

Corporate Credit Rating

New Update

Sector : Steel Pipe
Publishing Date: Aug.27, 2021

S. Chief Analyst

Orkun Inan
+90 212 352 56 73

orkun.inan@jcrer.com.tr

Analyst

Cağlanur Tekin
+90 212 352 56 73

caglanur.tekin@jcrer.com.tr

RATINGS

		Long Term	Short Term	
National	Local Rating	A (Trk)	A-1 (Trk)	
	Outlook	Stable	Stable	
	Issue Rating	-	-	
International	Foreign Currency	BB	B	
	Local Currency	BB	B	
	Outlook	FC	Stable	Stable
		LC	Stable	Stable
Sponsor Support	1	-		
Stand-Alone	AB	-		
Sovereign*	Foreign Currency	BB	-	
	Local Currency	BB	-	
	Outlook	FC	Stable	-
		LC	Stable	-

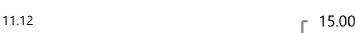
*Assigned by JCR on May 31, 2021

RATIOS

Adjusted Net Debt / EBITDA (x)



EBITDA Margin (%)



ROAA (%)



ROAE (%)



Net Working Capital / Assets (%)



Borusan Mannesmann Boru Sanayi ve Ticaret A.Ş. and Its Subsidiaries

JCR Eurasia Rating has evaluated the structure of “**Borusan Mannesmann Boru Sanayi ve Ticaret A.Ş. and Its Subsidiaries**” and assigned the ratings on the Long-Term National Scale as ‘**A (Trk)**’ and the Short-Term National Scale as ‘**A-1 (Trk)**’ with ‘**Stable**’ outlooks. On the other hand, the Long-Term International Foreign and Local Currency Ratings have been assigned as ‘**BB**’ with ‘**Stable**’ outlooks.

Borusan Mannesmann Boru Sanayi ve Ticaret A.Ş. (hereinafter “the Company” or “Borusan Mannesmann”), is the first industrial enterprise of one of Turkey’s foremost business conglomerates, the Borusan Group. Borusan Mannesmann started its journey under the name of Borusan Boru Sanayi A.Ş. with 27 employees and 5 product varieties in 1958. The Company merged its operations with Europe’s leading steel and technology firm Salzgitter Mannesmann GMBH in 1998. Today, Borusan Mannesmann continues its steel pipe production as a global brand offering more than 4,000 product varieties at 7 facilities across 3 continents, including Turkey, USA and Italy. Borusan Mannesmann ranked 95th among the first 500 industrial enterprises listed by the Istanbul Chamber of Industry in 2020.

The Company’s main shareholder is Borusan Mannesmann Boru Yatırım Holding A.Ş. with the share of 73.48% and Borusan Holding is ultimate shareholder of Borusan Mannesmann over the reporting period. Company shares have been publicly traded on the Borsa Istanbul (BIST) under the ticker symbol “BRSAN” since 1994.

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

Strengths

- Strong market influence via expanding its domestic and global footprint underpinning sustainable competitive advantages,
- Diversification of geography and product range mitigating concentration risk and supporting income stream,
- Upward trend of profitability indicators and EBITDA margin during 2021,
- Robust equity level supported by internal equity generation,
- Synergy and operational support created by Borusan Group,
- Having international brand recognition supporting commercial relations,
- Alleviating the exposure of protectionist policies in international trade through subsidiaries in varied countries,
- High level of compliance regarding corporate governance implementations.

Constraints

- Raw material prices may put pressure on profitability margins,
- Relatively high level of the total debt reducing headroom under the current financial position,
- High fluctuations in cash flow metrics,
- Global economic slowdown exacerbated by Covid-19 pandemic.

Considering the aforementioned points, the Company’s the Long-Term National Rating has been assigned as ‘**A (Trk)**’. Taking into account internal equity generation capacity, resilience of foreign exchange-weighted income structure against market fluctuations, group synergy, business volume and experience in the sector; the Company’s outlook for Long and Short-Term National ratings has been determined as “**Stable**”. The macroeconomic indicators at national and international markets, as well as, market conditions and possible negative effects of Covid-19 pandemic about the sector will be continued to be monitored.

The Sponsor Support notes and risk assessments in this regard reflect the financial and non-financial positions and expected assistance by controlling shareholder within the shareholding structure of the Company. The financial strength and expected support of the Company’s shareholders lay the foundation Borusan Mannesmann’s Sponsor Support assessment. The willingness and financial strength of the Company’s owners to provide operational and financial assistance have been assessed with respect to the financial capabilities of the ultimate shareholder, Borusan Holding. Borusan Holding’s strong and diversified presence in various industries, its large asset size, equity level, asset quality, cash generation ability, operating profitability performance and its comprehensive know-how are considered to be indicative of their advanced potential to provide financial and operational support to Borusan Mannesmann when required. In this regard, the Company’s Sponsor Support Grade has been assigned as **(1)** in JCR Eurasia Rating’s notation, indicating high level.

The Stand-Alone note is formed depending on the Company’s equity structure, sustained FX based sales, profit margins converging to generating internal equity and sectoral experience. It is assumed that Borusan Mannesmann has enough experience and accumulation of infrastructure to manage risks incurred in the balance sheet without shareholder support, provided that they monitor their existing customers’ positions. In this respect, the Stand Alone rating of Borusan Mannesmann has been assigned as ‘**AB**’ in JCR Eurasia Rating notation system.