Guangxi Railway Investment Group Co., Ltd.'s 2019-1 Commercial Paper

Ratings

Long-term credit rating of the issuer: AAA
Credit rating for the commercial paper: A-1
Rating outlook: Stable

Overview of the commercial paper

Issue size (current tranche): CNY 1.0 billion
Maturity of this issue: 366 days
Debt servicing method: Bullet repayment of principal at maturity
Use of proceeds: To repay interest-bearing debts

Rating assigned date: July 29, 2019

Financial data

Item	2016	2017	2018	Mar. 2019
Cash assets (CNY 100mn)	109.26	135.19	125.53	105.17
Total assets (CNY 100mn)	1058.38	1064.45	1022.56	1014.24
Owners' equity (CNY 100mn)	403.57	426.00	404.68	402.45
Short-term liabilities (CNY 100mn)	118.51	118.38	145.32	115.72
Long-term liabilities (CNY 100mn)	447.02	449.02	368.75	389.42
Total liabilities (CNY 100mn)	565.53	567.40	514.08	505.14
Revenue (CNY 100mn)	134.30	154.24	148.81	27.08
Total profit (CNY 100mn)	2.77	5.68	2.21	-2.24
EBITDA (CNY 100mn)	20.72	28.14	25.16	--
Net cash flow from operating activities (CNY 100mn)	2.83	41.91	40.34	-8.82
Operating profit margin (%)	14.78	13.56	12.03	10.05
ROE (%)	0.53	1.09	0.33	--
Debt-to-asset ratio (%)	61.87	59.98	60.43	60.32
Total debt capitalization ratio (%)	58.36	57.12	55.95	55.66
Current ratio (%)	238.32	252.74	153.66	168.66
Operating cash flow-to-current liabilities ratio (%)	1.39	23.69	19.16	--
Total liabilities / EBITDA (x)	27.30	20.16	20.43	--
EBITDA-to-interest cover (x)	1.04	1.13	1.07	--

Note: 1. Financial statements for 1Q2019 are unaudited; 2. The interest-bearing portion of other accounts payable and other current liabilities have been included in the Company's short-term liabilities, and the interest-bearing portion of long-term accounts payable and other non-current liabilities has been included as long-term liabilities.

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Rationale

After assessment by China Lianhe Credit Rating Co., Ltd. ("Lianhe Ratings"), the "A-1" credit rating is assigned to the offering of 2019-1 commercial paper (hereinafter referred to as the "CP") proposed by Guangxi Railway Investment Group Co., Ltd. (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 CP, Lianhe Ratings concludes that the risk of default on the bond repayment is extremely low.

Strengths

1. The Guangxi autonomous region achieved steady economic development in recent years, and its fiscal strengths continued to improve. The enormous demand for railway investment and construction provides the Company with a favorable external environment.
2. The Company is a railway construction investment and financing entity that acts as an investor in Guangxi autonomous region on behalf of the regional government, an entity which boasts significant monopolistic advantages in the local market.
3. It has been receiving the government's support under the name of "shared funding by the regional and municipal governments", railway development investment funds, fiscal discounts and subsidies, government debt swaps, and non-cash contributions using land as collateral, advantages which contributed significantly to the Company's railway construction and investment activities.
4. The Company's operating cash inflow, EBITDA and cash assets offer a high level of coverage for the CP.

Concerns

1. The overall age of the Company's accounts receivable accrued in the trade and entrusted loan business is relatively long, and some receivables are past due, tying up a substantial amount of capital, as well as exposing an asset recovery risk.
2. The Company's rail construction operations have a considerable demand for funding, and the realization of returns on railway investment and cash flow lag behind as compared with the financial input, so the Company still has enormous financing needs.