



Rating
Buy

Asia
China

Energy
Alternative Energy

Company
GCL-Poly Alert

Reuters 3800.HK Bloomberg 3800 HK Exchange HSI Ticker 3800

Date
13 October 2017

Company Update

Price at 12 Oct 2017 (HKD)	1.18
Price target - 12mth (HKD)	1.30
52-week range (HKD)	1.18 - 0.73
HANG SENG INDEX	28,459

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Stock data	
Market cap (HKDm)	18,267
Market cap (USDm)	2,339
Shares outstanding (m)	15,480.4
Major shareholders	Zhu Gong Shan (32%)
Free float (%)	48
Avg daily value traded (USDm)	26.3

Source: Deutsche Bank

Key data				
FYE 12/31	2016A	2017E	2018E	
Sales (CNYm)	22,025	23,444	23,559	
Net Profit (CNYm)	2,141.6	1,869.7	2,366.5	
DB EPS (CNY)	0.17	0.11	0.13	
PER (x)	5.6	8.8	7.7	
Yield (net) (%)	0.0	0.0	0.0	

Source: Deutsche Bank

Key takeaways from Corporate Day

GCL-Poly attended our Environmental & Clean Energy Corporate Day today and key takeaways are summarized below.

A c.25% wafer capacity lift with diamond wire-saw application

GCL-Poly's wafer capacity has been running at full capacity and management expects >21GW wafer shipment this year. It suggests at least 20% volume growth this year, mainly thanks to China installation strength. GCL-Poly is on track to ramp up diamond wire-saw to cover 70-80% of its wafer production by end of this year from 30% as end of 1H17. This will help lift GCL-Poly's nameplate wafer capacity to 24-25GW next year from current 20GW without much extra Capex, given higher productivity from applying diamond wire-saw.

Cost reduction on track

Diamond-wire saw application can help save wafer cost by Rmb0.5-0.6/piece, with silicon unit consumption reduced to 4.8g/w from 5g/w. As a result, management finds that their wafer dollar margin remains hoh stable, although wafer price weaken a bit in into 2H. They expect that non-silicon wafer cost, currently between USD0.04-0.05/w, to get closer to USD0.04/w by end of this year.

Peer poly capacity expansion remains slow

Management advised that poly capacity expansion by peers remain below expectations. For example, New Hope's poly products have not yet come into the market according to management's check with their downstream customers. Moreover, the JV of REC and Shaanxi Tianhong also seems to be on hold. For GCL Poly, its Xinjiang poly plant has started construction and 40k tons will commence operation by 2H18. With 70% of the new output intended for internal use (others to be sold to strategic shareholders), it is expected to enhance the company's poly self-supply rate (currently <70%), which will help save some poly cost for its wafer production. Also, management advised that its FBR testing is making good progress. They plan to announce more updates when they are able to achieve lower cost and high quality scale production.