

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	BBB-	-
	International FC ICR Outlooks	Stable	-
	International LC ICR	BBB-	-
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 10, 2024

BORUSAN BİRLEŞİK BORU FABRİKALARI SANAYİ VE TİCARET A.Ş.

JCR Eurasia Rating, has evaluated the consolidated structure of "Borusan Birleşik Boru Fabrikaları Sanayi ve Ticaret A.Ş." in the investment level category with high credit quality and affirmed 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 have been determined as 'BBB-/Stable' above the sovereign ratings and outlooks of Republic of Türkiye.

Borusan Birleşik Boru Fabrikaları Sanayi ve Ticaret A.Ş. (hereinafter referred to as "Borusan Birleşik Boru" or "the Group") is the major industrial enterprise of one of Türkiye's foremost business conglomerates, the Borusan Group. Borusan Birleşik Boru started its activities under the name of Borusan Boru Sanayi A.Ş. in 1958. The Group merged its operations with Europe's leading steel and technology firm Salzgitter Mannesmann GMBH in 1998. Borusan Holding A.Ş. repurchased the existing shares in Salzgitter Mannesmann GMBH on November 27, 2023, and the entity's title was changed to its current form. Borusan Birleşik Boru continues its steel pipe production as a global brand offering more than 4,000 product varieties at 11 facilities across 3 continents, including Türkiye, USA, Romania, and Italy. SRM line investment in the USA and Romania facility started trial production activities as of 1Q2024. Borusan Birleşik Boru ranked 65th among the first 500 industrial enterprises listed by the Istanbul Chamber of Industry in 2023 (2022: #57th) and ranked 95th based on the Türkiye Exporters Assembly (TIM in Turkish acronym) - Türkiye's Top 100 Exporters Survey Report (2022: #57th).

The Group's main shareholder is BMB Holding A.Ş. with a share of 73.48% and Borusan Holding A.Ş. ("Borusan Holding") is the ultimate shareholder of Borusan Birleşik Boru over the reporting period. Borusan Birleşik Boru's shares have been publicly traded on the Borsa İstanbul (BIST) under the ticker symbol "BRSAN" since 1994. In addition, the Group shares are listed in the BIST 30 index as of the report date. The Group employed a staff force of 2,599 as of 1H2024 (FYE2023: 2.592).

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

Strengths

- Remarkable increase in sales performance in FY2023 and 1H2024, also expected to continue in 2024 financials with the effect of the new facilities abroad,
- Significant increase in profitability indicators, although stabilizing in 1H2024 due to weakening demand,
- Notable improvement in leverage profile thanks to an increase in EBITDA generation capacity,
- Visible enhancement in cash flow metrics in FY2023,
- Diversified customer portfolio through operations in both national/international markets and wide sales network supporting revenues and mitigating concentration risk,
- Internal equity generation capacity thanks to strong operational performance,
- Natural hedge mechanism provided by abroad-oriented revenue structure,
- Compliance with corporate governance practices as a publicly traded company.
- High brand recognition and strong business profile supporting commercial ties with the support of the Borusan Group.

Constraints

- Short-term weighted debt structure despite the decrease in total debt level in FYE2023 and diversified funding structure including debt issuance through tailored financial instruments,
- High amount of net financial expenses suppressing the bottom-line results,
- Fluctuations in production input costs and overall market demand may put pressure on profitability,
- Operational risk that may be exposed due to potential global regulatory changes.

Considering the aforementioned points, the Group's Long-Term National Issuer Credit Rating has been affirmed at 'A+ (tr)'. Taking into account the Group's revenue and EBITDA generation capability, group synergy, sectoral experience international operation-oriented and foreign currency-weighted revenue structure as well as, competitiveness in the sector and risks in the markets and the business environment 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 Group's revenue generation capacity, profitability performance, liquidity adequacy, and indebtedness level 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 also be monitored.

