

Corporate Credit Rating

New Update

Sector: Metal Industry

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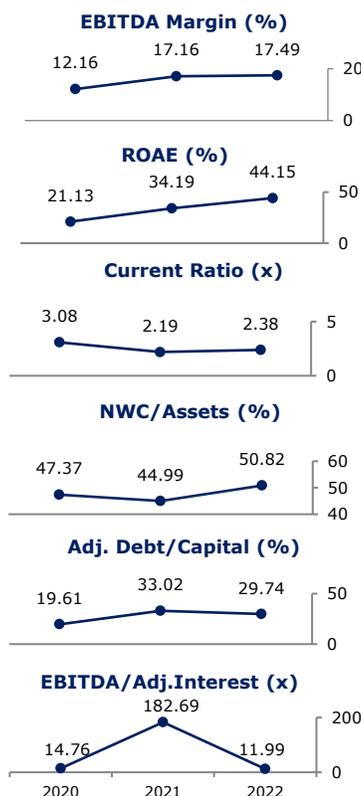
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RATINGS		Long Term	Short Term
ICRs (Issuer Credit Rating Profile)	National ICR	A (tr)	J1 (tr)
	National ICR Outlooks	Stable	Stable
	International FC ICR	BB	-
	International FC ICR Outlooks	Negative	-
	International LC ICR	BB	-
ISRs (Issue Specific Rating Profile)	International LC ICR Outlooks	Negative	-
	National ISR	-	-
	International FC ISR	-	-
Sovereign*	International LC ISR	-	-
	Foreign Currency	BB (Negative)	-
	Local Currency	BB (Negative)	-

* Assigned by JCR on Aug 18, 2022



ERBOSAN ERCİYAS BORU SANAYİİ VE TİCARET A.Ş.

JCR Eurasia Rating, has evaluated "Erbosan Erciyas Boru Sanayii ve Ticaret Anonim Şirketi" in the investment grade category and assigned the Long-Term National Issuer Credit Rating as 'A (tr)' and the Short-Term National Issuer Credit Rating as '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 international ratings and outlooks of Republic of Türkiye.

Erbosan Erciyas Boru Sanayii ve Ticaret Anonim Şirketi (hereinafter referred to as "Erbosan" or "the Company") was established in 1974 by 111 partners. The main activity of the Company is the production and sale of longitudinally welded, black, galvanized steel pipes, profiles and zinc calcine. The Company's products include plumbing pipes, natural gas pipes, pressure pipes, profile pipes, industrial pipes, fire installations pipes and rolled sheet metal. Erbosan has two pipe profile production facilities and one zinc calcine production facility in Kayseri.

Considering the 16th article of the Capital Markets Law, it was deemed to have been offered to the public in 1982, subject to the provisions of the Capital Market Law, since there were 111 partners in the first establishment of the Company on 02.04.1974. In addition, the Company's all of shares are listed in Borsa Istanbul (BIST) since 1995 with the ticker "ERBOS".

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

Strengths

- Steady increase in sales revenue and EBITDA generation capacity,
- Maintenance in adjusted net debt to EBITDA multiplier thanks to the improvement in EBITDA generation despite the increase in financial debt in FYE2022,
- Sustainable leverage metrics and high equity level supported by internal equity generation,
- Sustainability in EBITDA margin and other profit margins in reviewed periods,
- Natural hedging via maintaining of export sales,
- Maintaining high asset quality and low collection risk,
- Extensive know-how, experience and long operational track record in steel pipe sector
- High level of compliance with corporate governance practices.

Constraints

- Sector-wide high import dependency of the raw material used in production,
- Remarkably low level of paid in capital,
- Financing expense, mainly driven by FX loses, pressuring bottom line results despite the notable decline in USD-based financial debts in FYE2022,
- Low-level of operational efficiency due to high operational expenses,
- 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 Company's the Long-Term National Issuer Credit Rating has been assigned as 'A (tr)'. Taking into account the Company's EBITDA generation capacity, strong cash flow metrics and leverage indicators, resilience of foreign exchange-weighted income structure against market fluctuations and experienced and qualified organizational structure, as well as, geopolitical risks-driven uncertainties; 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 Company's level of debt ratio, cash flows to meet debt payments 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 also be monitored.