

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 2024

Lianhe Ratings Global Limited (“Lianhe Global”) has affirmed ‘A-’ global scale Long-term Issuer 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 (“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)	2022	2023
Tianjin		
GDP	1,631.1	1,673.7
GDP growth rate (%)	1.0	4.3
Budgetary revenue	184.7	202.7
Government fund	42.4	59.0
Transfer payment	65.4	82.7
Budgetary expenditure	275.2	328.0
TBCIG		
Assets	211.6	220.5
Equity	73.9	73.5
Revenue	10.0	11.3

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

Rating Rationale

Government’s Ownership and Supervision: 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 of the company. The Tianjin government has the final decision-making authority and supervises the company, including management appointment, decision on its strategic development and investment plan and supervision of its major funding decisions. In addition, the Tianjin government has assessment mechanism over the company and appoints auditor to supervise the operating performance and financial position on a periodic basis.

Strategic Importance and Strategic Alignment: TBCIG remains the flagship LIDC carrying out urban infrastructure construction and operation in Binhai New Area. TBCIG will continue to play the role as an integrated city operation in Binhai New Area. It is 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. TBCIG plays an important role in promoting the economic and social development of the region. Its strategic planning and development have been aligned with the government’s development plans.

Ongoing Government Support: TBCIG receives support from the Tianjin government, such as capital and asset injections and financial subsidies. In 2023, the company received assets and capital injection in the form of capital, equity, fixed assets and intangible assets, which reached a total amount of RMB824 million. Also, TBCIG receives financial subsidies from the Tianjin government mainly for supporting projects related to public infrastructure or special projects. TBCIG received RMB112 million and RMB30 million of government subsidies 2023 and at end-March 2024, respectively. Considering the company’s function and strategic importance in Binhai

Analysts

Toni Ho, CFA, FRM
 (852) 3462 9578

toni.ho@lhratingsglobal.com

Karis Fan, CESGA

(852) 3462 9579

karis.fan@lhratingsglobal.com

Applicable Criteria

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

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.

Tianjin's Financials and Liquidity Position: TBCIG's total assets continued to grow from RMB211.6 billion at end-2022 to RMB220.5 billion and RMB221.2 billion at end-2023 and end-March 2024, respectively. TBCIG's financial leverage, as measured by total debt/capitalization, decreased slightly from 60.5% at end-2022 to 59.4% at end-March 2024.

TBCIG has significantly lowered its short-term debt at end-March 2024. Therefore, its liquidity was adequate. At end-March 2024, TBCIG had cash on hand of RMB12.6 billion and a total credit line of RMB133.4 billion, of which RMB55.7 billion was available, compared with its debt to be due within one year of RMB5.6 billion at the same time. Moreover, 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 RMB1,673.7 billion in 2023, representing a year-over-year ("y-o-y") growth rate of 4.3%. Its GDP ranked 11th among all cities in China. Tianjin government's budgetary revenue increased to RMB202.7 billion in 2023 from RMB184.7 billion in 2022, which was mainly due to the tax revenue growth amid economic recovery in Tianjin. On the other hand, the budgetary expenditure arrived at RMB328.0 billion in 2023, up from RMB275.2 billion in 2022. Therefore, the fiscal self-sufficiency rate of the Tianjin government was insufficient, and its budget deficit widened to 61.8% in 2023 from 49.0% in 2022.

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 been further elevated to 316.4% at end-2023 from 293.5% at end-2022.

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 sole shareholder and actual 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.

Disclaimer

Credit rating and research reports published by Lianhe Ratings Global Limited (“Lianhe Global” or “the Company” or “us”) are subject to certain terms and conditions. Please read these terms and conditions at the Company’s website: www.lhratingsglobal.com

A credit rating is an opinion which addresses the creditworthiness of an entity or security. Credit ratings are not a recommendation to buy, sell, or hold any security. Credit ratings do not address market price, marketability, and/or suitability of any security nor its tax implications or consequences. Credit ratings may be subject to upgrades or downgrades or withdrawal at any time for any reason at the sole discretion of Lianhe Global.

All credit ratings are the products of a collective effort by accredited analysts through rigorous rating processes. No individual is solely responsible for a credit rating. All credit ratings are derived by a credit committee vesting process. The individuals identified in the reports are solely for contact purpose only.

Lianhe Global conducts its credit rating services based on third-party information which we reasonably believe to be true. Lianhe Global relies on information including, but not limited to, audited financial statements, interviews, management discussion and analysis, relevant third-party reports, and publicly available data sources to conduct our analysis. Lianhe Global has not conducted any audit, investigation, verification or due diligence. Lianhe Global does not guarantee the accuracy, correctness, timeliness, and/or completeness of the information. Credit ratings may contain forward-looking opinions of Lianhe Global which may include forecasts about future events which by definition are subject to change and cannot be considered as facts.

Under no circumstances shall Lianhe Global, its directors, shareholders, employees, officers and/or representatives or any member of the group of which Lianhe Global forms part be held liable to any party for any damage, loss, liability, cost, expense or fees in connection with any use of the information published by the Company.

Lianhe Global receives compensation from issuers, underwriters, obligors, or investors for conducting credit rating services. None of the aforementioned entities nor its related parties participate in the credit rating process aside from providing information requested by Lianhe Global.

Credit ratings included in any rating report are solicited and disclosed to the rated entity (and its agents) prior to publishing. Credit rating and research reports published by Lianhe Global are not intended for distribution to, or use by, any person in any jurisdiction where such use would infringe local laws and regulations. Any user relying on information available through credit rating and research reports is responsible for consulting the relevant agencies or professionals accordingly to comply with the applicable local laws and regulations.

All published credit rating and research reports are the intellectual property of Lianhe Global. Any reproduction, redistribution, or modification, in whole or part, in any form by any means is prohibited unless such user has obtained prior written consent from us.

Lianhe Global is a subsidiary of China Lianhe Credit Rating Co., Ltd. The credit committee of Lianhe Global has the ultimate power of interpretation of any methodology or process used in the Company’s independent credit ratings and research.

Copyright © Lianhe Ratings Global Limited 2024.