

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	A+ (tr)	J1(tr)
	National ICR Outlooks	Stable	Stable
	International FC ICR	BB	-
	International FC ICR Outlooks	Negative	-
	International LC ICR	BB	-
ISRs (Issue Specific Rating Profile)	International FC ISR	-	-
	International LC ISR	-	-
	Foreign Currency	BB (Negative)	-
Sovereign*	Local Currency	BB (Negative)	-

* Assigned by JCR on Aug 18, 2022

BORUSAN MANNESMANN BORU SANAYI VE TICARET A.Ş.

JCR Eurasia Rating, has evaluated the consolidated structure of "Borusan Mannesmann Boru Sanayi ve Ticaret A.Ş." in the high investment level category and affirmed the Long-Term National Issuer Credit Rating as '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/Negative' as parallel to the international ratings and outlooks of Republic of Türkiye.

Borusan Mannesmann Boru Sanayi ve Ticaret A.Ş. (hereinafter referred to as "Borusan Mannesmann" or "the Group") is the first industrial enterprise of one of Türkiye's foremost business conglomerates, the Borusan Group. Borusan Mannesmann 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 Mannesmann continues its steel pipe production as a global brand offering more than 4,000 product varieties at 9 facilities across 3 continents, including Türkiye, USA, and Italy. The 2 plants under construction (USA, Romania) are expected to start production activities by the beginning of 2024. Borusan Mannesmann ranked 62nd among the first 500 industrial enterprises listed by the Istanbul Chamber of Industry in 2021.

The Group's main shareholder is Borusan Mannesmann Boru Yatırım Holding A.Ş. with a share of 73.48% and Borusan Holding is the ultimate shareholder of Borusan Mannesmann over the reporting period. Borusan Mannesmann's shares have been publicly traded on the Borsa İstanbul (BIST) under the ticker symbol "BRSAN" since 1994. In addition, Group shares will be listed in the BIST 100 index for the third quarter of 2023 (01/07/2023 - 30/09/2023). The Group employed a staff force of 2,437 as of 1H2023 (FYE2022: 2.095)

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

Strengths

- Maintaining strong revenue and EBITDA generation coupled with improved profitability margins in FY2022,
- 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,
- High brand recognition and strong business profile supporting commercial ties with the support of the Borusan Group,
- High level of compliance regarding corporate governance implementations.

Constraints

- High fluctuations in cash flow metrics pressure on liquidity management,
- Short-term weighted debt structure,
- High amount of net financial expenses suppressing the bottom-line,
- Operational risk exposed due to regulations and different countries' risk elements,
- Global economic growth slows down evidenced by commodity prices and trade figures on the back of rapid monetary tightening, whereas domestic restrictive financial conditions limit access to finance.

Considering the aforementioned points, the Group's Long-Term National Issuer Credit Rating has been affirmed as 'A+ (tr)'. Internal equity generation capacity, the resilience of foreign exchange-weighted income structure, group synergy, business volume and experience in the sector, as well as, sectorial developments 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 Sectorial regulations, level of debt ratio, profitability ratios, cash flow generation and geopolitical risks 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.

