CCXAP upgrades Seazen Holdings Company Limited's long-term credit rating to BBB_g, with stable outlook

Hong Kong, 16 July 2021 -- China Chengxin (Asia Pacific) Credit Ratings Company Limited ("CCXAP") upgrades Seazen Holdings Company Limited's ("Seazen" or the "Company") long-term credit rating to BBB_g from BBB_g-, with stable outlook; and its senior unsecured debt rating to BBB_g from BBB_g-. The upgrade is based on the Company's large operating scale, growing recurring income, and improving financing capability, which enhance its debt servicing ability.

Corporate Profile

Seazen (Stock Code: 601155.SH) is one of the leading property developers in China and specializes in the business of property development and property leasing. Seazen was founded in Changzhou in 1993 and was listed on the Shanghai Stock Exchange in December 2015. The Company adheres to the strategic model of dual-core driving of residential and commercial real estate, particularly in the core cities of the Yangtze River Delta region. The Company has a large land bank spreading across 123 medium-to-large sized cities with a total gross floor area ("GFA") of 143 million sqm as of 31 December 2020. The Company is 67.2% owned by Seazen Group Limited (Stock Code: 1030.HK) as of the same date, and the ultimate shareholder is Mr. Wang Zhenhua.

Rating Rationale

The BBB_g rating of Seazen is underpinned by the Company's (1) large operation scale and leading market position in the Yangtze River Delta region; (2) growing recurring rental income from commercial property projects; (3) good financial metrics; and (4) strong liquidity profile. However, the rating is constrained by the Company's (1) great exposure to the Yangtze River Delta region; and (2) large exposure to joint-venture and associate projects.

Rating Outlook

The stable outlook on Seazen's rating reflects our expectation that the Company will maintain a strong market position in the Yangtze River Delta region. We also expect the Company will sustain a solid growth in rental income and maintain stable financial metrics over the next 12 to 18 months.

What could upgrade the rating?

The rating could be upgraded if the Company (1) has a robust and sustainable growth in contracted sales; (2) has strong recurring rental income from its commercial properties that covers over 100% of its total interest expense; and (3) improves its credit metrics, such as net gearing ratio to below 50% and EBIT interest coverage to above 5.0x, on a sustainable basis.

What could downgrade the rating?

The rating could be downgraded if the Company's (1) contracted sales slumps and rental income drops significantly; (2) credit metrics deteriorate, such as net gearing ratio rises above

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100% or the ratio of contracted sales to total debt drops below 2.0x; or (3) liquidity buffer squeezes or financing capacity weakens.

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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