



CCXAP assigns Dalian Deta Holding Co., Ltd.'s US dollar-denominated unsecured notes final BBB_g+ rating

Hong Kong, 29 July 2019 -- China Chengxin (Asia Pacific) Credit Ratings (“CCXAP”) has assigned Dalian Deta Holding Co., Ltd. (“Deta” or the “Company”)'s (BBB_g+ /Stable) USD 300.0 million 5.95% offshore senior unsecured notes due 2022 a final rating of BBB_g+

The notes are rated at the same level as Deta's senior unsecured rating, as they represent its direct, general, unsubordinated, unconditional and unsecured obligations. Proceeds will be used for project development and replacement of debt. The final rating is in line with the expected rating assigned on 5 July 2019.

Rating Rationale

The BBB_g+ long-term credit rating and senior unsecured debt rating of Deta is underpinned by the Company's (1) strong level of support from the shareholder; (2) strategically important position in utility services in the Jinpu New Area; and (3) improved financial and liquidity profile. However, the rating is constrained by (1) uncertainties in the infrastructure construction business; and (2) the Company's weak profitability and cash generating ability.

Rating Outlook

The stable outlook on Deta's rating reflects its key position in the provision of utility services in the Jinpu New Area and the continuity of receiving high level of support from its major shareholder, the Administrative Committee of Dalian Jinpu New Area (the “Jinpu Administrative Committee”). We expect the revenue of the Company will gradually improve alongside the development of the Jinpu New Area.

What could upgrade the rating?

The rating could be upgraded if (1) more favorable government policies are introduced that can strengthen the Company's position in the Jinpu New Area as well as its business profile; (2) the Company's profitability improves; and (3) the Company improves its credit profile in debt leverage and credit metrics.

What could downgrade the rating?

The rating could be downgraded if (1) there is less support from the regional and local governments; (2) increasing capital expenditure exerts pressure on the Company's credit profile; or (3) the Company's debt leverage severely impairs its liquidity position.

Rating Methodology

CCXAP's public ratings are available at www.ccxap.com (Rating Results) and may be distributed through media and other means. The methodology used in this rating is Rating Methodology for China's Local Government Financing Vehicles dated June 2017, available at www.ccxap.com (Rating Methodology).

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