

## BIM SON CEMENT JSC



**Recommendation: Hold**  
**Target price: VND 16,100**

<b>Ticker</b>	<b>BCC</b>
<b>Exchange</b>	<b>HNX</b>
<b>Industry</b>	<b>Construction Materials - Cement</b>

### FINANCIAL HIGHLIGHTS

Items	2008	1H'09	2009F
Revenue (VND mil)	1,936,146	1,129,339	2,306,913
Cost of goods sold	1,546,589	893,160	1,779,064
Gross margin (%)	20.10%	20.90%	22.90%
Net profit (VND mil)	216,011	131,871	202,446
Outstanding shares (1,000)	95,661	95,661	95,661
EPS (VND)	2,258	1,379	2,116
BVPS (VND)	12,349	12,523	12,523
ROE (%)	18.3		16.9
P/E	5		7.8
P/B	0.9		1.3
Dividend ratio	10%		10%

Source: HBBS data

### MARKET STATISTICS

Items	
52-week range (VND)	9,400 – 24,800
30-day volume (shares)	296,505
90-day volume (shares)	296,517
Market cap (VND mil)	1,559,281

Source: Hsx, HBBS data as of 11/08/2009

### BACKGROUND INFORMATION

- ✓ **Products and Services:**
  - + Cement PCB30, PCB40, PC40
  - + Clinker
- ✓ **EPS**
  - + 2008: 2,258 VND
  - + 2009F: 2,116 VND
- ✓ **Ownership:**
  - +Vietnam Cement Industry Corporation (VICEM): 73.1%
  - + Others: 26.9%
- ✓ **Main market: Northern Vietnam**
- ✓ **Total market share: 6.5%**
- ✓ **Main competitors:**
  - + But Son Cement JSC, Hoang Thach Cement, etc.
- ✓ **2009 plan:**
  - + Production output: 3 million tons
  - + Revenue: VND 2,383 billion
  - + Profit: VND 142.5 billion

(Date of issue: 11/08/2009)

As of 2Q09, BCC made 47.4% and 92.5% of projected revenue and profit, respectively. We expect the company to fulfill its planned revenue and exceed its targeted profit for the year.

However, as the new factory will start operation in 4Q09, we estimate that 2H09 profit will plunge compared to the first half of the year as the company will recognize several items of expenses incurred for the new factory project in 2H09.

We evaluate BCC-HNX shares at VND 16,100/share, equivalent to the Vietnamese cement industry's PE of 7.6x. The price is recommended to investors in investment decisions in shares of a big, well-known and having-good-market company like BCC.

### **Business results**

*6-month revenue and profit fulfilled 47.4% and 92.5% of the year plan*

In 2Q09, BCC generated a gross revenue of VND 569.34 billion, increasing 1.7% over 1Q09. Net profit amounted to VND 56.6 billion, dropping 24.8% from 1Q09. For the 6-month period, the company reached revenue of VND 1,129.33 billion and net profit of VND 131.87 billion, respectively making 47.4% and 92.5% of the year plan.

*Sales of nearly 1.4 tons of cement:* In 1H09, BCC sold around 1.4 million tons of cement, equivalent to 47% of the year plan (of 3 million tons), rising 5.44% over one year, and account for 6.5% of the national market. With the recent annual capacity of 1.8 million tons, the sales reflect the company's production at over designed capacity and huge demand for BCC cement.

*Surging COGS:* The rise in electricity and petroleum price increased COGS; hence gross profit margin fell from 21.9% in 1Q09 to 19.9% in 2Q09.

### **Notable issues on the financial reports**

*High value of inventories:* As of 2Q09, inventory stood at over VND 2,389 billion, of which, new factory's machines, equipments and materials (which were recorded as "Inventory materials") totaled to VND 2,000 billion. By the end of 3Q09, the inventory book value may decrease upon the accounting transfer to fixed asset or construction in progress.

*Construction in progress is increasing by VND 272.19 billion* due to the on-going construction of new cement factory. This item may soar at the end of 3Q09 as the project is in its final phase.

*Long term liabilities rose by VND 181 billion to VND 3,258 billion:* The company continued to increase long-term borrowings to fund the new project. Total investment capital is expected at VND 4,085 billion, which is financed by owner equity (VND 398 billion) and borrowings (VND 3,577 billion).

*In general, there are few changes in the company's business operation and financial condition, except for the increase in debts for financing the new project.*

### **Project implementation progress**

The new factory project is in implementation. In Apr'09, the packaging production line has started operation. Necessary machines and equipments for the new factory have been purchased, either being delivered to the company or on the way. The installation is also in progress for completion in 4Q09.

### **2H09 outlook**

It is quite difficult to fulfill the target of 1.6-million-ton sales in 2H09 due to the seasonal factor as sales won't be high in the rainy season of 3Q09.

The new factory will operate in in 4Q09 and some expenses will be recorded in 2H09 results. As a result, 2H09 profit may sharply decrease against that of 1H09.

Upon our assessments of BCC's good 1H09 and optimistic cement market conditions, we expect BCC to fulfill its planned revenue and exceed its projected profit for the year.

### **Peer Comparison**

Industry player	Market Cap (VND mil.)	Rolling 4-quarter Revenue (VND mil.)	Rolling 4-quarter Profit (VND mil.)	PE	PB
BCC	1,578,413	2,130,436	233,575	6.8	1.3
BTS	1,299,586	1,307,213	120,827	10.8	1.1
SCJ	312,256	268,088	41,288	7.6	1.8
SDY	34,650	265,068	5,962	5.8	1
TBX	20,026	97,919	5,357	3.7	1.1
HT1	1,442,701	2,644,706	150,568	9.6	1.4
HT2	1,434,400	768,326	151,560	9.5	1.4
CCM	97,350	193,959	13,464	7.2	1.9
<b>Industry average</b>				<b>7.6</b>	<b>1.4</b>

## FINANCIAL STATEMENTS

<b>INCOME STATEMENT (VND mil)</b>	<b>2Q08</b>	<b>3Q08</b>	<b>4Q08</b>	<b>1Q09</b>	<b>2Q09</b>
<b>Net revenue</b>	<b>473,436</b>	<b>452,438</b>	<b>548,659</b>	<b>560,004</b>	<b>569,335</b>
<b>Cost of goods sold</b>	<b>404,881</b>	<b>373,699</b>	<b>432,636</b>	<b>437,109</b>	<b>456,051</b>
<b>Gross profit</b>	<b>68,555</b>	<b>78,739</b>	<b>116,023</b>	<b>122,896</b>	<b>113,283</b>
Financial income	411	194	698	362	793
Financial expenses	7,895	5,054	13,468	7,259	75
Interest		5,054	13,468	7,259	75
Net financial income	<b>-7,483</b>	<b>-4,861</b>	<b>-12,770</b>	<b>-6,897</b>	<b>718</b>
Selling expenses	812	14,711	32,134	18,771	22,638
Administrative expenses	17,813	18,072	19,379	22,403	27,192
<b>Net operating profit</b>	<b>42,447</b>	<b>41,096</b>	<b>51,740</b>	<b>74,825</b>	<b>64,170</b>
Other incomes	3,739	3,454	11,090	2,592	2,751
Other expenses	2,082	1,656	4,020	2,145	2,259
Net other income	1,657	1,798	7,070	447	492
<b>Profit before tax</b>	<b>44,105</b>	<b>42,894</b>	<b>58,810</b>	<b>75,272</b>	<b>64,662</b>
Income tax					8,063
<b>Net profit</b>	<b>44,105</b>	<b>42,894</b>	<b>58,810</b>	<b>75,272</b>	<b>56,599</b>

<b>BALANCE SHEET (VND mil)</b>	<b>2Q08</b>	<b>3Q08</b>	<b>4Q08</b>	<b>1Q09</b>	<b>2Q09</b>
<b>ASSETS</b>					
<b>Short-term assets</b>	<b>2,304,028</b>	<b>2,561,840</b>	<b>2,747,071</b>	<b>2,937,418</b>	<b>2,804,976</b>
Cash and equivalent	26,383	22,137	84,828	92,387	52,066
Short-term receivables	455,458	446,251	338,332	522,778	331,400
Inventories	1,808,598	2,078,581	2,298,511	2,310,155	2,389,937
Other short-term assets	13,589	14,871	25,401	12,098	31,572
<b>Long-term assets</b>	<b>1,340,915</b>	<b>1,529,042</b>	<b>1,907,896</b>	<b>1,931,653</b>	<b>2,183,106</b>
Fixed assets	1,335,778	1,523,608	1,902,395	1,926,586	2,177,986
<i>Tangible fixed assets</i>	752,403	718,996	700,171	668,377	648,241
<i>Intangible fixed assets</i>	91,654	90,336	89,013	87,724	87,069
Construction in progress	491,722	714,275	1,113,211	1,170,485	1,442,675
Long-term financial investments	5,000	5,000	5,000	5,000	5,000
Other long-term assets	137	435	501	67	121
<b>TOTAL ASSETS</b>	<b>3,644,942</b>	<b>4,090,882</b>	<b>4,654,966</b>	<b>4,869,071</b>	<b>4,988,082</b>
<b>EQUITY</b>					
<b>Liabilities</b>	<b>2,467,485</b>	<b>2,874,374</b>	<b>3,479,740</b>	<b>3,620,986</b>	<b>3,790,162</b>
Short-term liabilities	363,013	407,652	489,599	543,649	531,642
Long-term liabilities	2,104,471	2,466,723	2,990,141	3,077,337	3,258,519
<b>Equity</b>	<b>1,177,458</b>	<b>1,216,508</b>	<b>1,175,227</b>	<b>1,248,085</b>	<b>1,197,920</b>
Owners' capital contribution	956,614	956,614	956,614	956,614	956,614
Share premium	56,614	56,614	56,614	57,007	57,007
Other funds			6,437	6,437	6,437
Forex difference	-41,959	-41,959	-138,604	-138,657	-138,604
Retained earnings	107,938	150,796	209,579	290,735	124,011
Funds and reserves	98,251	94,443	84,587	75,948	192,455
<b>TOTAL LIABILITIES AND EQUITY</b>	<b>3,644,942</b>	<b>4,090,882</b>	<b>4,654,966</b>	<b>4,869,071</b>	<b>4,988,082</b>

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