

Tongwei Co., Ltd.

Rating Report

Summary

Issuer Rating	BBB+
Outlook	Stable
Location	China
Industry	Photovoltaic and Feed
Date	25 September 2025

Lianhe Ratings Global Limited (“Lianhe Global”) has affirmed ‘BBB+’ global scale Long-term Issuer Credit Rating of Tongwei Co., Ltd. (“Tongwei”). The Outlook is Stable.

Summary

The Issuer Rating reflects Tongwei’s sizeable operating scale, leading market position, and cost and technology advantages in the photovoltaic (“PV”) industry. However, Tongwei is exposed to the PV industry’s strong cyclicity. Its financial performance weakened amid a price downturn caused by overcapacity. Nevertheless, the strategic capital injection and its efforts to maintain liquidity support Tongwei’s credit strength. We expect Tongwei’s financial performance to recover as an array of policies to tackle the overcapacity issue was introduced in 2025. Moreover, the PV industry is experiencing consolidation, which will likely further strengthen Tongwei’s leading position.

The Stable Outlook reflects our expectation that Tongwei would maintain its established market position, as well as its cost and technology advantages.

Key Rating Rationales

Global Leader in the PV Industry: Tongwei has developed an integrated supply chain in the PV industry. The company remained the world’s largest high-purity polysilicon and solar cell producer. It has expanded to downstream PV modules production since 2022 and was ranked in the top five globally in terms of sales volume in 2023 and 2024. Tongwei is the cost leader in the PV industry due to the scale economy. In 2024, the company boasted the industry’s lowest total production costs in silicon materials.

Tongwei is also leading in technology with high investment and strong ability in R&D. The company has established its global innovation R&D center, focusing on the development of cutting-edge technics including TNC, THC and TBC cells and modules, as well as perovskite/silicon tandem solar cells/modules. We believe the cost and technology advantages will reinforce Tongwei’s market position.

Strong Demand for PV Products: The demand for PV power remained strong. In 2024, the global installation of new PV grew by 35.9% to 530 GW, of which more than half was contributed by China. Yet it might slow down in 2025 after years of high-speed growth. Chinese producers, including Tongwei, are facing uncertain trade policies in some countries, we believe the reliance on Chinese products will remain high in the coming years, given Chinese producers’ dominant position in the PV industry’s supply chain.

Anti-involution Policy to Rebalance Supply and Demand: The PV industry faces severe overcapacity issues after aggressive capacity expansion in recent years. Since the second quarter of 2023, the prices for products along the PV’s supply chain, including high-purity polysilicon, solar cells, and PV modules, have significantly declined to an unsustainable level, below production costs for most producers.

China has launched an array of policies to tackle the overcapacity issue in 2025, including regulation on below-cost pricing, industry-led production curtailment, and production capacity

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Applicable Criteria

General Corporate Rating Criteria (31 December 2021)

integration, etc. Prices for high-purity polysilicon has increase significantly to c. RMB46,000 per ton by end-August 2025, from c. RMB35,000 per ton at end-June 2025. We expect prices for PV products to continue to recover in 2025 and 2026, supported by the nation's anti-involution efforts.

Financial and Liquidity Positions of Tongwei: Tongwei recorded net losses of RMB8.1 billion and RMB6.1 billion in 2024 and the first half of 2025, respectively, owing to the historical low prices for PV products. The company's main operation indicators, including capacity utilization rate and inventory turnover rate deteriorated. We expect Tongwei's profitability to recover gradually in 2026. Tongwei's total debt increased to RMB102.9 billion at end-2024 from RMB40.8 billion at end-2022 to support its ambitious capacity expansion plan launched in 2023. As a result, its financial leverage (Debt/(Debt+Equity)), increased to 64.0% from 35.8% over the same period.

Nevertheless, Tongwei's liquidity remained manageable. In July 2025, Tongwei's subsidiary Yongxiang Co., Ltd. received a strategic capital injection of RMB4.9 billion, which could enhance the company's resilience amid challenging market conditions. It also controlled the pace of capital expenditure to retain cash. By end-2024, Tongwei had total cash on hand of RMB16.4 billion and financial assets that can be easily converted into cash of RMB12.9 billion, compared with its short-term debt of RMB29.3 billion. In addition, Tongwei has access to multiple financing sources, including bank borrowings and bond issuances. At the end of June 2025, the company had unused bank facilities amounting to RMB52.0 billion.

Rating Sensitivities

We would consider downgrading Tongwei's rating if (1) it were to pursue aggressive business expansions which result in an increase in its financial leverage as measured by its total debt/EBITDA consistently at above 3.5x or EBITDA interest coverage consistently at below 12x, or (2) its operating performance in terms of revenue, margin or cash flow from operations experience a material decline, or (3) its liquidity is materially worsened.

We would consider upgrading Tongwei's rating if (1) it were to improve its operating scale and market share significantly, and/or (2) it were to demonstrate its resilience and ability to maintain its operating and financial performance amid adverse market conditions.

Company Profile

Tongwei, initially established as Tongwei Feed Co., Ltd. in 1995, has evolved into a global leader in both the PV and feed products industries. The company, listed on the Shanghai Stock Exchange (600438.SH) since 2004, initially focused on producing and selling feed products before entering the PV industry. At the end of June 2025, Mr. Liu Hanyuan, the founder of Tongwei, and his wife, Ms. Guan Yamei, collectively held a significant 45.24% stake in the company through Tongwei Group Co., Ltd. The remaining 56.11% of the shares were publicly owned. Mr. Liu Hanyuan serves as a director and chairman of Tongwei Group Co., Ltd. In March 2023, his daughter, Ms. Liushuqi, was appointed as both the board chairperson and CEO of Tongwei.

Tongwei is the world's largest high-purity polysilicon and solar cell producer, leading in production capacity and output. It has expanded to downstream PV modules production since 2022 and was ranked in the top five globally in terms of sales volume in 2023 and 2024. By the end of June 2025, the company had a production capacity of above 900,000 tons for high-purity polysilicon, 150GW for solar cell capacity, and 90GW for PV modules.

Tongwei's total revenue decreased significantly by 33.9% to RMB92.0 billion in 2024, mainly due to the PV's industry-wide overcapacity and price reduction trends. The gross margin for PV sector dropped to 4.7% in 2024, compared with 47.1% in 2022 and 32.9% in 2023. Yet Tongwei's agriculture segment, including feed and food production, remained largely stable in 2024, with a

gross margin of 9.4%. This segment is a reliable income source, adding diversity to Tongwei's business profile.

Tongwei Co., Ltd.'s Revenue Breakdown by Business Type

RMB million	2022			2023			2024		
	Revenue	%	GM (%)	Revenue	%	GM (%)	Revenue	%	GM (%)
Agriculture and Animal Husbandry	31.7	22.2	7.9	35.5	25.5	7.9	31.7	34.5	9.4
PV	109.8	77.1	47.1	102.8	73.9	32.9	59.8	65.0	4.7
Others	0.9	0.7	15.2	0.8	0.6	25.0	0.5	0.5	23.3
Total	142.4	100	38.3	139.1	100	26.5	92.0	100	6.4

Source: Tongwei and Lianhe Global's calculations

Key Assumptions

- Annual revenue growth rate: 6% to 14% for 2025-2027
- Reported Gross margin: 6% to 20% 2025-2027
- Annual capital expenditure: RMB3 billion to 8 billion for 2025-2027
- Cash dividend payout ratio: 0%-30% for 2025-2027

Key Financial Metrics

2022A-2026F	Debt/EBITDA	EBITDA/Interest	Debt/Capitalisation	Quick Ratio
Weighted Average	92.2x	3.9x	64.6%	0.7x

Source: Tongwei and Lianhe Global's adjustments and forecasts

Appendix: Tongwei's Rating Factor

Rating Factors	Weight	Initial Rating
I. Market Demand Analysis	15.0%	a+
II. Business Analysis¹	45.0%	a
III. Financial Analysis²	40.0%	bb-
IV. Base Score	100.0%	bbb+
V. Industry Risk		bbb
VI. Qualifiers		
Liquidity		Neutral
Corporate Governance		Neutral
Debt Structure and Financial Policy		Neutral
Idiosyncratic Analysis		Neutral

¹ Business Analysis contains sub-factors of market position, diversification, competitive position, operating efficiency and profitability.

² Financial Analysis contains sub-factors of debt/EBITDA, EBITDA interest coverage, debt/capitalisation and quick ratio.



Stand-Alone Creditworthiness	bbb+
VII. External Support	N/A
Issuer Credit Rating	BBB+

Source: Lianhe Global

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