标普信评
S&P Global
China Ratings

Surveillance Credit Rating Report:

China Construction Civil Infrastructure Corp. Ltd

Issuer Credit Rating *: A_{spc}+; Outlook: Stable

Rating Date: July 27, 2023

Date of Expiry: July 26, 2024

Analytical Contacts:
Wang Kexin, 010-65166033; Kexin.wang@spgchinaratings.cn
Ren Yingxue, 010-65166037; Yingxue.ren@spgchinaratings.cn

Contents

*This rating is an Issuer Credit Rating (ICR). An ICR reflects our view of the senior unsecured credit rating of an issuer and is not specific to an individual issuance that it may issue.

S&P RATINGS (CHINA) CO., LTD. (SP CHINA) RATINGS, AS DESIGNATED BY “spc” AT THE END OF THE RATING SYMBOL, ARE ASSIGNED ON A RATING SCALE THAT IS DISTINCT FROM THE S&P GLOBAL RATING SCALE. AN S&P CHINA RATING MUST NOT BE EQUATED WITH OR REPRESENTED AS A RATING ON THE S&P GLOBAL RATINGS SCALE.

The above “Date of Expiry” refers to the validity period of this report. The rating presented in this report is effective from the rating date until the date of expiry. Where the date of expiry is left blank, the rating is valid until and unless we make any further updates.

Tear Sheet

Company Name	Rating Type	Current Rating	Rating Date	Date of Expiry	Outlook / CreditWatch
China Construction Civil Infrastructure Corp. Ltd	Issuer Credit Rating	A_{spc}+	July 27, 2023	July 26, 2024	Stable

Industry Classification: Transportation Infrastructure

Company overview: China Construction Civil Infrastructure Corp. Ltd ("CSCEC Civil Infrastructure" or "company") is a wholly owned subsidiary of China State Construction Engineering Corporation Ltd. ("CSCEC" or "parent"). The company facilitates the development of CSCEC's infrastructure construction business through investing in various infrastructure projects. The company earns most of its revenue and profits from management fees, project profits and investment returns. Funding for public-private partnership (PPP) projects comes mainly from project loans, and capital in PPP projects is partly sourced from management fees and profits from other projects. Management fees and profits from projects also contribute to principal and interest payments. By the end of March 2023, the company had 25 PPP projects with total investment of around RMB 145.7 billion. The company also has investments in 26 PPP projects with minority shareholding, and 26 non-PPP projects. Of these non-PPP projects, 20 are financial investment-driven general contracting (FIDGC) projects, with total planned capital investment of RMB 18.1 billion and accumulated returns of RMB 11.2 billion. 5 of its non-PPP projects are build-and-transfer (BT) projects, where total planned investment has reached around RMB 3.0 billion, with repayments of RMB 2.2 billion.

Economy and Industry Trends: We expect China's GDP growth in 2023 to significantly recover from that in 2022. The recovery will be largely built on an uptick in domestic consumption and investment. As domestic demand increases inflation may rise, but we expect it to remain within the target range. In our view, infrastructure investment remains a lynchpin of the economy and continues to play an important role in economic growth. PPP remains one of the main modes of infrastructure investment in China. While the PPP mode becomes increasingly standardized, the investment progress of PPP projects may be influenced by recent policies. At the same time, the weakness in the land market and heightened fiscal pressure among local governments pose a challenge to timeliness of project payments. Projects located in regions with weaker economic and fiscal positions and with lower-tier governments as counterparties may face an even worse situation.

Credit Highlights

Business Risk Profile: We view the company's business risk profile as fair. It follows strict investment principles and policies. All of its PPP projects have good repayment mechanism, and market exposure risk is controllable. The company's projects are generally located in regions with satisfactory economic and fiscal positions. While a relatively high portion of the projects are in Guangxi, they are high-profile projects in the region and render any concentration risk controllable. Furthermore, as most of the company's operating projects are at the early stage of operation and local governments see growing fiscal pressures, project repayments were generally weaker than expectation in 2022. We expect certain projects may still face some challenges regarding timeliness of repayments in 2023. However, thanks to high project quality, the impact of short-term project repayment pressure on the company's business risk profile remains controllable.

Financial Risk Profile: The company's financial risk profile is significant. As project construction work progresses, we expect the company's debt scale and leverage ratio to rise. However, as more projects enter operations, EBITDA and total project repayments should provide good interest coverage. Given the significant fiscal pressures facing some regional governments, the timeliness of repayments for certain projects will encounter challenges. But the company's good financial resilience should help address its debt repayment pressure.

External influence: The company is of high importance to CSCEC. It is a wholly owned subsidiary of CSCEC. In our opinion, CSCEC has very strong indicative credit quality. The company plays an important role in carrying out and developing CSCEC's infrastructure business strategy. We expect the company to continue in these roles in the future. In our view, CSCEC's strict management of the company's investment operations and finances will continue for the foreseeable future, strengthening their linkage and allowing CSCEC to be in a position where it can provide timely extraordinary support when needed. At the same time, we do not expect CSCEC to sell or divest the company.

Key Metrics:

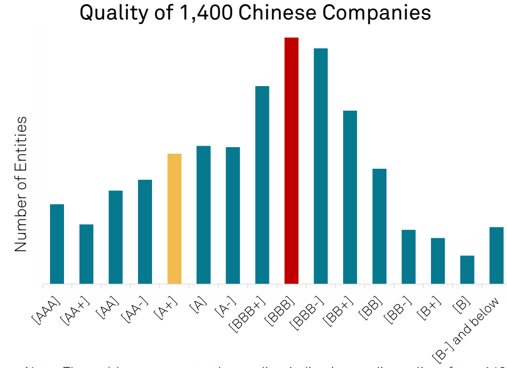
	2022A	2023E	2024F
Debt/(EBITDA +project payment) (x)	5.3	6.0-8.0	6.5-8.5
(EBITDA + project payment) interest coverage (x)	3.6	2.5-3.5	2.5-3.5

Note: Data adjusted by S&P Global (China) Ratings. A- actual, E-estimate, F-forecast.

Rating Snapshot:

Issuer Credit Rating:	**A_{spc}+/Stable**
Business Risk Profile:	**4/Fair**
Industry Risk:	2/Low
Competitive Position:	4/Fair
Financial Risk Profile:	**4/Significant**
Anchor:	**bb+**
Adjustments	
Diversification:	Neutral (no impact)
Capital Structure:	Neutral (no impact)
Financial Policy:	Neutral (no impact)
Liquidity:	Adequate (no impact)
Management & Governance:	Neutral (no impact)
Holistic Adjustment:	Neutral (no impact)
Stand-alone Credit Profile:	**bb_{spc}+**
External influence:	**+6**

Position of CSCEC Civil Infrastructure's Credit Quality Among Indicative Credit Quality of 1,400 Chinese Companies



Note: The red bar represents the median indicative credit quality of top 1400 entities, and the yellow bar represents the position of CSCEC Civil Infrastructure.

Peer comparison: (2021-2022 average value, RMB, millions)

	CSCEC Civil Infrastructure	CSCEC Fangcheng	CCCC Investment	CCCC Urban
Revenue	45,347	11,978	13,955	12,250
EBITDA	3,003	2,165	6,798	3,326
Debt / EBITDA (x)	8.3	15.7	10.6	4.0
EBITDA interest coverage (x)	2.3	1.3	2.0	7.2

Note: Above data adjusted by S&P Global (China) Ratings. CSCEC Fangcheng -- China Construction Fangcheng Investment & Development Group Co., Ltd., CCCC Investment -- CCCC Investment Company Limited, CCCC Urban -- CCCC Urban Holding Company Limited. Source: CSCEC Civil infrastructure and CSCEC Fangcheng data includes data adjusted to account for off-balance sheet items. Peer company information from public information, adjusted by S&P Global (China) Ratings.

Assumptions and Forecasts

Assumptions

- In 2023 and 2024, the company's capital expenditure on PPP project construction is about RMB 8-13 billion and RMB 15-20 billion respectively.
- From 2023 to 2024, PPP projects entering operation generate about RMB 1.5-2.5 billion and RMB 2.0-3.0 billion in repayments respectively.
- From 2023 to 2024, the company makes annual debt repayments of around RMB 3-5 billion and RMB 2-4 billion respectively.
- Over 2023 and 2024, the company's EBITDA generated from project management fees and construction profits remains at around RMB 2.5-3.0 billion and RMB 3.5-4.0 billion respectively.

Outlook

The stable outlook on CSCEC Civil Infrastructure reflects our view that in the next 24 months, as a wholly owned subsidiary of CSCEC, the company's strategic role of developing infrastructure investment is not expected to change, and it can continue to receive support from its parent CSCEC. We also expect the company to continue to hold its strict investment approval process, with investment projects remaining high in quality. As project construction work progresses, its debt scale is expected to continue growing. However, the company should maintain its relatively high project repayment plus EBITDA to interest coverage ratio. As a result, the company would keep its "significant" financial risk profile.

Upside scenario:

We might consider upgrading the rating of CSCEC Civil Infrastructure if:

1) The company's business risk profile improves while maintaining its current financial risk profile. Improvements to its business risk profile may include: i) the company develops a track record in project repayments after they enter operation, reducing the uncertainty in project repayments; or ii) the company's future projects are increasingly located in areas with stronger economic performance. Or

2) The importance of the company within the CSCEC group increases, reinforcing the company's role in CSCEC's infrastructure construction strategy.

Downside scenario:

We might consider lowering the rating of the company if:

1) The company's business risk profile deteriorates. This scenario could occur if i) there is a significant relaxation of the company's and CSCEC's requirements for management and investment of projects, with increased investments in regions with weaker economic and fiscal positions; or ii) completed projects are poorly operated, seriously affecting project repayments. Or

2) The company's financial risk profile deteriorates to a level that it may struggle to recover from. Such a scenario could occur if i) investments increase to such a degree that the company's debt level rises significantly; or ii) project repayments provide significantly less coverage of loan principal and interest for a long period, resulting in a great amount of funds raised by the company to pay down its project loans, which causes liquidity pressure to rise considerably.

3) Group support is weakened, or there is a significant change in the company's control over the financial management of its projects. In our view, this scenario is unlikely to occur in the next 24 months.