

Tongwei Co., Ltd.

Summary

Issuer Rating	BBB+
Outlook	Stable
Location	China
Industry	Photovoltaic and Feed
Date	12 October 2026

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

Summary

The Issuer Rating reflects Tongwei’s sizeable operating scale, leading market position, and strong cost and technology advantages in the photovoltaic (“PV”) industry. However, Tongwei is exposed to the PV industry’s cyclical nature. Its financial performance weakened significantly amid a protracted price downturn caused by severe overcapacity. Nevertheless, Tongwei’s conservative financial policy to preserve liquidity amid the downturn, including curtailed capex, suspended dividend distributions, disciplined M&A execution, strategic equity injections, and active working capital management underpin its debt repayment capability. We also expect Tongwei’s operating performance to improve in the next 12-18 months, considering strengthening anti-involution policies in China, steady growth in global PV power demand as well as supply-side consolidation, which should drive an improvement in industry supply-demand dynamics.

The Stable Outlook reflects our expectation that Tongwei would maintain its established market position with strong cost and technology advantages, while its cash reserves, unutilized credit lines, and positive operating cash flow provide adequate financial flexibility to withstand cyclical headwinds.

Key Rating Rationales

PV Market Leader with Strong Cost and Technology Advantages: Tongwei maintains its leadership in the PV industry through strong cost and technology advantages. As the world’s largest producer of high-purity polysilicon and solar cells, the company holds a domestic market share of over 30% in polysilicon and a global market share of 15% in solar cells. Its PV module sales volume is ranked among the top five globally. Leveraging significant economies of scale and refined operational management, the company consistently achieves the industry’s lowest total production costs for silicon materials. Furthermore, Tongwei is leading in technology with ongoing investment and strong ability in R&D.

Global PV Demand Remains Resilient: Global new PV installations reached a record high of approximately 580 GW in 2025. However, following years of high-speed expansion, annual growth moderated to 9.4% from 35.9% in 2024. Looking into 2026, new capacity additions in China are expected to decline due to the high base effect established in 2025. Nevertheless, overseas demand remains robust, driven by surging electricity demand from AI data centers, alongside protracted conflicts in the Middle East, which have sparked a surge in conventional energy prices and heightened focus on energy security. As the clean power technology with the lowest generation cost, solar PV is well-positioned to maintain steady growth amid the global energy transition.

Growth in Overseas Sales Despite Trade Friction: Tongwei’s globalization strategy has shown tangible results, enhancing its revenue diversification while capturing higher overseas margins. In 2025, Tongwei recorded strong overseas growth, with solar cell and module sales volume surging by 73% and 164% year-over-year, respectively. In the first half of 2026, overseas sales accounted for 28.9% of its total PV product revenue, with a gross margin of 3.4%, compared to -12.0% for the domestic market. Although Chinese manufacturers, including Tongwei, face rising

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Applicable Criteria

General Corporate Rating Criteria (31 December 2025)

trade barriers, we believe global reliance on Chinese PV products will persist in the coming years, backed by China's unmatched dominance across the supply chain.

Anti-Involution Policies Strengthen: The Chinese government continues to strengthen its policies to tackle severe overcapacity in the PV industry, which resulted from aggressive supply expansion since 2022 and led to industry-wide losses in 2024 and 2025. The government has published national standards for energy efficiency in PV modules, banning the sale of non-compliant modules starting in 2027. Additionally, the government has formulated principles for cost accounting in the PV sector, aimed at regulating below-cost pricing. Consequently, we expect small and medium-sized manufacturers with insufficient technical capabilities and weak cost control to accelerate their exit from the market, paving the way for a gradual rebalancing of supply and demand.

Conservative Financial Policy Amid Market Headwinds: Tongwei has adopted a prudent financial management strategy to preserve liquidity and strengthen its balance sheet during the PV industry downcycle. The company has scaled back capital expenditure on new projects and suspended dividend distributions in 2024 and 2025. It also terminated its proposed RMB5.0 billion acquisition of Jiangsu Runyang in 2025, while structuring its planned acquisition of Qinghai Lihao primarily through share issuance to limit direct cash outlays. In July 2025, Tongwei's subsidiary Yongxiang Co., Ltd. received a strategic capital injection of RMB4.9 billion, enhancing the company's financial resilience. Operationally, Tongwei actively pursues polysilicon inventory destocking and continuous expense optimization to relieve cash flow pressures.

Tongwei generated positive cash flow from its operational and investment activities in the first half of 2026. By end-June 2026, the company had cash of RMB18.4 billion and marketable financial assets of RMB8.0 billion, against short-term debt of RMB35.4 billion. In addition, Tongwei has access to multiple financing sources, including bank borrowings and bond issuances. At the end of June 2026, the company had unused bank facilities amounting to RMB51.3 billion. We believe Tongwei's cash reserves, unutilized credit lines, and positive operating cash flow provide adequate financial flexibility to manage cyclical headwinds.

Financial Position of Tongwei: Tongwei recorded net losses for two consecutive years. In 2025, the company reported a net loss of RMB10.9 billion, widening from RMB8.1 billion in 2024, driven by the protracted downturn in the PV industry and substantial impairment losses recognized on inventories and fixed assets during the same period. We expect Tongwei's gross margin for PV products to recover into positive in the second half of 2026, supported by the newly implemented price floor policy. In addition, as asset impairments have been largely completed, lower write-down pressures should help support net profit in 2026 and beyond.

Due to insufficient organic operating cash flow and heightened cash reserve requirements, Tongwei maintained substantial external financing, driving a significant expansion in total debt. By year-end 2025, total debt grew 6.6% year-over-year to RMB109.6 billion, pushing the total debt ratio, measured by debt / (debt + equity), up to 68.1% from 64.0% in 2024. Nevertheless, the company's comprehensive funding cost declined by 16 basis points year-over-year to a low 2.63%, while the EBITDA interest coverage ratio remained above 1.0x.

Rating Sensitivities

We would consider downgrading Tongwei's rating if (1) it were to pursue aggressive business expansions which result in notable deterioration in debt servicing capacity, or (2) its operating performance in terms of revenue, margin or cash flow from operations experiences 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 end-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 54.76% 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. Liu Shuqi, was appointed as both the board chairperson and CEO of Tongwei.

Tongwei is the world's largest high-purity polysilicon and solar cell producer. By the end of June 2026, 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. It 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 technologies including TNC, THC and TBC cells and modules, as well as perovskite/silicon tandem solar cells/modules.

In addition to the PV sector, Tongwei maintains a strong market position in the feed and food industry, with an annual feed production capacity of approximately 13 million tons as of end-2025. This segment exhibits high earnings predictability due to an effective cost pass-through mechanism, where selling prices adjust in tandem with raw material cost fluctuations, sustaining stable gross margins of above 9% over the past two years. The segment generates steady profits and recurring cash flows to partially mitigate volatility in its cyclical PV business.

Tongwei's Revenue Breakdown

RMB billion	2023			2024			2025		
	Revenue	%	GM (%)	Revenue	%	GM (%)	Revenue	%	GM (%)
Feed and Food	35.5	25.5	7.9	31.7	34.5	9.4	29.3	34.8	9.5
PV	102.8	73.9	32.9	59.8	65.0	4.7	54.1	64.4	-1.1
Others	0.8	0.6	25.0	0.5	0.5	23.3	0.7	0.9	14.7
Total	139.1	100.0	26.5	92.0	100.0	6.4	84.1	100.0	2.7

Source: Tongwei and Lianhe Global's calculations

Key Assumptions

- Annual revenue growth rate: 0% to 15% for 2026-2028
- Reported Gross margin: 5% to 20% 2026-2028
- Annual capital expenditure: RMB3 billion to 5 billion for 2026-2028

Key Financial Metrics

2024A-2028F	Debt/EBITDA	EBITDA/Interest	Debt/Capitalization	Quick Ratio
Weighted Average	32.3x	3.8x	65.4%	0.6x

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%	b
IV. Base Score	100.0%	bbb
V. Industry Risk		bbb
VI. Qualifiers		
Liquidity		Neutral
Corporate Governance		Neutral
Debt Structure and Financial Policy		+1
Idiosyncratic Analysis		Neutral
Stand-Alone Creditworthiness		bbb+
VII. External Support		N/A
Issuer Credit Rating		BBB+

Source: Lianhe Global

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/capitalization and quick ratio.

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