



Share Data

Price (21/11/2011)	HK\$2.11
52 wk high/low (HK\$)	5.72/1.67
Stock code	3800
Issued shares (mn)	15,470.66
Market cap (HK\$ mn)	32,643.10
Free-float	52.69%
15-day avg vol (mn)	120.57
Auditors	Deloitte
Major shareholders:	
Zhu Gong Shan*	32.43%
China Investment Corp	20.11%

* Chairman of the company



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GCL-Poly (3800) – Disappointing Q3 Results

We participated in GCL Q3 investor teleconference and revised down estimated FD 2011 EPS to HK\$0.3255 due to disappointing Q3 shipment.

Key takeaways:

- **Less than expected Q3 wafers shipment:** Wafers shipment dropped 6.1% QoQ to 1,089MW despite the fact that annual production capacity has ramped up to 6,500MW (540MW/month) by the end of 31 Jul. Due to a continue slowdown in demand, we estimated that utilization rate dropped to 80-90% in Q3.

Total wafers shipment in the first 3 quarters was 3,208MW. 2011 sales target of 5,000MW implies shipments of 1,792MW would have to be achieved in Q42011. Given current market condition, we believe a 64.6%QoQ increase in shipment in Q42011 is not realistic. Therefore, we revised down our estimated annual shipments to 4,500MW.

- **Continue to be the industry cost leader:** Wafer processing costs decreased 19.0%QoQ to US\$0.17/W and reached US\$0.164/W by the end of Sep. The cost gap between GCL and its competitors widened to US\$0.23-0.30/W. The faster-than-expected cost reduction was mainly due to the use of diamond wire and more efficient use of steel wire in the wafer production process. We revised down our annual unit production cost of wafers to US\$0.32/W.

- **Downward pressure on GP margin:** Management reiterated its 2011 polysilicon production target of 31,000mt, implying production of 12,575mt in Q42011, representing an increase of 96.5% QoQ. If wafers shipment cannot catch up with polysilicon production, we believe GCL will sell the excessive polysilicon production to the market. As the world’s largest polysilicon producer, the massive supply will drive market price of polysilicon further down, which will in turn reflected in wafer price and hence a downward pressure on GP margin. The second largest polysilicon producer, OCI, forecasted that polysilicon price will drop by 40% to US\$25/kg in 1H2012.

- **Valuation:** We forecast 2011 FD EPS of HK\$0.3255. GCL is now trading at PB of 1.41x, based on est. 2011 NAV of HK\$1.50. We do not see any positive catalysts in the short term and give GCL a TP of HK\$1.65 based on PB of 1.1x, representing downside risk of 21.8%.

Results & Forecasts

FY ended Dec 31	2009	2010	2011E	1H2011	2H2011E	HoH
Revenue (HK\$ mn)	4,943.6	18,471.9	25,221.3	15,173.6	10,047.7	-33.8%
Chg (% YoY)	40.4%	273.7%	36.5%	161.9%	-20.7%	
Net profit (HK\$ mn)	(199.7)	4,023.6	5,095.3	3,550.1	1,545.2	-56.5%
Chg (% YoY)	-	-	0.3	350.7%	-52.3%	
Fully-diluted EPS (HK\$)	(0.0161)	0.2589	0.3255	0.2268	0.0987	-56.5%
Chg (% YoY)	-	-	25.69%	350.8%	-52.6%	
PER (x)	-	8.15	6.48			
DPS (HK\$)	-	0.0510	0.0626			
Yield	-	2.42%	2.97%			
NBV (HK\$/share)	0.9883	1.1231	1.4969			
P/B (x)	-	1.88	1.41			

Source: ABCI Securities estimates; Company reports



Major assumptions

		New	Explanation
Volume	Base case: 5,000MW	4,500MW	Utilization rate dropped to 80-90% in Q3 from 100% in 1H2011.
ASP	Base case: US\$0.6/W	US\$0.55/W	Weak market demand plus continue downward trend on polysilicon cost.
Polysilicon Cost	US\$21.5/kg	US\$21.0/kg	Hugh supply increase from market leaders.
Non-Silicon Cost	US\$0.22/W	US\$0.20/W	Use of diamond wire and more efficient use of steel have led to faster-than-expected cost cut.

P&L

For the yr ended 31 Dec (HK\$ mn)	2009	2010	2011E
Solar sales	3,177.3	13,474.9	20,091.4
Power sales	1,766.3	4,428.6	4561.5
Others	0.0	568.4	568.4
Total sales	4,943.6	18,471.9	25,221.3
Cost of Sales	(3,453.0)	(11,661.2)	(15,700.9)
GP	1,490.6	6,810.7	9,520.4
Other income	219.3	575.2	636.0
Dist and selling expenses	(7.5)	(46.3)	(75.7)
Admin expenses	(408.3)	(996.3)	(1,513.3)
Other expenses	(159.3)	(187.5)	(252.2)
Share of results of associates	9.9	10.7	-
Share-based payment expenses	(852.7)	(12.7)	-
Impairment loss on goodwill	-	-	(59.5)
EBIT	291.9	6,153.8	8,255.7
Finance costs	(348.8)	(606.4)	(1,039.5)
EBT	(56.9)	5,547.4	7,216.2
Tax	(93.2)	(1,159.3)	(1,659.7)
MI	(49.6)	(364.5)	(461.2)
NP	(199.7)	4,023.6	5,095.3
D&A	347.5	1,247.9	1,273.2
EBITDA	639.4	7,401.7	9,529.0
Dividend	-	789.2	968.1
DPS (HK\$)	-	0.051	0.0626
Basic EPS (HK\$)	-0.0162	0.2600	0.3294
Diluted EPS (HK\$)	-0.0161	0.2589	0.3255
BPS (HK\$)	0.9883	1.1231	1.4969
No. of issued shares (mn)	12,363.4	15,474.0	15,470.7
Issuable shares (mn):			
Pre-IPO Share Option	26.96	26.6	26.3
Share options	41.986	39.0	158.9
Total	12,432.3	15,539.5	15,655.9



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