

Corporate Credit Rating

New Update

Sector: Industrial Equipment Industry

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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	Stable	-
	International LC ICR	BB	-
ISRs (Issue Specific Rating Profile)	National ISR	-	-
	International FC ISR	-	-
	International LC ISR	-	-
Sovereign*	Foreign Currency	BB (Stable)	-
	Local Currency	BB (Stable)	-

* Assigned by JCR on May 10, 2024

Tümosan Motor ve Traktör Sanayi A.Ş.

JCR Eurasia Rating, has evaluated "Tümosan Motor ve Traktör Sanayi A.Ş." in the investment level category and revised the Long-Term National Issuer Credit Rating from 'A (tr)' to 'BBB+ (tr)' and the Short-Term National Issuer Credit Rating from 'J1 (tr)' to 'J2 (tr)' with 'Stable' outlooks. On the other hand, the Long Term International Foreign and Local Currency Ratings and outlooks of the Company were assigned as 'BB/Stable', as parallel to international ratings and outlook of Republic of Türkiye.

Tümosan Motor ve Traktör Sanayi A.Ş. (referred to as 'Tümosan Motor' or 'the Company' or 'the Group'), was established in 1976 to produce motor drive and transmission organs and similar equipment, but has concentrated its operations on diesel engine and tractor production. The first diesel engine manufacturer of Türkiye, Tümosan Motor not only provided diesel engines to tractors with the same brand, but also produced diesel engines for other brands for long years. The Company was founded initially as a public enterprise and then included in the scope of privatization. The Company shares acquired by Albayrak Group company, Alçelik Çelik Yapı, in July 2004. Albayrak Group which is established in 1952, one of Türkiye's diversified conglomerates active across segments namely; construction, industry, logistic, services, media and tourism among other sectors and employing circa 10,000 personnel. Albayrak Group extended its operations beyond Türkiye, establishing a presence in Asia and Africa, particularly in Pakistan, Somalia, Guinea, Azerbaijan, Gambia, and the Democratic Republic of the Congo. International activities primarily cover construction, port and waste management, transportation.

Tümosan Motor manufactures diesel engines, tractors and agricultural machineries with a production capacity of 75,000 diesel engines and 45,000 tractors in its Konya factory, which has a total area of 1.6 million m², 132,000 m² of which is enclosed. This facility with production capacities takes place in the first ranks among the largest manufacturing plants in Türkiye. At present, the Company produces tractors with 268 models in 10 series and 25 main models. Apart from the agricultural machine engines, the Company also produce yacht-marine, generator and forklift engines. Currently, Tümosan Motor continues with its operations through 171 dealers, 400 services and 37 spare part dealers across the country.

As of the current period, Tümosan Motor's shareholders are Ereğli Tekstil (60.87%), which is controlled by Albayrak Family, Albayrak Family members with 10.44% shares and 28.69% of the total shares are publicly traded on Borsa İstanbul (BIST). On December 5, 2012 the shares of the Company were offered to public and have been traded on the Borsa İstanbul (BIST) with the 'TMSN' ticker-name. The Company currently takes places in the constituents of BIST Star, BIST 100, BIST Industrials, BIST Konya, BIST Metal Products and Machinery.

As of December, 2024, the Company has 635 employees (FYE2023: 755).

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

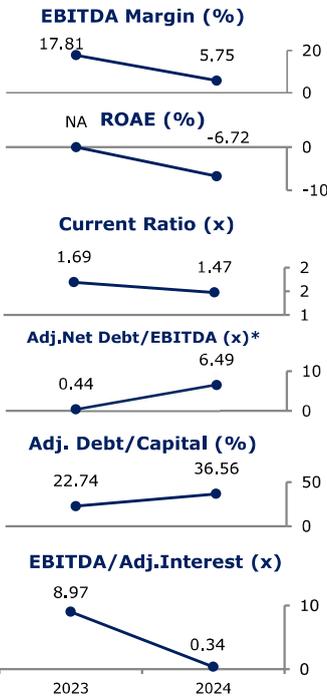
Strengths

- High-level of equity contribution mainly bolstered by retained earnings in reviewed periods, despite relatively low level of paid-in capital,
- Satisfactory net working capital and moderate level of liquid assets in the reviewed periods,
- Insignificant level of doubtful receivables, thanks to collateralized structure coupled with extensive dealer network supporting asset quality in a certain extent,
- Intensive R&D efforts an inhouse produced engines through long-standing know-how expected to provide product diversification to some extent,
- Almost a semicentennial presence in the sector along with brand awareness,
- Compliance with the corporate governance practices as a publicly traded company.

Constraints

- Notable decrease in revenue and profitability in 2024 due to declined sales volume and accordingly market share,
- Remarkable decline in EBITDA generation against elevated financial indebtedness caused high leverage metrics as of FYE2024,
- Surge in financing expenses led to net loss and distorted coverage metrics in FY2024,
- Prolonged cash conversion cycle and high level of operating ratio pressuring efficiency,
- Increased receivables from related parties and negative CFO and FOCF metrics in FY2024,
- As actions for a global soft-landing gain prominence, decisions with the potential to adversely affect global trade are engender considerable uncertainty.

Considering the aforementioned points, the Company's Long-Term National Issuer Credit Rating has been revised from 'A (tr)' to 'BBB+ (tr)'. The Company's high level of equity contribution, satisfactory net working capital and moderate level of liquid assets, low level of doubtful receivables, intensive R&D efforts and long track record in the industry as well as notable decrease in revenue and profitability in 2024 with declined sales volume, decline in EBITDA generation, increase in financial liabilities, prolonged cash conversion cycle and negative CFO and FOCF with increased intragroup receivables 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 sales volume, market share, profitability figures, financial structure, efficiency of investments, the possible impacts of the regional tensions on 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.



NA: Not Applicable *Financial investments were considered as cash and cash equivalents in net debt calculation.