



Key Data

H-Share price (HK\$)	19.88
52Wk H/L(HK\$)	23.50/10.82
Issued shares (mn)	1,084
H-shares	456
Domestic shares	628
H-share Market cap (HK\$m)	9,067
30-day avg vol (HK\$m)	79.8
Major shareholder (%):	
CSR	56.2

Source: Company, Bloomberg, ABCI Securities

Revenue composition in 1H12 (%)

Electric Multiple Units	34.5
Metro rail transportation equipment	15.1
Train operation safety equipment	12.9
Locomotives	11.0
Railway maintenance vehicles	10.9
Power semiconductor components	8.0
Sensors & related products	1.4
Other products	6.3

Source: Company

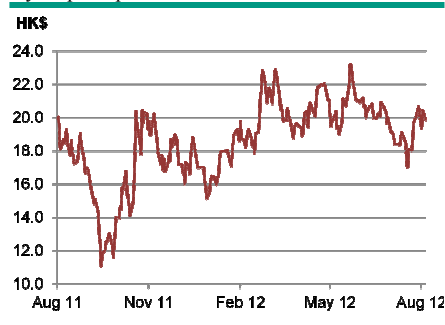
Share performance (%)

	Absolute	Relative*
1-mth	8.0	2.7
3-mth	(2.5)	(3.5)
6-mth	6.7	10.9

Source: Bloomberg

*Relative to Hang Seng Index

1 year price performance



Source: Bloomberg

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CSR Times Elec (3898 HK) – Unrated
Electrical Components & Equipment Industry

Recovering signal is observed

The 1H12 interim result indicated its earnings bottomed out in 2H11 with new series of locomotives production contributing in 2H12. With a high net profit margin of 17.1% in 1H12, it justifies a high teens double digit of forward PER.

Profit bottomed out in 2H11. Zhuzhou CSR Times Electric reported 1H12 net profits at Rmb546mn, down 41.7%YoY but up 120.9%HoH. The sales of electric multiple units (“EMUs”) contributed 34.5% of total revenue in 1H12, registering revenue growth of -32.2%YoY but 21.4%HoH. The electrical systems for urban metro business achieved outstanding progress by winning a majority of all the urban metro project tenders in the PRC in 1Q12, those are likely to contribute revenue to 2H12.

Encouraging outlook. Central government investments will put the focus on passenger dedicated lines and heavy-haul freight networks while local governments will be encouraged for the development of intercity railway transportation and metro networks. In the 2H12, Zhouzhou’s new series of products such as the electrical systems of 8-axle 9600kW freight locomotives, 6-axle 7200kW passenger locomotives, plateau freight locomotives and 4400hp diesel locomotives will complete stringent tests and will be ready for bulk production.

Railway infrastructure investment will surge in 2H12. The need to maintain economic growth in 2012 in the PRC has triggered market expectations that the central government will accelerate investment on infrastructure. The FAI in railways is expected to surge by 122% HoH to Rmb324bn in 2H2012.

Risk factors: Slower-than-expected progress of FAI in railway, policies risk, market re-rating.

Results and Valuation

FY ended Dec 31	FY07A	FY08A	FY09A	FY10A	FY11A
Revenue (Rmb mn)	1,542	2,119	3,326	5,831	7,079
Chg (% YoY)	22.8	37.5	56.9	75.3	21.4
Gross Profit (Rmb mn)	676	787	1,207	2,152	2,435
Chg (% YoY)	9.9	16.4	53.4	78.3	13.2
Net Income (Rmb mn)	347	422	531	852	1,184
Chg (% YoY)	17.1	21.6	25.7	60.5	39.0
EPS (Rmb)	0.32	0.39	0.490	0.790	1.090
Chg (% YoY)	(27.3)	21.9	25.6	61.2	38.0
PE (x)	-	-	-	-	14.8
PB (x)	-	-	-	-	3.3
Yield (%)	-	-	-	-	2.1
ROAA (%)	9.3	10.8	11.1	13.7	15.1
ROAE (%)	11.6	12.9	14.8	20.8	24.4
Net debt/total equity (%)	Net Cash	Net Cash	Net Cash	Net Cash	Net Cash

Source: Company, Bloomberg, ABCI Securities estimates

**農銀國際**

ABC INTERNATIONAL

ABCI SECURITIES COMPANY LIMITED

Zhuzhou CSR Times Elec (3898 HK) – half yearly operating results

(Rmbmn)	2010A	1H11A	2H11A	2011A	1H12A	1H12A	
						YoY	HoH
Revenue							
Train power converters, auxiliary power supply equipment & control systems	4,135	3,355	1,892	5,247	1,939	-42.2%	2.5%
Including:							
Locomotives	2,351	1,481	734	2,214	352	-76.2%	-52.0%
Electric Multiple Units	1,472	1,628	910	2,538	1104	-32.2%	21.4%
Metropolitan rail transportation equipment	312	246	249	495	482	96.0%	94.0%
Train operation safety equipment	411	188	252	440	411	118.6%	63.3%
Railway maintenance vehicles related products	567	266	331	597	348	30.7%	5.0%
Train-borne electrical systems	5,112	3,809	2,475	6,284	2,698	-29.2%	9.0%
Power semiconductor components	462	223	276	499	257	15.4%	-6.9%
Sensors & related products	101	62	46	108	43	-30.0%	-6.1%
Other products	212	187	48	235	202	8.0%	323.3%
Electric components	775	471	370	841	502	6.5%	35.8%
Total Revenue	5,887	4,280	2,844	7,125	3,200	-25.2%	12.5%
Chk	0	-0	-0	-0	-0		
Total Revenue	5,887	4,280	2,844	7,125	3,200	-25.2%	12.5%
Cost of sales	-3,708	-2,594	-2,005	-4,599	-2,070	-20.2%	3.2%
Gross profit	2,179	1,687	839	2,526	1,130	-33.0%	34.6%
Taxes & surcharges	-10	-24	-21	-46	-26	7.4%	22.1%
Selling and distribution costs	-346	-199	-148	-347	-143	-28.3%	-3.9%
Administrative expenses	-754	-378	-440	-818	-434	14.8%	-1.4%
Finance income / (costs)	-18	-4	-24	-27	1	-124.6%	-103.8%
Impairment losses	-150	-32	-37	-69	12	-137.4%	-132.8%
Investment income	58	31	21	51	45	48.1%	120.2%
Including: Share of profits of associates & JCE	57	29	21	50	24	-19.4%	14.8%
Profit from operations	959	1,080	190	1,270	586	-45.8%	208.6%
Non-operating income	63	36	76	112	45	23.6%	-40.9%
Non-operating expenses	-35	-1	-0	-1	-0	-83.6%	507.0%
Profit before tax	987	1,115	266	1,381	630	-43.5%	137.3%
Tax	-135	-181	-13	-194	-92	-48.9%	599.1%
Profit for the year	852	935	252	1,187	538	-42.4%	113.1%
Non-controlling interests	-2	3	-5	-3	8	207.7%	-254.3%
Profit attributable to shareholders of the Company	851	937	247	1,184	546	-41.7%	120.9%
EPS (Rmb)	0.78	0.86	0.23	1.09	0.50	-41.9%	119.3%

Source: Company, ABCI Securities estimates



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