

CCXAP affirms Zijin Mining Group Co., Ltd.'s long-term credit rating at BBB_g+, with stable outlook

Hong Kong, 24 May 2024 – China Chengxin (Asia Pacific) Credit Ratings Company Limited (“CCXAP”) has affirmed the long-term credit rating of Zijin Mining Group Co., Ltd. (“Zijin Mining” or the “Company”) at BBB_g+, with stable outlook.

The BBB_g+ long-term credit rating of Zijin Mining Group Co., Ltd. (“Zijin Mining” or the “Company”) reflects the Company’s (1) leading market position in gold and copper mining with sufficient reserves; (2) increasing scale of production and sales; (3) good business mix and product diversification; (4) ongoing revenue growth and good profitability; and (5) good liquidity profile.

However, the rating is also constrained by the Company’s (1) earnings vulnerable to global economic conditions and metal price volatility; (2) increasing overseas business risks and large capital expenditure pressure; and (3) elevated debt leverage and moderate credit metrics.

Corporate Profile

Founded in 2000, Zijin Mining (Stock Code: 2899.HK & 601899.SH) is a leading mining company of gold and base metals in China. The Company principally engages in the exploration, mining, smelting, refining, trading and sale of gold, copper, and zinc, as well as other mineral resources globally. As of 31 December 2023, Minxi Xinghang State-owned Assets Investment Company Limited (“Minxi Xinghang”) directly held 23.11% of the equity interest in Zijin Mining, and the Finance Bureau of Shanghang County, Fujian Province is the Company’s ultimate controller.

Rating Rationale

Credit Strengths

Leading market position in gold and copper mining with sufficient reserves. Zijin Mining has maintained a leading position in China’s mining industry, ranking as one of the top Chinese mining companies in terms of the mineral reserves and production volume of gold, copper, zinc, and lithium carbonate. As of 31 December 2023, the Company had around 3,000 tons of gold resources, over 74 million tons of copper resources, and over 10 million tons of zinc and lead resources, with more than 50% of gold and copper resources and more than 90% of its zinc and lead resources obtained by self-initiated exploration.

Good business mix and product diversification. Zijin Mining has a wide product mix, mainly including gold, copper, and zinc, which could reduce the impact of any single commodity and support its business strength. The Company also proactively develop potential mineral products, such as lithium, molybdenum, and silver, which are critical metals for the global energy transition. Besides, Zijin Mining’s metal mines are globally diversified.

Increasing scale of production and sales. As the technological upgrade, projects acquisition, and expansion projects were constructed and progressed in an orderly manner, the production capacity of major minerals such as copper and gold has continued to increase. In 2023, the production volume of mine-produced gold of the Company amounted to 67.7 tons, increasing by 20.2% year-on-year (“YoY”). With the increase in production, the sales volume of mine-produced gold also increased by 9.7% YoY to 66.7 tons in 2023.

Ongoing revenue growth and good profitability. Zijin Mining’s revenue continued to grow in 2023 mainly driven by the growing volumes of production and sale, as well as the increasing gold price. The Company’s total revenue increased from RMB270.3 billion in 2022 to RMB293.4 billion in 2023, representing 8.5% YoY growth. Moreover, due to the increasing operation and production cost, the Company’s gross profit margin for metal mining business slightly decreased to 49.1% in 2023 from 54.3% in 2022, but still at a relatively high level compared with its peers in China.

Credit Challenges

Earnings vulnerable to global economic conditions and metal price volatility. Commodity metal prices have experienced large volatility during the economic downturn and recovery period in recent years. Zijin Mining’s revenue and earnings are vulnerable to the fluctuations of metal prices, especially copper and gold.

Large capital expenditure pressure arising from extensive project pipeline. Considering that non-ferrous metal mining is a cyclical industry, metal prices have shown a strong correlation with global economic cycles, resulting in large price volatility during the economic downturn and recovery period in recent years.

Elevated debt leverage and moderate credit metrics. Due to the large expenditure pressure from the acquisitions and the ongoing investment in projects under construction, Zijin Mining’s total debt increased to RMB145.5 billion at end-2023. Given the Company’s large expenditure pressure from the construction projects in the pipelines and its acquisition appetite, we expect that its debt leverage will remain at a relatively high level in the next 12 to 18 months.

Good liquidity profile. Zijin Mining maintains a good liquidity profile given its sufficient standby liquidity from banks as well as its active bond issuance. Considering Zijin Mining’s sufficient operating cash inflow, good liquidity buffer, and diversified financing channels, we believe that the Company can generate sufficient funds to fulfil the capital needs from daily operation, debt repayments, construction projects, and acquisitions.

Rating Outlook

The stable outlook on Zijin Mining’s rating reflects our expectation that the Company will maintain its leading market position in the mining industry, with steady growth in its production scale over the next 12-18 months.

What could upgrade the rating?

The rating could be upgraded if (1) commodity prices rise substantially, further boosting the Company's profits; (2) the Company's market position strengthens with material increase in products production; and (3) the Company demonstrates lower debt leverage and improved credit metrics.

What could downgrade the rating?

The rating could be downgraded if (1) commodity prices decline sharply, adversely affecting the Company's earnings; (2) the Company's overseas operations encounter operating, geopolitical or environmental issues; or (3) the Company indicates deteriorated credit metrics and weakened liquidity profile.

Rating Methodology

The methodology used in this rating is the Rating Methodology for [Mining Industry \(December 2017\)](#).

Regulatory Disclosures

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http://www.ccxap.com/en/rating_services/category/6/

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