

Corporate Credit & Issue Rating

New Update

Sector: Manufacturing/Fabricated Metal Products Machinery Electrical Equipment and Transportation Vehicles

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RATINGS

		Long Term	Short Term	
International	Foreign Currency	B	C	
	Local Currency	B	C	
	Outlook	FC	Negative	Negative
		LC	Negative	Negative
Issue Rating	-	-		
National	Local Rating	BBB+ (Trk)	A-2 (Trk)	
	Outlook	Stable	Stable	
	Issue Rating	-	-	
Sponsor Support		2	-	
Stand-Alone		B	-	
Sovereign*	Foreign Currency	BB+	-	
	Local Currency	BB+	-	
	Outlook	FC	Negative	-
		LC	Negative	-

*Assigned by JCR on April 10, 2020

Tümosan Motor ve Traktör San. A.Ş.

JCR Eurasia Rating, has evaluated National Corporate credit ratings of “Tümosan Motor ve Traktör San. A.Ş.” in an investment grade category and assigned the ratings as “BBB+(Trk)” on the Long-Term National Scale and as “A-2 (Trk)” on the Short-Term National Scale with “Stable” outlooks. Long Term International Local and Foreign Currency ratings and outlooks of the Company are capped at “B/Negative”, the same level as the sovereign ratings and outlooks of Turkey.

“Tümosan Motor ve Traktör Sanayi A.Ş.” (hereinafter referred to as “Tümosan Motor” or the “Company”), was established in 1975 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 Turkey, Tümosan not only provided diesel engines to tractors with the same brand, but also produced diesel engines for other brands for long years. Tümosan Motor manufactures a diesel engine and tractor in Konya factory with producing 75.000 diesel engines and 45.000 tractors within a closed area of 93.000 m2. This facility with production capacities takes place in the first ranks among the largest manufacturing plants in Turkey. 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 79 dealers, 384 services and 44 spare part dealers across the country.

The Company was founded initially as a public enterprise and then included in the scope of privatization in 1998. After the first privatization which didn't result as expected, then the shares were transferred to Sümerbank in 2003. In the second privatization, the Company shares acquired by Albayrak Group company, Alçelik Çelik Yapı, in July 2004. Albayrak Group which is established in 1952, one of Turkey's diversified conglomerates active across 6 business segments namely; construction, industry, logistic, services, media and tourism with 30 companies that employ close to 20.000 workers. 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. The Company currently takes places in the constituents of BIST Star, BIST 100, BIST Industrials, BIST Konya, BIST Metal Products and Machinery.

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

Strengths	Constraints
<ul style="list-style-type: none"> The positive impact of the increasing demand for tractor with the financial incentives provided to the agricultural sector in 2020 on the sales and profitability figures of the company, Strong brand identity of Tümosan Motor through large nationwide number of dealers and sales points, The capability of taking part in engine production in defense industry projects, The accumulated know-how which is supported via international collaborations and expansion of its operating field via on-going investments of Tümosan Motor, Attained know-how in R&D and emphasis on compliance with international quality standards. 	<ul style="list-style-type: none"> The contraction in operations by means of sales and production as of FYE2018 and FYE2019 due to slowdown in agriculture sector, The rise in financial indebtedness to sustain the liquidity level, Noteworthy contribution of non-cash re-valuation to expansion of asset size and equity in 2019YE, Insufficient level of cash generation capacity to fulfil its opex and interest expenses in 2018YE and 2019YE. The extension in operating cycle,

Considering the aforementioned drivers, the Company's the Long-Term National Rating has been assigned as “BBB+ (Trk)”. With the sectoral contraction in 2018YE and 2019YE, the deterioration in financial indicators, especially in profitability figures, increasing external dependency and the synthetic growth with revaluation increases are evaluated as the major drawbacks; the positive contribution of the recovery in tractor sectors to Company's sales and production amounts, the efficiency in the management of opex in 2020, the advantage of being the manufacturer of domestic and national engines and the deliveries of the engines produced for the defense industry project will begin in 2021 which will enrich the operation in this business and sector position and awareness constitute the principle reasons underlying the assignment the outlooks for the Long and Short-Term National Ratings as “Stable”. The revenue and profitability indicators, indebtedness level, cash flow and liquidity level, related party transactions, national and international policy implementation to the sector are the priority issues to be followed by JCR Eurasia Rating in the upcoming period. The macroeconomic indicators at national and international markets, as well as market conditions and legal frame about the sector will be continued to be monitored.

It is considered that the major controlling shareholder, “Ereğli Tekstil” as well as Albayrak Turizm and Albayrak family possess the financial strength and willingness to provide liquidity for “Tümosan Motor.” should such a need arise taking into consideration its long operational track record, investments dispersed across the country in a wide range of industries such as media, logistic, service, manufacturing and generated employment opportunities. Within this context, the Sponsor Support grade has been determined as (2) on JCR Eurasia Rating's notation scale, denoting an adequate level.

The “Stand-Alone” note of the company is; considering the Company's reputation in the sector, growth expectation and revival of the financial performance in sales, production and profitability figures as of 12M2020, JCR Eurasia Rating maintains its opinion that the Company has reached a structure to manage the incurred risks without any assistance from the shareholders provided that the current customer base and effectiveness in the market are preserved. Within this context, the Stand-Alone note of the Company has been assigned as (B) in the JCR Eurasia Rating notation system.

