中誠信亞太 CCXAP

CCXAP affirms UETD Construction & Development State-owned Capital Investment Operation (Group) Co., Ltd.'s long-term credit rating at BBB_g+, with stable outlook.

Hong Kong, 21 September 2026 -- China Chengxin (Asia Pacific) Credit Ratings Company Limited ("CCXAP") has affirmed the long-term credit rating of UETD Construction & Development State-owned Capital Investment Operation (Group) Co., Ltd. ("UCDI" or the "Company") at BBB_g+, with stable outlook. At the same time, CCXAP has affirmed the Company's senior unsecured debt rating at BBB_g+.

The BBB_g+ long-term credit rating of UCDI is underpinned by the Company's (1) status as an important industrial investment platform in the Urumqi Economic and Technological Development Zone ("Urumqi ETDZ"), with strong regional competitiveness; (2) diversified business mix, which has been enhanced by the acquisition of Tianjin Motor Dies Co., Ltd. ("TQM"); and (3) diversified financing channels with sufficient standby liquidity. However, the rating is also constrained by (1) relatively weak profitability; (2) high debt leverage with certain short-term repayment pressure; and (3) weak debt servicing capability.

The rating also reflects a high likelihood of government support from Urumqi ETDZ Government when needed, which is based on the Company's (1) direct ownership by the Urumqi ETDZ State-owned Assets Supervision and Administration Commission ("Urumqi ETDZ SASAC"); (2) important position as an industrial investment platform in Urumqi ETDZ; and (3) good track record of receiving government support in the form of asset injections, subsidies, and special bond funds.

Corporate Profile

Founded in 1992, UCDI is an important state-owned industrial investment platform in Urumqi ETDZ (Toutunhe District), mainly engaging in industrial park development, property leasing, and urban services in the region. The Company has also diversified into property development and trading businesses. As of 31 March 2026, the Company was wholly owned and directly controlled by the Urumqi ETDZ SASAC.

Rating Rationale

Credit Strengths

Important industrial investment platform in Urumqi ETDZ, with strong regional competitiveness. The Company's mandate encompasses the cultivation and investment in advanced manufacturing, textiles and clothing, and software and information technology services, positioning it as a key vehicle for the zone's industrial upgrading. Its urban services business enjoys exclusive or franchise advantages within the ETDZ, while its industrial park development and property leasing operations benefit from scale advantages and long-standing relationships with tenants and local authorities.

Diversified business mix, which has been enhanced by the acquisition of TQM. The acquisition of TQM in December 2025 has further broadened the Company's business scope into professional equipment manufacturing, enhancing overall diversification. However, the expansion into a capital-intensive and cyclical manufacturing sector introduces integration risks and may strain the Company's already elevated leverage.

Diversified financing channels with sufficient standby liquidity. At end-2025, the Company's debt structure mainly comprised bank loans, bonds, and non-standard loans, which accounted for 49.3%, 38.1%, and 2.5% of total debts at end-2025, respectively. The relatively high proportion of bank and bond financing indicates good access to mainstream funding channels. As of 31 March 2026, its total credit facilities amounted to RMB28.9 billion, of which RMB11.8 billion remained unutilized.

High likelihood of support from Urumqi ETDZ Government. We expect UCDI has a high likelihood of government support from Urumqi ETDZ Government when needed, which is based on the Company's (1) direct ownership by Urumqi ETDZ SASAC; (2) important position as an industrial investment platform in Urumqi ETDZ; and (3) good track record of receiving government support in the form of asset injections, subsidies, and special bond funds.

Credit Challenges

Relatively weak profitability. Its EBIT margin declined from 22.0% in 2024 to 18.0% in 2025, while return on assets remained low at 1.1%. Overall, the Company's profitability remains relatively weak and insufficient to cover its interest expenses from operating earnings alone.

High debt leverage with certain short-term repayment pressure. The total capitalization ratio remained at a high level of 65.3% at end-2026Q1. The Company also has certain short-term repayment pressure, with short-term debt ratio of 26.3% and cash to short-term debt ratio of 0.4x at end-2026Q1.

Weak debt servicing capability. Its total debt-to-EBITDA surged to 56.2x in 2025 from 40.2x in 2024, as TQM consolidation substantially increased debt without a proportional increase in EBITDA. Its EBITDA interest coverage was 0.5x in 2025, down from 0.7x in 2024, indicating that operating earnings are insufficient to cover interest expenses.

Rating Outlook

The stable outlook on UCDI's rating reflects our expectation that the Company will maintain its strategic role as the important industrial development platform in Urumqi ETDZ. We also expect that as a local state-owned enterprise, the Company will continue to receive ongoing government support over the next 12 to 18 months.

What could upgrade the rating?

The rating could be upgraded if (1) the likelihood of support from Urumqi ETDZ Government increases; and (2) the Company's stand-alone credit profile improves significantly, such as improvement in profitability and leverage.

What could downgrade the rating?

The rating could be downgraded if (1) the likelihood of support from Urumqi ETDZ Government decreases; or (2) the Company's stand-alone credit profile weakens significantly, such as deterioration in debt leverage or liquidity.

Rating Methodology

The methodology used in this rating is the Rating Methodology for General Corporate (May 2026).

Regulatory Disclosures

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