



CCXAP affirms GCL Intelligent Energy Co., Ltd.'s long-term credit rating at BB_g+, and revises the Company's outlook to stable from positive

Hong Kong, 16 July 2020 -- China Chengxin (Asia Pacific) Credit Ratings ("CCXAP") has affirmed the long-term credit rating of GCL Intelligent Energy Co., Ltd. ("GCL Intelligent Energy" or the "Company") at BB_g+. The rating outlook is revised to stable from positive.

Rating Rationale

The BB_g long-term credit rating of GCL Intelligent Energy reflects the Company's (1) long-term growth prospects as supported by China's preferential policies in clean energy; (2) established operating scale with diversified fuel mix; and (3) high-quality plant assets located in industrial parks.

However, the rating is also constrained by (1) the evolving regulatory policy and tariff-setting mechanism, which results in uncertainties in the Company's operating environment; (2) the Company's high debt leverage; and (3) its modest liquidity profile.

Rating Outlook

We revise the rating outlook of the Company to stable from positive, reflecting that (1) the Company's modest liquidity profile constrains a rating uplift; and (2) the coronavirus outbreak undermines the overall economic conditions and electricity consumption growth in China.

What could upgrade the rating?

The rating could be upgraded if the Company (1) strengthens its business profile with larger operating scale and higher operating efficiency; (2) decreases debt leverage such as capitalization ratio below 60% and debt/EBITDA ratio below 5x on a sustained basis; and (3) improves its liquidity substantially.

What could downgrade the rating?

The rating could be downgraded if the Company (1) expands its business into other business segments besides power generation; (2) adopts aggressive debt-funded expansions with higher debt leverage and weaker credit metrics, such as capitalization ratio above 80% and debt/EBITDA ratio above 7.0x; or (3) demonstrates a substantially weaker liquidity position.

We may also downgrade the Company's rating if the credit quality of its ultimate shareholder, Golden Concord Group Limited ("Golden Concord"), significantly deteriorates, and that there is evidence of a negative impact on the Company's credit profile.

Rating Methodology

The methodology used in this rating is the Rating Methodology for [Electric Utilities Industry \(April 2018\)](#).

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