Corporate Credit Rating

☒New ☐Update

Sector: Metal Industry
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RATINGS		Long Term	Short Term
ICRs (Issuer Credit Rating Profile)	**National ICR**	**A (tr)**	**J1 (tr)**
	National ICR Outlooks	Stable	Stable
	International FC ICR	BB	J3
	International FC ICR Outlooks	Stable	Stable
	International LC ICR	BB	J3
	International LC ICR Outlooks	Stable	Stable
ISRs (Issue Specific Rating Profile)	National ISR	-	-
	International FC ISR	-	-
	International LC ISR	-	-
Sovereign*	Foreign Currency	BB (Stable)	-
	Local Currency	BB (Stable)	-

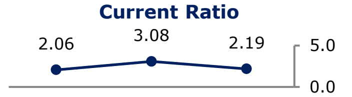
** Assigned by JCR on May 31, 2021*

Gross Profit Margin (%)

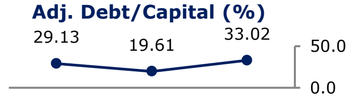
EBITDA Margin (%)

Net Profit Margin (%)

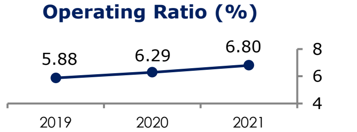
Current Ratio



Adj. Debt/Capital (%)



Operating Ratio (%)



Erbosan Erciyas Boru Sanayii ve Ticaret A.Ş.

JCR Eurasia Rating, has evaluated the **"Erbosan Erciyas Boru Sanayii ve Ticaret A.Ş."** in the high investment grade category and assigned the Long-Term National Issuer Credit Rating at **'A (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/Stable'** as parallel to international ratings and outlooks of Republic of Turkey.

Erbosan Erciyas Boru Sanayii ve Ticaret A.Ş. (hereinafter referred to as **"Erbosan"** or **"the Company"**) was established in 1974 by 111 partners. The main activity of the Company is the production and sale of longitudinally welded, black, galvanized steel pipes, profiles and zinc calcine. The Company's products include plumbing pipes, natural gas pipes, pressure pipes, profile pipes, industrial pipes, fire installations pipes and rolled sheet metal. Erbosan has two pipe profile production facilities and one zinc calcine production facility in Kayseri.

Considering the 16th article of the Capital Markets Law, it was deemed to have been offered to the public in 1982, subject to the provisions of the Capital Market Law, since there were 111 partners in the first establishment of the Company on 02.04.1974. In addition, the Company's all of shares are listed in Borsa Istanbul (BIST) since 1995 with the ticker **"ERBOS"**.

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

Strengths	Constraints
• High equity level supported by internal equity generation, • Steady increase in EBITDA margin and other profit margins in reviewed periods, • Low level financial debt and relatively strong financial structure, • Natural hedging via maintaining of export sales, • Maintaining high asset quality and low collection risk, • Extensive know-how, experience and long operational track record in steel pipe sector • High level of compliance with corporate governance practices.	• Sector-wide high import dependency of the raw material used in production, • Remarkable very low level paid in capital, • FX losses pressing net income due to USD weighted financial debt structure in 2021, • Increasing commodity prices and probability of difficult imports from Russia due to the Russia-Ukraine war.

Considering the aforementioned points, the Company's the Long-Term National Issuer Credit Rating has been assigned as **'A (tr)'**. Taking into account EBITDA generation capacity, resilience of foreign exchange-weighted income structure against market fluctuations and experienced and qualified organizational structure, as well as, ongoing Covid-19 pandemic, Russia-Ukraine crisis and geopolitical risks-driven uncertainties; 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 level of debt ratio, cash flows to meet debt payments and sustainability of demand in the market 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.