Deutsche Bank
Markets Research

Rating
Buy

Asia
Hong Kong

Resources
Construction Materials

Company
CR Cement

Reuters	Bloomberg	Exchange	Ticker
1313.HK	1313 HK	HKG	1313

ADR Ticker	ISIN
CARCY	US16949M1018

Date
30 March 2015

Company Update

Price at 27 Mar 2015 (HKD)	4.31
Price target - 12mth (HKD)	5.15
52-week range (HKD)	6.30 - 4.21
HANG SENG INDEX	24,486

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NDR takeaways: supply-demand still healthy in South China

FY14 post-results NDR in HK; maintaining Buy with TP revised to HKD5.15

CRC's strategy in 2015 is the same as in 2014. It will continue to enhance its leading position in South China, pay down debt, increase shareholder returns (higher dividends), and seize M&A opportunities as they arise. It's a very prudent strategy, in our opinion, but growth is lacking and margins will likely retreat after a high base in 2014. CRC's story may be less exciting compared to its peers' but it does have one of the strongest balance sheets, the highest utilization rate and exposure to the best supply-demand region of South China. Maintaining Buy with TP of HKD5.15 representing 20% upside potential.

South China likely the best region for cement in 2015, same as in 2014

CRC expects net supply growth to remain flat for Southern China in 2015. There will be six lines with c.10mt of new clinker capacity to come online but that will be offset by c.10mt of obsolete capacity removals (see Figure 1&2). CRC expects demand to grow by 3% yoy (8mt in incremental demand) on the back of GD's robust infrastructure spending. With favorable supply-demand, CRC expects pricing to stay high in South China, in line with what Conch has said on its NDR. We currently model in a mild decline in GP/t from HKD106/t to HKD96/t in FY15 to account for cheaper cement inflows nearby.

Strong working capital control and rising margins for concrete

In our view, CRC has done a superb job of managing its working capital with AR days falling three years in a row to 50 days at the end of 2014. Other cement and concrete integrated players are higher, such as CNBM at AR days of 169 at the end of 2014. CRC will continue to focus on improving its working capital in 2015 while maintaining growth in concrete. Profitability on concrete rose in 2014 with GP up to HKD103/cu.m from HKD92/cu.m in 2013 (driven by a business tax cut in China). Profitability for concrete may expand further in 2015 with lower cement prices expected for 2015.

Value emerging after recent weakness in share price; risks

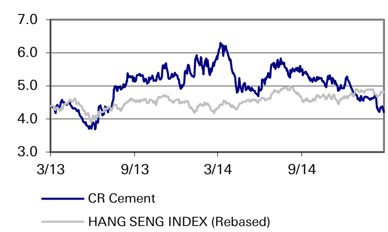
We value CRC on 9x FY15E, unchanged, and equivalent to its 3-year mid-cycle avg. The 9x multiple also equals the long-term discount of 18% versus the bellwether Conch. We see value emerging as CRC currently trades at 1-std below its mean at 7.4x FY15E. CRC also offers a 4% dividend yield and we see scope for this to increase if suitable M&A opportunities don't arise. Key risks: contraction in cement demand and price war in Guangdong.

Key changes

Price target	5.30 to 5.15	↓	-2.8%
Sales (FYE)	32,926 to 32,539	↓	-1.2%
Op prof margin (FYE)	17.3 to 16.4	↓	-5.2%
Net profit (FYE)	3,837.9 to 3,741.3	↓	-2.5%

Source: Deutsche Bank

Price/price relative



Performance (%)	1m	3m	12m
Absolute	-6.3	-12.6	-25.8
HANG SENG INDEX	-1.4	4.9	12.1

Source: Deutsche Bank

DBe vs Cons

	DBe	Cons	%diff
FY15e	0.57	0.63	-9%
FY16e	0.62	0.65	-4%

Source: Deutsche Bank

Forecasts And Ratios

Year End Dec 31	2013A	2014A	2015E	2016E	2017E
Sales (HKDm)	29,340.6	32,668.9	32,539.3	34,383.1	37,287.6
Reported NPAT (HKDm)	3,338.4	4,206.4	3,741.3	4,035.1	4,559.1
DB EPS FD(HKD)	0.51	0.64	0.57	0.62	0.70
PER (x)	9.3	8.3	7.5	7.0	6.2
Yield (net) (%)	2.2	3.2	4.0	4.3	4.9

Source: Deutsche Bank estimates, company data

[1] DB EPS is fully diluted and excludes non-recurring items

[2] Multiples and yields calculations use average historical prices for past years and spot prices for current and future years, except P/B which uses the year end close

Deutsche Bank AG/Hong Kong

Model updated:29 March 2015

Running the numbers

Asia

Hong Kong

Construction Materials

CR Cement

Reuters: 1313.HK Bloomberg: 1313 HK

Buy

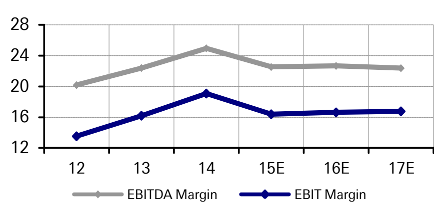
Price (27 Mar 15)	HKD 4.31
Target Price	HKD 5.15
52 Week range	HKD 4.21 - 6.30
Market Cap (m)	HKDm 28,098
	USDm 3,624

Company Profile

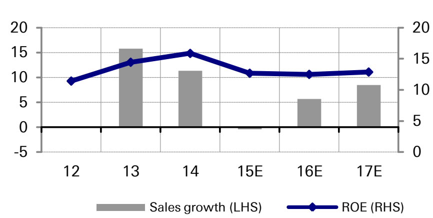
China Resources Cement Holdings Limited, through its subsidiaries, produces, distributes and sells cement, clinker and concrete.

Price Performance

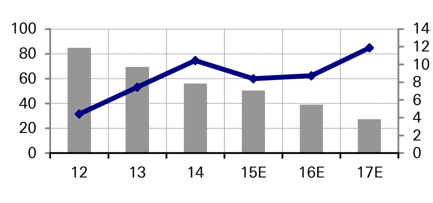
Margin Trends



Growth & Profitability



Solvency



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Fiscal year end 31-Dec	2012	2013	2014	2015E	2016E	2017E
Financial Summary						
DB EPS (HKD)	0.36	0.51	0.64	0.57	0.62	0.70
Reported EPS (HKD)	0.36	0.51	0.64	0.57	0.62	0.70
DPS (HKD)	0.07	0.11	0.17	0.17	0.19	0.21
BVPS (HKD)	3.3	3.8	4.3	4.7	5.2	5.7
Weighted average shares (m)	6,519	6,522	6,533	6,533	6,533	6,533
Average market cap (HKDm)	33,353	31,136	35,007	28,098	28,098	28,098
Enterprise value (HKDm)	48,843	45,098	46,706	39,212	36,389	33,026
Valuation Metrics						
P/E (DB) (x)	14.3	9.3	8.3	7.5	7.0	6.2
P/E (Reported) (x)	14.3	9.3	8.3	7.5	7.0	6.2
P/BV (x)	1.55	1.37	1.16	0.91	0.83	0.76
FCF Yield (%)	2.7	6.6	10.1	4.9	12.8	14.9
Dividend Yield (%)	1.4	2.2	3.2	4.0	4.3	4.9
EV/Sales (x)	1.9	1.5	1.4	1.2	1.1	0.9
EV/EBITDA (x)	9.6	6.9	5.7	5.3	4.7	4.0
EV/EBIT (x)	14.2	9.5	7.5	7.4	6.4	5.3
Income Statement (HKDm)						
Sales revenue	25,345	29,341	32,669	32,539	34,383	37,288
Gross profit	6,100	8,360	10,225	9,449	10,018	10,876
EBITDA	5,114	6,572	8,152	7,331	7,796	8,343
Depreciation	1,684	1,816	1,918	1,996	2,076	2,089
Amortisation	0	0	0	0	0	0
EBIT	3,431	4,756	6,235	5,335	5,720	6,254
Net interest income(expense)	-776	-639	-596	-635	-655	-526
Associates/affiliates	218	198	116	190	209	231
Exceptionals/extraordinaries	0	0	0	0	0	0
Other pre-tax income/(expense)	0	0	0	0	0	0
Profit before tax	2,873	4,314	5,754	4,890	5,274	5,959
Income tax expense	528	1,036	1,631	1,222	1,318	1,490
Minorities	21	-60	-83	-74	-80	-90
Other post-tax income/(expense)	0	0	0	0	0	0
Net profit	2,324	3,338	4,206	3,741	4,035	4,559
DB adjustments (including dilution)	0	0	0	0	0	0
DB Net profit	2,324	3,338	4,206	3,741	4,035	4,559
Cash Flow (HKDm)						
Cash flow from operations	4,305	5,121	6,859	6,031	5,941	6,562
Net Capex	-3,389	-3,077	-3,307	-4,663	-2,333	-2,369
Free cash flow	916	2,044	3,552	1,368	3,608	4,193
Equity raised/(bought back)	0	0	0	0	0	0
Dividends paid	-391	-617	-915	-1,111	-1,122	-1,211
Net inc/(dec) in borrowings	-2,264	-2,018	-142	-692	-3,351	-2,480
Other investing/financing cash flows	1,563	-149	-1,169	63	49	59
Net cash flow	-176	-740	1,326	-372	-817	561
Change in working capital	*472*	*-346*	*376*	*274*	*0*	*0*
Balance Sheet (HKDm)						
Cash and other liquid assets	3,567	2,825	4,151	3,779	2,962	3,523
Tangible fixed assets	31,553	32,527	33,272	35,869	36,059	36,273
Goodwill/intangible assets	5,533	6,737	6,733	6,803	6,870	6,935
Associates/investments	3,734	4,197	4,970	5,160	5,369	5,600
Other assets	7,772	7,894	8,412	8,528	8,893	9,472
Total assets	52,159	54,180	57,537	60,138	60,153	61,803
Interest bearing debt	22,209	20,443	20,284	19,592	16,240	13,760
Other liabilities	7,992	8,375	8,538	9,274	9,808	10,680
Total liabilities	30,201	28,818	28,822	28,866	26,048	24,440
Shareholders' equity	21,376	24,821	28,180	30,811	33,723	37,072
Minorities	583	541	535	461	382	292
Total shareholders' equity	21,958	25,362	28,715	31,272	34,105	37,364
Net debt	*18,642*	*17,618*	*16,133*	*15,813*	*13,278*	*10,237*
Key Company Metrics						
Sales growth (%)	nm	15.8	11.3	-0.4	5.7	8.4
DB EPS growth (%)	na	43.6	25.8	-11.1	7.9	13.0
EBITDA Margin (%)	20.2	22.4	25.0	22.5	22.7	22.4
EBIT Margin (%)	13.5	16.2	19.1	16.4	16.6	16.8
Payout ratio (%)	19.6	20.5	26.4	30.0	30.0	30.0
ROE (%)	11.4	14.5	15.9	12.7	12.5	12.9
Capex/sales (%)	13.5	10.6	10.3	14.3	6.8	6.4
Capex/depreciation (x)	2.0	1.7	1.8	2.3	1.1	1.1
Net debt/equity (%)	84.9	69.5	56.2	50.6	38.9	27.4
Net interest cover (x)	4.4	7.4	10.5	8.4	8.7	11.9

Source: Company data, Deutsche Bank estimates

Supply-demand

Supply-demand continue to be balanced in South China

CRC expects six lines totaling c.10mt of new clinker capacity to come online in Southern China for 2015 (see Figure 1 for detailed schedule for new supplies). However, c.10mt of obsolete capacity is expected to be eliminated in 2015, offsetting the organic increases. We see the possibility of these lines being further delayed into 2016 given the difficult market conditions. Demand is also growing at a healthy 3%, driven by robust infra spending by the GD government (another RMB1tn expected to be approved in the near term).

Figure 1: New capacity in Southern China (2015-2016)

(mt)	Guangdong		Guangxi		Hainan		Total		Comments
Producers	FY15E	FY16E	FY15E	FY16E	FY15E	FY16E	FY15E	FY16E	
中国建材 (CNBM)			1.6				1.6		Already in production in March 2015
油坑水泥 (Yauhang)	1.6						1.6		This line is scheduled for 2H15 and is closer to Eastern China
华润水泥 (CRC)	1.6	3.1		1.4			1.6	4.5	Fengkai line will be in production at the end of 2015 so effect on 2015 will be minimum
海螺水泥 (Conch)	3.7						3.7		Conch's Yangchun line was originally scheduled for 2014 but delayed into 2H15
鱼峰水泥 (Yufeng)				1.9				1.9	
红狮水泥 (Hongshi)			1.6				1.6		Hongshi's Chongzuo line was originally schedule fro 2014 but delayed into 3Q15
Total	**6.8**	**3.1**	**3.1**	**3.3**			**9.9**	**6.4**	

Source: Deutsche Bank, Company Data, Digital Cement

Figure 2: Supply-demand model in South China

	Total					
	2011	**2012**	**2013**	**2014**	**2015E**	**2016E**
SUPPLY						
NSP clinker capacity additions	26.6	16.6	9.1	2.8	9.9	6.4
NSP design capacity (310 days)	141.5	158.0	167.2	170.0	179.9	186.3
Clinker capacity growth	*23.1%*	*11.7%*	*5.8%*	*1.7%*	*5.8%*	*3.5%*
NSP ratio	**72%**	**79%**	**88%**	**94%**	**100%**	**100%**
Eliminated capacity	(4)	(11)	(21)	(11)	(10)	(5)
Total design clinker capacity (EOY)	200	205	193	184	184	186
DBe actual clinker capacity (EOY)	**220**	**225**	**212**	**202**	**202**	**205**
Cement/Clinker ratio	1.43	1.54	1.64	1.71	1.69	1.67
Implied design cement capacity (EOY)	285	317	323	315	310	311
Implied DBe actual cement capacity (EOY)	**313**	**349**	**355**	**347**	**341**	**343**
Capacity growth (EOY)	*16.5%*	*11.2%*	*1.9%*	*-2.3%*	*-1.8%*	*0.5%*
Equivalent cement design capacity (ave)	265	301	320	319	313	311
Equivalent cement Dbe actual capacity (ave)	**291**	**331**	**352**	**351**	**344**	**342**
Capacity growth (ave)	*17.6%*	*13.7%*	*6.3%*	*-0.2%*	*-2.0%*	*-0.7%*
DEMAND						
Cement production (mn tons)	**228**	**229**	**261**	**275**	**284**	**293**
YoY chg	*12.3%*	*0.7%*	*13.8%*	*5.5%*	*3.1%*	*3.1%*
Cement utilization rate (NBS)	**86%**	**76%**	**82%**	**86%**	**91%**	**94%**
Cement utilization rate (DBe)	**78%**	**69%**	**74%**	**78%**	**83%**	**86%**

Source: Deutsche Bank, Digital Cement, NBS, China Cement Association, CEIC

Q&A from NDR

Supply-demand

Q: What's the supply situation like in South China in 2015?

A: New supply – six lines in GD and GX. There's no new capacity coming online in Fujian and Hainan.

- GX: CNBM and Hongshi Cement each have a 5,000t/d clinker line in Chongzuo, GX. These two lines were originally scheduled for 2014, but were however delayed into 2015.
- GD: We have a 5,000t/d line in Fengkai that will be put into production in Dec'15 so that wouldn't really affect our operation in 2015. Conch has a 12,000t/d to be put into production in Jun'15. There's another private producer (Youkeng Cement) that has another 5,000t/d line located in GD but that will likely mainly affect East China.

So total new clinker capacity in South China amounts to c.10mt. However, the government is also expecting to eliminate c.10mt of cement capacity in GD and GX, offsetting the new-adds.

Q: What's the key driver for demand in 2015? Which is better between the GD and GX markets?

A: From what it seems now, we think the market has recovered well compared to last year at this time. The key driver is still going to be infrastructure (railway, etc), which will increase cement demand mainly in 2H15. The lag is due to:1) fiscal slide expected in 1H15; and 2) lead time between approval of projects and construction starts. Social housing and shanty town construction will also support cement demand with 7.4mn units of social housing to commence construction in 2015 in South China. We think the GD market is better than GX.

Q: People worry about delay in construction starts after approval of projects due to anti-corruption. What's your take on this?

A: We think the focus of the whole anti-corruption scheme has shifted from wrong-doings to do-nothing. Plus, in GD and GX, government officials didn't change as quickly as in Shanxi. So we see controlled risks in government not carrying out these infrastructure projects.

Q: GD's FAI growth target is 15-16%, lower than 2014. Will that affect demand growth?

A: We forecast based on absolute amount rather than yoy growth. We are confident that cement demand in South China will at least see 3% growth for FY15. In 2014, 3.5%. demand growth generated an extra 10mt cement demand already. For downstream demand:

- Property market: stable; 2H15 should see further recovery.
- Rural market: we forecast 8% growth yoy for 2015.

- Infrastructure-led demand: from 4Q14 onwards there are more and more projects. In 2013, government has already approved RMB1tn investment in infrastructure development. In 2014, the government has proposed plans for another RMB1tn investment which awaits further approval.

Outlook & Guidance

Q: Sales volume guidance for 2015

A: Cement: c.80mt, representing a 3% increase yoy.

Concrete: flat yoy.

Q: Our sales mix includes c.30% of P.C.32.5 cement. At the end of 2015, P.C.32.5 will be cancelled. Will there be any impact to you?

A: There's no impact to us. Because we can always sell P.C.32.5R cement. This policy has very limited impact on the cement sector.

Q: Dividend payout to increase further?

A: We have been increasing payout ratio for 4 years. So we are currently discussing this and we hope to increase payout as much as possible. If there's no M&A taking place in 2015, we won't really keep that much extra cash on hand (which means dividend payout ratio could go up as high as 50%).

Q: Have you considered overseas expansion?

A: To better align with OBOR strategy, we are actively hiring an overseas manager to conduct due diligence investigation. We have great management and the capability to expand overseas. We will disclose more details at an appropriate time.

Q: What's your view on costs in 2015?

A: Main cost factor for cement is the coal price. Current coal cost is down 15% yoy. Electricity prices should remain stable. So overall, our costs should remain flat yoy. There are only three elements that might see increases: 1) carbon credit, due to stricter environmental standards, would lead to c.HKD1-2/t increase in COGS; 2) de-Nox cost, round up to HKD3/t; 3) labor cost (but this only accounts for 8% of our overall cost, so won't affect us much).

Q: ASP trend in 2015?

A: This year will be similar to 2013: 1Q15 to decline; prices will likely bottom in Apr and hike in 4Q15. Prices showed yoy decline in 1Q15, mainly due to high-base in 2014. Base effect should be gradually reduced going into 2Q15 and 3Q15.

Q: What's your M&A strategy in 2015?

A: We believe we have the ability to acquire, due to our strong balance sheet positions. We are actively seeking out M&A opportunities in our operating regions but progress might be slow as we have high requirements on asset qualities and producers have to meet a set of compliance criteria. We won't consider clinker lines with a scale less than 2000t/d. And we would most likely consider the top 3 players in each region. Our focus would be on South China.

Q: Will you book further impairment losses on Shanxi plants?

A: We have already done profit forecasts for those lines and booked impairment losses accordingly, so we don't think there will be further impairment losses this time. And it's not the case that we will need to book impairment losses once utilization rates fall.

Q: What's your view on the Shanxi market going forward?

A: We don't see it making losses for that long in the future. We have cost advantage in Shanxi with our 5,000t/d lines. We believe the price war will squeeze out smaller players and then the situation will improve.

Q: What's the M&A situation now in South China?

A: Big players might swap assets and would also consider cross-holding (without giving away controlling rights). Originally big players would consider acquiring smaller players, but now, the big players are also considering exiting non-core areas and focusing on their strong areas.

Operations & others

Q: 1Q15 operating data guidance?

A: 1Q15: sales volume round up to c.16.5mt, up 8%. ASP for Jan and Feb came down from 4Q14, by HKD20/t in total (for the purpose of destocking). Currently, prices are round HKD300/t. Costs also came down by HKD10/t yoy. Inventory levels round up to c.70%, which is the same as all previous years. Daily output is at a healthy 180kt/d, achieving c.85% of normal levels.

Q: Why is your inventory level so high?

A: During CNY, construction sites were halted. In previous years, inventory levels are all around the same level at the time. In March when volume recovers, inventory levels will be lowered.

Q: Why was there a decrease in concrete capacity in 2014?

A: We had a JV with Fujian Cement. We sold nine companies to that JV. So we didn't include that in our calculation of concrete capacity.

Q: Would you consider acquiring West China Cement?

A: That would depend on whether it meets our 3+2 strategy (3 business models: control of resources, conversion of resources, distribution of resources; 2 competitive strategies: lowest total cost and leading position in regional market). Cost advantage and leading market position are the most important for us.

Q: What's the industry replacement cost currently?

A: c.RMB450/t.

Q: Will there be price wars in GD in 2015 due to new production lines from Conch?

A: We don't see a price war happening in GD. We think the cases of GD and Shaanxi are really different for Conch. c.16% of their sales comes from GD so they wouldn't really hit their own profitability here.

Q: How many additional licenses have you got on hand for new production lines?

A: We still have 8 additional licenses: 4 lines in Shanxi and Guizhou (haven't really started construction) 2 lines commissioning in 2015 (Fengkai and Lianjiang in GD). 2 in South China that are expected to roll out in 2016.

Q: What's the latest corporate action regarding the new environmental regulations?

A: All 41 of our clinker lines have completed installation of de-Nox facilities. 17 lines have installed for dust-collection systems and the rest are in the process of tendering.

Q: What's your progress with waste incineration business?

A: We have 2 plants (Luoding plant in GD and Binyang plant in GX) looking to commission at the end of 2015. Handling capacity amounts to 100,000t/yr and it only needs RMB100mn initial investment anyways. This will help increase our utilization rates.

Market price for waste incineration is RMB90-150/t but we are at the higher end. The government will definitely increase their subsidy in the future. Cement producers benefit from conducting waste treatment, for example, in BBMG's case, it gets to keep its cement location as they do waste incineration using cement kiln (and actually, their waste incineration revenue is larger than cement). Now new regulations have come in whereby if you build a new production line you should employ waste incineration technology.

How it usually works is that the government will supply waste to us, provide transportation and pay us a subsidy for each ton of waste we incinerate.

Revisions

Assumption revisions

Figure 3: Assumption revisions

		New				Old			%chg		
For year ended Dec 31		2014A	2015E	2016E	2017E	2015E	2016E	2017E	2015E	2016E	2017E
Concrete											
Capacity	mn cu.m	32.7	36.4	40.0	43.6	40.8	44.4	na	-11%	-10%	na
Sales volume	mn cu.m	15.9	15.9	17.2	18.4	16.8	18.3	na	-5%	-6%	na
ASP	HKD/cu.m	422.7	422.7	431.1	439.7	425.6	442.6	na	-1%	-3%	na
GP/cu.m	HKD/cu.m	102.3	110.4	118.9	127.5	88.3	89.5	na	25%	33%	na
Cement											
Cement Capacity	mt	78.3	81.3	87.3	93.3	83.5	89.5	na	-3%	-2%	na
Blended sales volume	**mt**	**77.9**	**80.1**	**83.6**	**90.0**	**80.7**	**86.6**	**na**	**-1%**	**-3%**	**na**
Clinker sales volume	mt	5.9	5.5	6.4	6.4	5.8	8.7	na	-6%	-26%	na
Cement sales volume	**mt**	**72.0**	**74.6**	**77.2**	**83.5**	**74.8**	**78.0**	**na**	**0%**	**-1%**	**na**
Guangdong	mt	29.3	30.5	31.7	33.0	30.3	31.5	na	1%	1%	na
Guangxi	mt	20.4	20.4	20.8	21.4	20.9	21.9	na	-2%	-5%	na
Fujian	mt	9.1	9.3	9.5	9.6	9.3	9.5	na	-1%	-1%	na
Hainan	mt	5.0	5.1	5.2	5.3	5.4	5.5	na	-5%	-5%	na
Shanxi	mt	3.8	3.8	4.2	4.4	4.1	4.3	na	-8%	-3%	na
Yunnan	mt	3.6	3.8	4.0	4.2	3.9	4.1	na	-1%	-1%	na
Guizhou	mt	0.8	1.7	1.8	5.5	1.0	1.2	na	72%	57%	na
Blended ASP	**HKD/t**	**333**	**323**	**323**	**325**	**320**	**324**	**na**	**1%**	**0%**	**na**
Clinker ASP	HKD/t	267	259	259	259	275	284	na	-6%	-9%	na
Cement ASP	**HKD/t**	**338**	**327**	**328**	**330**	**323**	**328**	**na**	**1%**	**0%**	**na**
Guangdong	HKD/t	373	362	362	369	360	363	na	1%	0%	na
Guangxi	HKD/t	321	312	312	315	307	310	na	1%	0%	na
Fujian	HKD/t	309	300	303	309	289	304	na	4%	0%	na
Hainan	HKD/t	403	391	399	403	379	390	na	3%	2%	na
Shanxi	HKD/t	209	201	201	205	192	197	na	5%	2%	na
Yunnan	HKD/t	285	270	273	278	287	287	na	-6%	-5%	na
Guizhou	HKD/t	266	255	255	255	250	250	na	2%	2%	na
Unit Cement COGS	**HKD/t**	**227**	**226**	**227**	**230**	**222**	**224**	**na**	**2%**	**1%**	**na**
Unit Gross Profit	**HKD/t**	**106**	**96**	**95**	**95**	**98**	**99**	**na**	**-2%**	**-4%**	**na**
Unit SG&A	HKD/t	58	56	56	56	51	51	na	11%	11%	na
Unit EBITDA	HKD/t	105	92	93	93	96	98	na	-5%	-4%	na
Unit EBIT	HKD/t	80	67	68	70	71	72	na	-6%	-5%	na
Unit Net Profit	**HKD/t**	**54**	**47**	**48**	**51**	**48**	**49**	**na**	**-2%**	**-2%**	**na**

Source: Deutsche Bank, Company Data

Earnings forecast revisions

Figure 4: Earnings forecast revisions

	New				Old			%chg		
For year ended Dec 31	2014A	2015E	2016E	2017E	2015E	2016E	2017E	2015E	2016E	2017E
Revenue	**32,669**	**32,539**	**34,383**	**37,288**	**32,926**	**36,143**	**na**	**-1%**	**-5%**	**na**
Cost of sales	(22,444)	(23,090)	(24,365)	(26,411)	(23,542)	(25,916)	na	-2%	-6%	na
Gross Profit	10,225	9,449	10,018	10,876	9,384	10,227	na	1%	-2%	na
SG&A	(4,493)	(4,484)	(4,683)	(5,037)	(4,074)	(4,375)	na	10%	7%	na
Other Income	503	369	386	415	383	411	na	-4%	-6%	na
EBITDA	**8,152**	**7,331**	**7,796**	**8,343**	**7,743**	**8,446**	**na**	**-5%**	**-8%**	**na**
Depreciation and Amortization	(1,918)	(1,996)	(2,076)	(2,089)	(2,050)	(2,183)	na	-3%	-5%	na
Operating Profit (EBIT)	**6,235**	**5,335**	**5,720**	**6,254**	**5,693**	**6,264**	**na**	**-6%**	**-9%**	**na**
Net interest	(596)	(635)	(655)	(526)	(627)	(630)	na	1%	4%	na
Share of JCE/Associates	116	190	209	231	167	178	na	14%	17%	na
Pre-tax profit	5,754	4,890	5,274	5,959	5,233	5,812	na	-7%	-9%	na
Income tax	(1,631)	(1,222)	(1,318)	(1,490)	(1,361)	(1,511)	na	-10%	-13%	na
Minority interests	83	74	80	90	(34)	(38)	na	-315%	-309%	na
Net Profit	**4,206**	**3,741**	**4,035**	**4,559**	**3,838**	**4,263**	**na**	**-3%**	**-5%**	**na**
EPS	**0.64**	**0.57**	**0.62**	**0.70**	**0.59**	**0.65**	**na**	**-3%**	**-6%**	**na**

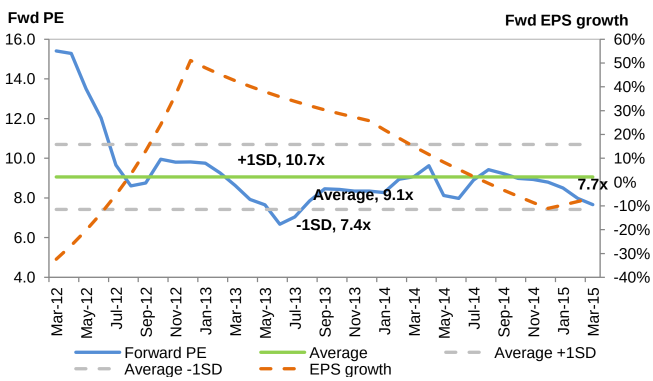
Source: Deutsche Bank, Company Data

Valuation

Maintaining Buy with TP revised to HKD5.15

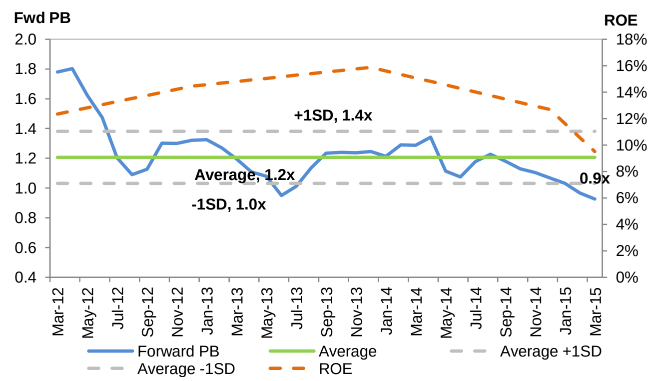
We value CRC on 9x FY15E, unchanged, and equivalent to its 3-year mid-cycle avg. The 9x multiple is also equal to the long-term discount of 18% versus the bellwether Conch. We see value emerging as CRC is currently trading at 1-std below its mean at 7.4x FY15E. CRC also offers a 4% dividend yield and we see scope for this to increase if suitable M&A opportunities don't arise. Key rsks: contraction in cement demand and price war in Guangdong.

Figure 5: CRC's 3-year historical forward PE



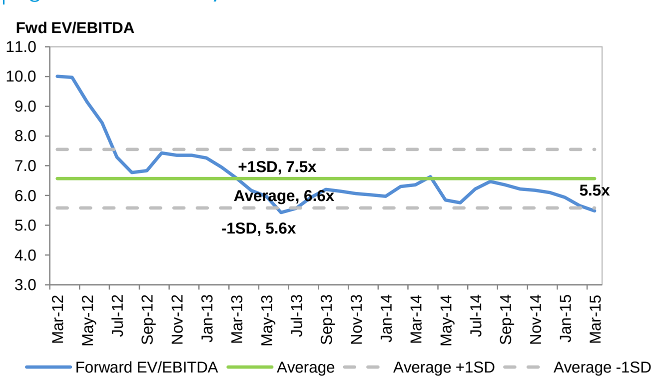
Source: Deutsche Bank

Figure 6: CRC's 3-year historical forward PB



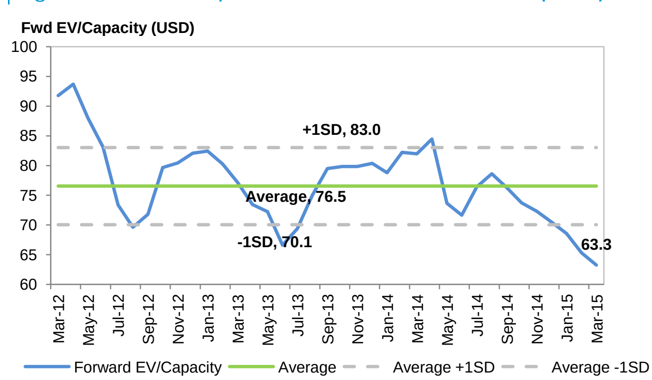
Source: Deutsche Bank

Figure 7: CRC's 3-year historical forward EV/EBITDA



Source: Deutsche Bank

Figure 8: CRC's 3-year historical forward EV/Capacity



Source: Deutsche Bank

Appendix 1

Important Disclosures

Additional information available upon request

Disclosure checklist

Company	Ticker	Recent price*	Disclosure
CR Cement	1313.HK	4.32 (HKD) 27 Mar 15	NA

*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.

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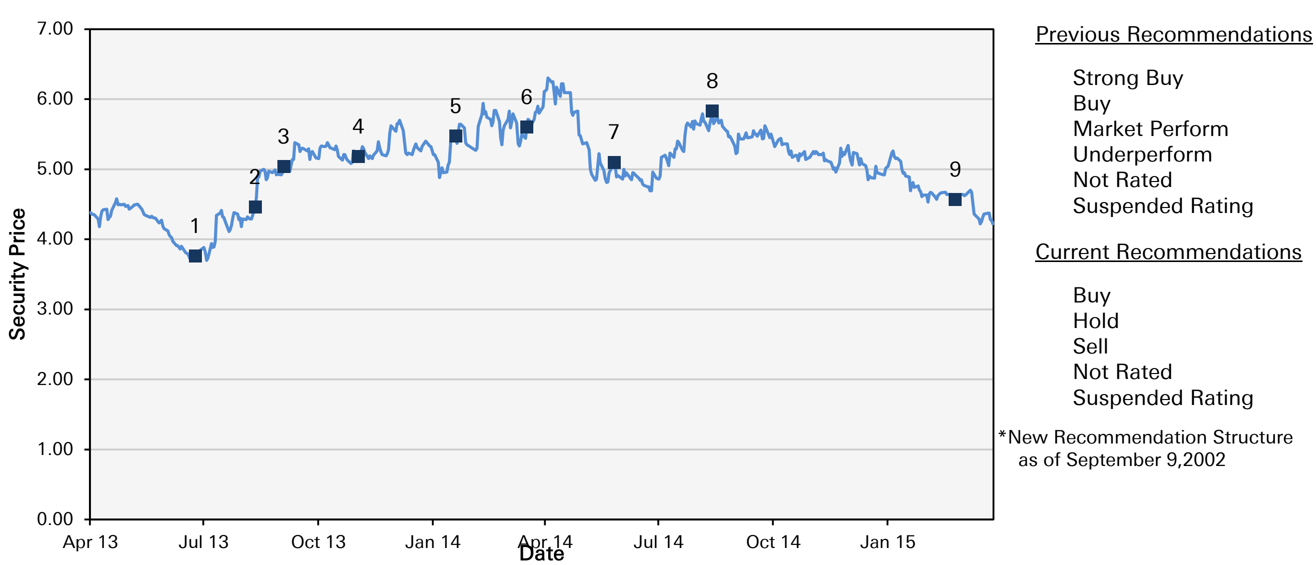
Historical recommendations and target price: CR Cement (1313.HK)
(as of 3/27/2015)



1. 25/06/2013: Buy, Target Price Change HKD5.15
2. 12/08/2013: Buy, Target Price Change HKD5.58
3. 04/09/2013: Buy, Target Price Change HKD6.48
4. 03/11/2013: Buy, Target Price Change HKD6.99
5. 20/01/2014: Buy, Target Price Change HKD7.65
6. 18/03/2014: Buy, Target Price Change HKD7.10
7. 27/05/2014: Buy, Target Price Change HKD6.66
8. 14/08/2014: Buy, Target Price Change HKD7.25
9. 25/02/2015: Buy, Target Price Change HKD5.30

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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 pro-jected dividend yield) , we recommend that investors buy the stock.
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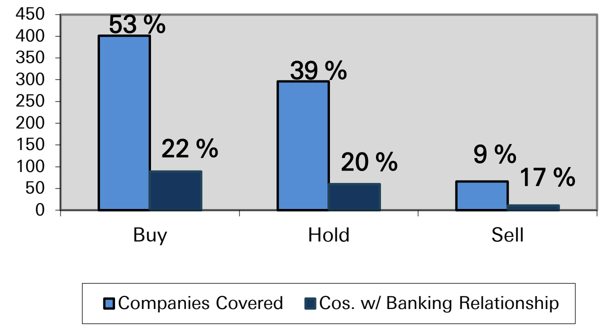
    Sell: Expected total return (including dividends) of -10% or worse over a 12-month period

Equity rating dispersion and banking relationships



Asia-Pacific Universe

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