

**CMBI Credit Commentary****GUANGH: S&P lowered its rating to 'B-/Neg' is NOT as bad as it seems.**

- S&P downgraded Xinjiang Guanghui in view of its lack of long-term financing access, but expects the company to refinance most of its bullet debt in 2021 with bank loan, which is short-term in nature.
- The weak liquidity at parent co. level given small dividend upstreaming from operating subsidiaries has always been a credit constraint to Guanghui, and it did worsen marginally in 2020 amid COVID. Parent co. has cash balance of RMB 2.1 billion at 1H2020, against RMB 6.6 billion short-term debt. (Comparing to cash balance RMB 3.7 billion vs. ST debt RMB 5.6 billion at 1H2019; and Cash balance RMB 3.8 billion vs ST debt of RMB 7.2 billion at end-2019)
- Guanghui's management expects the transaction of Shenergy acquiring the stake from Evergrande to complete within Dec. But Guanghui does not expect to receive fresh money from Shenergy, after it becoming its 2nd largest shareholder. Guanghui currently expects preliminary operation cooperation in its energy segment.

**Bottomline:** Shenergy's deal just seems to support Evergrande, instead of supporting Guanghui. However, the odd of the transaction going through is high, in our view, which will be credit positive to Guanghui and CHIGRA.

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