

Corporate Credit Rating

New Update

Sector: Steel Pipe

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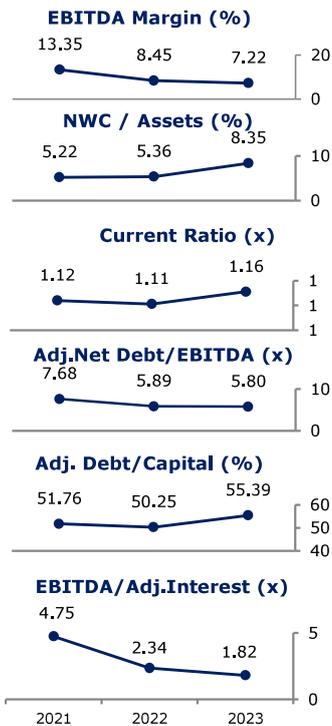
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RATINGS		Long Term	Short Term
ICRs (Issuer Credit Rating Profile)	National ICR	A- (tr)	J2 (tr)
	National ICR Outlooks	Stable	Stable
	International FC ICR	BB	-
	International FC ICR Outlooks	Stable	-
	International LC ICR	BB	-
ISRs (Issue Specific Rating Profile)	International FC ICR	-	-
	International LC ICR	-	-
	Foreign Currency	BB (Stable)	-
Sovereign*	Local Currency	BB (Stable)	-

* Assigned by JCR on May 10, 2024



ERCİYAS ÇELİK BORU SANAYİ ANONİM ŞİRKETİ

JCR Eurasia Rating has evaluated the consolidated structure of "Erciyas Çelik Boru Sanayi Anonim Şirketi" in the investment grade 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 'J2 (tr)' with 'Stable' outlooks. On the other hand, the Long Term International Foreign and Local Currency Issuer Credit Ratings and outlooks are determined as 'BB/Stable' in line with the sovereign ratings and outlooks of Republic of Türkiye.

Erciyas Çelik Boru Sanayi A.Ş. (hereinafter referred to as "Erciyas Çelik" or "the Group") was established in 1990 in Izmit in order to produce spiral welded steel pipes. The main activity of the Company is to manufacture spiral welded steel pipes of all kinds of steel and to coat the inside and outside of these pipes with epoxy, concrete, polyethylene, polypropylene, polyurethane, polyurethane, fusion bonded epoxy suitable for drinking water in accordance with international standards in order to protect the pipes from external factors. The Group manufactures natural gas, petrochemical and oil pipes, drinking water pipes, piling pipes, steel structure pipes, general and special purpose pipes and fittings.

Erciyas Çelik merged with Özbal Çelik Boru, a group company of Erciyas Holding, on December 31, 2021 and operates in two different regions of Türkiye. The Group continues its production in Düzce and Mersin production facilities. The total annual production capacity is approximately 600,000 tonnes of spiral welded steel pipe.

Erciyas Çelik, which carries out a large part of its production for overseas projects and attaches great importance to brand awareness, is the first spiral steel pipe manufacturer in its sector to take a step in this regard by being included in the Turquality programme, which is Türkiye's first and only branding programme implemented under the ownership of the Ministry of Economy of the Republic of Türkiye in 2016. As of 1H2024, the number of personnel employed by the Group was 515. (FYE2023: 488). The head office of Erciyas Çelik is located in Istanbul. Erciyas Çelik has been listed on Borsa Istanbul (BIST) since January 13, 2022. Currently, 21.10% of its shares are traded on BIST under the code "ERCB". The Group's main ultimate controlling shareholder is Erciyas Holding A.Ş. with 42.77% share.

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

Strengths

- Satisfactory production capacity to provide sustainable competitive advantage and revenue stream,
- Natural hedge mechanism provided by abroad-oriented revenue structure,
- Well managed operational efficiency indicated by a short cash conversion cycle,
- Diversified funding structure through debt security issuances providing financial flexibility,
- Sustainability and productivity gains from R&D centre activities,
- Expansion projection in wagon production as well as the expectation of sectoral and geographical diversification will support revenues in the coming periods,
- Environmentally conscious production approach and having prestigious certificates enhancing quality standards,
- Compliance with Corporate Governance Practices.

Constraints

- Fluctuations in production input costs and the target to grow market share by entering new markets relative pressuring on profitability margins, despite a slight recovery in 1H2024,
- Increasing operating ratio mainly due to transportation and export expenses,
- Continuation of pressure of loans on net debt to EBITDA multiplier, despite a slight improvement in FY2023,
- The upward trend of the share of related party receivables in assets in the analyzed periods,
- Declining trend in coverage metrics in the periods analyzed,
- Leading economic indicators signal global economic slowdown whereas quantitative tightening actions aim to restrict consumption growth and achieve a soft-landing in the domestic side.

Considering the aforementioned points, the Group's the Long-Term National Issuer Credit Rating has been affirmed at 'A- (tr)'. The Group's increasing market influence, share of exports in sales, diversified financing structure, short cash conversion cycle, brand reputation and the Group's proven track record 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 profit and equity indicators, market position, debt structure, the sustainability of domestic and international demand and economic conditions in Türkiye will be closely monitored by JCR Eurasia Rating in the 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.