

Lianhe Global has affirmed ‘BBB+’ global scale Long-term Issuer and Issuance Credit Rating of Jiangsu Shagang Group Company Limited; Issuer Rating Outlook Revised to Stable

HONG KONG, 30 October 2023 – Lianhe Ratings Global Limited (“Lianhe Global”), an international credit rating company, has affirmed ‘BBB+’ global scale Long-term Issuer Credit Rating of Jiangsu Shagang Group Company Limited (“Shagang” or “the company”). The Outlook is revised to Stable from Positive.

Lianhe Global has also affirmed ‘BBB+’ global scale Long-term Issuance Credit Rating of the senior unsecured USD bonds issued by Shagang’s indirect wholly-owned subsidiary Wealthy Vision Holdings Limited, which is unconditionally and irrevocably guaranteed by Shagang. A full list of affirmed issuance rating is included in this press release.

Key Rating Rationales

The Issuer Rating reflects Shagang’s competitive market position as the largest private steel producer in China, operating efficiency and above industry-average utilization rate, and operating cash flow generation capability. The company’s rating, however, is constrained by its low self-sufficiency in raw materials, which makes it vulnerable to commodity price fluctuations, operational concentration and relatively lack of diversification into high-value-added products.

The Stable Outlook reflects our expectation that Shagang will sustain a stable and sizable scale of operations, positive operating cash flow and its healthy liquidity position. In addition, we expect the company to exhibit a prudent manner in containing its financial leverage. Although Shagang’s revenue and profitability are under pressure mainly given the weakening industry demand, we expect them to stabilize gradually in the next 12-24 months.

Rating Sensitivities

We would consider downgrading Shagang’s rating if it were to (1) aggressively expand into non-core businesses, which results in an increase in its financial leverage as measured by total debt/EBITDA to over 5.0x or a decrease in its EBITDA interest coverage to below 6.0x consistently, on a deconsolidated basis, and/or (2) its operating performance were to deteriorate such that its revenue, margin or operating cash flow experiences a material decline or liquidity profile is worsened.

We would consider upgrading Shagang’s rating if it were to (1) considerably increase its operating scale while maintaining a competitive position in its core markets, and (2) maintain its financial leverage as measured by total debt/EBITDA at below 3.0x or EBITDA interest coverage at above 8.0x consistently, on a deconsolidated basis.

Any rating action on Shagang's rating would result in a similar rating action on the USD bonds.

Full List of Issuance Rating

- USD300 million 3.30% senior unsecured bonds due 2024 affirmed at 'BBB+'

About Lianhe Global

Lianhe Global is an international credit rating company that provides credit ratings to corporations, banks, non-bank financial institutions, local government financing vehicles, and other asset classes around the globe. Lianhe Global also provides credit risk research and other services related to credit ratings.

Rating Methodology

The principal methodologies used in this Shagang's rating are Lianhe Global's General Corporate Rating Criteria published on 31 December 2021 and General Corporate Rating Criteria: Addendum published on 30 August 2022, which can be found at the website www.lhratingsglobal.com.

Note: The above Issuer/Issuance Credit Ratings are solicited at the request of the rated entity or a related third party.

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