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**Neutral**  
**Unchanged**

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## 中资港股水泥行业

### –2014 年结构性改善持续，买入华润水泥和台泥国际

#### 投资要点:

- **摘要:** 上周我们参加了华润水泥（1313 HK，买入，目标价 6.50 港币）在广西的反向路演。我们调研了其位于南宁的水泥和混凝土厂，拜访了行业协会专家和地方政府官员。我们对华南地区结构性改善观点得到确认，并且认为华润水泥和台泥国际（1136 HK，买入，目标价 3.52 港币）将会是最大的受益者。
- **供给紧张** 自从 7 月份开始，华润水泥大部分水泥厂的库存一直维持在低于 50% 的水平，促使价格累计上涨约 100 元/吨，跟广东地区的涨幅相当。当前广西地区整体的库存水平比去年同期广东爆炸事故发生之后 1/3 的产能停产时候的库存水平还要低。
- **2014 年供需格局改善** 据广西水泥协会表示，基础设施建设从 2013 年 6 月开始加速，并且这种势头将至少会持续 2-3 年。这将带来广西地区的 2014 年水泥需求边际增长 1000-1200 万吨每年，折合 10-12% 的年增长率。同时，如果不考虑落后产能淘汰，广西地区 2014 年的新增产能仅为 200-400 万吨，折合年增长率 2-4%。因此，我们很有可能会在 2014 年看到广西地区有 600-1000 万吨的产能缺口。
- **政策执行力度加强将建立更高的准入门槛** 水泥行业专家和政府官员确认由于节能和氮氧化物减排的要求更加严格，水泥行业的进入门槛将会更高。新一届政府对落后产能淘汰的执行力度加大。随着未来两年将有 1000 万吨，折合 10% 的落后产能淘汰，结构性供给紧张将会更加显著。
- **华南地区供需改善格局将提高行业利润率** 我们预计 2013/14 年华南地区（广东/广西）将有分别有 1000/1500 万吨，折合 3.8/5.5% 的新增产能。这低于 1400/1500 万吨的落后产能淘汰。与此同时，需求将有 12/8% 的年增长，显著高于供给增长。结构性的供给紧张将很有可能大幅提高华南地区的水泥行业利润率。
- **华润水泥和台泥国际将是最大的受益者** 华润水泥，海螺水泥和台泥在华南地区市场份额占比总计超过 70%。特别地，华润水泥和台泥在华南地区的销售敞口分别达到 70/50%，因此将会是这些地区结构性改善的最大受益者。我们重申对华润水泥和台泥国际的买入评级，分别给予目标价 6.50 港币、3.52 港币，分别对应 25%、20% 的股价上涨空间。
- **催化剂:** 超出预期的水泥价格上涨和持续的上涨势头将会成为股价表现的催化剂。
- **风险:** 政府可能采取从紧的货币政策来抑制通胀，这将会对建筑活动和水泥需求造成负面影响。

### Investment Highlights:

- **On the road.** We attended CRC's roadshow in Guangxi last week, visiting its Nanning cement mill and concrete plant, industry experts and government officials. We are convinced on the structural improvement in southern China, where CRC and TCCI will be the biggest beneficiaries.
- **Tight supply.** Inventory at most of CRC's cement mills has remained at less than 50% since July, leading to price hikes of c.Rmb100/t on an accumulative basis, a similar magnitude to Guangdong Province. Current overall inventory level in Guangxi is even lower than that recorded in the same period last year when roughly one-third of production capacity was suspended in Guangdong after an accident at the facility.
- **Improving supply demand dynamics in 2014.** According to the Guangxi Cement Association, infrastructure construction has been accelerating since June 2013 and the momentum will sustain for at least two to three years. This will result in incremental cement demand of 10-12MT or 10-12% growth in Guangxi in 2014. Meanwhile, new capacity in Guangxi will be very limited at 2-4MT or 2-4% growth in 2014, excluding removals. Therefore, we are very likely to see 6-10MT incremental shortage in Guangxi in 2014.
- **Higher industry entry barriers ahead with better execution.** Cement experts and government officials confirmed that there will be much higher industry entry barriers for the cement industry due to higher requirement for energy intensity cuts and mono-nitrogen oxide (NOx) reductions. Execution of the new central government's push for old capacity elimination is very encouraging. With more than 10MT or c.10% of old capacity to be eliminated over the next 2 years, structural tightness of supply will increase.
- **Structural improvement in S/D in Southern China to lift profitability.** We expect 10/15MT or 3.8/5.5% new capacity to come on stream in Southern China (GX/GD) in 2013/14, which is to be more than offset by old capacity elimination of 14/15MT. Meanwhile, demand is expected to grow 12/8%, outpacing supply addition significantly. The structural tight supply will likely to lift industry profit very significantly in Southern China.
- **CRC and TCCI are biggest beneficiaries.** CRC, Conch and TCCI take up more than 70% market share in Southern China. In particular, CRC and TCCI have c.70/50% sales exposure to Southern China respectively, thus will be the biggest beneficiaries of the structural changes in these regions. We reiterate Buy call on both CRC and TCCI, with TP of HK\$6.50 and HK\$3.52 respectively or 25% and 20% upside potential for each.
- **Catalysts:** larger-than-expected price increases and sustainable price momentum could be catalysts for share performance.
- **Risks:** the government may tighten monetary policy to rein inflation, which could negatively impact construction activities and cement demand.

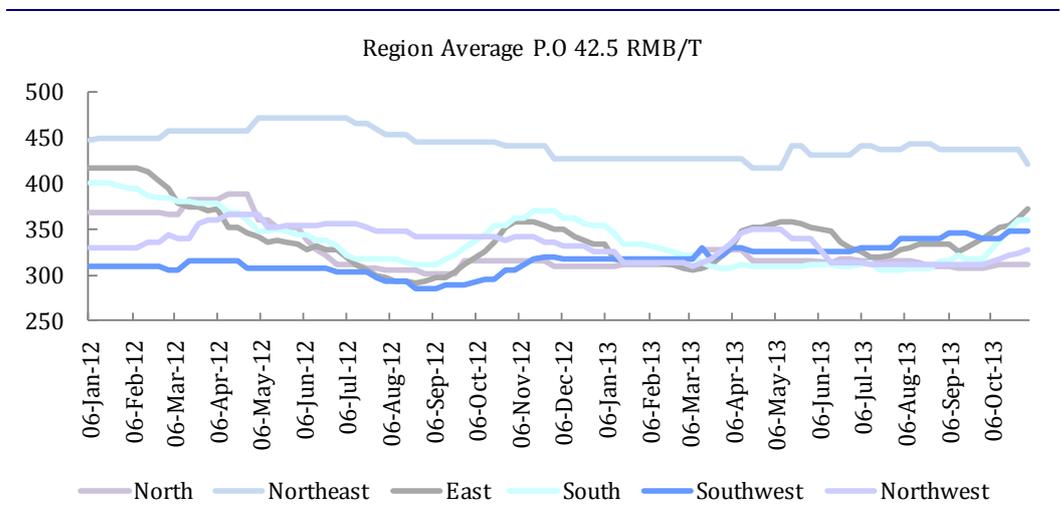
# Appendix

**Fig 1: Valuation table for HK-listed cement stocks.**

Company	Ticker	Price HK\$	NOSH M	Mkt cap M HK\$	EV/2013 Output RMB/t	PE(x)			PB(x)			ROE		
						2011A	2012A	2013E	2011A	2012A	2013E	2011A	2012A	2013E
Conch-H	914 HK	27.0	5,299	142,816	557	9.7	17.8	12.5	2.5	2.3	2.0	26%	13%	16%
CNBM	3323 HK	7.7	5,399	41,735	503	4.1	5.9	6.3	1.3	1.1	1.0	30%	18%	15%
Shanshui	691 HK	2.9	2,816	8,025	300	2.8	4.2	5.5	0.8	0.7	0.7	29%	18%	12%
WCC	2233 HK	1.2	4,263	5,030	403	6.2	10.9	6.7	1.0	0.8	0.7	16%	8%	11%
CRC	1313 HK	5.2	6,519	33,900	508	8.1	8.1	11.5	1.8	1.6	1.4	22%	11%	12%
TCC	1136 HK	2.9	3,296	9,689	320	7.7	6.5	5.3	0.6	0.6	0.6	11%	4%	9%
ACC	743 HK	4.3	1,556	6,614	413	3.9	18.4	7.2	0.6	0.6	0.6	16%	5%	8%
<b>AVG</b>					<b>429</b>	<b>6.1</b>	<b>10.3</b>	<b>7.9</b>	<b>1.2</b>	<b>1.1</b>	<b>1.0</b>	<b>21%</b>	<b>11%</b>	<b>12%</b>

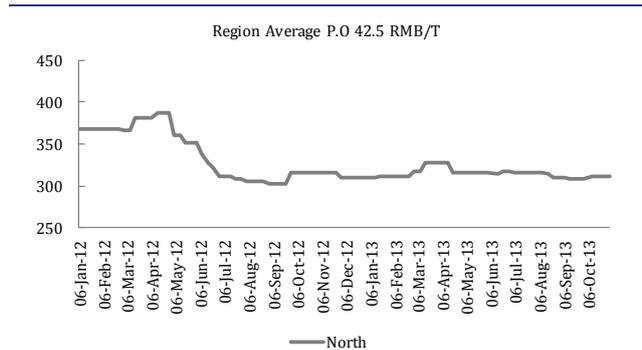
Source: Bloomberg, SWS Research

**Fig 2: Cement prices in major regions.**



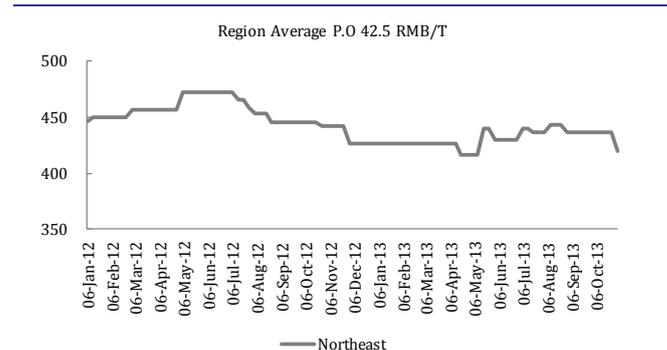
Source: Digital Cement, SWS Research

**Fig 3: Cement price in North China.**



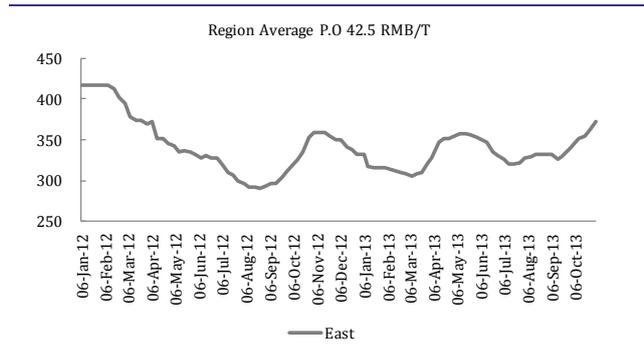
Source: Digital Cement, SWS Research

**Fig 4: Cement price in Northeast China.**



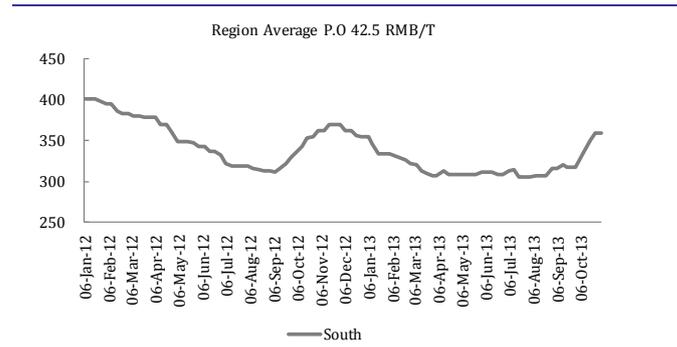
Source: Digital Cement, SWS Research

**Fig 5: Cement price in East China.**



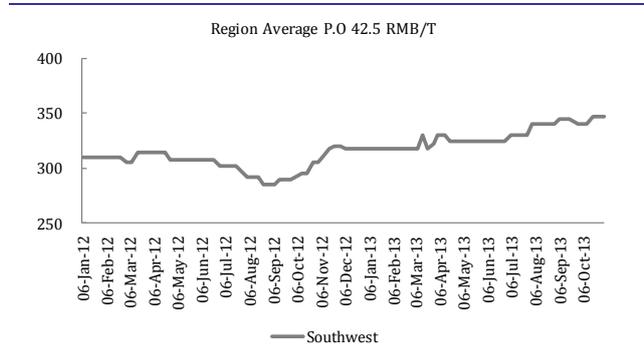
Source: Digital Cement, SWS Research

**Fig 6: Cement price in South China.**



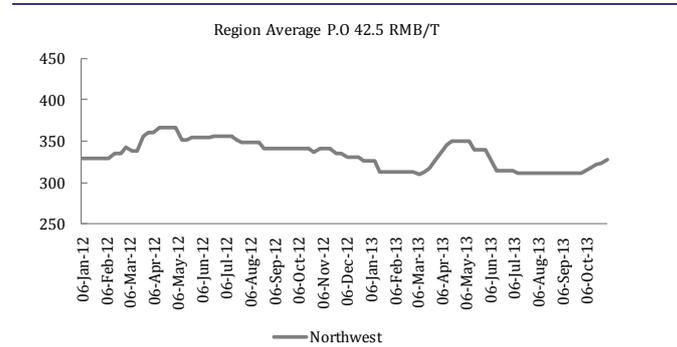
Source: Digital Cement, SWS Research

**Fig 7: Cement price in Southwest China.**



Source: Digital Cement, SWS Research

**Fig 8: Cement price in Northwest China.**



Source: Digital Cement, SWS Research

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