中誠信亞太
CCXAP

CCXAP downgrades Logan Group Company Limited’s ratings to BB_g+, with a negative outlook

Hong Kong, 4 March 2022 – China Chengxin (Asia Pacific) Credit Ratings Company Limited (“CCXAP”) has downgraded the long-term credit rating and senior unsecured debt rating of Logan Group Company Limited (“Logan” or the “Company”) to BB_g+ from BBB_g-. At the same time, CCXAP has changed the rating outlook to negative.

Corporate Profile

Logan is a Chinese integrated property developer founded in 1996. Headquartered in Shenzhen, the Company mainly engages in property development in southern China, especially the Greater Bay Area. The Company’s products mainly cater for first-time homeowners and upgraders. Logan was listed on the main board of the Hong Kong Stock Exchange (Stock Code: 3380.HK) in 2013.

Rating Rationale

The ratings downgrade reflects Logan’s increasing refinancing risks and weakened access to funding. Media reported that the Company had around USD1 billion of offshore guaranteed debt, which was previously undisclosed in its contingent liabilities in the audited financial statement. The unreported debts were not included in our previous credit analysis and it may indicate a lower-than-expected financial transparency for the Company. Such incident has also weakened the confidence of investors over Logan and its bond price, as a result, has declined significantly since late February 2022, weighting on its refinancing ability in capital market.

In addition, Logan may face higher liquidity pressure under the current operating and financing environment. As of today, the Company has reported onshore debt of around RMB11.4 billion and offshore debt of USD279 million that are maturing or becoming puttable in 2022.

Rating Outlook

The negative outlook reflects Logan’s liquidity buffer could be reduce due to weaker market conditions, weaker investor confidence, and its repayment of guaranteed debt.

What could upgrade the rating?

Rating upgrade is less likely given the negative outlook. However, the rating outlook could be revised to stable if the Company’s financing capability and liquidity buffer materially improve.

What could downgrade the rating?

The rating could be downgraded if the Company’s (1) operating performance weakens such as declined contracted sales and slower cash collection; or (2) refinancing ability and liquidity position further deteriorate.

Regulatory Methodology

The methodology used in this rating is the Rating Methodology for Real Estate Development Industry (December 2019).

Regulatory Disclosures

CCXAP's Rating Symbols and Definitions are available on its website at:
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