

Share Data

Price (15/03/2012)	HK\$2.50
52 wk high/low (HK\$)	5.72/1.67
Stock code	3800
Issued shares (mn)	15,472.62
Market cap (HK\$ mn)	38,681.54
Free-float	62.47%
15-day avg vol (mn)	158.7
Auditors	Deloitte

Major shareholders:

Zhu Gong Shan*	32.42%
China Investment Corp	20.11%

* Chairman of the company

FY ended Dec 31	2010	2011	2012F
Revenue (HK\$ mn)	18,471.9	25,505.6	27,496.6
Chg (% YoY)	273.7%	38.1%	7.8%
Net profit (HK\$ mn)	4,023.6	4,274.9	2,833.8
Chg (% YoY)	-	6.2%	-33.7%
Fully-diluted EPS (HK\$)	0.2589	0.2731	0.1810
Chg (% YoY)	-	5.46%	-33.7%
PER (x)	9.66	9.16	13.81
DPS (HK\$)	0.0510	0.0550	0.0348
Yield	2.04%	2.20%	1.39%
NBV (HK\$/share)	1.1231	1.4305	1.4501
P/B (x)	2.23	1.75	1.72

Source: Company reports, ABCI estimates

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Report date: 16 Mar, 2012

Analysts:

Lisa Lee (lisa.lee@abci.com.hk)

Tel: (852) 21478809

GCL-Poly Energy Holdings Limited
GCL-Poly (3800) – Earnings missed estimates

We participated in GCL FY2011 results investor teleconference and were disappointed on GCL results. While we believe GCL, as a cost leader of the industry can survive the market downturn, we remain cautious on its short term outlook as wafers shipments continue to deteriorate. We maintain sell on GCL and lower its TP to HK\$2.26, representing 1.6x PB, the average valuation of the industry peers.

Key takeaways:

- Earnings below expectation:** GCL recorded FY2011 revenue of HK\$25,092.5mn, up 38.1% YoY. NP rose 6.2% YoY to HK\$4,274.9mn. FD EPS rose 5.5% YoY to HK\$0.2731, below both the consensus and our estimates by 17.2%, mainly due to lower shipments expectation. Annual wafers shipment was 4,451MW, below company target of 5,000MW, causing by deterioration of the solar market.
- No capacity expansion in 2012:** GCL plans not to add capacity to its existing polysilicon and wafers production after a rapid expansion in 2010. By the end of 2011, polysilicon capacity reached 65,000 mt, compared to 21,000mt in 2010. Wafers capacity reached 8,000MW by the end of 2011, compared to 3,500MW in 2010. However, the expanded capacity might not be able to fully reflect in 2012 results due to relatively low utilization rate of wafers plants as seen in lower-than-expected shipments last year.
- ASP continues to be suppressed by huge supply:** The world's four largest polysilicon producers, except GCL, are planning a capacity expansion despite the over capacity phenomenon and their production capacity is expected to increase by 20.0% YoY to 218,000mt. Although polysilicon price rebound slightly in the beginning of this year, it has resumes its downward trend in Mar and dropped below US\$30/kg, a benchmark which can deter non-competitive players to re-enter the market. We expect average polysilicon price to stay between US\$26-35 and wafers to stay between US\$0.28-0.30/W in 2012.

mt	2011	2012	YoY Chg
GCL-Poly	65,000	65,000	0.0%
Hemlock	39,500	59,000	49.4%
Wacker	42,150	52,000	23.4%
OCI	35,000	42,000	20.0%
Total	181,650	218,000	20.0%

Source: Company data; ABCI estimates

GCL-Poly Energy Holdings Limited

- Cost leadership continues to be a key to survive market downturn:** Polysilicon production cost in Q42011 decreased 7.7%QoQ to US\$19.3/kg and further to US\$18.6/kg by the end of 2011. Wafer processing costs in Q42011 decreased 12.9%QoQ to US\$0.15/W and reached US\$0.13/W by the end of 2011. The cost gap between GCL and its competitors widened to US\$0.28-0.32/W. We expect annual unit production cost of wafers to drop 23%YoY to US\$0.23/W in 2012. The continue innovation in technology to lower production cost and improve conversion efficiency is a key to survive the market downturn.
- Net debt to equity (D/E) ratio surged:** GCL net D/E ratio surged to 82.9% by the end of 2011 versus 30.6% in 2010 due to rapid production capacity expansion in 2011. CAPEX reached HK\$14.79bn in 2011 compared to HK\$8.83bn in 2010. But we expect the ratio to come down as CAPEX in major business, wafers and polysilicon, are minimal.
- Valuation:** We forecast 2012 FD EPS to be HK\$0.1810. GCL is now trading at PB of 1.75x, based on 2011 NAV of HK\$1.41. We maintain sell on GCL and lower its TP to HK\$2.26, representing 1.6xPB, which is the average valuation of the industry peer.

P&L

For the yr ended 31 Dec (HK\$ mn)	2010	2011	2012
Solar sales	13,474.9	20,517.0	21,569.8
Power sales	4,428.6	4,989.0	4,563.5
Others	568.4	-	-
Total sales	18,471.9	25,506	26,132
Cost of Sales	(11,661.2)	8,466.3	6,094.8
GP	6,810.7	613.2	627.2
Other income	575.2	(56.7)	(78.4)
Dist and selling expenses	(46.3)	(1,699.5)	(1,750.9)
Admin expenses	(996.3)	(321.0)	(261.3)
Other expenses	(187.5)	15.2	-
Share of results of associates	10.7	-	-
Share-based payment expenses	(12.7)	(12.0)	-
Share of losses of jointly controlled entities	-	8,466.3	6,094.8
EBIT	6,153.8	613.2	627.2
Finance costs	(606.4)	(1,166.3)	(1,464.3)
EBT	5,547.4	(1,166.3)	(1,364.3)
Tax	(1,159.3)	5,839.1	4,013.4
MI	(364.5)	(1,269.2)	(923.1)
NP	4,023.6	(295.1)	(256.5)
DPS (HK\$)	0.051	0.055	0.035
Basic EPS (HK\$)	0.2600	0.2763	0.1832
Diluted EPS (HK\$)	0.2589	0.2731	0.1810
BPS (HK\$)	1.1231	1.4305	1.4501
No. of issued shares (mn)	15,474.0	15,470.7	15,472.6
Issuable shares (mn):			
Pre-IPO Share Option	26.6	26.3	26.34
Share options	39.0	158.9	155.899
Total	15,539.5	15,655.9	15,654.9

Source: Company reports; ABCI estimates

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**Office address : ABCI Securities Company Limited, 13/F Fairmont House,
8 Cotton Tree Drive, Central, Hong Kong.**

Tel : (852) 2147 8800