

Binh Minh Plastic JSC (NTP-HNX)

Stable in hardship

Particulars (VND bn)	Q4-FY13	Q3-FY13	+/- qoq	Q4-FY12	+/- yoy
Net Revenues	536.0	523.4	2.4%	515.1	4.0%
NPAT	87.9	87.1	0.9%	97.9	-10.3%
EBIT	121.1	116.6	3.9%	131.5	-7.9%
EBIT margin (%)	22.6%	22.3%	32bps	25.5%	-294bps

Sources: NTP, RongViet Securities

- **Optimistic 2013 results despite slowed revenue and profit growth**
- **Monetary fine may be pardoned but tax charge reclaim unlikely**
- **Less hope for short-term capacity advancement in Long An factory construction delay**
- **Halted DPC acquisition; obstacles to market expansion**
- **Leaping Q1 sales**
- **Slight sales and net income in 2014 in maxed retail pipe capacity and sticky sales price during input inflation**

Outlook:

Binh Minh Plastic is now one of the two largest plastic pipes producers in Vietnam with high production competence and stable cash dividend throughout the years. Even with major setbacks in competition and market expansion, and especially the “surprise” tax charge, BMP was able to maintain its operating efficiency for the entire 2013, which gave credits to the dynamism as well as constant efforts of the Company’s management in strengthening the firm’s position in the local market. However, the growth outlook for Binh Minh in 2014 is constrained by the current capacity as well as difficulties in developing new markets. Without a “breakthrough” tactic and improvements in the sales policy, the Company’s growth may just be in line with that of the industry. Under the arguments above, we rate the stock as **NEUTRAL** in the **INTERMEDIATE TERM**.

Key financials

Y/E Dec (VND bn)	FY2012	FY2013	FY2014F	FY2015F
Net Revenue	1,890.7	2,088.1	2,244.3	2,353.0
% chg	3.5%	10.4%	7.5%	4.8%
NPAT	360.5	370.8	392.9	425.4
% chg	22.4%	2.8%	5.9%	8.3%
EBIT margin (%)	19.1%	17.8%	17.5%	18.1%
ROA (%)	27.8%	22.1%	22.4%	21.8%
ROE (%)	31.0%	24.9%	24.8%	23.7%
EPS (VND)	10,306	8,153	8,638	9,353
Adjusted EPS (VND)	3,439	8,153	8,638	9,353
Book value (VND)	36,420	32,741	36,807	42,160
Cash dividend (VND)	3,000	3,000	3,000	4,000
P/E (x)	3.2	8.6	9.4	8.7
P/BV (x)	0.9	2.1	2.2	1.9

Sources: BMP, RongViet Securities, *based on market price as of 03/04/2014

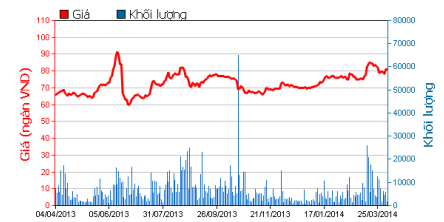
NEUTRAL

Market price (VND)	81,000
Target price (VND)	87,700

Investment period INTERMEDIATE TERM

Stock Info

Sector	Building materials
Market Cap (VND bn)	3,684
Current Shares O/S	45,47,480
Beta	1.0
Free float (%)	26.4
52 weeks High	88,000
52 weeks Low	46,600
Avg. Daily Volume (20 sessions)	87,675



Performance (%)

	3T	1N	3N
BMP	15.7	61.0	87.2
Building materials	42.5	101.8	n/a
VN30 Index	16.3	16.8	n/a
VNIndex	15.2	16.5	28.6

Major Shareholders (%)

State Capital Investment Corporation (SCIC)	29.5
The Nawaplastic Industries Co., Ltd	20.4
FTIF - Templeton Frontier Markets Fund	10.0
Asean Small Cap Fund	8.7
Vietnam Holding Limited	5.0
Foreigner investor room (%)	0

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Exhibit 1: 4QFY2013 (Unit: billion VND)

Particulars (VND bn)	Q4-FY13	Q3-FY13	+/- (qoq)	Q4-FY12	+/- (yoy)
Net Revenues	536.0	523.4	2.4%	515.1	4.0%
Gross profits	162.2	152.3	6.5%	148.7	9.1%
SG&AC	42.6	33.4	27.6%	26.0	64.0%
Operating Income	120.2	116.1	3.5%	127.2	-5.5%
EBITDA	189.3	168.6	12.3%	205.0	-7.7%
EBIT	121.1	116.6	3.9%	131.5	-7.9%
Financial expenses	4.3	8.7	-51.0%	1.1	273.3%
- Interest Expenses	0.7	0.0	10,527.1%	0.1	552.1%
Dep. and amortization	-68.2	-52.0	31.2%	-73.5	-7.2%
Non-recurring Items (*)					
Extraordinary Items (*)					
PBT	120.4	116.6	3.3%	131.4	-8.4%
NPAT	87.9	87.1	0.9%	97.9	-10.3%
(*) Adjusted NPAT	87.9	87.1	0.9%	97.9	-10.3%

Sources: BMP, RongViet Securities

Exhibit 2: 4QFY2013 performance analysis

Particulars	Q4-FY13	Q3-FY13	+/- (qoq)	Q4-FY12	+/- (yoy)
Profitability Ratios (%)					
Gross Margin	30.3	29.1	116bps	28.9	140bps
EBITDA Margin	35.3	32.2	311bps	39.8	-448bps
EBIT Margin	22.6	22.3	32bps	25.5	-294bps
Net Margin	16.4	16.6	-24bps	19.0	-261bps
Adjusted Net Margin	16.4	16.6	-24bps	19.0	-261bps
Turnover *(x)					
-Inventories	4.0	4.1	-0.1	4.2	-0.3
-Receivables	6.3	6.2	0.1	6.0	0.3
-Payables	60.6	40.7	19.8	46.1	14.5
Leverage (x)					
Total Debt/ Equity	0.1	0.1	0.0	0.1	0.0

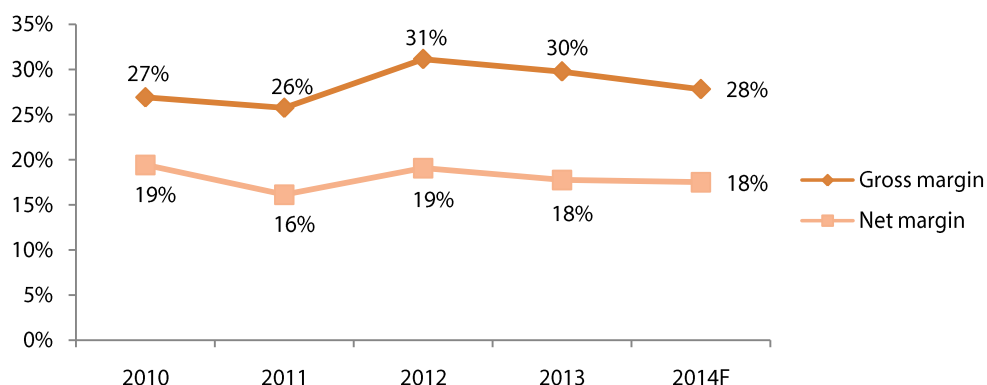
Sources: RongViet Securities, *annualized metrics

Optimistic 2013 results despite slowed revenue and profit growth

BMP saw demand for plastic pipes withered along with the weakening of the construction sector in 2013. Despite that, the Company was able to maintain an average 70-80% capacity at most of its production line thanks to its pursuit of material supply contracts with several water distribution and infrastructure projects such that revenue expanded 10.3% for the whole-year period. However, project sales typically suffer from very small margins and higher sales commission and other supports sales agents also put a downward pressure on the gross profit margin. The provision for the receivable of Duc Thanh Plastic (~VND10 billion) also adversely affected operating profit. As the result, 2013 net income picked up only 2.8% from a year earlier at VND370 billion.



Exhibit 3: Gross profit margin, net profit margin, 2010-2014



Sources: RongViet Securities

Monetary fine may be pardoned but tax charge reclaim unlikely

By the decision of the Tax Bureau of HCMC in October 2013, BMP was subject to VND71.3 billion of tax debt for improper application of tax incentives in 2009 and 2010 and a fine of VND41.5 billion. The Company did comply with the decision, paying the past-period income tax. Nonetheless, the amount was not yet reflected in the 2013 income statement, accounted for as an item of “other receivables” in the balance sheet. Nonetheless, as the Company is waiting for replies after having sent its complaint to the HCMC Tax Bureau, the General Tax Bureau and the Finance Ministry, it has yet to comply with the fine order. In our opinion, the final is likely that which Binh Minh will be freed from the monetary fine; yet there is a thin chance for the Company to reclaim the retroactive tax charge.

Less hope for short-term capacity advancement in Long An factory construction delay

In the long-term plan to raise production capacity, BMP has initiated the construction of its fourth plastic pipe plant, in a 15-hectare land area at Vinh Loc 2 Industrial Zone, Long An with total investment of over VND1.000 billion. With this facility, the Company expects to triple its capacity (~180.000 ton/year) and take a firm foothold in the market of the South West region. In the early phase, BMP plans to invest up to VND160 billion in a production site of ~30.000 m² to facilitate the moving of its current plant out of city limits. However, aside from an upfront land lease of 217 billion paid to the industrial zone, we notice that BMP has barely invested in this project. Also, as we were told by the Company’s representative, BMP would not depart from the current headquarter in District 6, HCM until the city issues a specific order. Until then, a cautious, part-by-part approach would likely be taken with regard to the construction of the Long An factory. Therefore, we do not expect much in BMP’s ability to expand its production capacity in the short term.

Halted DPC acquisition; obstacles to market expansion

In an attempt to tackle the Mid-country market, BMP raised its stake in Da Nang Plastic JSC (HNX-DPC) to slightly 29%. It was about to propose a purchase of SCIC’s 15% of interest in DPC in order to gain control of the local pipe manufacturer and rebuild it into extended arm and distribution hub of BMP in the central of Vietnam. However, upon discovering that DPC’s facilities, distribution network and product portfolio were not up to its expectations, the Company dropped the plan. Now, aside from the plan to set up its own subsidiary in Da Nang, BMP has been on a halt in its advancement northward.

In another battle ground, BMP has been facing great difficulties competing in the North with given the market’s towering commission level, put in place the local trade customs then elevated by NTP’s aggressive sales policy. The Company also finds it particularly hard to sell to customers who already

have deep-rooted loyalty to the local brand. These issues have caused a standstill in BMP's business in the North in the past few years. Not only seeking to expand its share in the Vietnam, BMP has also casted its gazes to neighboring markets of Laos, Cambodia, Myanmar, etc... However, the dominance of plastic pipes made in Thailand as well as the technical discrepancies between BMP's products and the established standards in those countries are great challenges that have kept exports at minimal levels in recent years.

Furthermore, BMP has been actively seeking contracts to supply materials to infrastructures and water distribution projects in the South West provinces and the highlands. It was the participation in projects such as the Saigon-Trung Luong and LongThanh –Dau Giay Highways and the Clean Water Centers in Ben Tre, Long An ... that supported BMP's sales and polished the Company's reputation in the past periods. According to the firm, however, project sales suffer from limited margins and extended payment periods. Therefore, the profit expectations are rather low.

Leaping Q1 sales

As known from the firm's representative, BMP saw so positive sales improvements in the first quarter that machines of its retail pipe production line had to run 24/7 through the weekends and even the Lunar New Year holiday. Moreover, the Company is in front of an opportunity to export large quantities to Australia. Nevertheless, the bounce-back of PVC resin price since early 2014 must have shrunk the gross profit margin 1-1.5% by our estimation. Q1 revenue is expected at 460 billion (+11% yoy) and PBT VN107 billion (+2% yoy).

Exhibit 4: 1Q2014 Forecasts

Particulars (billion VND)	1QFY14	+/-qoq	+/-yoy
Revenue	466.8	-12.9%	7.4%
Gross profit	129.9	-19.9%	-0.2%
EBIT	105.5	-12.9%	-2.7%
NPAT	81.7	-7.0%	2.4%

Sources: RongViet Securities

Slight sales and net income in 2014 in maxed retail pipe capacity and sticky sales price during input inflation

In our opinion, there is little room for the retail line of BMP's pipes, its primary segment, to grow in 2014 now that the line capacity is almost at its limit. Project sales, which account for only 10% of total revenue, and new machine installments in the Long An factory, though supportive to output, may not be the catalysts. On the other hand, the prices of raw materials, mostly PVC resin, have been trending up again. Therefore, even though whole-year revenue may grow a good 7.5 percent, NPAT may pick up only 5.9 percent from the previous year to VND393 billion or VND8.638 per share.

Outlook

Binh Minh Plastic is now one of the two largest plastic pipes producers in Vietnam with high production competence and stable cash dividend throughout the years. Even with major setbacks in competition and market expansion, and especially the "surprise" tax charge, BMP was able to maintain its operating efficiency for the entire 2013, which gave credits to the dynamism as well as constant efforts of the Company's management in strengthening the firm's position in the local market. However, the growth outlook for Binh Minh in 2014 is constrained by the current capacity as well as difficulties in developing new markets. Without a "breakthrough" tactic and improvements in the sales policy, the Company's growth may just be in line with that of the industry. Under the arguments above, we rate the stock as **NEUTRAL** in the **INTERMEDIATE TERM**.

Exhibit 5: Key assumptions

Particulars	Previous estimates		Revised estimates	
	FY2014F	FY2015F	FY2014F	FY2015F
Revenue growth (%)	-	-	7.5	4.8
Gross margin (%)	-	-	27.8	28.6
EBIT margin (%)	-	-	22.6	23.3
Material price changes (%)	-	-	2.0	2.0

Sources: RongViet Securities

Exhibit 6: Estimate changes

Particulars (billion VND)	FY2014F			FY2015F		
	Previous estimates	Revised estimates	Change (%)	Previous estimates	Revised estimates	Change (%)
Net revenue	-	2,244.3	-	-	2,353.0	-
Gross profit margin	-	27.8%	-	-	28.6%	-
SG&A expenses	-	149.9	-	-	157.7	-
Operating profit	-	474.8	-	-	515.3	-
Financial expenses	-	3.4	-	-	2.1	-
Pre-tax income	-	503.7	-	-	545.3	-
NPAT	-	392.9	-	-	425.4	-
EBITDA	-	593.7	-	-	649.2	-
EBIT	-	507.1	-	-	547.4	-

Sources: RongViet Securities

Unit: billion VND

INCOME STATEMENT	FY2012	FY2013	FY2014E	FY2015F
Revenue	1,890.7	2,088.1	2,244.3	2,353.0
COGS	1,301.6	1,466.1	1,619.6	1,680.1
Gross profit	589.2	622.0	624.7	673.0
Selling Expense	64.1	68.6	71.4	75.3
G&A Expense	59.9	71.2	78.6	82.4
Finance Income	14.7	30.5	31.2	31.0
Finance Expense	6.8	17.5	3.4	2.1
Other profits	2.0	1.2	1.6	1.6
PBT	479.5	496.0	503.7	545.3
Prov. of Tax	118.9	125.2	110.8	120.0
Minority's Interest	0.0	0.0	0.0	0.0
NPAT	360.5	370.8	392.9	425.4
EBIT	480.2	496.9	507.1	547.4
EBITDA	553.7	565.1	593.7	649.2

Unit: %

FINANCIAL RATIO	FY2012	FY2013	FY2014E	FY2015F
Growth				
Revenue	3.5	10.4	7.5	4.8
Operating Income	23.4	3.6	-1.5	8.5
EBITDA	21.8	2.0	5.1	9.4
EBIT	24.7	3.5	2.1	7.9
PAT	22.4	2.8	5.9	8.3
Total Assets	22.0	18.2	8.6	13.7
Equity	21.4	16.9	12.4	14.5
Internal growth rate	22.0	17.0	16.2	13.6
Profitability				
Gross profit/Revenue	31.2	29.8	27.8	28.6
Operating profit/ Revenue	24.6	23.1	21.2	21.9
EBITDA/ Revenue	29.3	27.1	26.5	27.6
EBITDA/ Revenue	25.4	23.8	22.6	23.3
Net margin	19.1	17.8	17.5	18.1
ROAA	27.8	22.1	22.4	21.8
ROIC or RONA	40.4	32.7	31.8	30.5
ROAE	31.0	24.9	24.8	23.7
Efficiency (x)				
Receivable Turnover	5.4	5.7	6.5	6.4
Inventory Turnover	4.0	4.0	4.1	3.9
Payable Turnover	12.9	11.5	12.4	12.2
Liquidity (x)				
Current	8.7	7.5	8.3	9.1
Quick	5.9	5.3	5.5	6.3
Solvency				
Total Debt/Equity	9.5	10.9	9.1	8.3
Current Debt/Equity	0.3	2.4	1.0	0.9
Long-term Debt/ Equity	0.0	0.0	0.0	0.0

Unit: billion VND

BALANCE SHEET	FY2012	FY2013	FY2014E	FY2015F
Cash and equivalents	345.3	438.7	472.5	553.0
Short-term investment	0.0	0.0	0.0	0.0
Receivables	351.2	366.6	321.3	411.8
Inventories	336.5	367.8	421.1	445.2
Other current assets	19.4	51.4	41.2	31.7
Total Current Asset	1,052.3	1,224.5	1,256.1	1,441.7
Tangible Fixed Assets	244.3	188.1	306.6	375.9
Intangible Fixed Assets	29.8	29.1	28.4	27.6
Construction in Progress	6.4	7.9	7.5	7.9
Investment Property	0.0	0.0	0.0	0.0
Long-term Invest ment	26.7	13.4	13.4	13.4
Other long-term assets	63.0	218.4	214.0	209.7
Goodwill	0.0	0.0	0.0	0.0
Long-term Asset	370.3	456.9	569.9	634.5
Total Asset	1,422.7	1,681.3	1,826.0	2,076.2
Payables	50.6	52.7	56.7	58.8
Other current liabilities	66.1	74.3	78.6	82.4
Current Debt	4.3	36.0	16.8	17.6
Long-term Debt	0.0	0.0	0.0	0.0
Other long-term liabilities	0.0	0.0	0.0	0.0
Total Liability	121.0	162.9	152.1	158.8
Owner's Equity	1,274.1	1,489.0	1,673.9	1,917.4
Capital	349.8	454.8	454.8	454.8
Retained Earnings	230.5	263.1	330.2	446.0
Funds & Reverses	692.2	769.5	887.4	1,015.0
Others	0.0	0.0	0.0	0.0
Total Equity	1,274.1	1,489.0	1,673.9	1,917.4
Minority's Interest	0.0	0.0	0.0	0.0
TOTAL RESOURCES	1,395.1	1,651.9	1,826.0	2,076.2
CASH FLOW STATEMENT	FY2012	FY2013	FY2014E	FY2015F
<i>Pretax Income</i>	479.5	496.0	503.7	545.3
-Depreciation	73.5	68.2	86.6	101.8
-Adjustments	-17.8	-19.8	0.0	0.0
+/- Working capital	-114.7	-399.4	-132.2	-254.1
Net Operating CF	420.4	145.0	458.0	393.0
+/- Fixed Asset	-69.6	-12.7	-204.0	-170.7
+/- Deposit, equity investment	0.0	14.5	4.4	4.4
Interest, cash dividend, shared profits received	14.4	30.4	31.2	31.0
Net Investing CF	-55.1	32.2	-168.4	-135.4
+/- Capital	0.0	0.0	0.0	0.0
+/- Debt	-3.7	31.6	-19.1	0.8
Dividend paid + Other exp. from retained profits	-105.0	-115.4	-236.7	-177.9
Net Financing CF	-108.6	-83.8	-255.9	-177.1
+/- cash & equivalents	256.6	93.4	33.8	80.5
Beginning cash & equivalents	88.7	345.3	438.7	472.5
Impact of exchange rate	0.0	0.0	0.0	0.0
Ending cash & equivalents	345.3	438.7	472.5	553.0

RESULT UPDATE

This report is created for the purpose of providing investors with an insight into the discussed company that may assist them in the decision-making process. The report comprises analyses and projections that are based on the most up-to-date information with the objective which is to determine the reasonable value of the stock at the time such analyses are performed. Through this report, we strive to convey the complete assessment and opinions of the analyst relevant to the discussed company. To send us feedbacks and/or receive more information, investors may contact the assigned analyst or our client support department.

RATING GUIDANCE

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

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The **Analysis and Investment Advisory Department** of RongViet Securities provides research reports on the macro-economy, securities market and investment strategy along with industry and company reports and daily and weekly market reviews

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