İstanbul Chamber of Industry (2020: 8th) and ranked 11th in the general ranking and 5th in the sectoral ranking in the 'Türkiye's Top 1000 Exporters 2021' survey of Türkiye Exporters Assembly.

The shareholders of the Company are Koç Holding A.Ş. (37.59%), Koç Group Companies and Koç Family members (0.27%), Stellantis N.V. (37.86%), and rest of the shares (24.28%) have been traded on Borsa İstanbul Index (BIST) since 1991 under ticker-name of 'TOASO'. Koç Group, whose foundations were laid in 1926, has an important place for the Turkish economy with its combined turnover corresponding to approx. 8% of the national income and approx. 7% share in Türkiye's exports. Koç Holding A.Ş., which is one of the leading investments holding companies of Türkiye, is the only Turkish company in the Fortune Global 500 list. Koç Holding A.Ş. mainly operates in the energy, automotive, durable consumer goods and finance sectors. Fiat Chrysler Automobiles (FCA) and Groupe PSA have officially merged in 1 January, 2021 to create Stellantis N.V., a multinational automotive company, bringing together 14 vehicle brands across the globe. With the completion of a merger that has been in the works for more than a year, Stellantis becomes the fourth-biggest automaker in the world by volume and third-biggest by revenue. Stellantis owns the brands Abarth, Alfa Romeo, Chrysler, Citroen, Dodge, DS, Jeep®, Lancia, Maserati, Opel, Peugeot, Ram and Vauxhall.

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

Strengths

- As in the previous periods, robust financial indicators of the Company in Q3 2022,
- The collateralized structure of receivables from both trading and financial sector activities, minimizing the collection risk,
- Substantial increase in EBITDA generation capacity thanks to increase in unit price, rising FX rates and efficient cost management in 2021,
- Satisfactory leverage metrics via sizeable liquidity buffer and cash surplus in short-term in last-two year-ends,
- Strengthened equity level mainly supported by internal equity generation,
- Solid net working capital and enhancement in cash flow metrics through in 2021,
- Hard currency income generation capacity through considerable level of exports providing a natural hedge in a certain extent,
- Successful track record with the contribution of the synergy provided by Koç Holding and Stellantis partnership,
- Maintaining the leader position in domestic market with increasing share in Q3 2022,
- The growing influence of the strong R&D center in creating new products and improving existing models,
- High level of compliance with corporate governance practices and sustainability,

Constraints

- Continuing global chip shortage since the pandemic stands out as a potential risk ahead for the Company and the industry,
- Competitive nature of the automotive industry,
- Global recession and geopolitical risks stemming from the Russia-Ukraine Tension increasing uncertainty and monetary tightening across the globe deteriorating growth projections,

Considering the aforementioned points, the Company's Long-Term National Issuer Credit Rating has been affirmed at 'AAA (tr)'. Considering the export revenues, upward trend in EBITDA figures, prudent liquidity management and cash surplus position in short-term in 2021, the leading position of 'Fiat' brand in domestic market and reputable shareholder structure, corporate governance practices and R&D studies 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 assigned as 'Stable'. The Company's efficiency of ongoing/planned investments, global chip shortage, FX position, sales performance, market share, profitability margins, leverage profile, cash flow metrics and the possible impacts of the Russia-Ukraine conflict on the global and Türkiye's economy and its effects on the Company's activities 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.