



CCXAP assigns first-time B_g+ to Guangzhou Fineland Real Estate Development Co., Ltd, with stable outlook

Hong Kong, 15 July 2020 -- China Chengxin (Asia Pacific) Credit Ratings Company Limited (“CCXAP”) has assigned a first-time long-term credit rating of B_g+ to Guangzhou Fineland Real Estate Development Co., Ltd (“Fineland” or the “Company”). The rating outlook is stable.

Rating Rationale

The B_g+ rating of Fineland reflects the Company’s (1) good operating track record in property development in Guangzhou; and (2) low-cost land bank acquired through urban renewal projects.

However, the rating is also constrained by the Company’s (1) small operating scale with high geographic concentration; and (2) increase in debt burden and weakened liquidity position.

Rating Outlook

The stable outlook on Fineland’s rating reflects our expectation that the Company will enhance its branding and maintain its strong presence in Guangdong Province. We also expect that its credit metrics will remain in a manageable range in the next 12-18 months.

What could upgrade the rating?

The rating could be upgraded if the Company (1) demonstrates a substantial growth in contracted sales; (2) improves its geographical diversification; and (3) EBIT interest coverage lifts to 3.0x or above on a sustained basis.

What could downgrade the rating?

The rating could be downgraded if the Company (1) records a slump in contracted sales; (2) accelerates debt-driven land acquisitions such that its leverage rises sharply; or (3) EBIT interest coverage falls below 1.0x on a sustained basis.

Rating Methodology

The methodology used in this rating is the Rating Methodology for Real Estate Development Industry (December 2019).

Contacts of Credit Ratings

The first name below is the lead rating analyst for this rating and the last name below is the person primarily responsible for approving this rating.

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