

## Casumina (CSM – HSX)

### Radial & long-term growth

Particulars (VND bn)	4QFY13	3QFY13	% (qoq)	4QFY12	% (yoy)
Net Revenues	801.2	805.1	0	762.3	5
NPAT	102.9	89.2	15	67.7	52
EBIT	149.8	127.6	17	112.3	33
EBIT margin (%)	18.7%	15.8%	285bps	14.7%	396bps

Sources: CSM, RongViet Securities.

- 2013 earnings rocketed thanks to decreasing rubber price and interest expense
- Q1 earnings should remain optimistic
- The Radial project is expected to be operational since Q2/2014 and contribute about VND385 billion to revenue
- Withdrawal at 9 Nguyen Khoai is expected to gain NBT of VND70-80 billion

#### Outlook and Valuation:

A decline in rubber price as well as interest rate would be supporting CSM's performance this year. Moreover, the Radial project going into full operation in Q2/2014 underlies higher growth potential in the medium and long term. However, in the initial stage, depreciation cost along with interest expenses should significantly influence CSM's profit margin. In 2014, revenue is estimated to be VND3,598 billion (+14.8% yoy), VND385 billion of which should come from radial tires contribute about. PBT adjusted for the financial income from the withdrawal from the land at 9 Nguyen Khoai may be recorded at about VND314 billion (-35% yoy).

We revise our target price for the stock to VND46,700/share up from VND37,100/share (dated 11<sup>th</sup> October 2013). The changes in our recommendation are primarily due to higher growth potential for CSM in the medium and long-term thanks to the Radial project. Moreover, parameters such as interest rate, industry average P/E ratio are adjusted to be in line with the current market levels. Considering the current market price, we rate the stock as **NEUTRAL** for the intermediate term. Investors might continue to monitor rubber price trend while watching for more positive signs related to the efficiency of the Radial project for the optimal long-term investment decisions.

#### Key financials

Y/E Dec ( VND bn)	FY2012	FY2013	FY2014E	FY2015F
Net Revenues	3,043.8	3,133.8	3,598.0	4,521.7
% chg	4.1%	3.0%	14.8%	25.7%
PAT	253.9	360.1	324.6	324.6
% chg	546.6%	41.8%	-15.7%	7.0%
EBIT margin (%)	8.3%	11.5%	9.0%	7.2%
ROA (%)	15.1%	15.1%	9.4%	9.0%
ROE (%)	32.0%	33.0%	23.3%	22.1%
EPS (VND)	5,266	5,856	4,510	4,824
Adjusted EPS (VND)	5,266	5,856	4,510	4,824
Book value (VND)	16,521	18,107	20,673	22,972
Cash dividend (VND)	1,500	1,500	2,000	2,500
P/E (x)	4.4	6.1	9.5	8.9
P/BV (x)	1.4	2.0	2.1	1.9

Sources: CSM, RongViet Securities, Stock price of 04/03/2014

Please refer to important disclosures at the end of this report

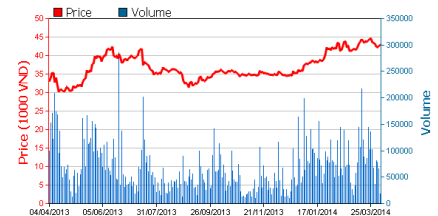
## NEUTRAL

CMP (VND)	42,900
Target Price (VND)	46,700

Investment Period Intermediate term

#### Stock Info

Sector	Automobile & Parts
Market Cap ( VND bn)	2,887
Current Shares O/S	67,292,000
Beta	0.94
Free float (%)	35.81
52 weeks High	45,500
52 weeks Low	24,143
Avg. Daily Volume (in 20 sessions)	917,915



#### Performance (%)

	3M	1Y	3Y
CSM	15	28	113
Auto & Parts	14	46	N/A
VN30 Index	21	22	37
HSX Index	19	22	29

#### Major Shareholders (%)

Vinachem	51
SSI funds	3.88
Deutsche Bank AG London	3.81
FTIF	3.75
Foreigner Investor Room (%)	35.81

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**Exhibit 1: 4QFY2013 and YTD Results**

Particulars (VND bn)	4QFY13	3QFY13	% chg (qoq)	4QFY12	% chg (yoy)
Net Revenues	801.2	805.1	-0.5	762.3	5.1
Gross profits	218.6	221.2	-1.2	205.2	6.5
SG&AC	67.7	86.9	-22.1	63.7	6.2
Operating Income	145.4	117.6	23.6	88.4	64.5
EBITDA	167.4	143.5	16.6	127.8	30.9
EBIT	149.8	127.6	17.4	112.3	33.4
Financial expenses	24.6	18.2	34.9	55.5	-55.7
- Interest Expenses	9.9	9.4	4.6	22.9	-56.8
Dep. and amortization	-17.6	-15.9	10.3	-15.5	13.4
Non-recurring Items (*)					
Extraordinary Items (*)	-5.5	0.5	-1113.0	1.1	-596.0
PBT	139.9	118.1	18.4	89.5	56.4
PAT	102.9	89.2	15.4	67.7	52.1
(*) Adjusted PAT	106.9	88.7	20.5	66.8	60.0

Sources: CSM, RongViet Securities

**Exhibit 2: 4QFY2013 performance analysis**

Particulars	4QFY13	3QFY13	% Chg. (qoq)	4QFY12	% Chg.(yoy)
<b>Profitability Ratios (%)</b>					
Gross Margin	27.3	27.5	-19bps	26.9	36bps
EBITDA Margin	20.9	17.8	306bps	16.8	412bps
EBIT Margin	18.7	15.8	285bps	14.7	396bps
Net Margin	12.8	11.1	177bps	8.9	397bps
Adjusted Net Margin	13.3	11.0	233bps	8.8	458bps
<b>Turnover *(x)</b>					
-Inventories	3.0	3.6	-0.7	2.9	0.0
-Receivables	6.7	5.9	0.9	7.0	-0.2
-Payables	44.1	46.9	-2.8	35.2	8.9
<b>Leverage (%)</b>					
Total Debt/ Equity	1.4	1.3	0.1	0.9	0.5

Sources: RongViet Securities (\*) Annualized turnover

**2013 earnings rocketed thanks to decreasing rubber price and interest expense**

2013 revenue and NPAT were VND3,134 and VND360 billion, up by 3% and 42% as compared to 2012 respectively. Such impressive performance was thanks to rubber price declining 17% to an average VND54 million/ton during the year, which helped lift the gross profit margin from 23.2% in 2012 to 26.7%. Interest expense also showed a significant drop of about 47% by virtue of the capitalization of interest expenditure in the Radial project and the decreased lending interest rate.

**Q1 earnings should remain optimistic**

Rubber price has extended its loss by another 5% since the beginning of 2014, ranging around 2,100-2,300 USD/ton, which should continue to support Q1 earnings. Accordingly, the profit margin is expected to stay high. With regard to Q1 estimates, revenue should be between VND680-700 billion, or

about 20% of 2014's VND3.400-billion plan and PBT about VND95 billion, about or ~32% the year's target.

### Exhibit 3: 1QFY2014 Forecast

Particulars (VND bn)	1QFY14	%chg (qoq)	%chg (yoy)
Net Revenues	700	-13	0
Gross profits	189	-14	6
EBIT	105	-30	2
PAT	74	-28	8

Sources: RongViet Securities

### The Radial project is expected to be operational since Q2/2014 and contribute about VND385 billion to revenue

The project has been in the trial run and is expected to go for mass production starting April 2014. The competitive edges of CSM's radial tires are superior quality, reasonable price, good warranty and designs fit for Vietnam's roads. However, the fact that CSM's products were launched after those of DRC's while having to compete in the same segment make it increasingly difficult for the Company to sell in upcoming periods.

Unit sales in 2014 are estimated at 70.000-80.000 tires generating revenue of about VND385 billion, which export values constitute about 25%. Moreover, CSM is preparing to submit for export licenses into the US and EU markets. In our opinion, the chance of success for CSM in gaining those licenses would be much higher thanks to its learning from DRC's experience.

Furthermore, to relieve burden of depreciation cost from the plant under-capacity operation, CSM might take on the processing of semi-finished products for foreign companies. As far as we concern, CSM has been quite active on contract negotiations. With the current rubber price, each 1,000 ton of semi-finished product should bring about VND40 billion of revenue.

### Withdrawal at 9 Nguyen Khoai is expected to gain NBT of VND70-80 billion

About 40% of Tan Thuan Viet's share capital is contributed by CSM in the form of land use right at 9 Nguyen Khoai. This contribution has been transferred to Tan Thuan Viet and is estimated to help CSM record about VND225 billion of revenue and about VND70-80 billion of PBT after the Company finished the relevant legal procedures.

### Outlook and valuation

A decline in rubber price as well as interest rate would be supporting CSM's performance this year. Moreover, the Radial project going into full operation in Q2/2014 underlies higher growth potential in the medium and long term. However, in the initial stage, depreciation cost along with interest expenses should significantly influence CSM's profit margin. In 2014, revenue is estimated to be VND3,598 billion (+14.8% yoy), VND385 billion of which should come from radial tires contribute about. PBT adjusted for the financial income from the withdrawal from the land at 9 Nguyen Khoai may be recorded at about VND314 billion (-35% yoy).

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to monitor rubber price trend while watching for more positive signs related to the efficiency of the Radial project for the optimal long-term investment decisions.

**Exhibit 4: Key Assumption**

Particular	Earlier Estimates		Revised Estimates	
	FY2014E	FY2015E	FY2014E	FY2015E
Revenue growth (%)	32	24	15	26
Gross margin (%)	22	22	23	23
EBIT margin (%)	12	12	14	12

Sources: RongViet Securities

**Exhibit 5: Changes in Estimates**

Particular (VND bn)	FY2014E			FY2015E		
	Earlier Estimates	Revised Estimates	Var (%)	Earlier Estimates	Revised Estimates	Var (%)
Net Revenues	4,147.6	3,598.0	-13	5,156.6	4,521.7	-12
Gross profits	22.4%	22.8%	0bps	22.4%	23.3%	0.01bps
SG&AC	414.8	367.0	-12	515.7	465.7	-10
Operating Income	515.9	451.8	-12	637.7	586.6	-8
Financial expenses	252.4	144.0	-43	248.5	180.5	-27
PBT	292.3	389.1	33	418.5	416.2	-1
PAT	219.2	303.5	38	313.9	324.6	3
EBITDA	675.7	636.1	-6	819.5	700.4	-15
EBIT	504.7	489.9	-3	627.0	542.5	-13
EPS (VND)	3,258	4,510	38	4,664	4,824	3

Sources: RongViet Securities

VND Billion

<b>INCOME STATEMENT</b>	<b>2012A</b>	<b>2013A</b>	<b>2014E</b>	<b>2015F</b>
Revenue	3,043.8	3,133.8	3,598.0	4,521.7
COGS	2,336.7	2,296.4	2,779.2	3,469.3
<b>Gross profit</b>	<b>707.1</b>	<b>837.4</b>	<b>818.8</b>	<b>1,052.4</b>
Selling Expense	108.9	97.1	118.7	149.2
G&A Expense	160.8	210.4	248.3	316.5
Finance Income	6.5	45.3	4.8	4.5
Finance Expense	110.5	101.9	144.0	180.5
Other profits	4.0	7.6	6.5	5.5
<b>PBT</b>	<b>337.4</b>	<b>480.8</b>	<b>389.1</b>	<b>416.2</b>
Prov. of Tax	83.6	120.7	85.6	91.6
Minority's Interest	0.0	0.0	0.0	0.0
<b>PAT to Equity Shareholder</b>	<b>253.9</b>	<b>360.1</b>	<b>303.5</b>	<b>324.6</b>
EBIT	<b>414.8</b>	<b>521.4</b>	<b>489.9</b>	<b>542.5</b>
EBITDA	484.1	586.4	636.1	700.4

<b>FINANCIAL RATIO</b>	<b>2012A</b>	<b>2013A</b>	<b>2014E</b>	<b>2015F</b>
%				
<b>Growth</b>				
Revenue	4.1	3.0	14.8	25.7
Operating Income	237.8	21.1	-14.7	29.8
EBITDA	149.6	21.1	8.5	10.1
EBIT	226.2	25.7	-6.1	10.7
PAT	546.6	41.8	-15.7	7.0
Total Assets	21.3	58.1	20.0	5.2
Equity	56.2	26.0	14.2	11.1
Internal growth rate	21.0	23.7	12.9	10.6
<b>Profitability</b>				
Gross profit/Revenue	23.2	26.7	22.8	23.3
Operating profit/ Revenue	14.4	16.9	12.6	13.0
EBITDA/ Revenue	15.9	18.7	17.7	15.5
EBITDA/ Revenue	13.6	16.6	13.6	12.0
Net margin	8.3	11.5	8.4	7.2
ROAA	15.1	15.1	9.4	9.0
ROIC or RONA	42.7	32.1	20.8	20.3
ROAE	32.0	33.0	23.3	22.1
<b>Efficiency</b>				
Receivable Turnover	8.6	7.6	8.3	8.6
Inventory Turnover	3.0	2.7	2.8	2.8
Payable Turnover	10.4	6.6	6.5	6.9
<b>Liquidity</b>				
Current	1.9	1.7	2.1	2.3
Quick	0.7	0.7	0.8	0.9
<b>Solvency</b>				
Total Debt/Equity	91.1	139.7	152.0	138.7
Current Debt/Equity	39.4	36.5	31.0	26.3
Long-term Debt/ Equity	20.8	66.8	85.5	73.1

<b>BALANCE SHEET</b>	<b>2012A</b>	<b>2013A</b>	<b>2014E</b>	<b>2015F</b>
Cash and equivalents	30	35	103	110
Short-term investment	2	11	11	11
Receivables	421	399	468	588
Inventories	837	895	1,112	1,388
Other current assets	24	125	125	125
<b>Total Current Asset</b>	<b>1,314</b>	<b>1,466</b>	<b>1,819</b>	<b>2,222</b>
Tangible Fixed Assets	182	147	1,147	1,076
Intangible Fixed Assets	159	158	157	157
Construction in Progress	125	1,122	359	215
Investment Property	0	0	0	0
Long-term Investment	48	13	12	11
Other long-term assets	20	15	12	8
<b>Long-term Asset</b>	<b>533</b>	<b>1,455</b>	<b>1,687</b>	<b>1,467</b>
<b>Total Asset</b>	<b>1,847</b>	<b>2,921</b>	<b>3,506</b>	<b>3,690</b>
Payables	96	199	222	278
Other current liabilities	198	202	227	285
Current Debt	381	444	432	407
Long-term Debt	201	814	1,190	1,130
Other long-term liabilities	4	44	44	44
<b>Total Liability</b>	<b>880</b>	<b>1,702</b>	<b>2,115</b>	<b>2,144</b>
<b>Owner's Equity</b>	<b>967</b>	<b>1,218</b>	<b>1,391</b>	<b>1,546</b>
Capital	585	673	673	673
Retained Earnings	281	419	563	694
Funds & Reverses	101	126	155	179
<b>Others</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>
<b>Total Equity</b>	<b>967</b>	<b>1,218</b>	<b>1,391</b>	<b>1,546</b>
Minority's Interest	0	0	0	0
<b>TOTAL RESOURCES</b>	<b>1,847</b>	<b>2,921</b>	<b>3,506</b>	<b>3,690</b>
<b>CASH FLOW STATEMENT</b>	<b>2012A</b>	<b>2013A</b>	<b>2014E</b>	<b>2015F</b>
<i>Net Income</i>	337.4	480.8	389.1	416.2
-Depreciation	69.3	65.0	146.2	157.9
<i>-Adjustments</i>	52.2	-45.1	-50.0	-50.0
+/- Working capital	-289.9	-167.2	-321.8	-374.3
<b>Net Operating CFs</b>	<b>169.1</b>	<b>333.4</b>	<b>163.5</b>	<b>149.8</b>
+/- Fixed Asset	-119.3	-1,023.7	-374.3	65.3
+/- Deposit, equity investment	-1.9	51.6	1.3	1.2
Interest, dividend, cash profit received	5.1	56.0	45.0	45.0
<b>Net Investing CFs</b>	<b>-116.1</b>	<b>-916.2</b>	<b>-328.0</b>	<b>111.4</b>
+/- Capital	162.7	87.8	0.0	0.0
+/- Debt	-165.1	675.4	363.4	-84.3
Dividend paid & Other	-62.7	-175.5	-130.1	-169.9
<b>Net Financing CFs</b>	<b>-65.1</b>	<b>587.7</b>	<b>233.3</b>	<b>-254.2</b>
+/- cash & equivalents	-12.1	4.9	68.8	7.0
<b>Beginning cash &amp; equivalents</b>	<b>42.5</b>	<b>30.4</b>	<b>35.3</b>	<b>103.4</b>
Impact of exchange rate	0.0	0.0	-0.7	0.0
<b>Ending cash &amp; equivalents</b>	<b>30.4</b>	<b>35.3</b>	<b>103.4</b>	<b>110.4</b>

**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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