中誠信亞太 CCXAP

CCXAP upgrades Jinke Property Group Co., Ltd.'s long-term credit rating to BB_g+, with stable outlook

Hong Kong, 20 May 2021 – China Chengxin (Asia Pacific) Credit Ratings Company Limited ("CCXAP") upgrades Jinke Property Group Co., Ltd.'s ("Jinke Property" or the "Company") long-term credit rating to BB_g+ from BB_g, with stable. The upgrade is based on the Company's robust contracted sales growth with more diversified geographical coverage. Jinke Property demonstrates a better-than-expected deleveraging process, which is expected to continue over the next 12-18 months.

Corporate Profile

Founded in 1998, Jinke Property was listed on Shenzhen Stock Exchange (Stock Code: 000656.SZ) in 2011. The Company is one of the leading property developers in Chongqing with national market coverage. As of 31 December 2020, the Company reported total land bank of 71.1 million sqm located in 118 cities in Mainland China. In 2020, Sunac China Holdings Limited transferred 11% of Jinke Property's shares to Red Star Furniture Group Co. Ltd.'s subsidiary in April and disposed an additional 13% shares in May. As of 31 December 2020, Mr. Huang Hongyun and persons acting in concert were the ultimate controller of the Company, owning 29.99% of the Company's stakes.

Rating Rationale

The BB_g+ long-term credit rating of Jinke Property is underpinned by the Company's (1) established track record in Chongqing and resilient contracted sales growth; (2) sufficient and diversified land bank; and (3) solid revenue growth and improving net profit margin.

However, the rating is also constrained by the Company's (1) large exposure to lower-tier cities; and (2) moderate but improving credit metrics.

Rating Outlook

The stable outlook on Jinke Property's rating reflects our expectation that the Company will sustain moderate contracted sales growth with adoption of more disciplined land acquisition strategy. We also expect the Company will continue to deleverage as supported by the controlled debt hike and solid revenue growth.

What could upgrade the rating?

The rating could be upgraded if the Company (1) demonstrates sustained growth in contracted sales with strong cash collection; (2) continues deleveraging process such that its net gearing ratio dropped to 50% or below; and (3) improves credit metrics such that its EBIT interest coverage ratio increases to 3.0x or above on a sustained basis.

What could downgrade the rating?

The rating could be downgraded if the Company's (1) contracted sales slumped; (2) business expansion becomes aggressive with large capital expenditure pressure and heightened debt leverage, such as net gearing ratio rise to 100% or above; or (3) liquidity position undermines.

Rating Methodology

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

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