



CCXAP assigns first-time BBB_g- to Changzhou Eastern New City Construction Group Co., Ltd, with stable outlook

Hong Kong, 21 July 2020 -- China Chengxin (Asia Pacific) Credit Ratings Company Limited (“CCXAP”) has assigned a first-time long-term credit rating of BBB_g- to Changzhou Eastern New City Construction Group Co., Ltd (“CENCC” or the “Company”). The rating outlook is stable.

Rating Rationale

The BBB_g- long-term credit rating of CENCC is underpinned by (1) the change in the Company’s ultimate shareholder to the Changzhou Municipal Government; (2) the strong support received from the local government; and (3) the Company’s vital position in infrastructure construction and primary land consolidation in the Jiangsu Changzhou Economic Development Zone (the “Economic Development Zone”).

However, the rating is also constrained by the Company’s (1) large capital expenditure pressure due to long cash collection periods and sizeable projects in the pipeline; and (2) high debt leverage and weak liquidity position.

Rating Outlook

The stable outlook on CENCC’s rating reflects our expectation that the Company will sustain its vital position in the Economic Development Zone. We expect the change in ultimate shareholder will help the Company receive stronger support from a higher-tier government.

What could upgrade the rating?

The rating could be upgraded if (1) CENCC demonstrates a stronger role in the Economic Development Zone or Changzhou City, with an increasing likelihood of government support for the Company; and (2) the Company’s stand-alone credit profile improves significantly, such as stronger revenue and cash generation from its operating businesses and reduction in debt leverage.

What could downgrade the rating?

The rating could be downgraded if (1) the economic and fiscal performance of Changzhou City deteriorates; (2) the likelihood of government support for the Company decreases; or (3) the Company’s stand-alone credit profile weakens significantly, such as deteriorated business or financial performance.

Rating Methodology

The methodology used in this rating is the Rating Methodology for China's Local Infrastructure Investment and Financing Companies (May 2020).

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