CCXAP affirms Logan Group Company Limited's BBB_g- long-term credit rating, with stable outlook

Hong Kong, 26 May 2021 -- China Chengxin (Asia Pacific) Credit Ratings Company Limited ("CCXAP") has affirmed BBB_g- long-term credit rating of Logan Group Company Limited ("Logan" or the "Company"), with stable outlook. At the same time, CCXAP has affirmed Logan's BBB_g- debt rating on USD300 million 5.25% senior notes due 2025.

Corporate Profile

Logan is a Chinese integrated property developer founded in 1996. Headquartered in Shenzhen, the Company mainly engages in property development in southern China, especially the Greater Bay Area. At end-2020, based on expected saleable value, approximately 64% of its land bank was located in the Greater Bay Area. The Company's products mainly cater for first-time homeowners and upgraders. Logan was listed on the main board of the Hong Kong Stock Exchange (Stock Code: 3380.HK) in 2013. As of 31 December 2020, the Company was 61.62% owned by its controlling shareholder, Mr. Kei Hoi Pang.

Rating Rationale

The BBB_g- rating of Logan is underpinned by (1) strong sales execution underpinned by its leading position in the Greater Bay Area; (2) high-quality land bank focusing on urban renewal projects; (3) sound profitability driven by its low land costs and effective cost control; and (4) good liquidity buffer.

However, the rating is constrained by its (1) geographic concentration in regional market that is vulnerable to the local regulatory and economic changes; and (2) exposure to the risks associated with joint venture projects.

Rating Outlook

The stable outlook on Logan's rating reflects our expectation that the Company will maintain its strong market position in the Greater Bay Area and continue to replenish its land bank for sales growth at a sustainable level. We also expect the Company to maintain sufficient liquidity position and interest coverage over the next 12 to 18 months.

What could upgrade the rating?

The rating could be upgraded if the Company (1) establishes a track record of sustainable growth in contracted sales; and (2) improves its credit metrics, such as the ratio of contracted sales to total debt to above 2.0x, and the net gearing ratio to below 50.0%, on a sustained basis.

What could downgrade the rating?

The rating could be downgraded if the Company's (1) contracted sales slumps and profitability shrinks; (2) credit metrics deteriorate, such as the ratio of contracted sales to total debt falls below 1.0x or the net gearing ratio hits above 100%; or (3) liquidity management is poor and refinancing risk is high.

Rating Methodology

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

Regulatory Disclosures

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