

CCXAP affirms Sichuan Jianzhou Airport Agricultural Investment Development Group Co., Ltd.'s BBB_g- long-term credit rating, with stable outlook.

Hong Kong, 27 June 2024 – China Chengxin (Asia Pacific) Credit Ratings Company Limited (“CCXAP”) has affirmed the long-term credit rating of Sichuan Jianzhou Airport Agricultural Investment Development Group Co., Ltd. (“JAID” or the “Company”) at BBB_g-, with stable outlook

The BBB_g- long-term credit rating of JAID reflects Jianyang City 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 the Jianyang City Government’s capacity to provide support reflects Jianyang City’s vital position in Chengdu City, given its good industrial base, but constrained by relatively small economic scale and heavy debt burden.

The rating also reflects the local government’s willingness to provide support, which is based on the Company’s (1) strategic role as the major agricultural infrastructure constructor and service provider in Jianyang City; (2) high sustainability of infrastructure construction business; and (3) solid track record of receiving government payments. However, the rating is constrained by the Company’s (1) increasing debt leverage with large short-term debt maturities; (2) funding channels need to be improved; and (3) moderate assets liquidity.

Corporate Profile

Founded in 2016, formerly known as Jianyang Huizhong Agricultural Investment Development Co., Ltd. JAID has a clear positioning of rural revitalization and agricultural development. The Company is primarily responsible for agricultural infrastructure development in Jianyang City. Apart from public development projects, the Company also derives revenue from businesses such as agricultural sales, agricultural services, leasing and management. As of 31 December 2023, Jianyang State-owned Assets Management Committee (“Jianyang SAMC”) controlled 95% of JAID’s shares and was the ultimate controller.

Rating Rationale

Credit Strengths

Strategic role as the major agricultural infrastructure constructor and service provider in Jianyang City. JAID has a clear positioning of agricultural infrastructure construction and agricultural industrial park development in Jianyang City. It is also responsible for the agricultural service in Jianyang City, such as storage and sales of national grain. Considering the Company’s high strategic significance to the development of Jianyang City, we believe the Company will not be easily replaced by other local state-owned enterprises in the foreseeable future.

High sustainability of infrastructure construction business. The Company has successfully delivered a series of large-scale agricultural infrastructure projects and public

welfare facilities over the past few years, such as agricultural industry projects and tourism projects. We expect that the considerable projects in the pipelines can ensure the sustainability of the infrastructure construction business, but exert large capital expenditure pressure on the Company.

Track record of receiving government payments. JAID has a track record of receiving payments from the Jianyang City Government. These payments take various forms, such as government subsidies and capital injections, which effectively improved the Company's cash flow and financial leverage. Given JAID's important strategic role, we expect the Company will continue to receive support from the Jianyang City Government in the future.

Credit Challenges

Increasing debt leverage with large short-term debt maturities. JAID's total debt had increased from RMB5.6 billion at end-2022 to RMB5.9 billion as of 31 December 2023, its total capitalization increased from 48.7% to 50.6% over the same period. Given the Company's relatively large capital expenditure pressure, we expect the Company will maintain a fast debt growth and relatively high debt leverage for the next 12-18 months.

Moderate asset liquidity. Furthermore, JAID has moderate asset liquidity. The Company's total asset mainly consists of inventories and non-current assets, which accounted for 77.3% of its total asset as of 31 December 2023. Meanwhile, it had external guarantee of RMB1.4 billion as of end-2023, representing 24.9% of its net asset.

Funding channels need to be improved. JAID has access to funding as mainly reflected by its good banking relationships. Around 68.2% of the Company's debt was provided by bank loan. In 2024, the Company has further expanded its funding channel to offshore debt capital market. In addition, the Company has a relatively high reliance on non-standard financing. Around 23.6% of debt financing was provided by non-standard financing, including financial leasing.

Rating Outlook

The stable outlook on JAID's rating reflects our expectation that the local government's capacity to support the Company will remain stable, and the Company will maintain its dominant position in the infrastructure construction in Jianyang City.

What could upgrade the rating?

The rating could be upgraded if (1) the local government's capacity to provide support strengthens; and (2) changes in company's characteristics enhance local government's willingness to provide support, such as improved debt management and increased asset liquidity.

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 government payments.

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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