# Investment Summary: Metallurgical Corporation of China Ltd (601618.SS)

**Current Date:** September 5, 2025  
**Previous Close Stock Price:** CNY 3.32[futunn](https://www.futunn.com/en/stock/601618-SH)  
**Market Cap:** CNY 68.80B[tradingeconomics+2](https://tradingeconomics.com/601618:ch:market-capitalization)  
**Industry:** Engineering & Construction, Mining[mcc+1](http://www.mcc.com.cn/mcc_en/)  
**Recommended Action:** HOLD

## Business Overview

MCC is a leading state-owned enterprise in China, operating primarily in engineering contracting, metallurgical construction, mining, equipment manufacturing, housing development, real estate, and energy/environmental protection. Major business lines include:[webb-site+1](https://webb-site.com/dbpub/docs.asp?p=51452)

* **Engineering Contracting:** Metallurgy, infrastructure, housing—accounted for ~90% of revenue in FY2024.[webb-site](https://webb-site.com/dbpub/docs.asp?p=51452)
* **Featured Businesses:** Mineral resources, new materials, high-end equipment, environmental protection.[webb-site](https://webb-site.com/dbpub/docs.asp?p=51452)
* **Real Estate:** ~3.4% of group sales.[webb-site](https://webb-site.com/dbpub/docs.asp?p=51452)

FY2024 revenue: RMB 552.0B (~12.9% YoY drop), Net profit: RMB 6.75B (down 22.2%).[mcc+2](http://www.mcc.com.cn/mcc_en/investorrelations/AshareAnnouncement/202504/P020250422626353383859.pdf)  
Products and services are critical for large-scale infrastructure, energy, and urban development, serving national and international governments/enterprises.  
Strengths: Technology leadership (55,000+ patents), project scale, strong government ties, Belt & Road exposure.[webb-site](https://webb-site.com/dbpub/docs.asp?p=51452)  
Challenges: Ongoing industry contraction, margin compression, risk exposure to real estate and overseas projects.[tipranks+2](https://www.tipranks.com/stocks/hk:1618/financials/ratios)

## Business Performance

* **Sales Growth (5Y):** Declined from RMB 592.7B (2022) to RMB 552B (2024).[mcc+1](http://www.mcc.com.cn/mcc_en/investorrelations/AshareAnnouncement/202504/P020250422626353383859.pdf)
* **Profit Growth (5Y):** Net profit down from RMB 10.3B (2022) to RMB 6.75B (2024); forecast flat to slight recovery in 2025, dependent on overseas orders.[futunn+1](https://www.futunn.com/en/stock/601618-SH)
* **Operating Cash Flow:** Up 33.2% YoY to RMB 7.85B in 2024.[webb-site](https://webb-site.com/dbpub/docs.asp?p=51452)
* **Market Share & Ranking:** Top 5 globally in ENR contractors; 16th straight year in top 10.[mcc+1](http://www.mcc.com.cn/mcc_en/investorrelations/AshareAnnouncement/202504/P020250422626353383859.pdf)

## Industry Context

* **Product Cycle:** Mature in domestic metallurgy/infrastructure; expansion phase for green tech and international work.[mcc](http://www.mcc.com.cn/mcc_en/investorrelations/AshareAnnouncement/202504/P020250422626353383859.pdf)
* **Market Size & CAGR:** China construction market remains large, but slowed; CAGR ~2-5% recent years.[webb-site](https://webb-site.com/dbpub/docs.asp?p=51452)
* **Market Share/Ranking:** MCC among top 5 in engineering construction; ~2% domestic market share.[webb-site](https://webb-site.com/dbpub/docs.asp?p=51452)
* **Sales/EPS Growth vs. Industry:** MCC sales/EPS both lag recent industry average (industry +3% vs. MCC -13% sales YoY; EPS also negative).[futunn+1](https://www.futunn.com/en/stock/601618-SH)
* **Debt/Assets Ratio:** MCC ~77% (industry range: 60-80%), relatively high but typical for sector.[investing+1](https://www.investing.com/equities/mcc-ratios)
* **Industry Cycle:** China's construction/engineering cycle has slowed due to policy, demand and margin pressure; green and international segments offer growth.[mcc+1](http://www.mcc.com.cn/mcc_en/investorrelations/AshareAnnouncement/202504/P020250422626353383859.pdf)
* **Industry Metrics:** Contract backlog, new awards, overseas bookings high for MCC (46.9% YoY increase); margin ~1.9% vs. peers 2-3%.[wsj+2](https://www.wsj.com/market-data/quotes/HK/XHKG/1618/financials)

## Financial Stability and Debt Levels

Net operating cash flow improved markedly; liquidity is adequate but not notably strong.

* **Current Ratio:** ~1.04 (below 1.3 threshold).[wisesheets+1](https://www.wisesheets.io/current-ratio/1618.HK)
* **Total Debt-to-Equity:** ~76%.[investing](https://www.investing.com/equities/mcc-ratios)
* **Debt/Total Assets:** ~77%.[investing+1](https://www.investing.com/equities/mcc-ratios)
* **Interest Coverage:** Not disclosed but credit rating is BBB+.[fitchratings+1](https://www.fitchratings.com/entity/metallurgical-corporation-of-china-limited-96417758)  
  While cash flow improved, liquidity remains a monitorable risk, particularly given sector leverage and international exposure. Recent dividend coverage (cash dividend payout ratio ~17%) indicates earnings preservation priority.[mcc+1](http://www.mcc.com.cn/mcc_en/investorrelations/AshareAnnouncement/202504/P020250422626353383859.pdf)

## Key Financials & Valuation

* **2024 Sales:** RMB 552B; YoY -12.9%.[webb-site](https://webb-site.com/dbpub/docs.asp?p=51452)
* **2024 Net Profit:** RMB 6.75B; YoY -22.2%.[hkexnews+1](https://www.hkexnews.hk/listedco/listconews/sehk/2025/0422/2025042200817.pdf)
* **Operating Margin:** ~1.9%; net margin ~1.2%.[wsj](https://www.wsj.com/market-data/quotes/HK/XHKG/1618/financials)
* **Valuation P/E (TTM):** ~15.4x (above recent industry average 10x-13x).[finance.yahoo+1](https://finance.yahoo.com/quote/601618.SS/)
* **PEG:** Not meaningful due to earnings decline.[finance.yahoo](https://finance.yahoo.com/quote/601618.SS/)
* **Dividend Yield:** ~2.8%.[finance.yahoo+1](https://finance.yahoo.com/quote/601618.SS/)
* **52-Week Range:** Trades near the low end.[finance.yahoo](https://finance.yahoo.com/quote/601618.SS/)
* **Industry Metrics:**
  + Contract Award Ratio: MCC above peers due to Belt & Road focus.[mcc](http://www.mcc.com.cn/mcc_en/investorrelations/AshareAnnouncement/202504/P020250422626353383859.pdf)
  + Overseas Contract Growth: 46.9% YoY, much higher versus peers.[futunn](https://www.futunn.com/en/stock/601618-SH)
  + Margin: MCC 1.9%, below industry average.[wsj](https://www.wsj.com/market-data/quotes/HK/XHKG/1618/financials)

## Big Trends & Events

* Domestic contraction in housing/infrastructure slows revenue; overseas, green/smart and Belt & Road are growth drivers.[mcc](http://www.mcc.com.cn/mcc_en/investorrelations/AshareAnnouncement/202504/P020250422626353383859.pdf)
* Regulatory and policy support for green construction, digitalization, and equipment upgrade bolster medium-term outlook.[mcc](http://www.mcc.com.cn/mcc_en/investorrelations/AshareAnnouncement/202504/P020250422626353383859.pdf)
* Real estate market remains weak (national -12.9% volume YoY) but policy shift could stabilize demand.[mcc](http://www.mcc.com.cn/mcc_en/investorrelations/AshareAnnouncement/202504/P020250422626353383859.pdf)

## Customer Segments & Demand Trends

* **Major Segments:** Gov't infrastructure, real estate, global mining, urban development (China ~85%, Intl ~15%).[webb-site](https://webb-site.com/dbpub/docs.asp?p=51452" \t "_blank)
* **Forecast:** Flat domestic, rapid overseas/green growth expected in next two years.[futunn+1](https://www.futunn.com/en/stock/601618-SH)
* **Criticism/Substitutes:** Low margins, execution risk, competition from private and non-Chinese multinationals.[futunn+1](https://www.futunn.com/en/stock/601618-SH)

## Competitive Landscape

* **Industry Dynamics:** Highly concentrated, large SOE dominance, capacity utilization typical ~70-85%; slow margin recovery.[webb-site](https://webb-site.com/dbpub/docs.asp?p=51452)
* **Key Competitors:** China Communications Construction, China Railway Group, Power Construction Corp of China (all larger).[tradingeconomics+1](https://tradingeconomics.com/601618:ch:market-capitalization)
* **Moats:** Technology, integrated supply chain, government ties, global presence.
* **Battlefront:** Scale, Belt & Road access, patent portfolio. MCC is relatively strong due to integration and government relationships; margin performance lags.[alphaspread+1](https://www.alphaspread.com/security/sse/601618/investor-relations)

## Risks & Anomalies

* Ongoing margin compression, project impairments.[futunn](https://www.futunn.com/en/stock/601618-SH)
* Overseas, regulatory, and political risk exposure.
* Real estate profit volatility; impairment charges likely.[futunn+1](https://www.futunn.com/en/stock/601618-SH)
* Current ratio below healthy level.[wisesheets](https://www.wisesheets.io/current-ratio/1618.HK)

## Forecast & Outlook

* Management targets RMB 560-570B sales, RMB 6.8-7.4B profit for FY2025.[mcc](http://www.mcc.com.cn/mcc_en/investorrelations/AshareAnnouncement/202504/P020250422626353383859.pdf)
* Growth driven by international, green, and new material businesses; domestic softness may persist.[mcc](http://www.mcc.com.cn/mcc_en/investorrelations/AshareAnnouncement/202504/P020250422626353383859.pdf)
* Recent earnings surprise (H1 2025) from overseas contracts.[futunn](https://www.futunn.com/en/stock/601618-SH)

## Leading Investment Firms & Views

* **Huatai Securities:** Reiterates HOLD, target price +8% (HKD 3.43 for H shares).[futunn](https://www.futunn.com/en/stock/601618-SH" \t "_blank)
* **Consensus:** HOLD, average target price implies ~7-12% upside.[finance.yahoo+1](https://finance.yahoo.com/quote/601618.SS/)
* **Credit Agencies:** Fitch rates BBB+, stable outlook.[fitchratings+1](https://www.fitchratings.com/research/corporate-finance/fitch-affirms-metallurgical-corporation-of-china-at-bbb-outlook-stable-23-06-2025)

## Recommended Action: HOLD

## Reasons for HOLD Recommendation

## Pros

* Improved operating cash flow, increased overseas contracts.[futunn+1](https://www.futunn.com/en/stock/601618-SH)
* Technology portfolio substantial, government support likely.[webb-site](https://webb-site.com/dbpub/docs.asp?p=51452)
* Reasonable dividend coverage.[mcc](http://www.mcc.com.cn/mcc_en/investorrelations/AshareAnnouncement/202504/P020250422626353383859.pdf)
* Still well-positioned for sector leadership internationally.[webb-site](https://webb-site.com/dbpub/docs.asp?p=51452)

## Cons

* Declining sales/profits versus industry, below-average margins.[wsj](https://www.wsj.com/market-data/quotes/HK/XHKG/1618/financials)
* Elevated leverage; current ratio below safe threshold.[wisesheets](https://www.wisesheets.io/current-ratio/1618.HK)
* Domestic demand and sector contraction risk ongoing.[futunn](https://www.futunn.com/en/stock/601618-SH)

## Industry Ratio and Metric Analysis

| **Metric** | **MCC (2024)** | **Industry Avg** | **Trend** | **Analysis & What It Means** |
| --- | --- | --- | --- | --- |
| Current Ratio | 1.04 [wisesheets+1](https://www.wisesheets.io/current-ratio/1618.HK) | 1.2–1.4 | Flat to slightly decreasing | Slight liquidity concern |
| Debt/Assets | 77% [investing](https://www.investing.com/equities/mcc-ratios) | 60–80% | High, typical sector | Prudent, but watch for leverage |
| Operating Margin | 1.9% [wsj](https://www.wsj.com/market-data/quotes/HK/XHKG/1618/financials) | 2–3% | Compressed, sector-wide | Below peer profitability |
| Over Contract Growth | +46.9% [mcc](http://www.mcc.com.cn/mcc_en/investorrelations/AshareAnnouncement/202504/P020250422626353383859.pdf) | +10–25% | Strong for MCC | Leading international expansion |

## Key Takeaways

* MCC is a **top-tier Chinese SOE** with diversified international exposure, technology leadership, and strong government connections.[alphaspread+1](https://www.alphaspread.com/security/sse/601618/investor-relations)
* Sales, margin, and liquidity pressures are evident; current ratio remains a concern versus sector best practice.[wisesheets+1](https://www.wisesheets.io/current-ratio/1618.HK)
* Outlook is cautiously optimistic owing to overseas/green business growth, but rapid domestic recovery unlikely.[mcc](http://www.mcc.com.cn/mcc_en/investorrelations/AshareAnnouncement/202504/P020250422626353383859.pdf)
* Ongoing monitoring advised for demand trends, project impairments, and sector margins.[futunn](https://www.futunn.com/en/stock/601618-SH)
* Key missing points: More granular segment profit disclosure, debt maturity profile, and Altman Z Score; future improvement would aid analysis.[webb-site](https://webb-site.com/dbpub/docs.asp?p=51452)

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