Ningxiang Water Construction and Investment Co., Ltd.

Summary	
Issuer Rating	BBB-
Outlook	Stable
Location	China
Industry	Local Investment and Development Companies
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Analysts
Jack Li, CESGA
(852) 3462 9585
jack.li@lhratingsglobal.com

Joyce Huang, CFA
(852) 3462 9586
joyce.huang@lhratingsglobal.com

Applicable Criteria
China Local Investment and Development Companies Criteria (31 July 2025)

Lianhe Ratings Global Limited ("Lianhe Global") has affirmed 'BBB-' global scale Long-term Issuer Credit Rating of Ningxiang Water Construction and Investment Co., Ltd. ("NWCI"); Issuer Rating Outlook Stable.

Summary

The Issuer Credit Rating reflects a high possibility that the People's Government of Ningxiang City, Changsha City ("Ningxiang government") would provide moderate strong support to NWCI if needed, in light of its indirect full ownership of NWCI, NWCI's strategic importance as the key local investment and development company ("LIDC") that is responsible for water-related infrastructure construction and operation, water supply, and utilization of water resources in Ningxiang City, Changsha City ("Ningxiang"), and the linkage between the Ningxiang government and NWCI, including appointment and supervision of the senior management, strategic alignment, major investment and financing plan decisions and ongoing operational and financial support. In addition, the Ningxiang government may face negative impact on its reputation and financing activities if NWCI encounters any operational and financial difficulties.

Ningxiang is a county-level city under the direct jurisdiction of Hunan Province and administered by Changsha City. In 2024, Ningxiang's GDP grew steadily by 6.0% to RMB141.6 billion, while its budgetary revenue increased by 5.0% to RMB8.4 billion.

The Stable Outlook reflects our expectation that NWCI strategic importance would remain intact while the Ningxiang government will continue to ensure NWCI's stable operation.

Rating Rationale

Ningxiang Government's Ownership and Supervision: The Ningxiang government holds the full ownership of NWCI through Ningxiang City Development Investment Holding Group Co. Ltd. ("NCDI"). The Ningxiang government is the actual controller of the company. It 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 Ningxiang government has assessment mechanism over the company and appoints auditors to supervise the operating performance and financial position on a periodic basis.

Strategic Importance of NWCI to Ningxiang: As the key LIDC in the region, NWCI is primarily responsible for the investment, development and operation of water-related infrastructure projects within the region. Serving as the sole entity in charge of water related resource management throughout the entire city, NWCI also focuses on production and supply of tap water, water pollution control and sewage treatment, as well as development and utilization of hydroelectric energy in Ningxiang with strong regional advantages. NWCI plays an important role in promoting the economic and social development of the region. Its business operation and development have been aligned with the government's development plans.

Ongoing government Support: NWCI has received support from the local government for its business operation, including capital injection, financial subsidies, allocation of resources or assets and guidance in its daily management, which we expect to continue. NWCI received financial subsidies from the local government to maintain its business operation, amounting to RMB97.6 million from 2022 to the first nine months of 2025. Ningxiang government will repurchase some water-related infrastructure projects and resettlement housing projects upon completion. Given the strategic importance of NWCI in land development and construction of infrastructure related projects in the region, NWCI and its subsidiaries have advantages to obtain resources and main projects.

Financial Positions of NWCI: NWCI's total assets showed an increasing trend in the past few years and reached RMB20.1 billion at end-September 2025. The company mainly relied on borrowings to fund its asset expansion. Its total adjusted debt increased to RMB7.9 billion at end-September 2025 from RMB6.7 billion at end-2023. The company's financial leverage, as measured by debt/capitalization, increased from 38.2% to 43.2% over the same period. The non-current assets accounted for around 52.6% of NWCI's total assets at end-September 2025, and were mainly composed of intangible assets (mainly land use rights and government-injected franchises), while the current assets were mainly consisting of inventories and receivables, indicating a relatively weak liquidity.

NWCI's short-term debt servicing pressure is moderately high. At end-September 2025, the company's short-term debt totaled about RMB3.1 billion, compared with RMB237.7 million of cash on hand. Yet NWCI retains access to a range of funding channels, including bank borrowings and non-traditional financing. The company had a total credit facility of RMB9.2 billion, of which RMB2.0 billion was unused, at end-2024.

Rating Sensitivities

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

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

Operating Environment

Economic Condition of Ningxiang

Ningxiang is a county-level city of Changsha, and is located in the west of Changsha. Ningxiang is a picturesque city with many national scenic towns and eco-villages. Besides, Ningxiang is also a vital production site for commercial foodstuff and farm produce. Ningxiang's economy maintained stable growth in the past few years and its GDP reached RMB141.6 billion in 2024, representing a year-on-year growth of 6.0% (2023: 4.7%). Ningxiang's economic growth was mainly fueled by secondary and tertiary industries, which accounted for 44.0% and 45.5% of GDP in 2024, respectively. The GDP per capita of Ningxiang was RMB110,200 in 2024, demonstrating an upward trend.

Ningxiang's GDP and Fixed Asset Investment

(RMB billion)	2022	2023	2024
GDP	122.7	133.3	141.6
-Primary industry (%)	11.3	10.4	10.5
-Secondary industry (%)	42.7	43.3	44.0
-Tertiary industry (%)	46.0	46.3	45.5
GDP growth rate (%)	4.7	4.7	6.0
Fixed asset investment growth rate (%)	1.0	-15.0	7.1

Population (million)	1.3	1.3	1.3

Source: Financial Bureau of Ningxiang, statistical bureau of Ningxiang and Lianhe Global's calculations

Fiscal Condition of Ningxiang

The budgetary revenue of the Ningxiang government increased to RMB8.4 billion in 2024 from RMB8.3 billion in 2023, representing a growth of 5.0%, with the contribution of tax revenue declining to 59.9% from 65.8% over the same period. The fiscal self-sufficiency rate of the Ningxiang government remained moderately weak, with the budget deficit increasing to 64.8% in 2024, compared with 62.8% in 2023. Besides, the government fund income continued to show a decreasing trend, recording RMB10.3 billion in 2024, down from RMB15.4 billion in 2023.

The outstanding debt of the Ningxiang government kept growing in past few years. At end-2024, the Ningxiang government's outstanding debt increased to RMB24.2 billion from RMB21.0 billion at end-2023, mainly due to the issuance of special purpose bonds to support local infrastructure and public projects. Besides, its government debt ratio, as measured by the total government debt to aggregate revenue, increased to 104.2% at end-2024 from 74.2% at end-2023.

Ningxiang's Fiscal Condition (RMB billion)	**2022**	**2023**	**2024**
Budgetary revenue	7.9	8.3	8.4
Budgetary revenue growth rate (%)	14.4	5.4	5.0
Tax revenue	6.0	5.5	5.0
Tax revenue (% of budgetary revenue)	75.6	65.8	59.9
Government fund income	14.5	15.4	10.3
Transfer payment	4.7	4.6	4.6
Aggregate revenue	27.1	28.4	23.2
Budgetary expenditure	13.1	13.6	13.8
Budget balance[1] (%)	-65.0	-62.8	-64.8
Government debt ratio (%)	75.3	74.2	104.2

*[1] Budget balance = (1-budgetary expenditure / budgetary revenue) * 100%*

Source: Financial Bureau of Ningxiang, statistical bureau of Ningxiang and Lianhe Global's calculations

Company Profile

NWCI, originally named Ningxiang County Water Resources Construction Investment and Development Co., Ltd., was initially funded by the Ningxiang government, with an initial registered capital of RMB30 million. On October 19, 2018, according to the notification on promoting the integration of municipal state-owned companies, the company was integrated into NCDI. Its registered capital and paid in capital were enlarged to RMB1.0 billion at end-September 2025 after several capital injections from the Ningxiang government.

The primary sources of operating revenue for NWCI are gravel sales and project construction, while it is also engaged in rural water business, sewage systems operation and other businesses. In general, NWCI's business was well diversified, and it has regional advantages in its major businesses. The company generated revenues of RMB566.8 million, RMB711.7 million, RMB711.8 million and RMB287.9 million in 2022, 2023, 2024 and the first nine months of 2025, respectively. Its gross margin decreased to 10.5% in 2024 from 18.3% in 2022, but increased to 18.5% in the first nine months of 2025.

Key Financial Data (RMB million)	**2022**	**2023**	**2024**	**9M2025**
Total Assets	13,647	18,307	19,898	20,115

Equity	10,698	10,857	10,941	10,393
Debt	2,079	6,724	7,434	7,895
Debt / (Debt + Equity) (%)	16.3	38.2	40.5	43.2
Unrestricted cash/ST Debts (x)	0.2	0.2	0.1	0.1
Debt/EBITDA (x)	20.1	48.0	46.3	-
Revenue	567	712	712	288
Operation Profit	167	90	92	82
Gross Margin (%)	18.3	11.5	10.5	18.5
Cash from sales or services/ revenue (%)	87.7	177.2	133.7	24.7

Source: The company and Lianhe Global's calculations

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