

Corporate Credit Rating

☐ New ☒ Update

Sector: Automotive

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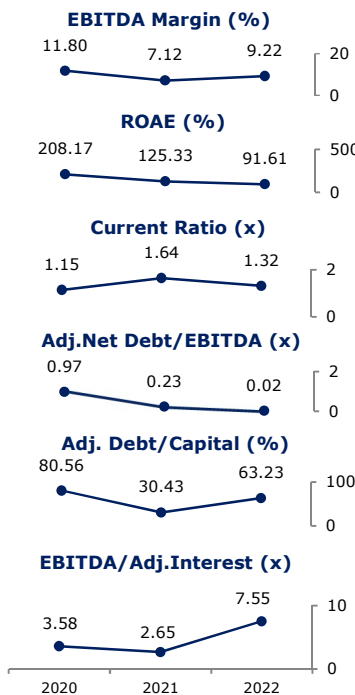
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RATINGS		Long Term	Short Term
ICRs (Issuer Credit Rating Profile)	National ICR	AA (tr)	J1+ (tr)
	National ICR Outlooks	Stable	Stable
	International FC ICR	BB	-
	International FC ICR Outlooks	Negative	-
	International LC ICR	BB	-
	International LC ICR Outlooks	Negative	-
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



Çelik Motor Ticaret A.Ş.

JCR Eurasia Rating has evaluated "Çelik Motor Ticaret A.Ş." in the very high investment level category and affirmed the Long-Term National Issuer Credit Rating at 'AA (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' in line with international ratings and outlooks of Republic of Türkiye.

"Çelik Motor Ticaret A.Ş." (hereinafter referred to as 'Çelik Motor' or 'the Company') was established on February 26, 1960 in Istanbul as a limited company and was converted into a joint-stock company on May 14, 1970. Çelik Motor has been active in the automotive industry under the same name and structure for more than half a century and in this respect, Çelik Motor bears the title of Türkiye's oldest established company in its field. The Company made its first major breakthrough in 1966 with the sales of Skoda pickup trucks. In 1985, the Company acquired the distributorship for Lada cars and achieved great success with this brand. Lada became Türkiye's best-selling imported automobile from 1989 to 1993. Çelik Motor acquired the operations of Honda automobiles in Türkiye in 1986 but then transferred the same to Anadolu Honda in 1992. Having successfully positioned the represented brands among the best-selling nameplates of the industry, Çelik Motor has been offering the South Korean brand KIA to automobile enthusiasts since 2001.

As of reporting date, 100% of the Company belongs to **AG Anadolu Grubu Holding A.Ş.** (hereinafter referred to as '**Anadolu Group**'). The Company's activities consist of three main business segments: sales, distribution and after-sales services under KIA brand, short-term rentals (hourly/daily) under Garenta and the auctioning site 'ikinciye.com'. The Company's headquarter is located in Ümraniye, İstanbul, Türkiye and the Company employed a staff force of 176 (FYE2021: 171) as of FYE2022.

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

Strengths

- Sustainable sales performance and EBITDA generation capacity supported by alternative services,
- Ongoing improvement in net debt to EBITDA and coverage metrics in FYE2022,
- Satisfactory liquidity ratios with positive net working capital,
- Limited collection risk supported by strongly collateralized extensive dealer network,
- Long-lasting presence dating back to 1960 and successful track-record in the sector,
- Existence of AG Anadolu Grubu Holding A.Ş. as dominant shareholder and the synergy created within the Group companies.

Constraints

- Low level of paid-in capital and high dividend pay-out ratio restraining equity growth in FYE2022,
- Competitive nature of the automotive industry pressuring profitability indicators,
- 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 'AA (tr)'. The Company's leverage level, liquidity structure, successful track record in the sector, the competitive advantage obtained through its strong shareholder structure and group synergy 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 financial structure, sustainability of profitability performance, sales growth and cash generation capacity, developments in the global economy together with the trends in the industries will be closely monitored by JCR Eurasia Rating in the 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.