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Yanlord Land Group Ltd.'s Proposed Singapore Dollar-Denominated Senior Unsecured Notes Assigned 'BB-' And 'cnBB+' Rating

Primary Credit Analyst:

Dennis Lee, Hong Kong (852)2533-3563; dennis.lee@standardandpoors.com

Secondary Contact:

Laura C Li, CFA, Beijing (86) 10-6569-2930; laura.li@standardandpoors.com

HONG KONG (Standard & Poor's) March 17, 2014--Standard & Poor's Ratings Services today assigned its 'BB-' long-term issue rating and 'cnBB+' long-term Greater China regional scale rating to a proposed issue of Singaporean dollar-denominated senior unsecured notes by Yanlord Land Group Ltd. (Yanlord: BB-/Stable/--; cnBB+/--). The China-based real estate developer will use the proceeds to refinance its existing debts. The ratings on the notes are subject to our review of the final issuance documentation.

We have equalized the issue rating to the corporate credit rating because we believe Yanlord's ratio of priority debt to total assets will likely remain below our notching threshold of 15% for speculative-grade issuers. Yanlord's ratio was below the threshold in 2013. We expect Yanlord's sound relationship with banks and its experience in tapping the offshore borrowing market would facilitate the company to continue obtaining offshore borrowings.

Yanlord achieved total contract sales of about 15 billion Chinese renminbi in 2013, which is higher than our previous forecast. We expect the company will increase expenditures on land acquisition and construction as it plans to accelerate its sales turnover. We estimate its sales growth will offset its higher expenditure, resulting in credit metrics remaining stable in the next 12 months. In our base-case scenario, we forecast Yanlord's debt-to-EBITDA ratio at 4.0x-4.5x in 2014 and its EBITDA interest coverage will stay above 3x.

The ratings on Yanlord reflect our view of the company's concentration risk in the mid- to high-end residential market, project concentration risk, and declining profitability as we expect Yanlord will adopt an accommodative pricing strategy to accelerate sales. Yanlord's established market position and brand recognition in the mid- to high-end residential market, improving financial flexibility with extensive financing channels in the onshore and offshore markets, and proven execution record temper these weaknesses.

RELATED CRITERIA

- Corporate Methodology, Nov. 19, 2013
- 2008 Corporate Criteria: Rating Each Issue, April 15, 2008

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