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COMPANY ALERT

China VTM Mining

Adjusting down 2012 bottom line by 7%; Buy maintain

Forecast Change

Buy

Reuters:0893.HK Exchange:HSI Ticker:0893

Price (HKD)	1.78
Price target (HKD)	2.30
52-week range (HKD)	3.29 - 1.03
Market cap (USDm)	476
Shares outstanding (m)	2,075.0
Net debt/equity (%)	-1.8
Book value/share (CNY)	1.72
Price/book (x)	0.8

FYE 12/31	2011A	2012E	2013E
Sales (CNYm)	1,713	1,655	1,969
Net Profit (CNYm)	605.9	498.6	592.0
DB EPS (CNY)	0.29	0.24	0.29
PER (x)	7.3	6.0	5.1
Yield (net) (%)	2.8	3.3	3.9

China VTM announced a potential production loss resulting from power shortage situation in Panxi area of Sichuan Province. According to the management, the impact to its iron ore concentrates production should be no more than 150,000 tonnes in 1H12. Meanwhile, the management also believes the impact might not last longer as hydro power in Sichuan can normally start to come back in May (if rainfall is back to normal) and also the company management is in discussion with local government hoping to get more electricity allocation.

According to what announced by the management regarding the production loss, we adjusted down our volume assumptions and earnings forecasts for 2012. To be conservative, we cut our 2012 full year production volume forecasts by 9.4%, or 212k tonnes (instead of no more than 150k tonnes as the company announced) just to reflect our understanding about current rainfalls in Sichuan hasn't really picked up and power shortage can last for a bit longer. In the mean time, we also found the year-to-date ASP of titanium concentrates is higher than our original expectation. Thus, we also adjusted up our titanium concentrate ASP by 16.9% to RMB1214/t. Factoring all these changes, we have cut our 2012 NI forecast by 7.0% but lift 2013 NI forecast by 2.8%.

As of end of May 4, the stock was trading at 0.84x 2012 BVPS. We think the stock is really inexpensive, especially when the company is able to deliver 14.7% ROAE in 2012. Thus, we maintain our Buy rating and PT HK\$2.3 for the stock.

China VTM's forecast changes

	2012E			2013E		
	Old	New	Change %	Old	New	Change %
Production volume (kt)						
Iron concentrates	2,253	2,041	-9.4%	2,385	2,385	0.0%
Iron pellets	700	650	-7.1%	850	850	0.0%
High-grade titanium concentrates	180	170	-5.6%	210	210	0.0%
ASP (RMB/t)						
Iron concentrates	643	643	0.0%	646	646	0.0%
Iron pellets	854	854	0.0%	858	858	0.0%
High-grade titanium concentrates	1,039	1,214	16.9%	1,044	1,178	12.8%
	2012E			2013E		
RMB mn	Old	New	Change %	Old	New	Change %
Operating profit	711.4	660.5	-7.1%	773.3	795.5	2.9%
Net profit	536.4	498.6	-7.0%	575.6	592.0	2.8%

Source: Deutsche Bank

James Kan

Research Analyst
(+852) 2203 6146
james.kan@db.com

Deutsche Bank AG/Hong Kong

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