

Corporate Credit Rating

New Update

Sector: Plastics and Rubber Products Industry

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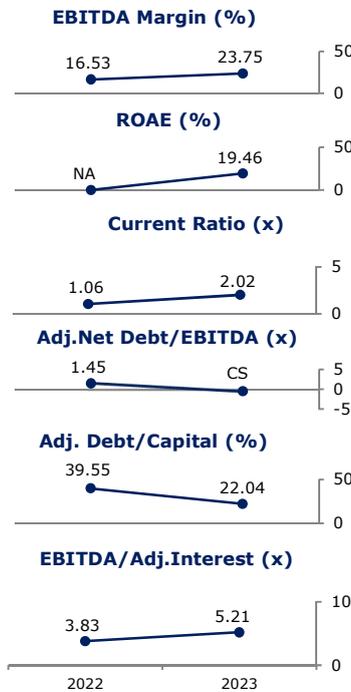
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R A T I N G S		Long Term	Short Term
ICRs (Issuer Credit Rating Profile)	National ICR	A (tr)	J1 (tr)
	National ICR Outlooks	Stable	Stable
	International FC ICR	BB	-
	International FC ICR Outlooks	Stable	-
	International LC ICR	BB	-
ISRs (Issue Specific Rating Profile)	International LC ICR Outlooks	Stable	-
	National ISR	-	-
	International FC ISR	-	-
Sovereign*	International LC ISR	-	-
	Foreign Currency	BB (Stable)	-
	Local Currency	BB (Stable)	-

* Assigned by JCR on May 10, 2024



CS: Cash Surplus
 NA: Not Applicable

KUZEY BORU ANONİM ŞİRKETİ

JCR Eurasia Rating, has evaluated "Kuzey Boru Anonim Şirketi" in the investment grade category with high credit quality and revised the Long-Term National Issuer Credit Rating from 'BBB+ (tr)' to 'A (tr)', and the Short-Term National Issuer Credit Rating from 'J2 (tr)' to '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/Stable' according to JCR-ER's national-global mapping methodology.

"Kuzey Boru Anonim Şirketi" (hereinafter referred to as "Kuzey Boru" or "the Company") was established in 2001. The main activity of the Company is the production, of all kinds of steel, drawn pipes, concrete pipes, polyethylene pipes, polypropylene pipes and ductile pipes. The Company carries out its main manufacturing activities in a factory located in Kırımlı Organized Industrial Zone, Aksaray, with a total area of 82,971.53 m², 22,917 m² of which is closed. In addition, the Company's branch in Aksaray also carries out production activities, with total area 10,030.57 m², including 2,635 m² of covered space. Furthermore, the Company's Malatya GRP Composite Pipe production facility, constructed on 64,368 m² of land with a closed area of 17,425 m², commenced operations on September 26, 2024.

Kuzey Boru's shares have been listed on Istanbul Stock Exchange under the ticker "KBORU" since December 2023. The Company's stock is traded on the BIST Participation All Shares, BIST Industrials, BIST 500, BIST IPO, BIST All Shares-100, BIST All Shares, BIST Stars, BIST Chem., Petrol, Plastic, BIST Participation 100. Mustafa Topgag, Bülent Karaman, and Demet Karaman own 30.40%, 30.40%, and 15.20%, respectively, of the Company's shares, with 24.00% publicly traded.

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

Strengths

- Revenue growth, expected to be sustained through ongoing investments, which drive product diversification,
- Robust leverage metrics as of FY2023, despite slight increase in net financial debt as of 3Q2024,
- Strong equity contribution mainly supported by share premiums via IPO and internal fund generation,
- Receivable quality strengthened by low level of doubtful trade receivables thanks to partially collateralized structure,
- Satisfactory liquidity metrics, considering the increased NWC, and liquid assets,
- Moderate operational profitability metrics, despite partial fluctuations,
- Sustainability-focused renewable energy investments expected to provide cost advantages for the upcoming periods,
- Compliance with the corporate governance practices as a publicly listed company.

Constraints

- Negative trend in FOCF expected to continue considering the need for additional CapEx, increasing external financing need,
- Relatively long cash conversion cycle,
- Vulnerability to commodity price and accordingly ongoing geopolitical tensions due to input composition,
- In the shadow of geopolitical risks, leading economic indicators point to continued weakness in global demand conditions, whereas actions for a soft-landing are at the forefront.

Considering the aforementioned points, the Company's Long-Term National Issuer Credit Rating has been revised from 'BBB+ (tr)' to 'A (tr)'. The Company's revenue growth, solid leverage metrics, high equity level, low level of doubtful trade receivables, sector experience as well as negative FOCF metrics, instability of commodity prices and ongoing geopolitical 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 affirmed as 'Stable'. The Company's profitability metrics, sales volume, effects of the investments aiming cost-reduction and capacity expansion investments, global uncertainties and sectoral regulations 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.