TIEN PHONG PLASTIC JSC (NTP-HNX)

Wet weather eroded Q3 sales

ACCUMULATE

Market price	**59.500**
Target price	**63.400**
Investment period	**Intermediate**

Northern rains swept Q3 sales. The wet weather in the North, NTP's largest market, put a halt to construction activities and swept away a large part of plastics pipe sales in Q3. Revenue is estimated at around ~VND550 billion for the quarter ended on Sept 30, roughly unchanged from a year ago but equal only to 78% of Q2 revenue. Accumulated revenue since year-start may have reached as high as ~1.800 billion or 78% of 2013 whole-year target. In respect of input, there was a slight increase in PVC resin price in Q3 and has been steady between 1,020-1,050USD/ton. Corresponding to the inflated input price, the gross profit margin may have shrunk a little from the first year-half. Combined with the selling expenses/revenue ratio that has been kept sky-high since the fiscal year started (~15.5%), Q3 NPAT may be little changed from a the previous year at around VND61 billion; 9-month NPAT is also estimated ~VND226 billion.

New factory short-term profits not in sight; outlook still bright. NTP just put into operation a 20,000-ton-per-year-capacity plastic pipe factory in Nam Cam Industrial Park - Nghe An- in mid-September. In compliance with the local government's investment incentives, the plant is exempt from enterprise income tax for 04 years, starting the first year it generates taxable profits, which has urged the company to wait till FY2014 before gearing up production. As it now runs at only 20% its design capacity, it is unlikely that the new factory will post positive profits this year. Anyway, taking into account its current client base in the region, NTP targets VND311 billion of revenue in 2014 and VND500 from 2016 onward for the middle-Vietnam factory.

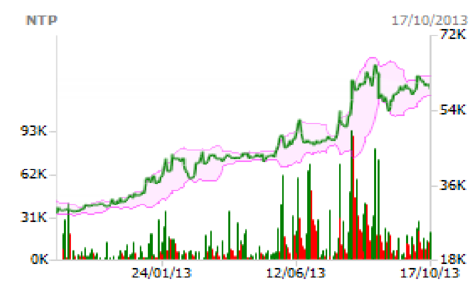
Small room for FY2013 growth. The fact that Q3 business shows little improved from the previous year confirms that the NTP still suffers from demand slump and sluggish recovery in the construction sector. Adding the company's decision not to impose price increase for its products and that the new factory will not be contribute much to the consolidated earnings, revenue growth for Q4 as well as FY2013 may not coincide with our initial projections such that Q4 may end with ~VND705 billion and FY2013 with ~VN2,513 billion of revenue, up only 6.5% year-on-year. Furthermore, there is a relatively high possibility that gross profit margin will be compressed to around 35% in Q4 (or an average of 36% for the whole-year) by continued increases PVC resin price. Given such factor, we revise our estimations for NTP's FY2013 NPAT down to VND303 billion.

Particulars (VND bn)	3QFY13	2QFY13	*% Chg. (qoq)*	3QFY12	*% Chg. (yoy)*
Net revenue	550.0	705.1	-22.0%	548.9	0.2%
NPAT	61.0	99.8	-38.9%	61.8	-1.3%
EBIT	85.3	140.1	-39.1%	95.4	-10.6%
EBIT margin	15.4%	20.0%	460bps	17.4%	200bps

Source: NTP Financial statement, RongViet Securities' compilation and estimates

Stock Info

Sector	Construction materials
Market Cap (VND bn)	2,587
Beta	0.43
Free float (%)	25.8
52 weeks High	66,500
52 weeks Low	27,000
Avg. Daily Volume (in 20 sessions)	11,320



Peformance (%)

	3M	1Y	3Y
NTP	-6.3	113.3	70.0
Construction Materials	20.8	n/a	n/a
HN30 Index	-2.8	8.9	n/a
HNX Index	-2.5	9.7	-48.4

Shareholders pattern (%)

State Capital Investment Co, Ltd (SCIC)	37.1
The Nawaplastic Industries (Saraburi) Co., Ltd	23.8
Red River Holding	7.1
Windstar Resources Limited	6.2
Foreigner Investor Room (%)	1.3

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Outlook:

Despite curbed demand and growing competition, NTP has been able to maintained most of its operating stability so far in 2013. The company now has established a firm foothold in the middle-Vietnam market, with total contract value reaching VND300 billion. The elevation in the middle-Vietnam factory capacity should spur overall output once 2014 kicks in, and that will make up for the loss of profitability from hiking selling expenses and material costs. With only that, a brighter outlook is seen for next year's earnings. Given FY2013 forward EPS of 6,994 and market price on 17/10/2013 of 59.500, NTP is trading at an P/E multiple of 8.5x, not too expensive for the stock of a highly potential, leading material construction manufacturer. Besides, anticipation of an extended limit for foreign ownership at local public companies may respark the appetite for good stocks with cramped foreign room like NTP.

Exhibit 01: Key financials

Y/E Sep (VND bn)	FY2011	FY2012	FY2013E	FY2014F
Net sales	2,425.5	2,360.3	2,512.8	2,902.5
% chg	21.2	-2.7	6.5	15.5
Net profit	269,0	291.3	303.1	342.9
% chg	-13.9	8.3	4.1	13.2
Net margin (%)	11.1	12.3	12.1	11.8
EPS (VND)	6,206	6,721	6,994	7,914
Book value (VND)	21,447	25,702	30,167	35,082
Dividend (VND)	2,000	2,000	2,500	2,500
P/E (x)*	9.6	8.9	8.5	7.5
P/BV (x)*	2.8	2.3	2.0	1.7
ROA (%)	18.2	18.1	17.0	17.0
ROE (%)	31.5	28.5	25.0	24.3

*Source: Source: NTP Financial statement, RongViet Securities' compilation and estimates, *As of 17/10/2013*

BRIEF UPDATE

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RATING GUIDANCE

Ratings / Return Potential	BUY	ACCUMULATE	NEUTRAL	REDUCE	SELL
Intermediate- term (up to 6 months)	>20%	10% to 20%	-5% to10%	-15% to- 5%	<-15%
Long-term (over 6 months)	>30%	15% to 30%	-10% to 15%	-15% to -10%	<-15%

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