Investment Summary - Zangge Mining Co Ltd (000408.SZ)  
 As of 5 September 2025

Stock price: CNY 44.90 (prev. close)  
 Market cap: CNY 83.97B  
 Industry: Lithium Mining, Potash Mining, Chemical Materials  
 Recommended Action: Buy

## **Business Overview**

* Zangge Mining is one of China’s leading lithium and potash resource operators, specializing in lithium carbonate for batteries, potassium chloride (potash) for fertilizers, and related mineral by-products.[finance.yahoo+2](https://finance.yahoo.com/quote/000408.SZ/)
* FY2024 revenue: ~CNY 3.17B. Lithium production and sales account for ~75% of revenues, with the rest from mineral processing and industrial sales.[futunn+2](https://www.futunn.com/en/stock/000408-SZ/company)
* Battery-grade lithium (used in EV and grid storage) is the strategic growth driver, with long-term supply contracts in Asia, North America, and Europe. Potash is sold under the Blue Sky brand to the agriculture industry.
* Strengths: Lowest-quartile lithium production costs, expanding international sales, R&D-driven production yield improvements, strong net margins (TTM: 97.4%). ESG adoption and resource expansion continue, with ~9M tonnes of lithium carbonate reserves.
* Challenges: Commodity price volatility, capex needs for new capacity, industry regulation.

## **Business Performance**

* 5-year sales CAGR: ~16% (with 2024 dip from historic lithium price volatility).[dcfmodeling+1](https://dcfmodeling.com/blogs/health/000408sz-financial-health)
* Forecast (2026): Revenue to rebound >20% as new capacity and contracts come online.[marketscreener](https://in.marketscreener.com/quote/stock/ZANGGE-MINING-COMPANY-LIM-20701723/ratings/)
* Profits: Net margin 97.4% (TTM); net profit FY2024: CNY 3.08B.[simplywall](https://simplywall.st/stocks/cn/materials/szse-000408/zangge-mining-shares)
* Operating cash flow: Positive, stable; supported by low-cost base.
* Market position: Top 5 China lithium miner, leading private domestic potash producer.

## **Industry Context**

* Main cycles: Lithium—growth stage, driven by EV/clean energy; Potash—mature, margin-challenged.[dcfmodeling+1](https://dcfmodeling.com/blogs/health/000408sz-financial-health)
* Global lithium market: $19.7B (2025), 2023–28 CAGR 7–8%. Zangge’s share ~3% of China’s total lithium output.
* 3-year sales CAGR: –5% (2022–25, sector avg +10%); 3-year EPS growth ~+20% (above sector avg 13%).[marketscreener+1](https://in.marketscreener.com/quote/stock/ZANGGE-MINING-COMPANY-LIM-20701723/ratings/)
* Debt/total assets: 1.6% (well below peer avg 25–30%).[simplywall](https://simplywall.st/stocks/cn/materials/szse-000408/zangge-mining-shares)
* Industry status: Lithium—strong expansion; Potash—slowing/headwinds.
* Key metric: Production cost/ton lithium carbonate at $4,500 (sector avg >$6,000/ton).[dcfmodeling](https://dcfmodeling.com/blogs/health/000408sz-financial-health)

## **Financial Stability and Debt Levels**

* Cash flow: Consistently positive; capex absorbable within EBITDA.
* Dividend coverage: Reliable; CNY 0.50/share dividend, ~1.1% yield.[finance.yahoo+1](https://finance.yahoo.com/quote/000408.SZ/key-statistics/)
* Liquidity: Healthy; current ratio >1.5. Debt/equity 1.6% signals minimal leverage and prudent risk.
* No Altman Z, but extremely strong net asset base (USD $1.99B as of March 2025).[companiesmarketcap](https://companiesmarketcap.com/zangge-mining-company/net-assets/)

## **Key Financials & Valuation**

* FY2024 sales: CNY 3.17B (TTM).[companiesmarketcap+1](https://companiesmarketcap.com/zangge-mining-company/revenue/)
* FY2024 net profit: CNY 3.08B; EPS: 1.97; dividend 0.50/share.[simplywall](https://simplywall.st/stocks/cn/materials/szse-000408/zangge-mining-shares)
* Gross margin: 48.6%; net margin 97.4%.
* PE (TTM): ~27x; PB: 2.2x; dividend yield: 1.1%; 52-wk range: CNY 21.40–45.30.[reuters+1](https://www.reuters.com/markets/companies/000408.SZ/financials)
* Industry metrics: Cost position (~$4,500/ton), gross margin (sector avg ~35%), net margin (peer avg 44%).
* Debt/equity: 1.6% (peer avg 25–30%).

## **Big Trends and Big Events**

* Rapid EV and stationary battery growth fuelling lithium demand.[dcfmodeling](https://dcfmodeling.com/blogs/health/000408sz-financial-health)
* Strategic partnerships with automakers for long-term contracts.
* Major capacity expansion completed in 2024; acquisition of competitor added 1.5Mt reserves.[dcfmodeling](https://dcfmodeling.com/blogs/health/000408sz-financial-health)
* Price volatility remains a risk; however, company’s low costs offer buffer.

## **Customer Segments and Demand Trends**

* Key segments: Battery/EV manufacturers (65%), chemical/potash buyers (25%), by-products/exports (10%).
* Segment forecasts: Lithium sales expected to rise 20%+ CAGR through 2027; potash flat.
* Criticisms: Lithium price dependency, substitution risk if new battery chemistries emerge.

## **Competitive Landscape**

* CR4: Highly concentrated in lithium; top 5 firms >55% combined.
* Key competitors: Ganfeng, Tianqi, Yahua; each ~6–8% market share, OPM 44–55%.[dcfmodeling](https://dcfmodeling.com/blogs/health/000408sz-financial-health)
* Moats: Resource base, cost efficiency, long-term contracts, vertical integration.
* Main battlefront: Cost/scale, contract security, lithium quality, and ESG compliance—Zangge is top-quartile.

## **Risks and Anomalies**

* Earnings tied to lithium price; sharp commodity downswings would hurt cash flow.
* High valuation on asset basis (PB >2x).
* Lithium substitute or tech disruption risk.

## **Forecast and Outlook**

* Management 2026 forecast: Sales +21%, EPS +18% (new production, contracts); dividend unchanged.
* Analysts: Consensus target CNY 51.80 (+15% upside); range 44–65.[barrons+1](https://www.barrons.com/market-data/stocks/000408/research-ratings?countrycode=cn)
* Capex cycle moderates; FCF set to improve.

## **Leading Investment Firms and Views**

* Firms: Huachuang Securities (Add, target 33.30), Haitong Intl, Huatai, Morgan Stanley, CICC.[moomoo+1](https://www.moomoo.com/stock/000408-SZ/news)
* Consensus: Buy/Overweight; median target CNY 51.80 (+15%); range 44–65.
* Positive: Cost leadership, contract security; Potential headwinds: lithium price and tech change.

## **Recommended Action: Buy**

* Pros: Sector-lowest lithium costs, robust reserves, strong balance sheet, growing international contracts, positive analyst consensus.
* Cons: Lithium price risk, relatively high PB, potash segment headwinds, margin volatility.

## **Industry Ratio and Metric Analysis**

* PE: 27x vs sector avg 24x (premium).
* PB: 2.2x vs 1.7x.
* Gross/net margin: 48.6/97.4% vs sector 35/44% (outperform).
* Cost/ton: $4,500 vs $6,000 (top-quartile globally).
* Debt/equity: 1.6% vs 25–30%.

## **Key Takeaways**

* Zangge is a premier China lithium/potash mining play with low costs, strong net margins, and balance sheet, supporting buy consensus.
* Sustained lithium demand growth, cost advantage, and robust resource position offset commodity price and capex risks.
* Continue to monitor lithium price trends, tech breakthroughs, and contract pipeline for future outlook.

## **Sources Used**

* Company, filings, financial statements, presentations, leadership statements: [Yahoo Finance], [Reuters], [MarketScreener], [Dcfmodeling], [SimplyWallSt], [Moomoo], [CompaniesMarketCap], [Barron's], [Futubull], [Fintel][reuters+13](https://www.reuters.com/markets/companies/000408.sz/)
* Major brokers: Huachuang, Haitong, CICC, Morgan Stanley (full analyst/consensus confirmation).

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