

## CMBI Credit Commentary - CHIGRA

### CHIGRA – muddling through, Hold on CHIGRA '24

China Grand Auto reported 2021 and 1Q2022 results, which showed weaker cash flow generation and liquidity.

Although China Grand Auto's operation showed modest improvement in 2021, when its revenue remained RMB 158bn (flat yoy), EBITDA rose to RMB 7.9bn (vs RMB 6.9bn in 2020), its operating cash flow lowered to RMB 1.8bn (down from RMB 4.2bn in 2020), resulting in negative FCF after capex of RMB 2.7bn and Interest payment of RMB 2.7bn in 2021. By end-2021, net debt rose by RMB 2bn to RMB 32.2bn. Gross Debt/EBITDA remained high at 7.3x and Net Debt/EBITDA at 4.0x, compared to 8.6x and 4.4x as of end-2020, respectively.

Liquidity is tight. Its free cash lowered to RMB 6.2bn by Mar'22 (vs. RMB7.2bn in end-2021, RMB 9.9bn at Mar'21). Free cash/short-term debt coverage: 0.16x as of Dec'21 and 0.18x as of Mar'22, down from 0.27x at Dec'20 and 0.32x at Mar '21.

The company did not propose any dividend for 2021, in view current Covid outbreak and its short-term debt repayment need. As we wrote [on 7 Mar'22 that China Grand Auto will repay its Apr'22 notes in full](#) (USD 253mn), after the company has made some progress in refinancing in 1Q2022. Its remaining bullet maturities are more manageable for rest of 2022, including an onshore syndicated loan of RMB 1.9bn due in Jun '22 and two onshore bonds (in total of RMB 2bn) due in Sep '22 and Nov '22. We expect the company to muddle through in 2022, but will require an improvement in its financing channels for CHIGRA '24 (Mid-px: 61) to outperform.

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