

Corporate Credit Rating

New Update

Sector: Metal Industry

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RATINGS		Long Term	Short Term
ICRs (Issuer Credit 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 Profile)	International FC ISR	-	-
	International LC ISR	-	-
	Foreign Currency	BB (Stable)	-
Sovereign*	Local Currency	BB (Stable)	-

* Assigned by JCR on May 31, 2021

Çimtaş Boru İmalatları ve Ticaret Limited Şirketi

JCR Eurasia Rating, has evaluated the consolidated structure of "Çimtaş Boru İmalatları ve Ticaret Limited Şirketi" in an investment category and assigned the Long-Term National Note at '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 Boru İmalatları ve Ticaret Limited Şirketi (hereinafter referred as "Çimtaş Boru" or "the Company") was established in Bursa Free Trade Zone in 2002. The Company has been incorporated to provide integrated design, engineering, procurement, fabrication, painting and delivery services for power, process and OEM piping systems. The Company's production continues at the Bursa Free Trade Zone and the facility has a total closed area of 54,141 m² built on a total area of 95,051 m².

The ultimate shareholders of Çimtaş Boru are Çimtaş Çelik İmalat Montaj ve Tesisat A.Ş. ("Çimtaş Çelik") and Bechtel Pipe Fab. Holdings, Inc. ("Bechtel"). In 2002, Çimtaş Çelik has entered into a Joint Venture Agreement with Bechtel Pipe Fabrication Holdings Inc. to establish Çimtaş Boru. The main shareholder of Çimtaş Çelik is Enka İnşaat ve Sanayi A.Ş with 97.35% share as of Dec 31, 2020. As of FYE2020, the Company has 875 employees (FYE2019: 820 employees).

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

Strengths

- Robust equity structure mainly stemmed from accumulated profits,
- Sufficient liquidity indicators,
- Natural hedging against currency risk by FX oriented revenue stream in a certain extent,
- Predictable volume growth as indicated by adequate backlog value,
- Long operational track record with conformity to the international quality standards and established production capacity,
- Operational support and synergies with the Group companies,
- Reputable shareholders structure.

Constraints

- Deterioration in revenue and profitability indicators due to Covid-19 pandemic,
- 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, Bechtel Pipe Fabrication Holdings Inc. provides administrative competences and credibility to the Company, Çimtaş Boru's the Long-Term National Rating has been assigned as 'AA- (tr)'. Regarding these two main shareholders which have equal ownership of the Company, 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 Boru. 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 Companies' 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.

