

Corporate Credit Rating

New Update

Sector: Metal Industry

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| R A T I N G S | | Long Term | Short Term |
|--------------------------------------|-------------------------------|-------------|------------|
| ICRs (Issuer Credit Rating Profile) | National ICR | AA+ (tr) | J1+ (tr) |
| | National ICR Outlooks | Stable | Stable |
| | International FC ICR | BB | J3 |
| | International FC ICR Outlooks | Stable | Stable |
| | International LC ICR | BB | J3 |
| 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

Çimtaş Çelik İmalat Montaj ve Tesisat A.Ş.

JCR Eurasia Rating, has evaluated the consolidated structure of "Çimtaş Çelik İmalat Montaj ve Tesisat A.Ş." in an investment category and assigned the Long-Term National Note as 'AA+ (tr)' and the Short-Term National Note as 'J1+ (tr)' with 'Stable' outlooks. On the other hand, the Long Term International Foreign and Local Currency ratings and outlooks were assigned as 'BB/Stable' as parallel to international ratings and outlooks of Republic of Turkey.

Çimtaş Çelik İmalat Montaj ve Tesisat A.Ş. (hereinafter referred as "Çimtaş Çelik" or "the Group") was established in 1973 in İstanbul. Çimtaş Çelik manufactures structural steels, pressure vessels and wind towers. Together with the subsidiaries, the Group is engaged in engineering, fabrication and installation of pressure vessels, reactors, heat recovery boiler, steel pipes, spool fabrications, precision machining, steel buildings and bridges, wind towers, and tanks. The Group's production continues at the 3 different locations in Turkey and also in China. Facilities of the Group are in Gemlik, Bursa Free Trade Zone and Kocaeli Free Trade Zone in Turkey, and Ningbo Free Trade Zone in China with a total closed area of 218.308 m² built on a total area of 665,122 m². Çimtaş Çelik ranked 282th of Turkey's Top 500 Industrial Enterprises (ISO 500) 2020 Research.

The ultimate shareholder of Çimtaş Çelik is Enka İnşaat ve Sanayi A.Ş. which is under the management of Tara Holding and Tara and Gülçelik families. The Group's financial statements are consolidated with its subsidiaries Çimtaş Boru İmalatları ve Ticaret Ltd. Çimtaş Mechanical Contracting B.V. Çimtaş Ningbo Steel Processing Co. Ltd. Çimtaş Hassas İşleme Sanayi ve Ticaret Ltd. Çimtaş Investment B.V. Çimtaş Gemi İnşa Sanayi ve Ticaret A.Ş. and Gemlik Deniz Taşımacılık Ltd. Şti. As of FYE2021, Çimtaş Steel Metal Konstruksiyası MMC was established in Azerbaijan which is 100% owned by Çimtaş Çelik. As of FYE2020, the Group has 2,724 employees (FYE2019: 2,524 employees).

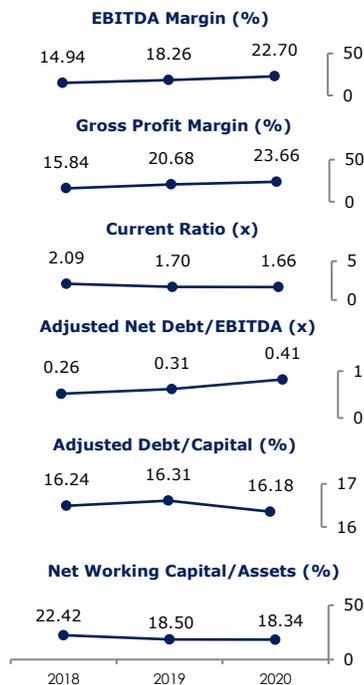
Key rating drivers, as strengths and constraints, are provided below.

Strengths

- Solid profitability indicators underpinning internal equity generation,
- Sufficient cash flow metrics,
- Strong equity structure mainly stemmed from accumulated profits,
- Natural hedging against currency risk by FX oriented revenue stream in a certain extent,
- Accumulation of strong past credentials redounding sustainable volume growth as indicated by adequate backlog value,
- Long operational track record with conformity to the international quality standards and established production capacity,
- Being subsidiary of a reputable shareholding structure,
- Operational support and synergies with the Group companies,
- Competitive advantage of being one of the important players in the industry with taking place in Turkey's Top first 500 Industrial Enterprises list.

Constraints

- Sector-wide high import dependency of the raw material used in production,
- Further improvement needs in the level of compliance with Corporate Governance practices given the Group's size and international reach,
- Global economic slowdown exacerbated by the Covid-19 pandemic, affecting steel prices and supply & demand,
- Geopolitical risks that may affect the economy in the nearby geography.



Considering the aforementioned points together with such additional support factors as group support, Çimtaş Group in the steel sector, Enka İnşaat provides administrative competences and credibility to the Group, Çimtaş Çelik's the Long-Term National Rating has been assigned as 'AA+ (tr)'. Regarding the main shareholder, Enka İnşaat has the willingness to ensure long-term liquidity and equity should such a need arise and the experience to provide efficient operational support to Çimtaş Çelik. Widening sales network through the domestic and international large-scale projects, brand identity, group synergy, the high value-added product portfolio, maintaining of asset quality, access to external financial sources, as well as, vulnerability of the sector to macroeconomic conditions 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 level of debt ratio, cash flows to meet debt payments, the attainability of the Group's budgeted projections 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.