



Rating  
**Buy**

Asia  
China

Energy  
Alternative Energy

Company  
**GCL-Poly**

Reuters 3800.HK    Bloomberg 3800 HK    Exchange HKG    Ticker 3800

Date  
4 March 2015

## Breaking News

Price at 4 Mar 2015 (HKD)	2.06
Price target - 12mth (HKD)	2.20
52-week range (HKD)	3.15 - 1.66
HANG SENG INDEX	24,703

**Yuxiao Peng, CFA**    **Yingying Dong, CFA**  
Research Analyst    Research Associate  
(+852) 2203 6235    (+852) 2203 6207  
yuxiao.peng@db.com    yingying.dong@db.com

**Michael Tong**  
Research Analyst  
(+852) 2203 6167  
michael.tong@db.com

## Positive profit alert; Buy

### Positive profit alert above estimates; reiterating Buy

GCL released its positive profit alert after market close, with the preliminary FY14 number of HK\$1.8bn above our reported earnings estimate of HK\$1.66bn. Its valuation looks attractive, even based on our conservative forecasts for 2015-16. There could be over 20% upside potential to our earnings forecasts if the company can deliver what it aims to achieve. We expect GCL to recover from its low valuation with positive catalysts coming; Buy.

### No less than HK\$1.8bn reported earnings in 2014

GCL expects to record reported earnings of no less than HK\$1,800m for 2014, compared to a net loss of HK\$664m in 2013, due to the modest recovery of the photovoltaic market, an increase in demand and cost savings. The preliminary number is over 8% higher than our reported earnings of HK\$1,655m. We forecast core earnings of HK\$2,096m, excluding one-off items (mainly impairment charges upon closure of its Xuzhou cogeneration plant, fair value loss on convertible bonds, and share option expenses), in line with consensus of HK\$2,100m. GCL may announce its full-year result on 26 March.

### Refocusing on valuation with conservative scenario priced in; positive catalysts

We expect 19% earnings CAGR for GCL in 2014-16, driven by volume growth of poly and wafers at largely stable gross margins, together with solar farm development through GCL New Energy (0451.HK, NR). The ramp-up of its captive power plant and fluidized bed reactor poly capacity, further interest rate cuts, and potential rush orders ahead of a possible tariff cut in China could all serve as positive catalysts. Even on our conservative numbers, with delay in the captive power and capacity expansion factored in, GCL is still trading at c.11x 2015E PE on the solar material business, below the historical average of 12x.

### SOTP target price of HK\$2.2; risks

Our SOTP target price of HK\$2.2 comprises of HK\$1.6 for the solar material business and HK\$0.6 for the power business. Key downside risks include lower-than-expected prices, volume or cost reduction for poly and wafers, and a larger-than-expected tariff cut for its coal-fired and solar power plants.

### Price/price relative



Performance (%)	1m	3m	12m
Absolute	15.7	-1.4	-27.0
HANG SENG INDEX	0.1	3.7	9.0

Source: Deutsche Bank

### Forecasts And Ratios

Year End Dec 31	2013A	2014E	2015E	2016E
Sales (HKDm)	25,530.0	35,221.5	34,498.2	33,931.4
Reported NPAT (HKDm)	-664.3	1,655.3	2,267.5	2,902.1
Reported EPS FD(HKD)	-0.04	0.11	0.15	0.19
DB EPS FD(HKD)	-0.05	0.14	0.15	0.19
DB EPS growth (%)	62.0	-	13.3	25.4
PER (x)	-	15.2	13.5	10.7
EV/EBITDA (x)	12.9	7.3	6.9	6.1
DPS (net) (HKD)	0.00	0.02	0.03	0.04
Yield (net) (%)	0.0	1.0	1.4	1.8

Source: Deutsche Bank estimates, company data

<sup>1</sup> DB EPS is fully diluted and excludes non-recurring items

Deutsche Bank AG/Hong Kong

Deutsche Bank does and seeks to do business with companies covered in its research reports. Thus, investors should be aware that the firm may have a conflict of interest that could affect the objectivity of this report. Investors should consider this report as only a single factor in making their investment decision. DISCLOSURES AND ANALYST CERTIFICATIONS ARE LOCATED IN APPENDIX 1. MCI (P) 148/04/2014.



Model updated: 11 February 2015

Running the numbers

Asia  
China  
Alternative Energy

GCL-Poly

Reuters: 3800.HK Bloomberg: 3800.HK

Buy

Price (4 Mar 15) HKD 2.06  
Target Price HKD 2.20  
52 Week range HKD 1.66 - 3.15  
Market Cap (m) HKDm 31,890  
USDm 4,112

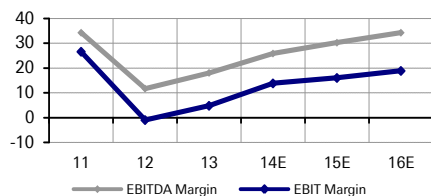
Company Profile

GCL-Poly is principally engaged in the manufacturing of polysilicon and solar wafer in mainland China. The company is also involved in the power generation business in mainland China, which includes coal, gas, waste-to-energy, wind, and solar, and has investments in various solar photovoltaic projects in the United States.

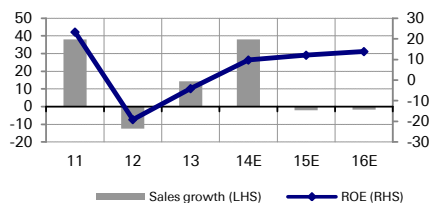
Price Performance



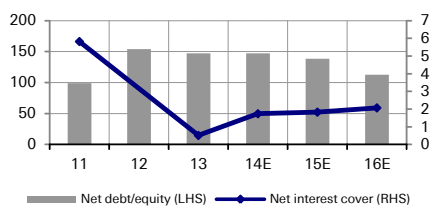
Margin Trends



Growth & Profitability



Solvency



Fiscal year end 31-Dec

Financial Summary

	2011	2012	2013	2014E	2015E	2016E
DB EPS (HKD)	0.29	-0.14	-0.05	0.14	0.15	0.19
Reported EPS (HKD)	0.28	-0.23	-0.04	0.11	0.15	0.19
DPS (HKD)	0.06	0.00	0.00	0.02	0.03	0.04
BVPS (HKD)	1.3	1.0	1.0	1.1	1.3	1.4
Weighted average shares (m)	15,477	15,481	15,480	15,486	15,489	15,489
Average market cap (HKDm)	53,637	27,294	31,468	31,890	31,890	31,890
Enterprise value (HKDm)	77,087	56,255	59,870	66,855	71,678	71,506

Valuation Metrics

P/E (DB) (x)	11.8	nm	nm	15.2	13.5	10.7
P/E (Reported) (x)	12.6	nm	nm	19.3	14.1	11.0
P/BV (x)	1.63	1.49	2.30	1.79	1.62	1.44
FCF Yield (%)	nm	nm	16.0	nm	nm	11.3
Dividend Yield (%)	1.6	0.0	0.0	1.0	1.4	1.8
EV/Sales (x)	3.0	2.5	2.3	1.9	2.1	2.1
EV/EBITDA (x)	8.8	21.4	12.9	7.3	6.9	6.1
EV/EBIT (x)	11.3	nm	48.4	13.7	12.9	11.1

Income Statement (HKDm)

Sales revenue	25,506	22,348	25,530	35,221	34,498	33,931
Gross profit	10,424	4,578	6,426	11,254	12,647	13,920
EBITDA	8,750	2,625	4,625	9,127	10,443	11,640
Depreciation	1,958	2,829	3,387	4,241	4,901	5,227
Amortisation	0	0	0	0	0	0
EBIT	6,792	-204	1,238	4,886	5,542	6,413
Net interest income/(expense)	-1,166	-2,309	-2,416	-2,806	-3,026	-3,093
Associates/affiliates	3	-4	16	22	36	45
Exceptionals/extraordinaries	-291	-1,333	164	-440	-108	-75
Other pre-tax income/(expense)	500	588	742	872	874	893
Profit before tax	5,839	-3,261	-256	2,533	3,318	4,182
Income tax expense	1,269	124	190	628	628	743
Minorities	295	130	218	250	422	538
Other post-tax income/(expense)	0	0	0	0	0	0
Net profit	4,275	-3,516	-664	1,655	2,268	2,902
DB adjustments (including dilution)	291	1,333	-164	440	108	75
DB Net profit	4,565	-2,183	-829	2,096	2,375	2,978

Cash Flow (HKDm)

Cash flow from operations	2,764	2,326	8,507	6,045	8,535	9,711
Net Capex	-14,850	-3,828	-3,480	-9,125	-9,580	-6,093
Free cash flow	-12,086	-1,502	5,028	-3,079	-1,045	3,618
Equity raised/(bought back)	0	0	0	0	0	0
Dividends paid	-789	-851	0	0	-331	-454
Net inc/(dec) in borrowings	18,472	4,096	3,880	6,500	3,944	1,195
Other investing/financing cash flows	-5,219	-4,130	-7,234	-1,826	-1,764	-1,648
Net cash flow	378	-2,387	1,673	1,594	804	2,712
Change in working capital	-2,382	-1,419	3,389	-2,886	-2,046	-2,005

Balance Sheet (HKDm)

Cash and other liquid assets	10,932	9,510	14,249	15,848	16,652	19,364
Tangible fixed assets	41,181	42,233	43,995	49,634	54,312	55,177
Goodwill/intangible assets	0	0	0	0	0	0
Associates/investments	388	451	536	558	594	639
Other assets	14,986	15,624	17,862	20,242	20,930	21,593
Total assets	67,488	67,818	76,643	86,281	92,488	96,772
Interest bearing debt	32,815	36,911	40,791	47,291	51,235	52,430
Other liabilities	12,539	13,137	17,846	17,667	16,310	14,967
Total liabilities	45,354	50,048	58,638	64,958	67,544	67,397
Shareholders' equity	20,567	16,210	16,146	17,801	19,738	22,186
Minorities	1,567	1,560	1,859	3,522	5,206	7,189
Total shareholders' equity	22,134	17,770	18,005	21,323	24,944	29,375
Net debt	21,883	27,401	26,542	31,443	34,583	33,066

Key Company Metrics

Sales growth (%)	38.1	-12.4	14.2	38.0	-2.1	-1.6
DB EPS growth (%)	8.4	na	62.0	na	13.3	25.4
EBITDA Margin (%)	34.3	11.7	18.1	25.9	30.3	34.3
EBIT Margin (%)	26.6	-0.9	4.8	13.9	16.1	18.9
Payout ratio (%)	19.9	nm	nm	20.0	20.0	20.0
ROE (%)	23.3	-19.1	-4.1	9.8	12.1	13.8
Capex/sales (%)	58.2	17.1	13.6	25.9	27.8	18.0
Capex/depreciation (x)	7.6	1.4	1.0	2.2	2.0	1.2
Net debt/equity (%)	98.9	154.2	147.4	147.5	138.6	112.6
Net interest cover (x)	5.8	nm	0.5	1.7	1.8	2.1

Source: Company data, Deutsche Bank estimates



# Appendix 1

## Important Disclosures

Additional information available upon request

### Disclosure checklist

Company	Ticker	Recent price*	Disclosure
GCL-Poly	3800.HK	2.06 (HKD) 4 Mar 15	8

\*Prices are current as of the end of the previous trading session unless otherwise indicated and are sourced from local exchanges via Reuters, Bloomberg and other vendors. Data is sourced from Deutsche Bank and subject companies.

### Important Disclosures Required by U.S. Regulators

Disclosures marked with an asterisk may also be required by at least one jurisdiction in addition to the United States. See Important Disclosures Required by Non-US Regulators and Explanatory Notes.

- Deutsche Bank and/or its affiliate(s) expects to receive, or intends to seek, compensation for investment banking services from this company in the next three months.

For disclosures pertaining to recommendations or estimates made on securities other than the primary subject of this research, please see the most recently published company report or visit our global disclosure look-up page on our website at <http://gm.db.com/ger/disclosure/Disclosure.eqsr?ricCode=3800.HK>

### Analyst Certification

The views expressed in this report accurately reflect the personal views of the undersigned lead analyst(s) about the subject issuer and the securities of the issuer. In addition, the undersigned lead analyst(s) has not and will not receive any compensation for providing a specific recommendation or view in this report. Yuxiao Peng

### Historical recommendations and target price: GCL-Poly (3800.HK)

(as of 3/4/2015)



1. 19/05/2013:	Hold, Target Price Change HKD1.90	3. 15/05/2014:	Hold, Target Price Change HKD2.20
2. 31/10/2013:	Hold, Target Price Change HKD2.15	4. 11/02/2015:	Upgrade to Buy, HKD2.20



### Equity rating key

**Buy:** Based on a current 12-month view of total share-holder return (TSR = percentage change in share price from current price to projected target price plus projected dividend yield), we recommend that investors buy the stock.

**Sell:** Based on a current 12-month view of total share-holder return, we recommend that investors sell the stock

**Hold:** We take a neutral view on the stock 12-months out and, based on this time horizon, do not recommend either a Buy or Sell.

Notes:

1. Newly issued research recommendations and target prices always supersede previously published research.

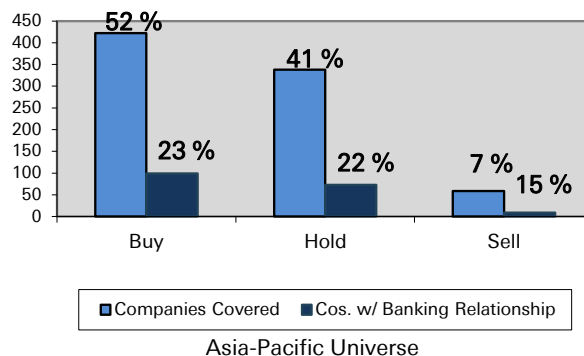
2. Ratings definitions prior to 27 January, 2007 were:

Buy: Expected total return (including dividends) of 10% or more over a 12-month period

Hold: Expected total return (including dividends) between -10% and 10% over a 12-month period

Sell: Expected total return (including dividends) of -10% or worse over a 12-month period

### Equity rating dispersion and banking relationships





## Regulatory Disclosures

### 1. Important Additional Conflict Disclosures

Aside from within this report, important conflict disclosures can also be found at <https://gm.db.com/equities> under the "Disclosures Lookup" and "Legal" tabs. Investors are strongly encouraged to review this information before investing.

### 2. Short-Term Trade Ideas

Deutsche Bank equity research analysts sometimes have shorter-term trade ideas (known as SOLAR ideas) that are consistent or inconsistent with Deutsche Bank's existing longer term ratings. These trade ideas can be found at the SOLAR link at <http://gm.db.com>.

### 3. Country-Specific Disclosures

Australia and New Zealand: This research, and any access to it, is intended only for "wholesale clients" within the meaning of the Australian Corporations Act and New Zealand Financial Advisors Act respectively.

Brazil: The views expressed above accurately reflect personal views of the authors about the subject company(ies) and its(their) securities, including in relation to Deutsche Bank. The compensation of the equity research analyst(s) is indirectly affected by revenues deriving from the business and financial transactions of Deutsche Bank. In cases where at least one Brazil based analyst (identified by a phone number starting with +55 country code) has taken part in the preparation of this research report, the Brazil based analyst whose name appears first assumes primary responsibility for its content from a Brazilian regulatory perspective and for its compliance with CVM Instruction # 483.

EU countries: Disclosures relating to our obligations under MiFiD can be found at <http://www.globalmarkets.db.com/riskdisclosures>.

Japan: Disclosures under the Financial Instruments and Exchange Law: Company name - Deutsche Securities Inc. Registration number - Registered as a financial instruments dealer by the Head of the Kanto Local Finance Bureau (Kinsho) No. 117. Member of associations: JSDA, Type II Financial Instruments Firms Association, The Financial Futures Association of Japan, Japan Investment Advisers Association. Commissions and risks involved in stock transactions - for stock transactions, we charge stock commissions and consumption tax by multiplying the transaction amount by the commission rate agreed with each customer. Stock transactions can lead to losses as a result of share price fluctuations and other factors. Transactions in foreign stocks can lead to additional losses stemming from foreign exchange fluctuations. "Moody's", "Standard & Poor's", and "Fitch" mentioned in this report are not registered credit rating agencies in Japan unless Japan or "Nippon" is specifically designated in the name of the entity. Reports on Japanese listed companies not written by analysts of Deutsche Securities Inc. (DSI) are written by Deutsche Bank Group's analysts with the coverage companies specified by DSI.

Malaysia: Deutsche Bank AG and/or its affiliate(s) may maintain positions in the securities referred to herein and may from time to time offer those securities for purchase or may have an interest to purchase such securities. Deutsche Bank may engage in transactions in a manner inconsistent with the views discussed herein.

Qatar: Deutsche Bank AG in the Qatar Financial Centre (registered no. 00032) is regulated by the Qatar Financial Centre Regulatory Authority. Deutsche Bank AG - QFC Branch may only undertake the financial services activities that fall within the scope of its existing QFCRA license. Principal place of business in the QFC: Qatar Financial Centre, Tower, West Bay, Level 5, PO Box 14928, Doha, Qatar. This information has been distributed by Deutsche Bank AG. Related financial products or services are only available to Business Customers, as defined by the Qatar Financial Centre Regulatory Authority.

Russia: This information, interpretation and opinions submitted herein are not in the context of, and do not constitute, any appraisal or evaluation activity requiring a license in the Russian Federation.

Kingdom of Saudi Arabia: Deutsche Securities Saudi Arabia LLC Company, (registered no. 07073-37) is regulated by the Capital Market Authority. Deutsche Securities Saudi Arabia may only undertake the financial services activities that fall within the scope of its existing CMA license. Principal place of business in Saudi Arabia: King Fahad Road, Al Olaya District, P.O. Box 301809, Faisaliah Tower - 17th Floor, 11372 Riyadh, Saudi Arabia.

United Arab Emirates: Deutsche Bank AG in the Dubai International Financial Centre (registered no. 00045) is regulated by the Dubai Financial Services Authority. Deutsche Bank AG - DIFC Branch may only undertake the financial services activities that fall within the scope of its existing DFSA license. Principal place of business in the DIFC: Dubai International Financial Centre, The Gate Village, Building 5, PO Box 504902, Dubai, U.A.E. This information has been distributed by Deutsche Bank AG. Related financial products or services are only available to Professional Clients, as defined by the Dubai Financial Services Authority.



**David Folkerts-Landau**  
Group Chief Economist  
Member of the Group Executive Committee

**Raj Hindocha**  
Global Chief Operating Officer  
Research

**Marcel Cassard**  
Global Head  
FICC Research & Global Macro Economics

**Richard Smith and Steve Pollard**  
Co-Global Heads  
Equity Research

**Michael Spencer**  
Regional Head  
Asia Pacific Research

**Ralf Hoffmann**  
Regional Head  
Deutsche Bank Research, Germany

**Andreas Neubauer**  
Regional Head  
Equity Research, Germany

**Steve Pollard**  
Regional Head  
Americas Research

## International locations

### Deutsche Bank AG

Deutsche Bank Place  
Level 16  
Corner of Hunter & Phillip Streets  
Sydney, NSW 2000  
Australia  
Tel: (61) 2 8258 1234

### Deutsche Bank AG

Große Gallusstraße 10-14  
60272 Frankfurt am Main  
Germany  
Tel: (49) 69 910 00

### Deutsche Bank AG

Filiale Hongkong  
International Commerce Centre,  
1 Austin Road West, Kowloon,  
Hong Kong  
Tel: (852) 2203 8888

### Deutsche Securities Inc.

2-11-1 Nagatacho  
Sanno Park Tower  
Chiyoda-ku, Tokyo 100-6171  
Japan  
Tel: (81) 3 5156 6770

### Deutsche Bank AG London

1 Great Winchester Street  
London EC2N 2EQ  
United Kingdom  
Tel: (44) 20 7545 8000

### Deutsche Bank Securities Inc.

60 Wall Street  
New York, NY 10005  
United States of America  
Tel: (1) 212 250 2500

## Global Disclaimer

The information and opinions in this report were prepared by Deutsche Bank AG or one of its affiliates (collectively "Deutsche Bank"). The information herein is believed to be reliable and has been obtained from public sources believed to be reliable. Deutsche Bank makes no representation as to the accuracy or completeness of such information.

Deutsche Bank may engage in securities transactions, on a proprietary basis or otherwise, in a manner inconsistent with the view taken in this research report. In addition, others within Deutsche Bank, including strategists and sales staff, may take a view that is inconsistent with that taken in this research report.

Opinions, estimates and projections in this report constitute the current judgement of the author as of the date of this report. They do not necessarily reflect the opinions of Deutsche Bank and are subject to change without notice. Deutsche Bank has no obligation to update, modify or amend this report or to otherwise notify a recipient thereof in the event that any opinion, forecast or estimate set forth herein, changes or subsequently becomes inaccurate. Prices and availability of financial instruments are subject to change without notice. This report is provided for informational purposes only. It is not an offer or a solicitation of an offer to buy or sell any financial instruments or to participate in any particular trading strategy. Target prices are inherently imprecise and a product of the analyst judgement.

In August 2009, Deutsche Bank instituted a new policy whereby analysts may choose not to set or maintain a target price of certain issuers under coverage with a Hold rating. In particular, this will typically occur for "Hold" rated stocks having a market cap smaller than most other companies in its sector or region. We believe that such policy will allow us to make best use of our resources. Please visit our website at <http://gm.db.com> to determine the target price of any stock.

The financial instruments discussed in this report may not be suitable for all investors and investors must make their own informed investment decisions. Stock transactions can lead to losses as a result of price fluctuations and other factors. If a financial instrument is denominated in a currency other than an investor's currency, a change in exchange rates may adversely affect the investment. Past performance is not necessarily indicative of future results. Deutsche Bank may with respect to securities covered by this report, sell to or buy from customers on a principal basis, and consider this report in deciding to trade on a proprietary basis. Prices are current as of the end of the previous trading session unless otherwise indicated and are sourced from local exchanges via Reuters, Bloomberg and other vendors. Data is sourced from Deutsche Bank and subject companies.

Unless governing law provides otherwise, all transactions should be executed through the Deutsche Bank entity in the investor's home jurisdiction. In the U.S. this report is approved and/or distributed by Deutsche Bank Securities Inc., a member of the NYSE, the NASD, NFA and SIPC. In Germany, this report is approved and/or communicated by Deutsche Bank AG, a joint stock corporation with limited liability incorporated in the Federal Republic of Germany with its principal office in Frankfurt am Main. Deutsche Bank AG is authorised under German Banking Law (competent authority: European Central Bank) and is subject to supervision by the European Central Bank and by BaFin, Germany's Federal Financial Supervisory Authority. In the United Kingdom, this report is approved and/or communicated by Deutsche Bank AG acting through its London Branch at Winchester House, 1 Great Winchester Street, London EC2N 2DB. Deutsche Bank AG in the United Kingdom is authorised by the Prudential Regulation Authority and is subject to limited regulation by the Prudential Regulation Authority and Financial Conduct Authority. Details about the extent of our authorisation and regulation by the Prudential Regulation Authority, and regulation by the Financial Conduct Authority are available from us on request. This report is distributed in Hong Kong by Deutsche Bank AG, Hong Kong Branch, in Korea by Deutsche Securities Korea Co. This report is distributed in Singapore by Deutsche Bank AG, Singapore Branch or Deutsche Securities Asia Limited, Singapore Branch (One Raffles Quay #18-00 South Tower Singapore 048583, +65 6423 8001), and recipients in Singapore of this report are to contact Deutsche Bank AG, Singapore Branch or Deutsche Securities Asia Limited, Singapore Branch in respect of any matters arising from, or in connection with, this report. Where this report is issued or promulgated in Singapore to a person who is not an accredited investor, expert investor or institutional investor (as defined in the applicable Singapore laws and regulations), Deutsche Bank AG, Singapore Branch or Deutsche Securities Asia Limited, Singapore Branch accepts legal responsibility to such person for the contents of this report. In Japan this report is approved and/or distributed by Deutsche Securities Inc. The information contained in this report does not constitute the provision of investment advice. In Australia, retail clients should obtain a copy of a Product Disclosure Statement (PDS) relating to any financial product referred to in this report and consider the PDS before making any decision about whether to acquire the product. Deutsche Bank AG Johannesburg is incorporated in the Federal Republic of Germany (Branch Register Number in South Africa: 1998/003298/10). Additional information relative to securities, other financial products or issuers discussed in this report is available upon request. This report may not be reproduced, distributed or published by any person for any purpose without Deutsche Bank's prior written consent. Please cite source when quoting.

Copyright © 2015 Deutsche Bank AG