

CCXAP affirms Chengdu Xinjin City Industry Development Group Company Ltd.'s BBB_g- long-term credit rating, with stable outlook.

Hong Kong, 26 November 2024 – China Chengxin (Asia Pacific) Credit Ratings Company Limited (“CCXAP”) has affirmed Chengdu Xinjin City Industry Development Group Company Ltd. (“XCID” or the “Company”) long-term credit rating at BBB_g-, with stable outlook.

The BBB_g- long-term credit rating of the Company reflects Chengdu Xinjin District Government’s strong capacity and very high willingness to provide support to the Company, based on our assessment of the Company’s characteristics.

Our assessment of Xinjin District Government’s capacity to provide support reflects Xinjin District’s status as one of the most advanced districts in rural revitalization strategy in Sichuan Province, with ongoing economic growth.

The rating also reflects the local government’s willingness to provide support, which is based on the Company’s (1) important strategic position in the development of Xinjin District; (2) solid track record of receiving government support; and (3) high sustainability for infrastructure projects. However, the rating is constrained by the Company’s (1) increasing exposure to commercial activities; (2) high debt growth driven by a large number of construction projects; and (3) moderate access to financing channels.

Corporate Profile

Founded in 2005, and after consolidating 3 state-owned companies, XCID has become the largest state-owned infrastructure construction and assets operation entity in Xinjin District as of 30 September 2024. XCID is primarily responsible for infrastructure construction, public transport operation, construction of resettlement housing, construction of industrial parks and other self-operating projects. Apart from its main business, the Company is also engaged in other commercial businesses, such as gravel sales, parking lot operation, and construction quality testing. As of 30 September 2024, the Company is directly and wholly owned by the Chengdu Xinjin District State-owned Assets Supervision and Administration Bureau (“Xinjin District SASAB”).

Rating Rationale

Credit Strengths

Important strategic position in the development of Xinjin District. XCID is the largest Local Infrastructure Investment and Financing Company (“LIIFC”) in Xinjin District by total assets. The Company has a clear positioning in the new planning layout of Xinjin District. The Company undertakes local public activities such as the construction of local infrastructure and resettlement housing projects. The Company also has a strong regional franchise right, and it is exclusively commissioned by the government to operate bus services in Xinjin District.

High sustainability for engineering construction projects. XCID undertakes large amount of key public policy projects in Xinjin District, which mainly constitute major infrastructure construction, resettlement housing projects. We believe these projects are closely in line with the local development plan. The repayment progress of completed public projects is relatively good.

Solid track record of receiving government support. XCID has a proven track record of receiving ongoing government support from Xinjin District Government, including government subsidies, capital injections and equity transfers. The Company regularly receives repurchase payments for its infrastructure construction and resettlement housing projects. Considering the strategic role of XCID, we expect the Company will continue to receive support from Xinjin SASAB in the future.

Credit Challenges

Increasing exposure to commercial activities. In addition to public welfare activities, XCID is also involved in other commercial activities such as gravel sales, parking, self-operated projects, and construction quality testing businesses. We consider XCID's commercial business exposure to be low, as its market-driven businesses account for less than 15% of its total assets.

High debt growth driven by a large number of construction projects. XCID has had high debt growth due to its debt-driven business expansion over the past few years. The Company's total debt increased from RMB21.4 billion at the end of 2022 to RMB31.6 billion as of 30 September 2024, while its total capitalization ratio increased from 35.6% to 44.7% over the same period. As of end-2023, the Company had 20 construction projects under construction or planning, with an expected investment amount of RMB15.6 billion and an outstanding amount of RMB11.7 billion.

Moderate access to financing channels. The Company's large investment needs could be partly supported by its financing channels. As of 30 September 2024, around 60.5% of the Company's debt financing was provided by domestic banks, with an available credit facility of RMB7.3 billion. Around 26.3% of debt financing was provided by the debt capital market. In addition, the Company has expanded the financing channel to the offshore debt capital market since 2023. In 2023, the Company issued three offshore bonds with total issuance amount of RMB1.2 billion and USD490 million. However, the Company has a certain exposure to high-cost non-standard financing, which accounted for 13.2% of its total debt.

Rating Outlook

The stable outlook on XCID's rating reflects our expectation that the local government's capacity to support the Company will remain stable, and the Company will maintain its strategic role as the key investment and operating entity in Xinjin District.

What could upgrade the rating?

The rating could be upgraded if (1) the local government's capacity to support strengthens; or (2) changes in company's characteristics enhance local government's willingness to support, such as strengthening financing channels or improving debt management.

What could downgrade the rating?

The rating could be downgraded if (1) the local government's capacity to support weakens; or (2) changes in company characteristics weaken the local government's willingness to support, such as reducing strategic significance or increasing exposure to commercial activities.

Rating Methodology

The methodology used in this rating is the Rating Methodology for [China's Local Infrastructure Investment and Financing Companies \(July 2022\)](#).

Regulatory Disclosures

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