

## **CCXAP assigns first-time long-term credit rating of BBB<sub>g</sub>- to Mianyang Science Technology City Development Investment (Group) Co., Ltd., with stable outlook.**

Hong Kong, 5 December 2023 – China Chengxin (Asia Pacific) Credit Ratings Company Limited (“CCXAP”) has assigned first time long-term credit rating of BBB<sub>g</sub>- to Mianyang Science Technology City Development Investment (Group) Co., Ltd. (“MSDG” or the “Company”), with stable outlook.

The BBB<sub>g</sub>- long-term credit rating of MSDG reflects Mianyang Municipal Government’s strong capacity and high willingness to provide support to the Company, based on our assessment of the Company’s characteristics. Our assessment of Mianyang Municipal Government’s capacity to provide support reflects that as the sole science and technology city approved by the State Council. Mianyang’s gross regional product (“GRP”) ranked second in Sichuan Province in 2022 and its financial strength continues to increase.

The rating also reflects the local government’s willingness to provide support, which is based on the Company’s (1) role as the important land development, infrastructure construction and industrial investment entity in Mianyang Science and Technology City (“Mianyang STC”); (2) large public projects reserves; and (3) solid track record of receiving government support. However, the rating is constrained by the Company’s (1) relatively large debt burden and moderate asset liquidity; (2) high exposure to commercial activities; and (3) investment risk in industrial development portfolio.

### **Corporate Profile**

Founded in 2001, formerly known as Mianyang Science and Education Innovation Investment Co., Ltd., MSDG has become an important infrastructure construction and land development entity in Mianyang STC. The Company is also engaged in commercial businesses such as natural gas, industrial products, trade sales, and real estate development. As of 31 December 2022, the Mianyang State-owned Assets Supervision and Administration Commission (“Mianyang SASAC”) had control over the Company, holding 68.4% of the Company’s shares.

### **Rating Rationale**

#### **Credit Strengths**

#### **The important land development and infrastructure construction entity in Mianyang STC.**

The Company is engaged in land development and infrastructure construction in Mianyang STC, and its functional positioning is different from that of other local state-owned companies in Mianyang City. Given the Company’s important role in Mianyang STC, we believe the Company will not be easily replaced by other local state-owned enterprises in the foreseeable future.

**Solid track record of receiving government support.** MSDG has a proven track record of receiving ongoing government support, including government subsidies, asset injections,

construction project payments and special bonds. Considering the important role of MSDG in the development of Mianyang STC, we expect the Company will continue to receive support from the Mianyang government in the future.

**Access to funding from banks and bond markets.** MSDG has fair access to a variety of funding sources, including bank loans and onshore bond financing. The Company maintains good long-term relationships with several banks. The Company also plans to tap the offshore debt capital market to broaden its funding sources.

### Credit Challenges

**High exposure to commercial activities.** MSDG is also engaged in diversified commercial activities, including real estate development, industrial product and natural gas sales, trading and industry fund investment. We consider MSDG's commercial business exposure to be high, as its market-driven businesses account for more than 30% of its total assets.

**Relatively high debt burden and moderate asset liquidity.** MSDG has a high debt burden due to its debt-driven business expansion over the past few years. In terms of debt structure, the Company had a heavy short-term debt burden, and the ratio of short-term debt to total debt was 50.2% at end-2022. In addition, MSDG's asset liquidity is moderate. As of 31 December 2022, the Company had pledged several assets for loans, including inventory and receivables.

**Contingent liability risks from external guarantees.** MSDG has a relatively low exposure to contingent liabilities. As of 31 December 2022, the Company's external guarantee amount was RMB887.1 million, accounting for only 5.3% of its net assets. The Company also faces credit contagion risks for bad debt provisions in its other accounts receivables.

### Rating Outlook

The stable outlook on MSDG's rating reflects our expectation that the local government's capacity to support the Company will remain stable, and the Company will maintain its significant position in Mianyang STC.

#### What could upgrade the rating?

The rating could be upgraded if (1) the local government's capacity to provide support strengthens; or (2) changes in company's characteristics enhance the local government's willingness to provide support, such as reduced exposure to risky commercial activities or improved debt management.

#### What could downgrade the rating?

The rating could be downgraded if (1) the local government's capacity to provide support weakens; or (2) changes in company characteristics decrease the local government's willingness to provide support, such as reduced strategic significance or deteriorated government support.



## 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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