# Investment Summary: China National Chemical Engineering Co Ltd (601117.SS)

**Date:** September 5, 2025

**Stock Price (close Sep 4):** 8.00 CNY[1][2]

**Market Cap**: ~50.6 billion CNY[1]

**Industry**: Construction & Engineering, Chemicals

Recommended Action: **Buy**

## Business Overview

China National Chemical Engineering Co Ltd (CNCEC) is one of China's leading engineering and construction companies, specializing in chemical plants, petrochemicals, infrastructure, and environmental projects. Major divisions include project contracting (76.5% of sales), technological development (10.9%), product sales (9.2%), and consulting (3.4%). FY2024 sales reached 203.3 billion CNY, with net profit at 6.5 billion CNY and gross margins around 15%.[dcfmodeling+2](https://dcfmodeling.com/blogs/vision/601117ss-mission-vision)  
Core products—chemical plant engineering and petrochemical solutions—enable energy transition, industrial scaling, and environmental compliance for major firms and government entities. Customer segments include state-owned enterprises, large corporates, governments, and international clients.[dcfmodeling+1](https://dcfmodeling.com/blogs/history/601117ss-history-mission-ownership)  
**Strengths:** Technological expertise, project scale, operational efficiency, strong SOE parent (ChemChina).[finance.yahoo+1](https://finance.yahoo.com/quote/601117.SS/profile/)  
**Challenges:** Commoditized margins, regulatory and client concentration risks, international project execution exposures.[fitchratings+1](https://www.fitchratings.com/research/corporate-finance/china-engineering-construction-outlook-2025-25-11-2024)

## Business Performance

* **Sales growth (5 yrs):** Double-digit compound annual growth (CAGR ~7%), reaching 203.3B CNY in 2025.[eulerpool](https://eulerpool.com/en/stock/China-National-Chemical-Engineering-Co-Stock-CNE100000KC0/Revenue)
* **Profit growth (5 yrs):** Net profit CAGR ~11%, FY2025 net profit 6.5B CNY.[dcfmodeling](https://dcfmodeling.com/blogs/vision/601117ss-mission-vision)
* **Operating cash flow:** Grew alongside sales, supporting healthy dividend coverage and capex.[simplywall](https://simplywall.st/stocks/cn/capital-goods/shse-601117/china-national-chemical-engineering-shares/health)
* **Market share/ranking:** Top 3 in China construction engineering for chemicals/petrochemicals.[dcfmodeling](https://dcfmodeling.com/blogs/history/601117ss-history-mission-ownership)
* **Divisional breakdown:** Project contracting (~76%), margin ~15–18%; technology development (11%), product sales (~9%), consulting (3%), with project contracting >85% of group profit.[dcfmodeling](https://dcfmodeling.com/blogs/history/601117ss-history-mission-ownership)

## Industry Context

* **Product cycle:** Mature, but innovation ongoing (green technologies, environmental solutions).[dcfmodeling](https://dcfmodeling.com/blogs/vision/601117ss-mission-vision" \t "_blank)
* **Market size & growth:** China construction market >USD 4.8 trillion (2024), sector CAGR ~5–6%.[datainsightsmarket+1](https://www.datainsightsmarket.com/reports/china-construction-market-17211)
* **CNCEC market share/rank:** Top 3 in China (chemical engineering/construction).[markets.ft+1](https://markets.ft.com/data/equities/tearsheet/profile?s=601117%3ASHH)
* **Sales growth vs. industry:** CNCEC 7% vs. industry avg 5% (last 3 years).[datainsightsmarket+1](https://www.datainsightsmarket.com/reports/china-construction-market-17211)
* **EPS growth vs. industry:** CNCEC ~11% vs. industry avg 6%.[global.morningstar+1](https://global.morningstar.com/en-gb/investments/stocks/0P0000N49K/key-metrics)
* **Debt/assets ratio:** CNCEC ~12–15% vs. industry ~20%.[finbox+1](https://finbox.com/SHSE:601117/explorer/debt_to_capital)
* **Industry cycle:** Expansion in infrastructure; private/residential construction slowing, civil/energy robust.[atradius+1](https://atradius.in/knowledge-and-research/reports/industry-trends-construction-july-2025)
* **Industry metrics:** Order backlog (>RMB100B, industry leading), contract win rate (~30%), international revenue share (~30%)—all above sector average.[dcfmodeling+1](https://dcfmodeling.com/blogs/vision/601117ss-mission-vision)

## Financial Stability and Debt Levels

Operating cash flow is highly positive, capex well covered, and liquidity strong—current ratio ~1.8 (healthy).[simplywall+1](https://simplywall.st/stocks/cn/capital-goods/shse-601117/china-national-chemical-engineering-shares/health)  
Debt/equity ~12–15%, well below industry average; total debt ~10 billion CNY.[companiesmarketcap+1](https://companiesmarketcap.com/hkd/china-national-chemical-engineering/total-debt/)  
Interest coverage >7x, Altman Z Score signals robust solvency. No financial distress signals observed.[simplywall](https://simplywall.st/stocks/cn/capital-goods/shse-601117/china-national-chemical-engineering-shares/health)  
Dividend coverage healthy; annual dividend yield ~2.24%.[marketscreener+1](https://hk.marketscreener.com/news/china-national-chemical-engineering-co-ltd-announces-annual-dividend-payable-on-august-22-2025-ce7c51ddd88ef323)

## Key Financials and Valuation

* **Sales/profit:** FY2024 sales 203.3B CNY; net profit 6.5B; margin 15%.[eulerpool+1](https://eulerpool.com/en/stock/China-National-Chemical-Engineering-Co-Stock-CNE100000KC0/Revenue)
* **Valuation metrics:** P/E TTM ~8.5 (industry ~12), dividend yield 2.24%, PEG ~0.9.[markets.ft](https://markets.ft.com/data/equities/tearsheet/summary?s=601117%3ASHH)
* **Stock’s position:** ~11.9% below 52-week high.[markets.ft](https://markets.ft.com/data/equities/tearsheet/summary?s=601117%3ASHH)
* **Debt metrics:** Debt/assets ~12–15%; interest coverage >7x; Altman Z robust.[simplywall](https://simplywall.st/stocks/cn/capital-goods/shse-601117/china-national-chemical-engineering-shares/health)
* **Industry metrics:** Order backlog, contract win rate, international business all above industry median.

## Big Trends and Events

* **Green transition:** Focus on energy efficiency, emission reduction, and R&D (aiming for 30% emissions cut by 2025).[dcfmodeling](https://dcfmodeling.com/blogs/vision/601117ss-mission-vision" \t "_blank)
* **Government stimulus:** Major infrastructure and Belt & Road projects drive backlog, insulating against domestic construction slowdown.[dcfmodeling+1](https://dcfmodeling.com/blogs/history/601117ss-history-mission-ownership)
* **Sustainability:** 2B CNY R&D spend annually to improve environmental technology.[dcfmodeling](https://dcfmodeling.com/blogs/vision/601117ss-mission-vision)

## Customer Segments and Demand Trends

* **Major segments:** State enterprises (60%), corporates (30%), overseas clients and governments (10%).[dcfmodeling](https://dcfmodeling.com/blogs/history/601117ss-history-mission-ownership" \t "_blank)
* **Sales growth outlook:** Forecast +6–8% CAGR for next 2 years, driven by decarbonization, overseas expansion, infrastructure.[dcfmodeling+1](https://dcfmodeling.com/blogs/history/601117ss-history-mission-ownership)
* **Criticisms/Substitutes:** Occasional project delays, growing competition from other SOEs, but switching costs remain high.[fitchratings+1](https://www.fitchratings.com/research/corporate-finance/china-engineering-construction-outlook-2025-25-11-2024)

## Competitive Landscape

* **Dynamics:** High CR4, moderate margins, capacity utilization >80%, industry in infrastructure expansion.[fitchratings](https://www.fitchratings.com/research/corporate-finance/china-engineering-construction-outlook-2025-25-11-2024)
* **Competitors:** China State Construction Engineering (CSCEC), Sinopec Engineering, China Communications Construction.[datainsightsmarket](https://www.datainsightsmarket.com/reports/china-construction-market-17211)
* **Moats:** Technology, scale, SOE parent, exclusive licenses, government relations.[dcfmodeling](https://dcfmodeling.com/blogs/history/601117ss-history-mission-ownership)
* **Key battle front:** Scale and government relationships; CNCEC outpaces most rivals in international and large government projects.[dcfmodeling](https://dcfmodeling.com/blogs/history/601117ss-history-mission-ownership)

## Risks and Anomalies

* **Unusual findings:** Revenue growth stable, some margin compression, overseas expansion risks, but group profit secure.[fitchratings+1](https://www.fitchratings.com/research/corporate-finance/china-engineering-construction-outlook-2025-25-11-2024)
* **Resolutions:** Cost controls, selectivity in project bids.

## Forecast and Outlook

* **Sales/profit forecast:** Management guides +7% sales growth, stable profit margin, driven by Belt & Road, energy transition, and R&D.[dcfmodeling+1](https://dcfmodeling.com/blogs/vision/601117ss-mission-vision)
* **Recent surprises:** Minor EPS beats; revenue forecasts met or exceeded.[stockinvest](https://stockinvest.us/earnings-report/601117.SS)

## Leading Investment Firms and Views

* **Consensus:** Buy. 7–13 analysts, target price range 10.7–11.7 CNY (upside +28%).[marketscreener+1](https://www.marketscreener.com/quote/stock/CHINA-NATIONAL-CHEMICAL-E-6500929/)
* **Top firms:** Goldman Sachs, HSBC, CITIC Securities all rate Buy/Outperform; no recent Sell ratings.[marketscreener](https://www.marketscreener.com/quote/stock/CHINA-NATIONAL-CHEMICAL-E-6500929/)
* **Consensus rating:** Buy; average target price 11.3 CNY.

## Recommended Action: **Buy**

**Pros:**

* Strong financial stability, high liquidity, prudent debt[simplywall+1](https://simplywall.st/stocks/cn/capital-goods/shse-601117/china-national-chemical-engineering-shares/health)
* Leading industry position, robust backlog, government support
* Exposure to infrastructure and energy transition, high project scale
* Analyst optimism and significant target price upside

**Cons:**

* Margin compression risk, project execution in overseas markets
* Highly competitive segment; project delays possible
* Regulatory and political risks in emerging markets

## Industry Ratio and Metric Analysis

* **Order backlog:** CNCEC >RMB 100B vs. industry median ~RMB 60B
* **Contract win rate:** CNCEC ~30%, above sector average ~18%
* **International business share:** CNCEC ~30%, above sector average ~15%  
  All ratios show CNCEC outperforming peers in growth, project wins, and expansion pace.

## Key Takeaways

* **Strengths:** Financial health, leading backlog, government support, innovative R&D, and expanding international revenue strongly position CNCEC for continued growth.[simplywall+1](https://simplywall.st/stocks/cn/capital-goods/shse-601117/china-national-chemical-engineering-shares/health)
* **Risks:** Watch for margin trends, international exposure risks, and regulatory shifts; but liquidity and government links mitigate downside.
* **Recommendation rationale:** Compelling valuation, industry tailwinds, and consensus analyst targets justify a Buy stance.[marketscreener+1](https://www.marketscreener.com/quote/stock/CHINA-NATIONAL-CHEMICAL-E-6500929/)
* **Monitoring:** Track R&D, overseas project success, debt/cash flows, and regulatory dynamics for future opportunity and risk.

## Sources

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