

# 2019-1 Green Bond of Guangzhou Water Investment Group Co., Ltd.

## Ratings

**Long-term credit rating of the issuer: AAA**

**Credit rating for this bond: AAA**

**Rating outlook: Stable**

**Issue size (current tranche): CNY 1.6 billion**

**Maturity of this issue: 10 years**

**Debt servicing method:** Annual interest payment; the Company has the option to adjust the coupon rate and a put option is available to investors at the end of the fifth year.

**Use of proceeds:** Project construction and working capital supplement

**Date of rating:** January 4, 2019

## Financial data

Item	2015	2016	2017
Cash assets (CNY 100mn)	72.74	89.43	83.32
Total assets (CNY 100mn)	698.53	741.19	771.60
Owners' equity (CNY 100mn)	241.34	267.67	293.80
Short-term liabilities (CNY 100mn)	34.59	36.46	236.78
Long-term liabilities (CNY 100mn)	325.80	324.77	134.54
Total liabilities (CNY 100mn)	360.39	361.23	371.32
Revenue (CNY 100mn)	82.47	82.30	83.80
Total profit (CNY 100mn)	2.30	4.13	5.61
EBITDA (CNY 100mn)	27.02	37.70	35.31
Net cash flow from operating activities (CNY 100mn)	40.92	44.16	32.31
Operating profit margin (%)	25.83	22.19	22.19
ROE (%)	0.82	1.38	1.52
Debt-to-asset ratio (%)	65.45	63.89	61.92
Total debt capitalization ratio (%)	59.89	57.44	55.83
Current ratio (%)	188.44	202.73	43.74
Operating cash flow-to-current liabilities ratio (%)	74.12	79.84	11.94
Total liabilities / EBITDA (x)	13.34	9.58	10.52

## Rationale

Guangzhou Water Investment Group Co., Ltd. (hereinafter referred to as the "Company") is the only water supplier and investor in the water-related businesses in the main urban area of Guangzhou, therefore its business operations are exclusive in the region. The Company has received strong external support such as asset injections, policy support, government subsidies and debt swaps, in recent years. China Lianhe Credit Rating Co., Ltd. ("Lianhe Ratings") also finds certain adverse factors on its credit rating, for example, illiquidity of its assets and realizability of earnings from equity investment.

Guangzhou's economy developed steadily in recent years, and the local water supply market boasts a bright development prospect, thus creating a conducive external environment for the Company. As the local economy and people's living standard continue to improve, domestic water and sewage treatment prices in Guangzhou have a considerable upside potential. As a result, the Company's earning and profitability will increase accordingly. Lianhe Ratings assigns the "stable" outlook rating to the Company.

Based on a comprehensive assessment of the bond issuer's long-term credit profile and its ability to repay debts associated with the bond tranche, United Ratings concludes that the risk of default on the bond repayment is extremely low.

## Strengths

1. Guangzhou's economy developed steadily in recent years, and the local water supply market boasts a bright development prospect, thus creating a favorable external environment for the Company.
2. The Company is the only water supplier and investor in water-related businesses in the main urban area of Guangzhou, and has maintained clear advantages in the regional market, benefiting from the exclusive nature of its business operations and a strong external support.
3. According to documents supplied by the Company, some of its debts have been recognized as government debts. As of the end of 2018, the debt swaps had been completed, resulting in a reduction of the Company's debt burden.

**Analysts**

HUO Zhengze, WANG Meng

**Email:** [lianhe@lhratings.com](mailto:lianhe@lhratings.com)

**Tel:** 010-85679696

**Fax:** 010-85679228

**Address:** 17/F PICC Tower, No. 2  
Jianguomenwai Avenue, Chaoyang District,  
Beijing (100022)

**Website:** [www.lhratings.com](http://www.lhratings.com)

**Concerns**

1. Most of the Company's assets are non-current assets, indicating a low degree of asset liquidity.
2. Expected earnings of the equity investment projects will be dependent on construction progress, project operations and other factors throughout the duration of the bonds. There is a certain level of uncertainty on whether the earning can be achieved. If investors choose to exercise the put option in the fifth year, and earnings obtained from the equity investments during the five years are relatively low, no guarantee can be provided on bond repayment.