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9M.2016 – STABLE GROWTH

- **Stable growth.** Four rock-mining companies have published Q3.2016 financial statements. In which, three companies including KSB, NNC and C32 recorded sales growth. Specifically, KSB's share price has doubled since the beginning of 2016, C32's share price also increased by 80% since the beginning of 2016 reaching 58,600 VND. Despite slight decrease in sales performance, DHA's share price increased by 62% since the beginning of 2016 from 19,150 VND to 30,850 VND.
- **Stable price with gradual growth trend.** In 2016, rock price varies in regions across the country. Specifically, rock price showed a slight upward-trend in the Central of Vietnam, while it was a downward-trend in the South & the North. By the end of Q2.2016, the average price in the South was the highest with 279,031 VND/m³, which is 98.8% compared to last year. Despite recording a slight increase, average rock price in the Central area still remain the lowest price compared to other regions with 189,074 VND/m³ - 90,000 VND lower than the average price in the South.

2017 OUTLOOK

- **Potential growth in rock-demand.** According to the governmental planning for construction material from 2016 to 2030, the total demand for rock material is around 135 million m³ in 2016, and it is estimated to reach 181 m³ in 2020. In which, rock's demand in the South (the main market of rock mining companies such as KSB, NNC, C32, and DHA) is around 35 million m³ in 2016, and it is estimated to reach 45 m³ in 2020. Also, according to the Ministry of Transport, from 2016 to 2020, Vietnam will need around 1,015,000 billion VND (roughly \$48 billion) to develop the transportation infrastructure mainly in HCMC and Hanoi. In which, 651,000 billion VND will be used for road infrastructures.
- **Companies with long exploitation-period rock-mines have comparative advantages.** The government has recently announced its strict regulation in granting mining-license for new rock-mines until 2020. As a result, companies with high capacity and long exploitation-period rock-mines will have significant comparative advantage.
- **M&A trend.** Due to the government's strict regulation in granting mining-license for new rock-mines until 2020, according to VCBS, the new trend for rock-mining companies will be M&A between (1) companies with more experience/capital and (2) companies with long exploitation-period rock-mines; this would benefit both companies as they can take advantage of each other's rock-capacity/customer base.

OVERVIEW

I. Overview

According to the Ministry of Construction, the total capacity of rock mineral in Vietnam is roughly 34.3 billion m³ of magmas, 5 billion m³ of sedimentary rocks, and 895 billion m³ of metamorphic rocks. Implementing current technologies, around 42 billion m³ of rocks can be mined which can fulfil the demand of Vietnam's construction.

Because of the limited ability as well as limited technology, Vietnam is not able to improve the rock mining capacity. Whereas, most equipments/tools/machines are imported from China, Russia, Poland, etc. Rock-mining companies in Vietnam varies in terms of technology, some companies use high-technology equipments, while some companies use old technology/outdated machines. In rock mining industry, the company's performance depends mainly on its technology. Companies with higher technology will perform better in terms of capacity/product quality.

In recent years, Vietnam has signed free trade agreements such as EU FT, AEC, etc which play the key role in attracting FDI inflow to Vietnam. As a result, developing the basic infrastructures is necessary, especially infrastructures connecting regions and industrial parks such as highways, national routes – main catalysts for the surge of rock demand.

Due to specific nature of rock-mining industry with high transportation cost, the majority of final products will be consumed locally in surrounding areas/cities. As a result, rock-mining companies in the South rarely competes with companies in the North/Central or imported products. According to VCBS, companies with rock-mines located near the river will have comparative advantages - as customers tend to use their own ships/barges to transport rock after the purchase, companies with rock-mines located near the river can save transportation cost.

Capacity and distribution of rock mines in Vietnam

Rock types	Capacity (billion m ³)	
Magma (A+B+C1+C2+P) <i>Distributed in the North, mainly in the countryside/sub-urban areas.</i>	Granite	31
	Diorite	1
	Rhyolite	1
	Basalt	1.1
	Andesite	0.2
Sedimentary (B+C1+ C2) <i>Mainly limestone distributed in the North - high quality, open cast, thin coating, located close to financial center and transportation infrastructure.</i>	Limestone	4.2
	Sandstone	0.7
	Laterite	0.1
Metamorphic (C1+ P) <i>Mainly distributed in the North and Central, complex topographic, not located near transportation infrastructures.</i>	Marble	0.39
	Quartzite	0.37
	Silicate	0.14
Rock-mines have been explored/in exploring process.	A	>.1
	B	>0.22
	C1	>0.25
	C2	>0.5

(Ministry of Construction)

II. MARKET PRICE

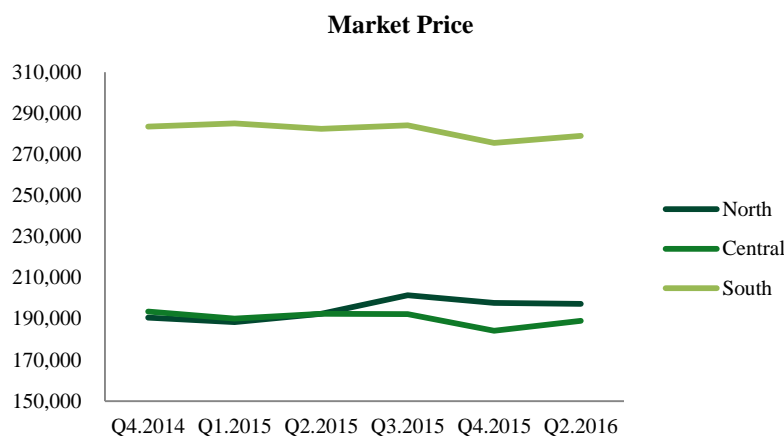
Stable price with gradual growth trend. In 2016, rock price varies in regions across the country. Specifically, rock price showed a slight upward-trend in the Central of Vietnam, while it was a downward-trend in the South & the North. By the end of Q2.2016, the average price in the South was the highest with 279,031 VND/m³, which is 98.8% compared to last year. Despite recording a slight increase, average rock price in the Central area still remain the lowest price compared to other regions with 189,074 VND/m³ - 90,000 VND lower than the average price in the South.

Average rock price across regions (VND/m3)

Regions	2014	2015				2016	
	Q4	Q1	Q2	Q3	Q4	Q1	Q2
North	190,610	188,343	192,390	201,443	197,776	193,388	197,256
Central	193,575	190,142	192,417	192,292	184,167	185,367	189,074
South	283,430	285,114	282,362	284,171	275,600	273,560	279,031

(Ministry of Construction)

After a long time being depleted, the decrease of rock capacity in the South leads to high selling price of rock in this region. Due to the high transportation cost, rock in the North/Central areas is rarely transported to long-distance regions such as the South, this is the main reason why rock price in the South stay higher than other regions. As a result, rock-mining companies in the South have more potentials than others.



(Ministry of Construction)

III. ROCK-MINES IN THE SOUTH

The potential of rock-mining companies depends mainly on the capacity and the exploitation-period of rock-

mines. As a result, some companies are extending the exploitation-period, or applying for permission to exploit new mines. Specifically, Nui Nho & Tan Dong Hiep rock-mines are close to their exploitation-period, which is by the end of 2017. These mines play the key roles in performances of KSB, NNC and C32 with high quality rock (1x2 rock has high demand with high price) as well as strategic location (close to the financial/industrial center such as HCMC, Binh Duong, Dong Nai). Although new mines can compensate for capacity when old mines expires, to some extent, revenue will be affected because at the beginning of mining period, newly-exploited mines can only produce low-quality rock with low selling-price.

Southern rock-mines updates

Rock-mine	Location	Company	Capacity (million m ³ /year)	Remaining capacity (million m ³)	Exploitation period
Tan Dong Hiep	Binh Duong	KSB & C32	1.95	1	2017 (Extending)
Phuoc Vinh	Binh Duong	KSB	0.1	3.3	2017 (Extending)
Tan My	Binh Duong	KSB	0.54	3.9	2029
Tam Lap	Binh Duong	KSB			Applying for mining license
Nui Nho	Binh Duong	NNC	2.1	2.5	2017
Mui Tau (Tan Lap)	Binh Phuoc	NNC	0.5	13.5	2030
Thanh Phu 1	Dong Nai	BBCC	10		
Thien Tan	Dong Nai	BBCC			
Doi Chua	Dong Nai	BBCC			
Soklu	Dong Nai	BBCC			
Binh Loi	Dong Nai	CTI	0.3	10	2033
Xuan Loc	Dong Nai	CTI	0.3	10	2033
Tan Cang 8	Dong Nai	CTI	1	10	2020
Doi Chua 3	Dong Nai	CTI	2	16.5	2033
Thanh Phu 2	Dong Nai	DHA	1	6.5	2020
Tan Cang 3	Dong Nai	DHA	0.49	5.8	2024
Nui Gio	Binh Phuoc	DHA	0.2	6.9	2025
Thanh Phu 3	Dong Nai	HTX Binh Thanh	1		

(VCBS)

IV. POTENTIAL RISKS

Rock-mining industry is mainly affected by governmental policies protecting national natural resources. Besides, this industry also encounters other risks:

1. Market Risk

In the past, mineral-resources prices have been fluctuated during the financial crisis, which indicates that this industry is sensitive toward the economy stability. Fortunately, thanks to the nature of rock-mining industry

with high transportation costs, local products rarely compete with imported products from China like other construction material such as cement, steel, etc.

2. Weather Risk

Because most of rock-mines are opencast, mining-activities depend heavily on the weather. As a result, changes in weather could cause significant impact on mining-activities such as work safety, capacity as well as revenue. Specifically, because of the storm in October this year which caused heavy rains, many rock-mines such as Tan Dong Hiep, Thanh Phu were flooded which caused decrease in capacity.

3. Environmental Policies

Rock is non-renewable resources with limited capacity, and therefore, mining – activities involves in environmental issues as well as legal issues. From 2016 to 2020, the government will restrict the number of mining-permit for new rock-mines. As a result, the new regulation will cause obstacles for companies with rock-mines going to expire soon. According to VCBS, the new trend for rock-mining companies will be M&A between (1) companies with more experience/capital and (2) companies with long exploitation-period rock-mines; this would benefit both companies as they can take advantage of each other's rock-capacity/customer base.

2017 OUTLOOK

I. INFRASTRUCTURE DEVELOPMENT IN THE SOUTH

Recently, HCMC People's Committees has sent the proposal to the Prime Minister about the planning for Cat Lai Bridge. According to the proposal, Cat Lai Bridge will be 4 kilometers in total length. This 55-meters-high suspension bridge includes 4 lanes for vehicles with the total investment of VND 5,700 billion. Also, the Ministry of Transportation has approved the proposal from Dong Nai People's Committees connecting Huong Lo 2 with National Route 51 as well as Long Thanh – Dau Giay Highway.

According to the Department of Investment & Planning in Dong Nai, there are roughly 200 real-estate projects in the province, many of them are worth hundreds of millions USD such as: Waterfront City with the total investment of \$750 million (367ha), Aqua City with the total investment of \$519 million (305ha) located in Long Hung – Bien Hoa City, Hoa Sen project in Dai Phuoc, and other complex projects in the East of Saigon, Phuoc An, Nhon Trach, Vinh Thanh, Long Tan, etc.

Infrastructure development outlook. According to the Department of Statistics, the value of infrastructure construction by the end of Q3.2016 in the South reached 747.4 trillion VND (+13.1% yoy). The stable growth shows a tendency to continue in the next 2-3 years thanks to (1) governmental regulations/policies which boost the development of transportation infrastructure construction, (2) the recovery of real estate market, and (3) the improvement of FDI inflow. Key infrastructure projects in the South including the Metro system 1, 2, 3, 4; Long Thanh – Dau Giay highway, Vo Van Kiet road, Thu Thiem tunnel, Saigon Bridge 2, and the Inner Ring Road project will be main catalysts for the surge of rock demand.



(Department of Statistics)

II. MARKET DEMAND

Rock demand in 2017. According to the governmental planning for construction material from 2016 to 2030, the total demand for rock material is around 135 million m³ in 2016, and it is estimated to reach 181 m³ in 2020. In which, rock’s demand in the South (the main market of rock mining companies such as KSB, NNC, C32, and DHA) is around 35 million m³ in 2016, and it is estimated to reach 45 m³ in 2020. Also, according to the Ministry of Transport, from 2016 to 2020, Vietnam will need around 1,015,000 billion VND (roughly \$48 billion) to develop the transportation infrastructure mainly in HCMC and Hanoi. In which, 651,000 billion VND will be used for road infrastructures.

According to the proposal from the Ministry of Transportation, from 2015 to 2020, Vietnam will focus on building 2,000 kilometers of Highway. Also, for the planning until 2030, around VND 392,379 billion will be spent on Highway infrastructure (roughly VND 49,000 billion each year). Big projects in the South such as Long Thanh Airport, Dau Giay – Phan Thiet Highway, National Route 20 connecting Dalat and other projects will be main catalysts for the growing demand of rock – the main material in building Highway. As a result, there are ample spaces for the growth of rock-mining industry.

III. OUTLOOK

Insignificant effect from the world market. The mining industry has been severely affected by the downward-trend of the world’s demand due to the instability of China’s economy. However, thanks to (1) the nature of rock-mining industry which rarely competes with imported products, (2) the recovery of real-estate market, and (3) plans for transportation infrastructure improvement, there are positive signals for the potential growth of rock-mining companies. Compared to other regions across the country, the growth demand for rock in the South is higher (10%-12% compared to 6%-7%)

Although rock-mining activities have been affected due to heavy rains in October, there are positive signals for November and December when the weather forecast is better. The end of the year is the peak time for real-estate market and other construction activities, which will enhance rock demand as well as rock selling price. Recently, both NNC and C32 raised the price for 1x2 rock from 2%-4%, which was up by 10% compared to last year.

According to VCBS, rock-mining companies in the South will maintain 10% growth in terms of revenue

and NPAT in 2017. Currently, P/E of KSB, C32 and NNC is under 10 – which is lower than the market average. As a result, recent price decreases of these companies make them cheaper and potential for investors.

PERFORMANCES OF LISTED ROCK-MINING COMPANIES IN 9M.2016

I. PERFORMANCE

Stable growth. Four rock-mining companies have published Q3.2016 financial statements. In which, three companies including KSB, KSB and C32 recorded sales growth. Besides stable financial health, the recovery of real-estate market as well as development plans for transportation infrastructures will be significant catalysts for roc-mining industry growth.

Specifically, KSB’s share price has doubled since the beginning of 2016, C32’s share price also increased by 80% since the beginning of 2016 reaching 58,600 VND. Despite slight decrease in sales performance, DHA’s share price increased by 62% since the beginning of 2016 from 19,150 VND to 30,850 VND.

Thanks to the surge of construction material demands, KSB & NNC growth’s main drivers came from increases in capacity and revenue. For C32, although revenue from construction segment was down compared to last year, the company recorded revenue growth from construction material segment such as rock & sewer pipe. Also, by enhancing the capacity – which helps reach the economy of scale, profit margin has improved significantly compared to last year. Specifically, net profit margin in 9M.2016 of KSB was 24%; NNC 34.2%; and C32 20.5% (these ratios were 17.8%; 23.1%; and 17.2% last year). According to VCBS, companies with rock-mines in strategic locations such as Tan Dong Hiep, Nui Nho of C32, KSB and NNC would maintain positive growth in 2017.

Financial ratios of rock-mining companies

	Price (21/11/2016)	Market Cap (VND billion)	ROE (%)	ROA (%)	P/E	P/B
KSB	68,000	1,591	23.9	14.9	10.6	2.8
DHA	30,900	464,6	13.8	12.1	11.0	1.9
C32	58,600	656,3	31.1	22.7	6.2	2.1
NNC	77,400	1,272	43.3	30.9	6.2	3.5
Average			33.6	22.9	8.5	2.6

(VCBS)

II. OTHER SUPPORTING INFORMATION

Low debt ratio

Besides positive sales performance, the advantage of investing in rock-mining companies is that they have low debt ratio. Specifically, rock-mining companies in the South maintain low Debt/Total Assets ratio, most of them have no bank loan.

Debt/Total Assets by the end of Q3.2016 of rock-mining companies

Unit (VND billion)	Debt	Total Assets	Ratio
KSB	350.7	937.5	37.4%
DHA	41.6	378.4	11.0%
C32	119.9	495.3	24.2%

NNC	80.9	491	16.5%
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(VCBS)

Stable Cash Flow

Companies in this industry such as KSB, NNC and C32 tend to have stable business performance with positive cash flow from operating activities.

Cash Flow from operating activities 2014-2016

Unit (VND billion)	2014	2015	9M.2016
KSB	138.6	157.4	44.3
DHA	24.9	35.3	-0.6
C32	34.3	80	49.0
NNC	37.6	141.5	55.7

(VCBS)

POTENTIAL COMPANIES

I. NUI NHO MINE JSC (HOSE: NNC) - HOLD

9M.2016 Overview

NNC – Nui Nho rock-mine maintains stable sales growth. The comparative advantage of Nui Nho mine is that it has strategic location, high quality rock, and stable sales growth due to the increasing demand from construction projects such as My Phuoc – Tan Van highway, Suoi Tien Metro, etc.

In Q3.2016, NNC's revenue was VND 148 billion (+11% yoy). Despite increasing 11% in revenue, cost of goods sold increased only 6%, which led to 20% increase in gross profit compared to last year. Also, income tax has been down from 22% to 20%, which contributed to the 18% growth of NPAT – VND 45 billion. NNC's accumulated 9M.2016 revenue was VND 414 billion (+18% yoy), and NPAT was VND 136 billion (+55% yoy) - equivalent to EPS of VND 10,400/share.

Unit (billion VND)	Q3.2016	Q3.2015	%	9M.2016	9M.2015	%
Revenue	148.2	133	11%	414	349.6	18%
COGS	88.2	82.7	7%	238	220	8%
Gross profit	60	50.3	19%	176	129.6	36%
Administration expense	4.2	2.6	62%	8.2	6.8	21%
NPAT	44.8	38	18%	135.5	88.1	54%

(NNC)

Since the beginning of November, NNC's share price has been down from VND 92,000/share to VND 78,600/share. This could be attributable to the investors' concerns as on the meeting on November, the Board of Directors has made the decision to penetrate into logistics, water supply, and agriculture sectors – which have lower profit margin compared to rock-mining industry and construction.

Currently, NNC is investing in M&C Binh Duong – Binh Duong Construction Material & Construction Ltd (10% - equivalent to VND 103 billion) so that NNC can sign mining-contract with M&C Binh

Duong's rock-mines in the future. Specifically, M&C Binh Duong's main operation is construction material & construction (brick, cement, sand, rock, etc). Currently, the company has mining-licenses of four rock-mines including Tan My, Thuong Tan (Tan Uyen province), and 2 other mines in Phu Giao province – the average capacity of each mine is about 10 million m³ and can start mining-activities by the end of 2016. According to VCBS, this is an effective investment so that NNC can mitigate the risk of not being able to extend the exploitation-period of Nui Nho mine – Nui Nho mine yields the majority of revenue/profit for NNC, and will expire on December 31st 2017.

OUTLOOK

2016 estimated mining capacity of NNC could reach 3.2 million m³, in which 85.2% of the total capacity is from Nui Nho rock mine. **2016 estimated revenue and NPAT is VND 606 billion (+19% yoy) and VND 189 billion (+53% yoy) respectively** – equivalent to EPS of VND 11,524/share and PE 6.25. **In 2017, estimated revenue and NPAT is VND 691 billion (+14% yoy) and VND 210 billion (+11% yoy) respectively** – equivalent to EPS of VND 12,220/share and PE 5.9.

II. 3-2 CONSTRUCTION JSC (HOSE: C32) - HOLD

9M.2016

Tan Dong Hiep rock-mine remains the main revenue contributor of C32 in 2016, the average selling price of rock from this mine is around VND 180,000/m³. In Q3.2016, C32 recorded slight revenue growth which reached VND 134 billion (+2% yoy). Thanks to the decrease of cost of goods sold, gross profit increased by 33% reaching VND 40 billion. Gross profit margin increased from 22.6% in Q3.2015 to 29.6% in Q3.2016. As result, C32's NPAT was up 24% compared to last year reaching VND 26 billion.

By the end of Q3.2016, accumulated revenue and NPAT was VND 368.3 billion (slight growth compared to last year) and VND 75 billion (+23% yoy) – equivalent to EPS of VND 9,884/share.

Unit (billion VND)	Q3.2016	Q3.2015	%	9M.2016	9M.2015	%
Revenue	132.3	132.1	0%	366.2	367.9	0%
COGS	92.6	102.2	-9%	257.2	274.9	-6%
Gross profit	39.7	29.9	33%	109	93	17%
Administration expense	3.5	3.2	9%	11	9	22%
NPAT	25.7	20.8	24%	75	61.3	22%

(C32)

C32 has revenue structure spreading out among segments. Specifically, revenue from mining-activities accounts for only 45% of C32's total revenue – this ratio is around 80% for other companies such as KSB, NNC; revenue from construction segment accounts for 30%, revenue from sewer-pipe production and other services accounts for the remaining 25% of total revenue.

Currently, C32 is operating mining activities at Tan Dong Hiep rock-mine. However, Tan Dong Hiep is going to expire by the end of 2017, which raises concerns among investors about the company's outlook in case Tan Dong Hiep's exploitation-period cannot be extended. As a result, C32 is under pressure to look for new rock-mines to replace Tan Dong Hiep.

According to the latest update, C32 has just become a major shareholder at DHA. Specifically, C32 has increased its ownership at DHA to 8.16%. Both C32 and DHA are rock-mining companies in Binh Duong. Currently, DHA has mining-licenses of 3 rock-mines with the total capacity of 18 million m³. With the exploitation-period up to 2020-2025, DHA has comparative advantages compared to other companies such

as NNC, C32 or KSB. According to VCBS, this can be a promising investment as C32 could secure its rock resources for the future. In case Tan Dong Hiep rock-mine expires by the end of 2017, C32 can still cooperate with DHA to conduct mining-activities as a major shareholder at DHA's rock-mines.

C32 is planning for the production expansion by moving the factory from Thuan Giao to Thanh Phuoc port, and expand the sewer-pipe production in Tan Uyen, Binh Duong province also. According to the C32, the total investment for the expansion plan is around VND 170 billion, in which 30% is from bank loan with the interest rate of 6.5%/year. The new factory is expected to put into operation by the end of 2017 with the sewer-pipe capacity of around 150,000 m³/year. By the middle 2017, the new factory will reach 80% of its capacity, and it will reach full capacity in 2018.

OUTLOOK

2016 C32's estimated revenue and NPAT is VND 560 billion and VND 106 billion respectively (slight growth compared to last year) – equivalent to EPS of VND 9,464/share and PE 5.8. In which, revenue from rock-mining accounts for 40% of the total revenue – VND 225 billion, revenue from construction service accounts for 35% - VND 193 billion, sewer-pipe sales accounts for 10% - VND 56.7 billion, and revenue from other services accounts for 15% - VND 85.3 billion. C32 is likely to be able to accomplish its 2016 target because:

1. By the end of Q3.2016, accumulated rock-capacity reached the expectation, and is estimated to achieve the 2016 target – 1.2 million m³, which accounts for 40% of the total revenue and 70% of the total NPAT.
2. Sewer-pipe production shows positive signals thanks to quality improvement as well as demand surge due to infrastructure construction such as National Route 1. Sewer-pipe production activity is estimated to account for 30% of the total revenue and 20% of the total NPAT.

2017 estimated revenue and NPAT is VND 569 billion and VND 108 billion respectively (slight growth compared to 2016) – equivalent to EPS of VND 9,642/share and PE 5.7.

III. BINH DUONG MINERAL RESOURCES & CONSTRUCTION JSC (HOSE: KSB) - POSITIVE

9M.2016

Due to the high quality rock at Tan Dong Hiep, KSB's 2016 estimated total rock capacity is around 3.7 million m³. By the end of Q3.2016, KSB's revenue was VND 327 billion (+28% yoy) and NPAT was VND 64 billion (doubled compared to last year), low COGS also lead to increase in gross profit margin which reached 57%. Accumulated revenue by the end of Q3.2016 was VND 641 billion (+17% yoy), and NPAT was VND 154 billion (+59% yoy) – which is equivalent to EPS (ttm) of VND 7,820/share.

Currently, KSB is operating mining-activities at 3 rock-mines in Binh Duong including Tan Dong Hiep (3.4 million m³, Di An province), Tan My (19.7 million m³, Bac Tan Uyen province), and Phuoc Vinh (17.1 million m³, Phu Giao province). Specifically, (1) Tan Dong Hiep plays the key role with 9M.2016 accumulated rock capacity of 1.8 million m³, revenue was VND 340 billion (64% of mining-segment revenue, 53% of KSB's total revenue); (2) Tan My's rock capacity was 670,000 m³, revenue was VND 88 billion (16% of mining-segment revenue, 14% of KSB's total revenue), (3) Phuoc Vinh's rock capacity was 590,000 m³, revenue was VND 103 billion (19% of mining-segment revenue, 16% of KSB's total revenue). Despite accounting for only 59% of KSB's total rock-mining capacity, Tan Dong Hiep's revenue accounts for around 64% of rock-mining revenue due to high quality rock as well as high selling price.

Unit (billion VND)	Q3.2016	Q3.2015	%	9M.2016	9M.2015	%
Revenue	236.8	184.6	28%	641.4	548	17%

COGS	135	120.1	12%	379.5	347.9	9%
Gross profit	101.8	64.5	58%	261.9	200.1	31%
Administration expense	8.9	8.4	6%	26.9	31	-13%
NPAT	64	31.8	101%	153.9	96.5	59%

(KSB)

Many rock-mining companies in Binh Duong – including KSB are extending their mines’ exploitation-period for another 2-3 years. Currently, KSB is operating mining activities at 3 mines, in which Tan Dong Hiep is going to expire by the end of 2017, and KSB has sent out application to extend its exploitation-period. In addition, KSB is investing around VND 50 billion in machinery/equipment to improve the mining capacity at Phuoc Vinh and Tan My. Also, KSB has sent out application for mining-license at Tam Lap rock-mine (Phu Giao, Binh Duong province). As estimated, the 13 million m³ rock-mine could gain around VND 2,000 billion for KSB in the future.

Besides positive outlook due to potential rock demands in 2017, Tan My and Phuoc Vinh extension plan as well as Tan Dong Hiep exploitation-period extension plan are catalysts for KSB to reach the rock capacity of over 4 million m³ each year. This is KSB’s comparative advantage as other companies’ rock mines are going to expire.

Besides rock-mining activities, KSB is planning to extend Dat Cuoc industrial park for another 340ha. Specifically, Dat Cuoc industrial park is planned to be extended for 136ha until 2018, and the remaining 214ha extension is planned until 2021. According to KSB, the company will record VND 505 billion in revenue from selling 53.2ha, and another 1,865 billion in revenue (VND 467 billion in gross profit) from selling the remaining areas until 2020. Also, KSB is currently negotiating with its strategic partner about selling Binh Duc Tien real-estate project. In case KSB can finish the deal on schedule, it will record revenue of VND 120 billion and gross profit of VND 37 billion in Q4.2016.

OUTLOOK

With positive performance during 9M.2016, **VCBS expects that by the end of 2016, KSB’s revenue will reach VND 850 billion (+15.2% yoy, 106% annual target) and NPAT of VND 204 billion (+63% yoy, 142% annual target)** – equivalent to EPS of VND 7,846/share and PE 8.67. The above forecast is without profit from real-estate segment. In case KSB record profit from real-estate segment in this year, KSB’s revenue will reach VND 970 billion (+31% yoy) and NPAT of VND 237 billion (+90% yoy) – equivalent to EPS of VND 9,115/share and PE 7.46.

In 2017, VCBS maintains positive outlook for KSB because (1) exploitation-period of Tan Dong Hiep and Phuoc Vinh rock-mines are planning to be extended for another 2 years, and (2) Phuoc Vinh’s capacity is expected to double due to the contract with Bau Bang industrial park. **KSB’s 2017 forecasting revenue is VND 1,040 billion and NPAT is VND 250 billion – equivalent to EPS of VND 9,615/share with PE 7.07.**

IV. HOA AN JSC (HOSE: DHA) - POSITIVE

9M.2016

DHA – Mining activities have been slowdown recently. Although rock mined from Nui Gio has high quality with huge demand, other rock-mines of DHA have been operating perfunctorily due to intense competition – especially Thanh Phu 2 which contributes up to 60% of DHA’s revenue.

In Q3.2016, DHA’s revenue reached VND 48 billion (slightly down compared to last year), increase in COGS leads to 18% decrease in gross profit which reached VND 12 billion. Gross profit margin was down

from 29.4% to 24.6%, NPAT was VND 7.3% (-19% yoy) due to the increase of administration expense. By the end of Q3.2016, accumulated revenue was VND 139 billion (+1% yoy), NPAT was VND 30 billion (-10% yoy) – equivalent to EPS (ttm) of VND 2,733/share.

Unit (billion VND)	Q3.2016	Q3.2015	%	9M.2016	9M.2015	%
Revenue	47.6	48.3	-1%	138.7	137.2	1%
COGS	35.9	34.1	5%	99.3	97.8	2%
Gross profit	11.7	14.2	-18%	39.4	39.4	0%
Administration expense	3.6	3.1	16%	10	7.6	32%
NPAT	7.3	9	-19%	30	33.3	-10%

(DHA)

Currently, DHA operates mining activities on 3 rock-mines including Nui Gio, Tan Cang 3 and Thanh Phu 2. These mines' exploitation-period will last for the next 8-10 years, which is a strong comparative advantage for DHA. Unlike other companies, DHA is not under pressure to look for new rock-mines to replace the old ones.

Nui Gio mining-activities have been improved due to the demand increase in the surrounding area. At the moment, DHA is planning to upgrade the machinery/equipment as well as asking for permission to increase the mining-capacity up to 280,000 m³/year at Nui Gio. Currently, Nui Gio's total capacity is 5.5 million m³, its capacity will be increased when the company is granted permission to extend the mining-depth from 60 meters to 80 meters. According to VCBS, Nui Gio is among the most potential rock-mines of DHA as it has low fixed cost, and potential demand from surrounding areas – Tay Ninh and Binh Phuoc have been developing recently in terms of infrastructure. In general, Nui Gio is expected to be the main revenue source for DHA in the future due to high quality rocks, high selling price as well as low competition.

According to the latest update, C32 has just become the main shareholder of Hoa An JSC (DHA). Specifically, C32 has increased its ownership at DHA up to 8.16%. As both C32 and DHA are operating in rock-mining industry, this could be an effective strategy for both companies to co-operate with each other.

OUTLOOK

a. 2016 Outlook

2016 estimated revenue and NPAT will be VND 210 billion (+4% yoy, 122% annual target) and VND 48.6 billion (+8% yoy, 118% annual target) respectively – equivalent to EPS of VND 3,240/share and PE 9.1. Details are as followed:

1. Thanh Phu 2 still plays the key role with the forecasting rock capacity of 813,000 m³, revenue will reach around VND 118 billion (56% of total DHA's revenue) with NPAT of VND 32 billion (65.8% of total DHA's NPAT).
2. Nui Gio's rock capacity is expected to reach 245,000 m³, estimated revenue is around VND 35 billion (16.7% of total DHA's revenue) with NPAT of VND 5.5 billion (11.3% of total DHA's NPAT).
3. Tan Cang 3's expected rock capacity is 356,000 m³, estimated revenue is around VND 40 billion (19% of total DHA's revenue) with NPAT of VND 600 million (1.2% of total DHA's NPAT).
4. Also, DHA will record VND 25 billion of revenue in Q4.2016 from transferring Thanh Phu 2 industrial field, which is estimated to yield NPAT of VND 12 billion for the company. Specifically, the industrial field of Thanh Phu 2 has been moved to a new location in the middle of 2016. As a result, Thanh Phu 2's capacity has been down significantly since June this year.

b. 2017 Outlook

VCBS ranks positive outlook for DHA due to the potential from Nui Gio rock-mine as Tay Ninh & Binh Phuoc is on the development planning. **2017 estimated revenue and NPAT will be VND 270 billion (+28% yoy) and VND 50.4 billion (+3% yoy) respectively** – equivalent to EPS of VND 3,360/share and PE 8.76. Details are as followed:

1. Thanh Phu 2 still plays the key role with the forecasting rock capacity of more than 1 million m³, revenue will reach around VND 162 billion (60% of total DHA's revenue) with NPAT of VND 39 billion (77.4% of total DHA's NPAT).
2. Nui Gio's rock capacity is expected to reach 257,000 m³, estimated revenue is around VND 39 billion (14.4% of total DHA's revenue) with NPAT of VND 6 billion (12% of total DHA's NPAT).
3. Tan Cang 3's rock capacity is expected to stay the same as 2016 with 367,000 m³, estimated revenue is around VND 42.4 billion (15.7% of total DHA's revenue) with NPAT of VND 700 million (1.4% of total DHA's NPAT).

V. CUONG THUAN IDICO JSC (HOSE: CTI)

Although CTI's main operation is B.O.T (Build – Transfer – Operate), CTI is also a potential company for rock-mining activities. Due to changes in governmental policies, B.O.T projects are no longer attractive with high profit margin as they used to be in the past. Therefore, for future plan, CTI has no plan for new B.O.T project – the company now focuses on mining plans instead. Specifically, CTI is currently owning mining-license of 4 rock-mines with high capacity and long exploitation-period compared to other companies' such as KSB, DHA, C32 and NNC. Also, the government has recently announced its strict regulation in granting mining-license for new rock-mines until 2020. As a result, companies with high capacity and long exploitation-period rock-mines like CTI will have specific comparative advantage compared to others. According to the Board of Directors, from 2017, CTI will boost its mining activities at 4 rock-mines in Dong Nai.

CTI's rock-mines

Mines	Information	Update	Location
Binh Loi	<ul style="list-style-type: none"> - Total area: 79ha. - Mining area: 20ha - Total capacity: 10 million m³ - Mining-capacity: 300,000 m³/year - Mining-period: 2033 - Designed mining-capacity: 1.5 million m³/year - Products are sold to the market 	Site-clearing in progress	Vinh Cuu, Dong Nai
Tan Cang 8	<ul style="list-style-type: none"> - Total area: 22ha. Mining area: 10ha. - Low effectiveness due to low capacity. The government is working on the site-clearing process for the remaining area. - Total capacity: 11.5 million m³ - Mining-capacity: 200,000 m³/year - Mining-period: 2035 - Designed mining-capacity: 1 million m³/year 	Finished the surface-ground clearing process	Bien Hoa, Dong Nai

	- Products are used for CTI's construction projects		
Doi Chua 3	<ul style="list-style-type: none"> - Total area: 71ha - Total capacity: 17.8 million m³ - Mining-period: 2033 - Designed mining-capacity: 2 million m³/year - IDICO Dong Nai is currently in charge 	Finished the surface-ground clearing process	Vinh Cuu, Dong Nai
Xuan Loc	<ul style="list-style-type: none"> - Total area: 20ha. - Transferred from Sonadezi 	Surface-ground clearing in process	Xuan Loc, Dong Nai

(VCBS)

In 2017, according to VCBS, Xuan Loc rock-mine will be potential as it could provide rock-material for the project Dau Giay – Phan Thiet Highway. Currently, rock mined from Xuan Loc has high quality with average selling price over VND 130,000/m². To be specific, according to PMU1 – Ministry of Transportation, the project has been proposed to Dong Nai People's Committees so that it can be launched in 2017. The 101-kilometer Highway costs nearly VND 18,000 billion, and is expected to be finished in 2019.

According to CTI, the company will be among main suppliers (rock/sewer pipes) for the project Long Thanh Airport launching in 2018-2019. Also, the drainage system project in Bien Hoa city as well as National Route 20 connecting Dalat are important catalysts for CTI's mining-activities growth.

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