

## **CCXAP affirms Meishan Tianfu New Area Investment Group Co., Ltd.'s BBB<sub>g</sub>+ long-term credit rating, with stable outlook.**

Hong Kong, 30 December 2024 – China Chengxin (Asia Pacific) Credit Ratings Company Limited ("CCXAP") has affirmed the long-term credit rating of Meishan Tianfu New Area Investment Group Co., Ltd. ("MTAI" or the "Company") at BBB<sub>g</sub>+, with stable outlook.

The BBB<sub>g</sub>+ long-term credit rating of MTAI reflects Meishan Municipal Government's (1) strong capacity to provide support, and (2) extremely high willingness to provide support based on our assessment of the Company's characteristics. Our assessment of Meishan Municipal Government's capacity to provide support reflects its status as a crucial part of Tianfu New Area, Chengdu Economic Zone and Greater Emei International Tourism Zone as well as a key area of the Cheng (Du) Le (Mountain) Golden Corridor, with ongoing economic and fiscal growth.

The rating also reflects the local government's willingness to provide support, which is based on the Company's (1) monopoly role in the development of Meishan Tianfu New Area; (2) solid track record of receiving government support; and (3) strong access to funding from banks and bond markets. However, the rating is constrained by the Company's (1) medium commercial business risks in self-operated projects and property development; (2) rapid debt growth and certain liquidity pressure; and (3) moderate asset liquidity.

### **Corporate Profile**

MTAI was established by the Meishan State-owned Assets Supervision and Administration Commission ("Meishan SASAC") in December 2018. The Company is the sole entity responsible for infrastructure construction, investment and financing activities in Meishan Tianfu New Area. Its business scope covers infrastructure construction, water affairs, real estate development, engineering construction, trade, smart equipment service and sales, fund investment, and small loans. As of 30 June 2024, Meishan SASAC was the Company's actual controller and the largest shareholder, holding 97.9% of the shares.

### **Rating Rationale**

#### **Credit Strengths**

**Monopoly role in the development of Meishan Tianfu New Area.** MTAI is the sole entity responsible for local infrastructure construction in Meishan Tianfu New Area, as well as an important state-owned assets investment and operation entity in Meishan City. As MTAI's infrastructure construction projects are crucial to local social and economic development that benefits the general public and local employment, we believe that the Company's replacement cost is relatively high.

**Solid track record of receiving government support.** As the sole entity in charge of infrastructure construction in the Meishan Tianfu New Area, the Company has a good track record of receiving support from the local government in the past few years. In light of MTAI's

important regional position in infrastructure construction and investment attraction in the Meishan Tianfu New Area, we expect the Company to receive ongoing support from the local government over the coming 12-18 months.

**Strong access to funding from banks and bond markets.** MTAI's large capital needs can be alleviated through its diversified financing channels. MTAI has good access to diversified funding such as bank loans, and onshore bond financing.

### Credit Challenges

**Medium exposure to commercial activities.** MTAI is also engaged in commercial activities such as self-operated construction, property sales, trading, engineering construction as well as smart equipment service sales. Diversified businesses bring supplementary income to the Company, but also significantly increase its commercial business risks. We consider the Company's commercial business risk to be medium, because its commercial activities accounted for around 30% of its total assets.

**Rapid debt growth and certain liquidity pressure.** Due to the large amount of projects construction, MTAI's total debt had increased significantly from RMB24.0 billion at end-2022 to RMB38.0 billion at mid-2024, with a capitalization ratio growing from 46.5% to 54.7% during the same period. Given the Company's large capital expenditure pressure from its construction projects, we expect the Company will maintain a high debt growth for the next 12-18 months.

**Modest asset liquidity.** The Company has moderate asset liquidity. As of 30 June 2024, its total receivables and inventories accounted for a relatively high proportion, totaling around 65.5% of total assets.

### Rating Outlook

The stable outlook on MTAI's rating reflects our expectation that the Meishan Municipal Government's capacity to provide support will remain stable, and the Company's characteristics as its monopoly role in the development of Meishan Tianfu New Area will remain unchanged over the next 12 to 18 months.

#### What could upgrade the rating?

The rating could be upgraded if (1) Meishan Municipal Government's capacity to support strengthens; and (2) the Company's characteristics change in a way that strengthens the local government's willingness to support such as materially reduced exposure to risky commercial activities and improved debt management.

#### What could downgrade the rating?

The rating could be downgraded if (1) Meishan Municipal Government's capacity to support weakens; or (2) the Company's characteristics change in a way that weakens the local government's willingness to provide support, such as weakened market position, deteriorated access to fundings, or material decreased government support.



## Rating Methodology

The methodology used in this rating is the Rating Methodology for [China's Local Infrastructure Investment and Financing Companies \(July 2022\)](#).

## Regulatory Disclosures

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