Corporate Credit Rating

☐New ☒Update

Sector: Metal Industry
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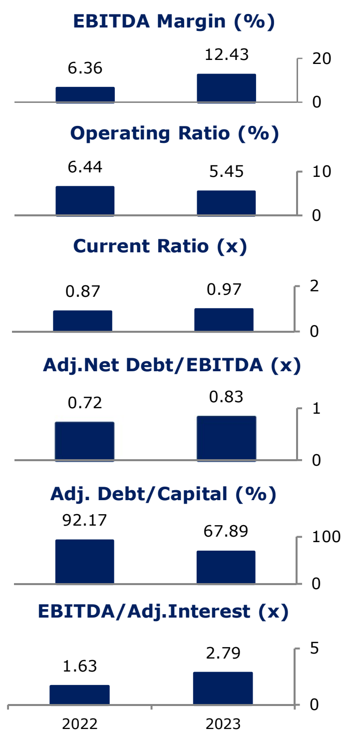
RATINGS		Long Term	Short Term
ICRs (Issuer Credit Rating Profile)	**National ICR**	**BBB (tr)**	**J2 (tr)**
	National ICR Outlooks	Stable	Stable
	International FC ICR	BB	-
	International FC ICR Outlooks	Stable	-
	International LC ICR	BB	-
	International LC ICR Outlooks	Stable	-
ISRs (Issue Specific Rating 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*



TEKBOR ÇELİK BORU SANAYİ VE TİCARET LİMİTED ŞİRKETİ

JCR Eurasia Rating, has evaluated **"Tekbor Çelik Boru Sanayi ve Ticaret Limited Şirketi"** in the investment grade category and revised the Long-Term National Issuer Credit Rating to **'BBB (tr)'** from **'BBB- (tr)'** and the Short-Term National Issuer Credit Rating to **'J2 (tr)'** from **'J3 (tr)'** with **'Stable'** outlooks. On the other hand, the Long Term International Foreign and Local Currency Issuer Credit Ratings and outlooks were determined as **'BB/Stable'** in parallel to sovereign ratings and outlooks of Republic of Türkiye.

Tekbor Çelik Boru Sanayi ve Ticaret Limited Şirketi (hereinafter **"the Company"** or **"Tekbor Boru"**) began its operations in 1998 in the Bismil district of Diyarbakır. Initially, the Company focused on meeting the local demand for drilling and irrigation pipes. Over time, in response to escalating demand, the Company expanded its capacity and commenced sales operations across Türkiye. Specializing in the production of spiral welded steel pipes and steel drilling casings, Tekbor Boru has also ventured into exporting and currently serves clients in Iraq and Georgia. With advancements in technology, spiral welded steel pipes, which benefit from corrosion protection techniques and materials, are utilized in various sectors, particularly in water distribution networks, oil and natural gas distribution pipelines, and drilling wells. Therefore, the expansion of the usage area of the pipes produced by the Company increases the sales. With a growing potential, the Company remains at the forefront of the sector, expanding its capabilities and market presence year by year.

The Company employed a staff force of 126 as of FYE2023 (FYE2022: 108). As of FYE2023, the shareholders of the Company are Haktan Tekin and Zuhat Tekin with 50.00% equal shares.

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

Strengths

- Enhanced revenue growth driven by elevated tonnage-based sales volume reflecting strong operational performance and market demand in FY2023,
- Recovery of profitability margins underpinned by higher EBITDA generation capacity in line with gross profit in FY2023 and expected to persist in 2024 financials,
- Robust net debt to EBITDA multiplier marked by manageable amount of financial debt and healthy cash balance along with augmented EBITDA generation capacity,
- Anticipated uplift in capacity utilization and cash generation in the forthcoming periods thanks to investment in the new production facility,
- Project-centric operational framework structured around contractually secured engagements with clients facilitating predictable and stable revenue stream.

Constraints

- Operating with net working capital deficit and insufficient level of current ratio in FY2023,
- Inadequate level of EBITDA interest coverage driven by rising interest expenses,
- Remarkably low equity base relative to asset size despite the significant contribution of paid-in capital,
- Room for improvement in the level of compliance with corporate governance principles,
- As actions for a global soft-landing gain prominence, decisions with the potential to adversely affect global trade are engendering considerable uncertainty.

Considering the aforementioned points, the Company's the Long-Term National Issuer Credit Rating has been revised to **'BBB (tr)'** from **'BBB- (tr)'**. Taking into account, the Company's increasing sales performance backed by strong demand and sales volume, recovery of profitability profile, robust leverage metrics, expected capacity utilization, project based working method as well as working capital deficit, inadequate EBITDA interest coverage, low level of equity and global commodity prices 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 profitability indicators, debt and equity level, sustainability of domestic and international demands, market position 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 also be monitored.