BAOVIET Securities

Contrustion Industry

Company visit note

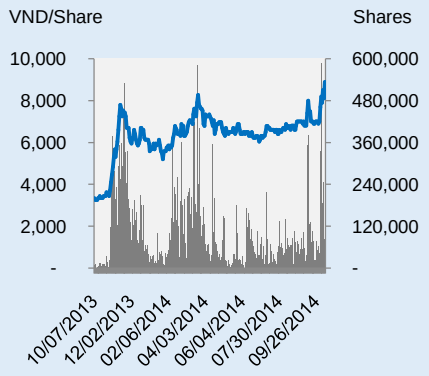
Otc, 2014

Recommendation	
Target price (VND)	
Market price (09/10/2014)	8,900
Expected return	

SHARES INFORMATION

Trading exchange	HSX
52-week price range	3,200-8,900 VND
Market cap	99 Bil VND
Outstanding shares	11,114,472 shares
10-day average volume	221,575 shares
% foreign owned	0.42%
Foreign room	49%
Dividend per share	-
Dividend yield	-
Beta	0.86

PRICE MOVEMENTS



	YTD	1M	3M	6M
SDP	166,0%	20,3%	34,9%	38,8%
VN-Index	24,8%	-1,3%	5,9%	10,4%

Analyst

Khanh Le

(84 8) 3914 6888 ext: 133

leduykhanh@baoviet.com.vn

Petro Song Da Trading & Investment JSC

Sticker : SDP Reuters: SDP.HN Bloomberg: SDP VN

SDP – Having large-scaled projects but only generating modest profit, inappropriate with its potential

I. Core business: Manufacturing and trading value in 2013: construction 16.9%, industrial manufacturing 5.3%, materials and equipments trading 77.8%.

II. Projects Update:

a. Thai Binh thermal power plant 2 project:

- Having signed contract for designing, installing and constructing 3 closed coal yards on 1/10/2014.
- The bidding package contract of "designing, forecasting, supplying and installing steel structure and constructing 3 closed coal yards'' signed by Petrovietnam Construction JSC (HNX : PVX) and a contractor consortium including Thaibinh Petroleum Trading and Investment JSC; Petro Song Da Trading & Investment JSC (HNX : SDP) and Consultancy Company Limited of University of Civil Engineering has a value of VND 1,006 billion.
- This package will be completed in 2 years.
- SDP will be in charge of VND 335 billion of this package.
- This project has a gross profit margin of 3-5%.

Despite its low profit margin, this project will still make contribution into SDP's profit in 2015 and 2016.

b. The 157 hectare project at Nghi Son economic zone.

- SDP has contributed 50% capital for executing this project.
- The 1st land plot over 67 hectares: was developed into an industrial zone for leasing. At the beginning of October 2014, 40 hectares of this project was under leasing (generating an estimated revenue of VND40 billion/year). Currently, the remaining of this land plot is under successive construction and expected to be leased in June/2015.
- The 2nd land plot over 90 hectares: its infrastructure construction was executed according to the technical standard of the premise of Nghi Son Petrochemical Refinery Plant phase 1. This land plot will be handed over to Nghi Son Petrochemical Refinery Plant when this plant needs to carry out its phase 2. SDP is prioritizing the execution of the 1st land plot.

c. Hang Lang quarry – Tinh Gia District – Thanh Hoa Province:

- Supplying fence stone and crushed stone for the execution of projects in Nghi Son Refinery & Petrochemical Complex.

- Having started fence stone exploitation at a capacity of 30,000 cubic meters/month.
- Its crushing line was put into testing on 5 October and expected to start producing commercial crushed stone since 10 October. Revenue from crushed stone is forecast at VND6 billion/month
- As expected, in November, the company will move its existing crushing line to this project. Then, its exploitation capacity will be doubled to about 60,000 cubic meters/month.

Its revenue from stone exploitation is forecast at VND24 billion in Q4.

d. Project of constructing roads in Son La – Lai Chau: This project is behind schedule due to slow land clearance and being executed in Q2 which also coincided with the rainy season. In Q3/2014, its execution went as scheduled. This project is expected to be the main revenue generator of SDP in 2014.

e. Supplying materials and additives: These activities encountered difficulties in Q2/2014 due to regulation on load limit but had certain improvements in Q3. The company is negotiating with owners to share the additional transport expenses.

f. Vinh Thanh – SOTRACO Residential Area project at Nhon Trach District – Dong Nai Province. The company is equitization its branch at Ho Chi Minh City and call for investments from other partners. However, we think this project can hardly have any movement in 2014.

g. Continuing bidding for other projects:

SDP has many advantages when bidding for other projects. Some of these projects are: a package of completing Lai Chau Hydropower project, Huoi Quang, other packages from the project at Nghi Son economic zone and from Thai Binh thermal power plant, etc.

III. One of its major shareholders, Petrovietnam Construction JSC (HNX: PVX) intends to make divestment:

PVX is currently holding 26.99% stake and intending to divest from SDP. This divestment is scheduled to be completed at the end of 2015. This stake will likely be sold on the stock exchange with the matched price be equal to the market price at the transaction time but not lower than its cost price of VND10,000/share. We currently have not received any more information about this divestment of PVX.

IV. Risk:

High accounts receivable. By the end of Q2/14, SDP's accounts receivable was VND341.6 billion, accounting for 47% of its total assets and 2.2 fold its owner's equity. According to its management, these receivables contain no default risk because most of them are internal Song Da Group receivables. However, investors should consider inherent risks from these receivables.

Low profit margin. Most of its revenue and profit come from construction and materials and equipments trading. Therefore, the company has rather low profit margin. Then, when the company encounters adverse movements in input material price or poorly manages its project expenditure, its profit will likely be adversely affected.

V. Investment recommendation

As expected, SDP will likely fulfill its target profit of VND10.7 billion, equivalent to an EPS of VND963/share. With the market price of VND8,500/share as at 7/10/2014, the company is trading at a PE forward of 8,8x, rather appropriate with its current status. However, its current market price is much lower than its book value of VND13,700/share. It's obvious that, with an annual revenue of over VND800 billion and the large scale of its projects, the profit of VND10.7 billion is really inappropriate with the company's potential. We expect that SDP will continue to win large-value contracts and improve its operating efficiency in the coming time.

OWNERSHIP INFORMATION

State owned	26.99%
Foreign owned	0.42%
Others	72.59%

MAJOR SHAREHOLDERS

PVX	26.99%
Phong Phu Corp	8.71%

FINANCIAL RATIOS

Profit and loss statement

Unit (VND billion)	2010	2011	2012	2013
Revenues	966,55	872,11	789,33	854,36
Cost of goods sold	907,14	796,93	714,57	782,14
Gross profit	59,41	75,18	74,77	72,22
Financial income	17,95	7,76	4,67	1,22
Financial expenses	22,91	31,71	38,27	25,02
Net income	11,66	7,21	6,05	7,14

Balance sheet

Unit (VND billion)	2010	2011	2012	2013
Cash and cash equivalents	34,54	90,90	28,94	71,58
Accounts receivable – short-term	303,56	424,53	328,34	455,72
Inventories	106,49	85,12	94,81	111,49
Tangible fixed assets	76,08	114,96	110,66	100,20
Long-term investments	54,01	49,45	36,73	39,20
Total assets	**607,15**	**826,87**	**670,10**	**828,06**
Short-term loans	135,66	180,17	189,00	215,23
Long-term debt	73,08	90,36	61,73	49,08
Owners' equity	124,33	151,25	152,44	156,81
Total resources	**607,15**	**826,87**	**670,10**	**828,06**

Financial ratios

Items	2010	2011	2012	2013
Growth				
Revenue growth (%)	113%	-10%	-9%	8%
Net profit growth (%)	-9%	-38%	-16%	18%
Yield				
Gross profit margin (%)	6%	9%	9%	8%
Net profit margin (%)	1%	1%	1%	1%
ROA (%)	2%	1%	1%	1%
ROE (%)	11%	5%	4%	5%
Capital structure				
Total liabilities to total asset (%)	0,8	0,8	0,8	0,8
Total liabilities to Owners' equity (%)	3,9	4,5	3,4	4,3
Per shares				
EPS (VND/share)	1.457	649	544	642
Book value (VND/share)	15.541	13.608	3.715	14.109

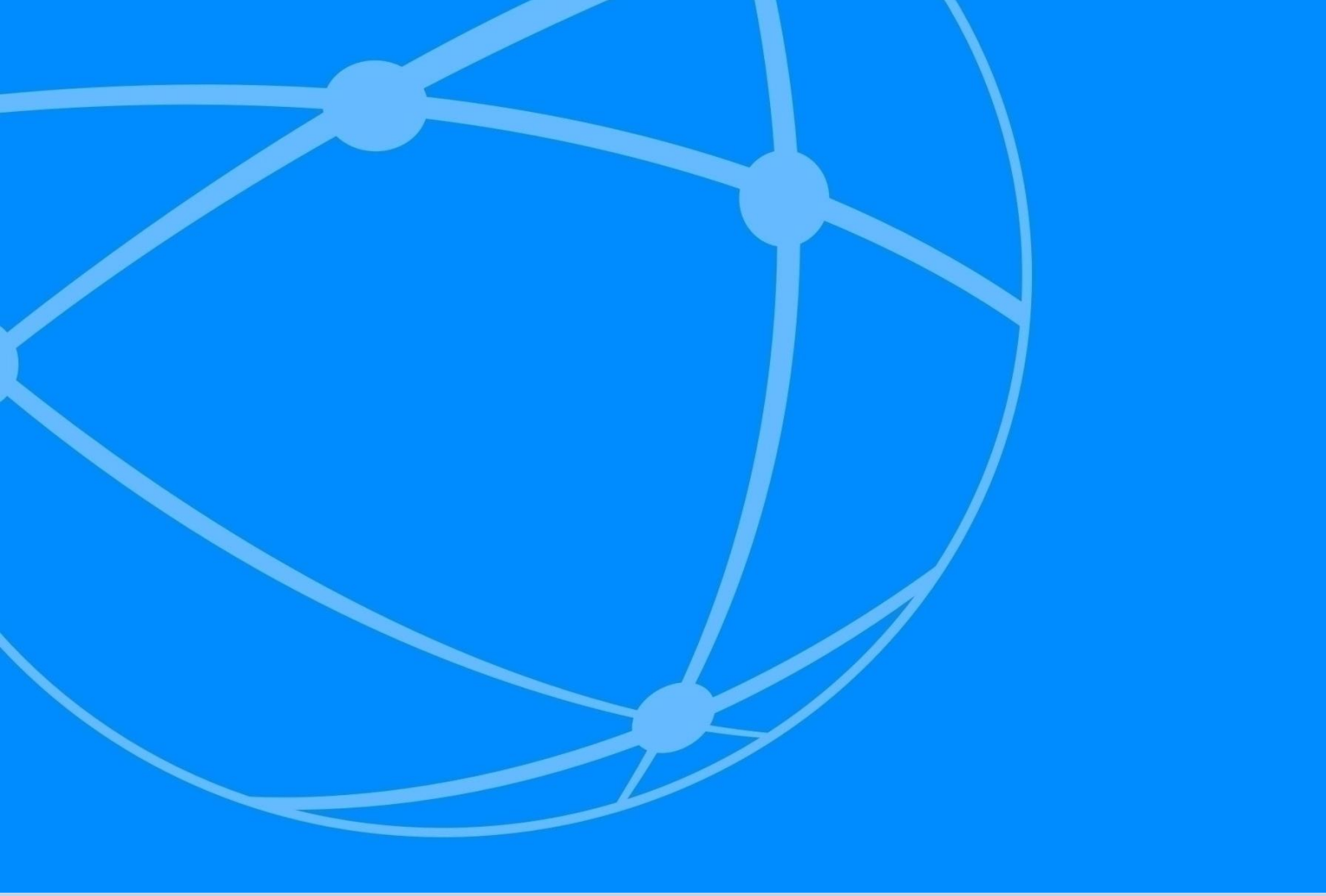
Report's notes

Target price is the price set by specialists based on analysis of company's operating activities, development potentials and potential risks, The methods used for identifying expected value are the generally accepted ones such as: discounted cash flow methods (FCFE, FCFF, DDM); net asset value method NAV; equal comparison method based on ratios (P/E, P/B, EV/EBIT, EV/EBITDA,…), The application of these methods is different in each sector, each enterprise and each share, Moreover, market sentiment can have influence on the specification of share's target price,

RECOMMENDER SYSTEM OF BVSC

The recommender system of BVSC, built based on the absolute increase/decrease of share price to reach the target price, has 5 level based on the difference ranked from the lowest to the highest, Investors should note that these investment recommendations can change every quarter-end after BVSC performs corporate revaluation.

Levels of recommendations	
Recommendation	**Define**
OUTPERFORM	Market price is lower than target price 15%
NEUTRAL	Market price is lower than target price 0% - 15%
UNDERPERFORM	Target price is lower than market price



GENERAL DISCLAIMER

All information mentioned in this report has been verified carefully and confirmed to be trustworthy, However, Bao Viet Securities Company (BVSC) takes no responsibility with regard to the accuracy or completeness of any information contained here, Viewpoint and analysis in the report are personal opinions of analysis at the issuance time which can be changed any time without notice, Therefore, we have no obligation to send notifications to investors,

The report is for the purpose of providing information and does not intend to advice readers to buy, sell or hold any securities, Investors should use information, analysis, comment in the report as a reference source,

BVSC can have cooperation activities, investments or perform investment banking operation with the entity mentioned in this report, Readers should note that BVSC can have benefit conflict with investors when performing this report,

RESEARCH AND CONSULTANT DEPARTMENT

Bao Viet Securities Company

Head office: 8 Le Thai To, Hoan Kiem Dist,, Hanoi

Tel: (84 4) 3 928 8080 Fax: (8 44) 3 928 9888

Branch: 233 Dong Khoi, Dist,1, Ho Chi Minh City

Tel: (84 8) 3 914 6888 Fax: (84 8) 3 914 7999