

CMBI Credit Commentary – GRNLGR

GRNLGR – Prefer short-end

Greenland's contract sales fell -56%yoy in Jan – Apr '2022, this renders its FY2021 results release a non-event. In 1Q2022, Greenland continued to pay down debt by cash. Total debt fell RMB 10.5bn to RMB 224.7bn, while cash also lowered by RMB 17bn to RMB 65.7bn during first quarter. Unrestricted cash/ST debt worsened to 0.53x at Mar'2022, from 0.6x at Dec'2021 and 0.8x at Dec'2020. Contract sales performance will remain dire, amid ongoing lockdown in China. We believe liquidity support from Shanghai government is forthcoming, taking cue from the government's RMB 3bn equity injection into operating projects of Greenland in Dec' 2021. We prefer short-end GRNLGR 7.974 08/22 at 89 and GRNLGR 5.75 09/22 at 86.

Deleverage through operating cash inflow and cash on hand

In FY2021, Greenland reduced its total debt significantly by RMB 80bn to RMB 235bn in FY2021. The debt reduction was mainly funded with its operating cash flow (RMB 62bn in 2021) including RMB 40bn inflow from working capital change. We deem Greenland's prior acquisition of local SOE construction companies enables it to demand better payable credit terms, i.e its account payables balance increased by RMB 82bn to RMB 384bn, while payables day increased to 292, from 283 in 2020. In 1Q2022, Greenland continued to pay down debt with cash. Total debt fell RMB 10.5bn to RMB 224.7bn, while cash also lowered by RMB 17bn to RMB 65.7bn during first quarter. Net debt also significantly lowered by RMB 60bn to RMB 152bn in FYE2021, before picking up slightly to RMB 158bn by Mar'2022.

Orange camp under 3 red-line

Partly driven by debt repayments with cash on hand, Greenland's unrestricted cash balance fell from RMB 86bn (FYE 2020) to RMB 61.6bn (FYE 2021), and further down to RMB 49bn by Mar '2022. Hence, its unrestricted cash/ST debt ratio worsened to 0.53x and 0.59x by Mar '2022 and FYE2021, from 0.8x at FYE2020. That said, Greenland's net gearing ratio materially improved to 93% by FYE2021, from 137% at FYE2020. Adj. liabilities-to-assets ratio marginally improved to 83.7% in FYE2021, from 84.1% in FYE2020.

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