

SHARE INFORMATION

Market price (07/08/2011)	17,100
52 weeks low	14,140
52 weeks high	33,930
Market cap, (billion VND)	3,205
Outstanding shares	187,449,951
10-day average volume	423

FINANCIAL INFORMATION

Unit: VND billion	2010A	2011E
Total revenue	11,203	12,771
Profit after tax	693	624
Total asset	7,673	9,135
Owner's equity	2,810	3,041

FINANCIAL RATIOS

Indicator	2010A	2011E
Revenue growth	49%	14%
PAT growth	37%	-10%
Asset growth	28%	23%
Equity growth	42%	8%
EPS growth	19%	-10%
Gross profit margin	12%	11%
Net profit margin	6%	5%
ROE	9%	7%
ROA	25%	21%

VALUATIONS

Indicator	2010A	2011E
EPS (dong/share)	3,696	3,329
P/E (x)	4.63	5.14
P/B (x)	1.14	0.96

Q2/2011 BUSINESS RESULTS FORECAST

Tight monetary of the Government to curb inflation has frozen real estate sector and caused much troubles to steel companies, especially the South steel mills. In the first 5 months of 2011, according to Vietnam Steel Association, although the whole industry consumption volume increased 16.24% comparing to the same period last year, consumption volume of Pomina decreased slightly, reaching only 292,879 tons. With the unfavorable consumption, Pomina lost the first place in terms of market share to HPG. Moreover, we believe that profit margin of Pomina in Q2/2011 also declined as imported material price increased while domestic price was stable. We estimate that Pomina can reach VND 2,750 billion in revenue and VND 105 billion in profit after tax in Q2/2011, respectively decline 5% and 35% compared to Q1/2011.

2011 BUSINESS RESULT FORECAST

Unfavorable consumption. At present, Pomina's steel mills can run at only 50% -60% of capacity due to the low demand. In our opinion, the condition can not be improved considerably in the coming time with the difficulties in real estate sector and construction industry. Therefore, we assume that Pomina's steel output in 2011 will decrease about 5% compared to 2011, reaching 840,000 tons, 7% lower than its projection.

Decrease in gross profit margin. Although imported scrap price in the second quarter still increased but domestic steel price slightly declined because of low demand. We are known that at present, in spite of the high imported material price, Pomina still has to increase discount for distributors to keep the price unchanged and maintain the stable consumption volume. Therefore, gross profit margin of Pomina can decline in 2011.

High financial expense. Long term debts of Pomina in 2011 will increase about VND 800 – 900 billion provided for the 2 investments project (billet mill of 1 million tons and steel mill of 500,00 tons). Moreover, most of Pomina's debts are in foreign currency (USD and EUR), hence with the wide fluctuation in exchange rate, Pomina can be suffered for a considerable loss from foreign exchange differences.

Basing on the above assumptions, we estimate that the Company can reach VND 12,771 billion in revenue and VND 624 billion in profit after tax in 2011, representing 14% increase in revenue and 10% decrease in profit after tax compared to 2010.

RECOMMENDATION

*We keep our recommendation **BUY** with Pomina shares. Pomina is the largest steel mill in Vietnam and has dominant market share in the South (about 40%). Moreover, Pomina also has investment projects to improve competitive advantages and ensure its longterm growth perspective. As the projects complete in 2012 – 2013, total capacity of Pomina will be 1.6 million tons of steel and 1.5 million tons of billet, almost double the current capacity and can bring strong growth in revenue and profit to the Company.*



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RESEARCH & INVESTMENT ADVISORY DEPARTMENT

BaoViet Securities Company

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

Branch: 6 Le Thanh Ton, 1 District, Ho Chi Minh

Tel: (+844) 3 928 8080

Fax: (844) 3 928 9888

Tel: (848) 3 914 6888

Fax: (848) 3 914 7999

Analyst:

Senior Analyst:

Che Thi Mai Trang (04) 3,928,8080 ext: 606 chethimaitrang@baoviet.com.vn Luu Van Luong (04) 3,928,8080 luuvanluong@baoviet.com.vn