

# Nanjing Metro Group Co., Ltd.'s 2019-1 Green Medium-term Notes

## Ratings:

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

**Credit rating of the medium-term notes (MTN):** AAA

**Rating outlook:** Stable

**Scale of the MTN:** CNY 2 billion

**Maturity of this issue:** 5 years

**Debt servicing method:** Annual interest payment, repayment of principal at maturity

**Use of proceeds:** To repay the existing debt on its subway projects

**Date of rating:** December 18, 2018

## Financial data

Item	2015	2016	2017	September 2018
Cash assets (CNY 100mn)	140.62	114.49	69.14	111.56
Total assets (CNY 100mn)	1233.44	1476.96	1585.04	1719.21
Owners' equity (CNY 100mn)	396.45	485.02	582.54	635.36
Short-term liabilities (CNY 100mn)	21.94	56.99	88.36	79.55
Long-term liabilities (CNY 100mn)	656.82	762.60	780.04	877.08
Total liabilities (CNY 100mn)	678.76	819.59	868.40	956.62
Revenue (CNY 100mn)	14.01	17.52	20.07	16.28
Total profit (CNY 100mn)	1.61	2.32	2.24	0.45
EBITDA (CNY 100mn)	6.85	13.81	14.48	--
Net cash flow from operating activities (CNY 100mn)	10.43	18.91	14.73	-2.54
Operating profit margin (%)	-24.63	-61.84	-61.14	-76.81
ROE (%)	0.39	0.45	0.36	--
Debt-to-asset ratio (%)	67.86	67.16	63.25	63.04
Total debt capitalization ratio (%)	63.13	62.82	59.85	60.09
Current ratio (%)	309.86	186.34	178.55	247.42
Operating cash flow-to-current liabilities ratio (%)	13.84	15.81	10.49	--
Total liabilities/EBITDA (x)	99.07	59.37	59.99	--

Note: In this report, financial data of 2015 use the Company's audited financial data for 2013-2015; financial data of 2016 use 2017's year-beginning balances; financial statements for January to September 2018 are unaudited.

## Analysts

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## Rationale

Nanjing Metro Group Co., Ltd. (the "Company") is a leading investor, constructor, operator and developer of subway projects in Nanjing, with a substantial advantage in the local market. In recent years, the Company has received substantial external support in areas such as subway construction funding and operating subsidies, thanks to the steady growth of the local economy in Nanjing; its assets and equity have grown rapidly; its operating income has been on the rise as the operation of several of its new subway lines becomes mature. China Lianhe Credit Rating Co., Ltd. ("Lianhe Ratings") also finds certain adverse factors on its credit rating. For example, the Company's assets are illiquid; metro projects usually take a long time to complete and have a long payback period; the Company's debt has kept growing; and it may have huge funding needs in the future.

With the continued development of Nanjing's economy, the Company's profitability is set to improve, as the scale and network effects of its operation manifest and its subway development models become mature. The Company has rich land and property resources along its metro lines, which are expected to yield decent returns in the future. Lianhe Ratings assigns the "stable" outlook to the Company ratings.

Based on an overall assessment of the Company's long-term credit profile and its ability to repay the MTN, Lianhe Ratings concludes that the risk of nonpayment is extremely low.

## Strengths

- In recent years, the local economy in Nanjing has kept growing and the city's fiscal strength has improved, providing strong business support to the Company.
- The Company is a leading investor, constructor, operator and developer of subway projects in Nanjing, with a substantial advantage in the local market.

3. The Nanjing municipal government has offered substantial support to the Company in various areas, which includes the provision of project funding and the development of land and property resources along the metro lines, offering strong assurance for the construction and continued operation of its subway projects.
4. As the its subway lines under construction become operational, the Company's revenue is set to grow steadily while its network effects will strengthen and more and more metro resources will come into play.

**Concerns**

1. Gains from the Company's properties along its metro lines are highly exposed to Nanjing's land market volatility and are thus uncertain.
2. The Company has a large amount of debt and is set to maintain substantial capital expenditure in the future as Nanjing pushes forward with its integrated urban rail transportation plans, meaning that the Company will face heavy investment pressure.
3. The Company's profitability will remain weak in the short term, given that metro projects usually require huge upfront investment, and have a long payback period and non-market-based pricing mechanisms.