

Lianhe Global has affirmed 'BB-' global scale Long-term Issuer Credit Rating of Pujiang International Group Limited; Issuer Rating Outlook Revised to Negative

HONG KONG, 22 June 2022 – Lianhe Ratings Global Limited (“Lianhe Global”), an international credit rating company, has affirmed ‘BB-’ global scale Long-term Issuer Credit Rating of Pujiang International Group Limited (2060.HK) (“Pujiang”). The Outlook is revised to Negative.

Key Rating Rationales

The Issuer Rating reflects Pujiang’s established track record and leading position in the bridge cables and pre-stressed materials markets, as well as its stable margins. We expect Pujiang to continue maintaining its market position by successfully bidding on key projects while enhancing its profitability by improving the share of higher-margin bridge cables business’s proportion in its total revenue. However, the rating is constrained by Pujiang’s limited operating scale and working capital intensive business model with a weak liquidity profile.

The Negative Outlook reflects project delays primarily due to the impact of the pandemic have pushed up Pujiang’s receivables and inventories in 2021, causing significant working capital outflow. Pujiang’s working capital gap increased. This situation could continue in 2022, and the project delays could also affect Pujiang’s revenue recognition and dampen its growth momentum.

Rating Sensitivities

We would consider downgrading Pujiang’s rating if (1) its liquidity profile were worsened and/or its operating performance in terms of revenue, margin and cash flow generation were to deteriorate significantly, and/or (2) it were to increase its financial leverage as measured by its EBITDA interest coverage consistently below 2.0x or debt over EBITDA leverage consistently above 5.5x.

An upgrade is unlikely given the negative outlook on Pujiang. However, if Pujiang were able to improve its working capital and liquidity profile, we would consider revising the outlook to stable.

About Lianhe Global

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Rating Methodology

The principal methodology used in this Pujiang's rating is Lianhe Global's General Corporate Rating Criteria published on 31 December 2021 which can be found at the website www.lhratingsglobal.com.

Note: The above Issuer Credit Ratings are solicited at the request of the rated entity or a related third party.

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