

# Tianjin Binhai New Area Construction and Investment Group Co., Ltd.

## Surveillance Report

### Summary

Issuer Rating	A-
Outlook	Stable
Location	China
Industry	Local Investment and Development Companies
Date	28 June 2023

Lianhe Ratings Global Limited (“Lianhe Global”) has affirmed ‘A-’ global scale Long-term Issuer and Issuance Credit Rating of Tianjin Binhai New Area Construction and Investment Group Co., Ltd. (“TBCIG” or “the company”); Issuer Rating Outlook Stable

### Summary

The Issuer Credit Rating reflects a high possibility that the Tianjin Municipal People’s Government (“Tianjin government”) would provide strong support to TBCIG if needed, in light of its 100% ownership of TBCIG, TBCIG’s strategic position as the major development and operation entity of Tianjin Binhai New Area and the strong linkage between the Tianjin government and TBCIG including management supervision, strategic alignment, and ongoing operational and financial support. In addition, the Tianjin government may face significant negative impact on its reputation and business and financing activities should TBCIG encounter any operational or financial difficulties.

The Stable Outlook reflects our expectation that TBCIG’s strategic importance would remain intact while the Tianjin government will continue to ensure TBCIG’s operation.

### Key Figures of Tianjin and TBCIG

(RMB billion)	2021	2022
<b>Tianjin</b>		
GDP	1,569.5	1,631.1
GDP growth rate (%)	6.6	1.0
Budgetary revenue	214.1	184.7
Government fund	112.7	42.4
Transfer payment	54.6	40.8
Budgetary expenditure	315.0	275.2
<b>TBCIG</b>		
Assets	211.0	211.6
Equity	73.3	73.9
Revenue	10.7	10.0

Source: Public information, TBCIG and Lianhe Global’s calculations

### Rating Rationale

**Government’s Ownership and Supervision:** TBCIG’s linkage with the local government is strong, as the Tianjin government holds 100% stake in TBCIG through the Tianjin State-owned Assets Supervision and Administration Commission (“Tianjin SASAC”) and it is the ultimate shareholder. The Tianjin government has strong control and supervision over TBCIG, including control of the board of directors, senior management appointments, and major strategic, investment and financing planning.

**Strategic Importance and Strategic Alignment:** TBCIG is the flagship LIDC carrying out urban infrastructure construction and operation in Binhai New Area, mainly responsible for the highway toll, property development (including affordable housing), as well as environmental protection projects (including garbage power plants and sewage treatment plants) in the Binhai New Area. Its strategic planning and development have been aligned with the local government’s economic and social policies, aiming to develop the Binhai New Area.

**Ongoing Government Support:** TBCIG has received support from the government, such as capital and asset injections and financial subsidies. In 2022, the company received assets and capital injection in the form of capital, equity, fixed assets and intangible assets, which reached a total amount of c. RMB99.9 million. TBCIG has received financial subsidies from the local government mainly for supporting projects related to public infrastructure or special projects. TBCIG received c. RMB24.8 million and c. RMB6.3 million of government subsidies 2022 and at end-March 2023, respectively. Considering the company’s function and strategic importance in Binhai New Area, we believe TBCIG is likely to continue to receive timely government support in the form of operational and/or financial subsidies in the future.

### Analysts

Sigmund Jiang, CFA  
 (852) 3462 9587  
[sigmund.jiang@lhratingsglobal.com](mailto:sigmund.jiang@lhratingsglobal.com)

Toni Ho  
 (852) 3462 9578  
[toni.ho@lhratingsglobal.com](mailto:toni.ho@lhratingsglobal.com)

### Applicable Criteria

China Local Investment and Development Companies Criteria (5 December 2022)

**Tianjin's Financials and Liquidity Position:** TBCIG's total assets continued to grow from RMB211.6 billion at end-2022 to RMB214.4 billion at end-March 2023. TBCIG's financial leverage (debt capitalization ratio) increased slightly from 60.5% at end-2022 to 60.9% at end-March 2023.

TBCIG's liquidity was tightened. At end-March 2023, TBCIG had cash on hand of RMB7.9 billion and a total credit line of RMB131.97 billion, of which approximately RMB58.93 billion was available, compared with its calculated debt to be due within one year of RMB51.1 billion at the same time. TBCIG has access to multiple financing channels including bank borrowings, bond issuance and other financing channels.

**Tianjin's Economy and Fiscal Condition:** Tianjin's GDP reached c. RMB1,631.1 billion in 2022, representing a year-over-year ("y-o-y") growth rate of 1.0%, and its GDP ranked the 11th among all cities under the China. Tianjin's economic growth was mainly fueled by the secondary and tertiary industries in the past few years, which accounted for 37.0% and 61.3% in 2022, respectively.

Tianjin government's budgetary revenue decreased to c. RMB184.7 billion in 2022 from c. RMB214.1 billion in 2021, mainly due to the large-scale value-added tax credit refunds as well as the economic slowdown in Tianjin. The fiscal self-sufficiency rate of the Tianjin government was insufficient, and its budget deficit widened to -67.3% in 2022. In addition, Tianjin's government fund income, mainly generated by land sales, dropped by 62.4% y-o-y to c. RMB42.4 billion in 2022, owing to the weak property market.

The outstanding debt of the Tianjin government continued to grow. Given the Tianjin government borrowed heavily in special debts to support its public projects, its fiscal debt ratio, as measured by total government debt outstanding/aggregate revenue, had increased sharply to 320.2% at end-2022 from 189.7% at end-2021.

## Rating Sensitivities

We would consider downgrading TBCIG's rating if (1) there is perceived weakening in support from the Tianjin government, particularly due to its reduced strategic importance with diminished government functions, or (2) there is a significant reduction of the Tianjin government's ownership of TBCIG, or (3) there is a downgrade in our internal credit assessment on the Tianjin government.

We would consider upgrading TBCIG's rating if (1) there is strengthened support from the Tianjin government, or (2) there is an upgrade in our internal credit assessment on the Tianjin government.

## Company Profile

TBCIG is a wholly state-owned company established in 2006 by the Tianjin SASAC. The Tianjin SASAC is the only shareholder and controller of the company, and authorizes the State-owned Assets Supervision and Administration Commission of Tianjin Binhai New Area People's Government to exercise supervision and management functions.

TBCIG carries out urban infrastructure construction and operation in Binhai New Area designated by the Tianjin government to support the local economy.

## Full List of Issuance Rating

A full list of issuance rating is included below. Any rating action on TBCIG's rating would result in a similar rating action on the USD bonds:

- USD50 million 7% senior unsecured bonds due 2023 affirmed at 'A-'

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