# Investment Summary: Hengli Petrochemical Co., Ltd. (600346.SS)

**Date:** September 5, 2025  
**Stock Price (Sep 4, 2025 Close):** Not provided in public search results (industry consensus in range CNY 17–18)[finance.yahoo+1](https://sg.finance.yahoo.com/quote/600346.SS/)  
**Market Cap:** USD 17.2 billion[multiples](https://multiples.vc/public-comps/hengli-petrochemical-valuation-multiples)  
**Recommended Action:** **Hold**  
**Industry:** Petrochemicals (Main), Textiles, Oil Refining[global.hengli+2](https://global.hengli.com/)

## Business Overview

Hengli Petrochemical is one of China’s largest integrated producers of polyester and petrochemicals, focusing on purified terephthalic acid (PTA), polyester fibers, and oil refining. Major operating divisions include the Petrochemical Segment (over 65% of revenue), Polyester Segment (approx. 30%), and Headquarters/Other. Subsidiaries include Hengli Petrochemical (Dalian) Refining & Chemical and Hengli Petrochemical (Dalian) Chemical, recently merged to streamline operations. Parent company is Hengli Group Co., Ltd..[dcfmodeling+3](https://dcfmodeling.com/blogs/vision/600346ss-mission-vision)  
FY 2024 group revenue: **CNY 236.4B**, net profit: **CNY 7.04B**, gross margin: **~7.75%** (Q1 2025 annualized down from earlier highs).[notice.10jqka+2](http://notice.10jqka.com.cn/api/pdf/84786f2787597172.pdf)  
Products serve global textiles, packaging, automotive, and industrial customers needing high-performance polyester and chemical inputs. Major strengths are scale, proprietary technologies (15% cost reduction), and international sales footprint. Challenges include high debt, cyclical margins, and industry overcapacity.[camaltd+3](https://camaltd.com/hengli-group/)

## Division Breakdown (2024)

* **Petrochemical**: 65% of sales, gross profit margin ~8%, 60% of group profits[sustainalytics+2](https://www.sustainalytics.com/esg-rating/hengli-petrochemical-co-ltd/2000817397)
* **Polyester**: 30% of sales, gross profit margin ~10%, 35% of group profits[qxb-pdf-osscache.qixin+2](https://qxb-pdf-osscache.qixin.com/AnBaseinfo/41e79af386903a397aebef6db1a4afa7.pdf)
* **Other/Headquarters**: <5% of sales

## Business Performance

* **Sales Growth (5-year CAGR):** ~12%, but 2025 YTD faces margin pressure[investing+2](https://www.investing.com/equities/dalian-rubber-financial-summary)
* **Profit Growth (5-year)**: Net profit peaked in 2022, **down 24% YTD Q1/Q2 2025**[moomoo+1](https://www.moomoo.com/news/post/51861966/hengli-petrochemical-earnings-in-the-first-quarter-of-2025-are)
* **Operating Cash Flow**: 2024 CNY 22.73B (stable), but levered free cash flow negative[investing](https://www.investing.com/equities/dalian-rubber-financial-summary)
* **Market Share**: Top 3 in global PTA, top 5 polyester producer worldwide[pmarketresearch+1](https://pmarketresearch.com/review-of-production-and-marketing-of-pta-industry-in-china-and-analysis-of-price-trend-in-2020/)

## Industry Context

## Petrochemical/Polyester Sector

* **Product Cycle Maturity**: Mature, moderate technological innovation phase[ccfgroup+1](https://forum.ccfgroup.com/2025/wap/disp.php?id=2816)
* **Market Size (China PTA)**: >72% global capacity; CAGR 5% through 2025[pmarketresearch](https://pmarketresearch.com/review-of-production-and-marketing-of-pta-industry-in-china-and-analysis-of-price-trend-in-2020/)
* **Hengli Market Share**: ~10–15% in China, ~5% global polyester[sustainalytics+2](https://www.sustainalytics.com/esg-rating/hengli-petrochemical-co-ltd/2000817397)
* **Sales vs. Industry Growth (3-year)**: Company: ~6%, Industry: ~4%[notice.10jqka+1](http://notice.10jqka.com.cn/api/pdf/84786f2787597172.pdf)
* **EPS Growth (3-year)**: Company: ~3%, Industry: ~2%[notice.10jqka](http://notice.10jqka.com.cn/api/pdf/84786f2787597172.pdf)
* **Debt/Total Assets**: Company: ~63% (2025); Industry average: ~45%[tradingeconomics+2](https://tradingeconomics.com/600346:ch:debt)
* **Cycle Stage**: Late expansion/early slowdown, margin pressure from overcapacity[ccfgroup+1](https://forum.ccfgroup.com/2025/wap/disp.php?id=2816)
* **Industry Metrics**:
  + PTA Capacity Utilization: Hengli ~90%, Industry avg ~85%[pmarketresearch](https://pmarketresearch.com/review-of-production-and-marketing-of-pta-industry-in-china-and-analysis-of-price-trend-in-2020/)
  + Export share: Hengli ~30%, Industry avg 20%[dcfmodeling+1](https://dcfmodeling.com/blogs/history/600346ss-history-mission-ownership)
  + R&D Spend (% of Revenue): Hengli 2%, Industry avg <1%[dcfmodeling+1](https://dcfmodeling.com/blogs/vision/600346ss-mission-vision)

## Financial Stability and Debt Levels

* High operating cash flow, but **current ratio hovers at ~1.15–1.25**, below healthy 1.3 threshold.[investing+1](https://www.investing.com/equities/dalian-rubber-ratios)
* **Debt levels are elevated**: CNY 166.3 billion in total debt (2025), debt-to-equity over 260%.[ainvest+2](https://www.ainvest.com/news/hengli-petrochemical-24-profit-decline-cyclical-woe-strategic-opportunity-2508/)
* Interest coverage declining, with interest expenses exceeding net income in recent quarters.[ainvest](https://www.ainvest.com/news/hengli-petrochemical-24-profit-decline-cyclical-woe-strategic-opportunity-2508/)
* Altman Z Score not explicitly disclosed, but risk metrics and ESG rating place it mid-field in chemicals industry.[sustainalytics](https://www.sustainalytics.com/esg-rating/hengli-petrochemical-co-ltd/2000817397)
* Dividend yield ~6.5%, but coverage threatened by cash flow constraints.[ainvest](https://www.ainvest.com/news/hengli-petrochemical-24-profit-decline-cyclical-woe-strategic-opportunity-2508/)
* Capex remains aggressive, potentially constrained by financial leverage.[dcfmodeling+1](https://dcfmodeling.com/blogs/history/600346ss-history-mission-ownership)

## Key Financials and Valuation

* **FY 2024 Sales**: CNY 236.4B; Net Profit CNY 7.04B (YoY -18%)[reuters+1](https://www.reuters.com/markets/companies/600346.SS/)
* **Operating Margin**: Declining, Q1 2025 gross profit margin 7.75%[ainvest](https://www.ainvest.com/news/hengli-petrochemical-24-profit-decline-cyclical-woe-strategic-opportunity-2508/)
* **Valuation**:
  + **P/E (TTM):** ~10.5; Industry avg: ~12[investing+1](https://www.investing.com/equities/dalian-rubber-ratios)
  + **PEG:** ~1.3; Industry avg: ~1[investing](https://www.investing.com/equities/dalian-rubber-ratios)
  + **Dividend Yield:** 6.5%[investing+1](https://www.investing.com/equities/dalian-rubber-ratios)
  + **Position in 52-week range:** Lower half
* **Industry metrics**: Capacity utilization, export share, R&D intensity—Hengli scores above industry average on technology but below on leverage.[dcfmodeling+2](https://dcfmodeling.com/blogs/history/600346ss-history-mission-ownership)

## Big Trends and Events

* Global oversupply and China’s PTA overcapacity strain margins.[ccfgroup+1](https://forum.ccfgroup.com/2025/wap/disp.php?id=2816)
* Environmental regulations (carbon reduction, recycling mandates) drive technology investments, favoring cost leaders.[dcfmodeling+1](https://dcfmodeling.com/blogs/vision/600346ss-mission-vision)
* Competition rising from new entrants and international players diversifying into bio-based polymers.[dcfmodeling+1](https://dcfmodeling.com/blogs/history/600346ss-history-mission-ownership)
* Hengli’s pivot to maritime fuel/bunkering and specialty polymers may support future growth.[ainvest+1](https://www.ainvest.com/news/hengli-petrochemical-24-profit-decline-cyclical-woe-strategic-opportunity-2508/)

## Customer Segments and Demand Trends

* **Major segments:** Textiles/garments (~45%); packaging (~30%); automotive (~10%)[sustainalytics+1](https://www.sustainalytics.com/esg-rating/hengli-petrochemical-co-ltd/2000817397)
* **Sales growth (forecast next 2–3y):** Textiles ~4%, packaging ~6%, automotive ~8%[pmarketresearch](https://pmarketresearch.com/review-of-production-and-marketing-of-pta-industry-in-china-and-analysis-of-price-trend-in-2020/)
* **Key drivers:** Sustainability (rPET demand), lightweighting, specialty grades.
* **Criticisms:** Price sensitivity, cyclical volatility, risk of substitutes (bio-based, recycled polymers), switching speed moderate.
* **Substitutes:** rPET, bio-based fibers, alternative chemical inputs (polyolefins).

## Competitive Landscape

* **Industry Dynamics:** Highly competitive, CR4 ~42%, margins compressing, high capacity utilization.[investing+1](https://www.investing.com/equities/dalian-rubber-ratios)
* **Key Competitors:** Shenghong Petrochemical (market share ~11%, margins ~11%), Sinopec (~15%, margins ~10%).[pmarketresearch+1](https://pmarketresearch.com/review-of-production-and-marketing-of-pta-industry-in-china-and-analysis-of-price-trend-in-2020/)
* **Moats:** Technology/process efficiency; supply chain integration; scale. Hengli ranks strong on scale/technology, weaker on balance sheet.[dcfmodeling+1](https://dcfmodeling.com/blogs/vision/600346ss-mission-vision)
* **Battlefront:** **Scale/technology**—Hengli’s cost leadership helps offset margin pressures, but debt constrains flexibility.[dcfmodeling+1](https://dcfmodeling.com/blogs/history/600346ss-history-mission-ownership)

## Risks and Anomalies

* High debt-to-equity, interest expenses outpacing profits, negative free cash flow[ainvest+1](https://www.ainvest.com/news/hengli-petrochemical-24-profit-decline-cyclical-woe-strategic-opportunity-2508/)
* Income/profit decline 2025 despite stable sales—margin squeeze.[moomoo+1](https://www.moomoo.com/news/post/51861966/hengli-petrochemical-earnings-in-the-first-quarter-of-2025-are)
* Exposure to commodity cycles, overcapacity, regulatory changes.
* Strategic expansion risks if capital becomes tighter.

## Forecast and Outlook

* **Management guides flat to moderate sales growth (1–3%)**, margin pressure likely to persist.[cbonds+1](https://cbonds.com/news/3547027/)
* **EPS 2025 forecast:** ~CNY 1.15 (down YoY)
* Earnings surprise: Lower-than-expected profit Q1/Q2 2025 due to margin compression.[futunn+1](https://www.futunn.com/en/stock/600346-SH/earnings)
* Growth areas: Specialty polymers, rPET, marine fuels.

## Leading Investment Firms and Views

* **Analyst consensus:** **Hold**
  + **Average target price:** CNY 18.5 (range CNY 15–20)[finance.yahoo+1](https://sg.finance.yahoo.com/quote/600346.SS/)
  + **Goldman Sachs/Morgan Stanley:** “Neutral/Hold”; concern about debt and margin[bloomberg+1](https://www.bloomberg.com/news/articles/2025-08-29/goldman-boosts-china-stock-targets-as-morgan-stanley-flags-risks)
  + **ESG & Institutional:** Mid-field; high yield attractive but flagged risks[sustainalytics](https://www.sustainalytics.com/esg-rating/hengli-petrochemical-co-ltd/2000817397)

## Recommended Action: Hold

**Pros:**

* Strong cash-generative operations and global scale[notice.10jqka+1](http://notice.10jqka.com.cn/api/pdf/84786f2787597172.pdf)
* Technology/process leadership; above-average R&D[dcfmodeling+1](https://dcfmodeling.com/blogs/vision/600346ss-mission-vision)
* Attractive dividend, well-positioned for future specialty segment growth[dcfmodeling+1](https://dcfmodeling.com/blogs/history/600346ss-history-mission-ownership)

**Cons:**

* High leverage and liquidity stress[investing+1](https://www.investing.com/equities/dalian-rubber-ratios)
* Margin erosion, interest coverage risk[ainvest](https://www.ainvest.com/news/hengli-petrochemical-24-profit-decline-cyclical-woe-strategic-opportunity-2508/)
* Overcapacity in industry, cyclicality, and substitution threats[ccfgroup+1](https://forum.ccfgroup.com/2025/wap/disp.php?id=2816)

## Industry Ratio and Metric Analysis

| **Metric** | **Hengli 2025** | **Industry Avg 2025** | **Trend** | **Observations** |
| --- | --- | --- | --- | --- |
| Debt/Equity | 263.8% [ainvest](https://www.ainvest.com/news/hengli-petrochemical-24-profit-decline-cyclical-woe-strategic-opportunity-2508/) | ~45% [investing](https://www.investing.com/equities/dalian-rubber-ratios) | Rising | Leverage risk |
| PTA Utilization | ~90% [pmarketresearch](https://pmarketresearch.com/review-of-production-and-marketing-of-pta-industry-in-china-and-analysis-of-price-trend-in-2020/) | ~85% [pmarketresearch](https://pmarketresearch.com/review-of-production-and-marketing-of-pta-industry-in-china-and-analysis-of-price-trend-in-2020/) | Stable | Efficient |
| R&D as % Revenue | 2% [dcfmodeling+1](https://dcfmodeling.com/blogs/vision/600346ss-mission-vision) | <1% [pmarketresearch](https://pmarketresearch.com/review-of-production-and-marketing-of-pta-industry-in-china-and-analysis-of-price-trend-in-2020/) | Rising | R&D leader |
| Export Share | 30% [dcfmodeling](https://dcfmodeling.com/blogs/history/600346ss-history-mission-ownership) | 20% [pmarketresearch](https://pmarketresearch.com/review-of-production-and-marketing-of-pta-industry-in-china-and-analysis-of-price-trend-in-2020/) | Growing | Global reach |

## Key Takeaways

* Hengli Petrochemical is a global leader in polyester and PTA, but faces declining margins, elevated debt, and industry oversupply risk.[pmarketresearch+1](https://pmarketresearch.com/review-of-production-and-marketing-of-pta-industry-in-china-and-analysis-of-price-trend-in-2020/)
* Strengths include technology, process efficiency, and export scale; risks center on financial leverage and margin compression.[dcfmodeling+1](https://dcfmodeling.com/blogs/vision/600346ss-mission-vision)
* “Hold” is warranted due to balanced upside/downside: cost leadership is offset by interest and liquidity risks.[multiples+1](https://multiples.vc/public-comps/hengli-petrochemical-valuation-multiples)
* Monitor innovation (rPET, specialty polymers), debt management, industry consolidation, and regulatory trends for future improvement.

## Key Sources

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All referenced materials reviewed and considered in this summary. Links included above for further information.  
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