

RATING REPORT

China Baowu Steel Group Corporation Limited

Fri 05 Mar, 2021 - 06:00 ET

China Baowu Steel Group Corporation Limited (Baowu) is wholly owned by China's State-owned Assets Supervision and Administration Commission (SASAC), and is rated a notch below the Chinese sovereign (A+/Stable) after applying Fitch Ratings' Government-Related Entities (GRE) Rating Criteria. Baoshan Iron & Steel Co. Ltd. (Baosteel), which is Baowu's 64.12%-owned subsidiary and major operating entity, holds around half of the group's total production capacity and its rating is equalised with that of Baowu to reflect strong operational and strategic linkages, in line with Fitch's Parent and Subsidiary Linkage Rating Criteria. The Stable Outlook reflects our expectation that the performance of both companies will remain stable and parental support will stay strong. Key Rating Drivers Strong Sovereign Linkages: We assess Baowu's status, ownership and control as 'Strong' due to the company's high strategic importance to the state. China's SASAC exerts control over the company's board and senior management, and has strong influence over the group's major strategies and investment decisions. We assess Baowu's support record at 'Very Strong', as the state provided significant support during the company's creation in 2016 through the merger of Baosteel Group Corporation and Wuhan Iron and Steel Group (WISCO), which helped Baowu deleverage quickly after the merger, becoming China's largest auto-sheet and silicon-steel producer with market shares of 80% and 60%, respectively. The state also supported Baowu via asset transfers in 2019, including Magang (Group) Holding Company Limited, which boosted its operating scale and domestic market position.