中誠信亞太
CCXAP

CCXAP assigns first-time long-term credit rating of BBB_g- to Ganzhou Jianxing Holding Investment Group Co., Ltd., with stable outlook

Hong Kong, 22 November 2023 – China Chengxin (Asia Pacific) Credit Ratings Company Limited ("CCXAP") has assigned first-time long-term credit rating of BBB_g- to Ganzhou Jianxing Holding Investment Group Co., Ltd. ("GJHI" or the "Company"), with stable outlook.

The BBB_g- long-term credit rating of Ganzhou Jianxing Holding Investment Group Co., Ltd. ("GJHI" or the "Company") reflects (1) Zhanggong District Government's strong capacity to provide support; and (2) the local government's very high willingness to provide support, based on our assessment of the Company's characteristics.

The rating also reflects the local government's willingness to support, which is based on the Company's (1) most important position in the development of Zhanggong District; (2) high sustainability of public policy businesses; and (3) good track record of receiving government support. However, the Company's rating is constrained by its (1) large debt burden with relatively high short-term debt repayment pressure; and (2) moderate access to funding, with relatively high reliance on non-standard financing.

Corporate Profile

Founded in 2018, GJHI is the most important local infrastructure investment and financing company ("LIIFC") in Zhanggong District of Ganzhou City. The Company mainly engages in infrastructure construction and resettlement housing construction in Zhanggong District. It is also engaged in commercial businesses such as property development, property leasing, waste material disposal, and trading. As of 30 June 2023, the Company was wholly owned and directly controlled by the State-owned Assets Supervision and Administration Office of Zhanggong District of Ganzhou City.

Rating Rationale

Credit Strengths

Most important position in the development of Zhanggong District. GJHI is the largest and most important LIIFC in Zhanggong District, conducting local infrastructure and resettlement housing construction projects through its primary subsidiary, Ganzhou Zhanggong Area Construction Investment Group Co Ltd ("GZCI"). Considering that GJHI owns large amount of infrastructure assets in Zhanggong District, we believe that the Company has most important position in the development of the region and will not be easily replaced by other state-owned enterprises in the foreseeable future.

High sustainability of public policy businesses. As the major city infrastructure constructer of Zhanggong District, GJHI has undertaken large amount of agent construction projects in the region, focusing on infrastructure construction and resettlement housing. As of 30 June 2023, GJHI has completed 41 infrastructure construction and 31 resettlement housing projects, with total investment of RMB16.8 billion. The Company has large amount of projects under pipeline, which can ensure the high sustainability of its public-policy businesses.

Good track record of receiving government support. GJHI has a good track record of receiving support from local government in form of projects payment, financial subsidies and capital injection. As of 30 June 2023, the Company had received government payments of RMB2.8 billion for agent construction projects. From 2020 to 2023H1, GJHI received subsidies of RMB794.6 million and capital injection of RMB3.7 billion from the local government. Considering GJHI's important position in the development of Zhanggong District and its tight relationship with the local government, we expect that the local government will continue to support GJHI over the next 12 to 18 months.

Credit Challenges

Medium exposure to commercial activities. GJHI has medium exposure to commercial activities, as its commercial assets accounted for 15% to 20% of total asset as of 30 June 2023. The commercial businesses include property leasing, property development, and trading. We believe that the commercial risks are largely controllable as most of the commercial businesses provide supplementary income and reasonable profit to the Company, even though susceptible to fluctuations in property market and the macro-environment.

Large debt burden with relatively high short-term debt repayment pressure. With ongoing funding for the infrastructure construction projects and their long settlement period, GJHI has a fair debt growth over the past three years. The Company's total debt increased from RMB8.9 billion at end-2020 to RMB11.6 billion at mid-2023, with total capitalization ratio of 45.2%. However, the Company has high short-term debt repayment pressure, with short-term debt accounting for 46.4% of total debt at mid-2023. With large pipeline of construction projects under construction or planning, the Company will continue to rely on external financing to meet its future capital needs. As a result, we expect that its debt burden will continue to grow in the next 12 to 18 months.

Moderate access to funding, with relatively high reliance on non-standard financing. The Company has good relationship with policy banks like Agricultural Development Bank of China and large domestic commercial banks like Industrial and Commercial Bank of China. As of 30 June 2023, the Company's total credit facilities were RMB8.7 billion, of which the unutilized portion was RMB1.1 billion. GJHII also has good access to onshore bond market and have issued onshore bonds through GZCI. The Company plans to issue offshore bonds to further diversify its financing channels. However, GJHII has relatively high reliance on non-standard financing, which accounted for about 29% of total debt at mid-2023.

Rating Outlook

The stable outlook on GJHI's rating reflects our expectation that the Company will maintain its most important position in the development in Zhanggong District. We also expect that the Company will continue to receive ongoing government support.

What could upgrade the rating?

The rating could be upgraded if (1) local government's capacity to provide support strengthens; and (2) the Company's characteristics change in a way that strengthens the local government's willingness to provide support, such as materially decrease in its exposure to commercial activities and improved debt management.

What could downgrade the rating?

The rating could be downgraded if (1) local government's capacity to provide support weakens; or (2) the Company's characteristics change in a way that weakens the local government's willingness to provide support, such as decrease in its regional importance, material decrease in government payments, or deteriorated liquidity profile.

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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http://www.ccxap.com/en/rating_services/category/6/

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