

# SONG DA URBAN & INDUSTRIAL ZONE INVESTMENT AND DEVELOPMENT JSC. (HOSE: SJS)

Industry: Real estate

Establishment date: 8<sup>th</sup> July 2003

Website: <http://www.sudicosd.com.vn>



Fpt Securities

Listing date: 6<sup>th</sup> July 2006

## Company's Overview

Song Da Urban & Industrial zone Investment and Development Jsc. was born according to Decision 946/QD-BXD, as a subsidiary of Song Da Holdings. The company was equitized by 8<sup>th</sup> August 2003. Its charter capital has been raised 7 times since its establishment and is currently at VND 1bn.

### Scope of business

- (1) Investment consultancy; Planning and executing projects of building construction; Doing business in real estate sector (housing, urban areas and industrial zones);
- (2) Providing leasing and maintaing services of housing, urban areas and industrial zones;
- (3) Providing consultant services of designation and execution of civil and industrial construction;
- (4) Real estate trading and Financial investment.

### Subsidiaries

- Board of project management of urban areas in Hanoi
- SUDICO real estate exchange

### Associates

No	Company	Ownership
1	Sudico Tien Xuan MTV Ltd., Co.	100%
2	Sudico An Khanh Jsc.	99.97%
3	Sudico services Jsc.	51%
4	Central Vietnam Sudico Jsc.	100%
5	Sudico Hoa Binh Jsc.	65%
6	South Sudico Jsc.	100%
7	Sudico Materials and development investing Jsc.	51%
8	Sudico Ha Long Jsc.	100%

### Affiliates

No	Company	Ownership
1	Sudico consulting Jsc.	29.30%
2	Sao Viet securities Jsc.	22.22%
3	Song Da 19 Jsc.	18.32%
4	Thang Long Commercial and Real estate investment Jsc.	30.00%
5	Sudico Construction Jsc.	29.77%
6	Song Da – Central urban and industrial zone investment and devevelopment Jsc.	48.57%
7	Phuc Son Light Brick Jsc.	22.48%

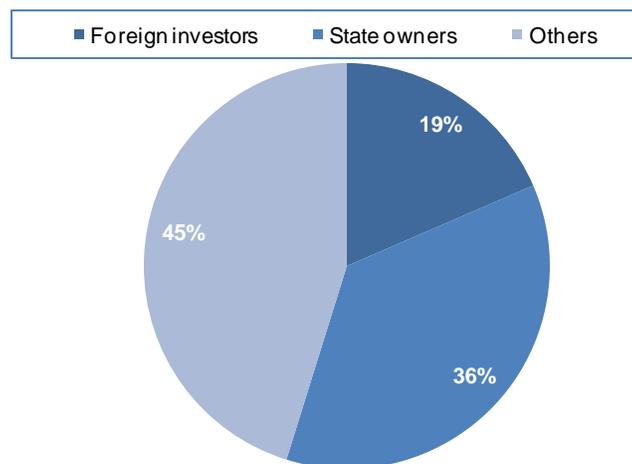
## Market data on 19<sup>th</sup> Feb, 2013

Market cap (VNDb)	2.288	Current price (VND)	23,100
30 day av trading volume	525.068	52 weeks high	41,000
Outstanding share (mn)	99	52 weeks low	17,400
Chartered capital (VNDb)	1.000	TTMP/E (x)	N/A
Adjusted EPS (VND)	(1.276)	P/B(x)	1,5
Dividend yield (%)	N/A	Foreign ownership (%)	19%

### Technical Price Chart



## PPC' Ownership breakdown by 6<sup>th</sup> Feb, 2013



Source: SJS

For more information about this stock code, please visit our website Ezsearch at <http://ezsearch.fpts.com.vn>

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**A Large bank of land with convenient locations and relatively low acquired costs.**

The company has owned a total of 1,800 hectares land, of which 110 hectares are commercial products with quite convenient locations, especially Nam An Khanh project which locates along Thang Long Avenue. Away from National Conference Centre about 5km, connecting West Hanoi and the Central Hanoi, this project has 63 hectares of commercial land which is nearly ready to be on sale. Section A of Nam An Khanh project was acquired at a quite low cost (approximately VND1.8mn/m<sup>2</sup>) compared with its current market price of about VND 20mn/m<sup>2</sup>.

**The legal risks have been mitigated, Nam An Khanh project would be the main project providing the revenue for SJS within 10 years.** Since late 2011, this project had been postponed and at risk of revocation, driving its selling price down from VND 35mn/m<sup>2</sup> to its today's price of about VND 20mn/m<sup>2</sup>. By Q2'12, the authorities demanded that this project be carried on as usual, still under the development of SJS. Nam An Khanh project has 106.7 hectare total area of commercial land of (included the expansion's part), serves as the second long time frame project (15-20 years), after My Dinh-Me Tri project, which guarantees a profitable return thanks to its low cost.

**Strong growth potential of revenue and cash inflows as soon as the real estate market rebounds and the government bailout in 2013 could strengthen the foundation of economic recovery.**

Sitting on a large bank of commercial land which is priced at the average level in the market, SJS is among real estate companies which have quality assets but have been strapped for cash. Until Vietnamese real estate thaws, SJS, however, could quickly convert inventories into cash, enhancing growth and turning things around when it has enough inflow cash to invest its main projects.

Resolution 2 issued on 7<sup>th</sup> January 2013 has provided several solutions to improve stagnant manufacturing activities and support Vietnamese real estate market. According to the Resolution, the State Bank will grant VND 20,000-40,000bn for 10 years to support State commercial banks to lend for housing mortgages. Also according in the government bailout policies, the government will cut tax rates, extend tax return in 2013, and provide favourable conditions (including loan supplies and low interest for housing mortgages) to low-income households and State employees. These policies will benefit property sellers in the mid-to-low segment or the land holdings with available inventories.

**With strategy of transferring Hoa Hai project in Ngu Hanh Son – Da Nang in 2013, SJS is expected to get rid of its current illiquidity problem and enhance its main projects' progress if this strategy succeeds.**

In early 2013, SJS's Board of management has claimed that they would transfer Hoa Hai project in Da Nang this year. This project was bought by SJS since 2010 with the initial cost of VND 963bn. Two years later, project's 1/500 design this project has yet been completed, while loan interests has built up, driving the project's value up to VND 1.108bn by 31/12/2012. Due to information scarcity, it's hard for us to evaluate the feasibility of this transfer this year as well as its selling

price. However, in case the company can manage to do it, its solvency will be partly solved and its key projects' progress will be accelerated.

## Main Projects

**Nam An Khanh Project:** Located in West Hanoi, this project sits between two communes An Khanh and An Thuong, in Hoai Duc district, Hanoi. The project has total area of 288.8 hectares usable land, in which 15.3 hectares in An Khanh commune was allocated as a service area for residents whose land was acquired. This project has 189 hectares construction area. It locates between ring road 3 and 4, connecting Hanoi with neighbor provinces. The convenient location enable every one can travel from Southern provinces either via ring road 3 to Noi Bai airport or via ring road 4 to High way 2. This project's 1/500 design was consulted by foreign experts and its legal document was completed in 2009 but approved until 2011.

The project is constructed as a complex of villas, apartments, residential buildings, office areas, commercial centres, supper markets, centre lakes, and recreation areas. Section A has a Spanish architectural design style with ecological lakes and a relatively low construction density (about 39%).

## Progress of SJS's projects updated in 2012 plan according to its 2011 annual report.

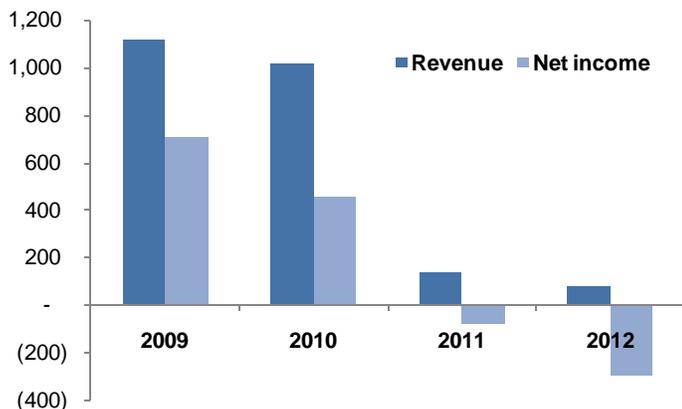
No	Project	Scale (ha)	2012 progress plan
1	Nam An Khanh urban area	288 ha (section A) 12 ha (expansion)	<p><b>Section A:</b></p> <ul style="list-style-type: none"> <li>- Completing site clearance and 70% designed workload of technical infrastructure;</li> <li>- Completing model houses, using them to advertise new products;</li> <li>- Completing foundation construction for low-rise apartments in period I and II;</li> <li>- High-rise towers: approved plans, designs, and financial estimates; executing experimental construction of concrete piles.</li> </ul> <p><b>Expansion (section B):</b></p> <ul style="list-style-type: none"> <li>- Completing site clearance and legal procedure of land acquisition as approved in the new plan;</li> <li>- Planning the investment project, designing and executing foundation construction.</li> </ul>
2	Van La –Van Khe-Hanoi	12	<ul style="list-style-type: none"> <li>- Completing the 1/500 design;</li> <li>- Completing construction of technical infrastructure;</li> <li>- Villas and apartments: Accomplishing raw construction and finishing the outside.</li> </ul>
3	Tien Xuan- Hoa Binh	1,300	<ul style="list-style-type: none"> <li>- Cooperating local authorities to make the project's plan;</li> <li>- Designing, adjusting 1/500 design suitable with the whole city's design;</li> <li>- Completing legal procedure to implement site clearance and focus in negotiation for land acquisition.</li> </ul>
4	Hai Hoa, Ngu Hanh Son, Da Nang	12.04	<ul style="list-style-type: none"> <li>- Completing 1/500 design, planning for construction of technical infrastructure, demining, leveling and planning business development.</li> </ul>
5	Chau Giang- Green Pearl new urban area, Ha Nam	250	<ul style="list-style-type: none"> <li>- Completing legal procedure and site clearance.</li> </ul>
6	Pho Noi urban area – Hung Yen	60	<ul style="list-style-type: none"> <li>- Having 1/500 design approved and approving the investment project.</li> </ul>

## Progress assess

In general, the projects' progress has been executed much slower than that was planned and most of the projects underperformed the annual investment plan. SJS, however, has accomplished construction of Nam An Khanh project's infrastructure and begun to launch new products which had enough liquidity and infrastructure in order to generate revenue in 2013.

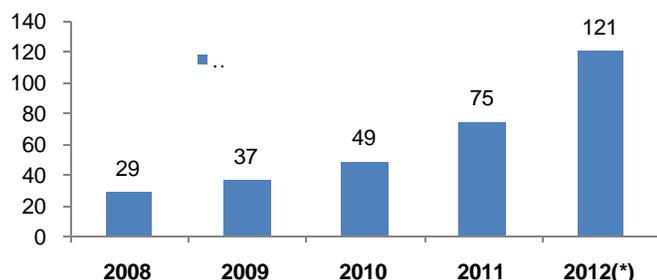
## II. BUSINESS ACTIVITIES

SJS's revenue and net income over years(2009-12)



Source: SJS

SJS's administration expense over years (2008-12)



(\*): Numbers in 2012 were estimated, unaudited Source: SJS

Administration expense's breakdown

Criteria	VND bn
Receivable allowance	50
Allowance of long-term securities investment	40
Allowance for inventories	145

Source: SJS

**In 2012, SJS has suffered the highest loss over the last 7 years.**

In Q4'12, SJS earned VND 31bn net revenue, down by 16.2% yoy, and suffered a loss of VND 175bn net income compared with negative VND 71bn at the same time last year, and building up total loss of VND 302bn. As a result, SJS has made a record in recognizing the highest loss level since its listing. Heavily affected by frozen market, SJS had its ability limited to focus on its major projects (Nam An Khanh, Van La - Van Khe), and yet to launch its products. Its revenue mainly came from services provided in urban areas and other activities.

**SJS's net income was on the downswing as the result of huge allowances and high growth in administration expense.**

SJS's administration expense has acceleratedly increased (42% CARG 2008-12), faster than the company's scale has grown. In 2012, its administration expense was VND 121 bn, as much as 1.6 times its revenue even though most projects has decelerated construction progress.

Recognition of high allowance drove SJS's cost of good sold (COGS) up and decreased long-term investment value. In frozen market, most property assets were supposed to decline their liquidity and therefore their values. Hoa Hai project – Da nang city, thus, decreased its book value by VND 145bn due to allowance recognition in 2012, raising SJS's COSG by the same amount. Its COSG was VND 171bn in Q4'12, about 10 times the last year's level and 5.7 times its total revenue. SJS's net income in Q4'12 was negative VND 175bn, still much lower than accumulated loss for first nine months (VND 124bn). Besides, SJS recognized a receivable allowance of VND 50bn and VND 40bn allowance of long term securities investment.

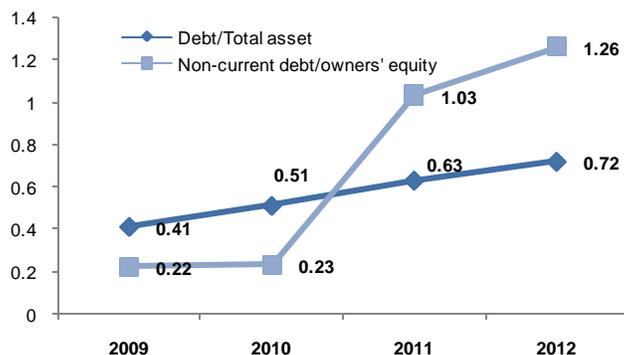
### III. FINANCIAL ANALYSIS

SJS's Asset structure by 31/12/2012

Criteria	Value (VND bn)	% Owners hip
<b>Current asset</b>	<b>4,648</b>	<b>84%</b>
Inventory	4,189	76%
Nam An Khanh Project	2,159	39%
Hoa Hai – Da nang Project	1,109	20%
<b>Non-current asset</b>	<b>862</b>	<b>16%</b>
Long-term financial investment	590	11%
<b>Total Asset</b>	<b>5,510</b>	<b>100%</b>

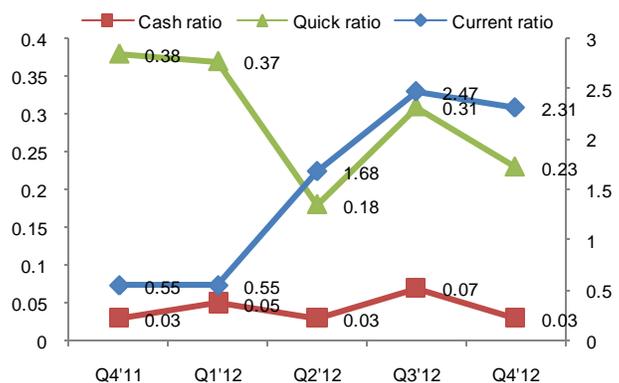
Source: SJS

SJS's financial leverage over years (2009-12)



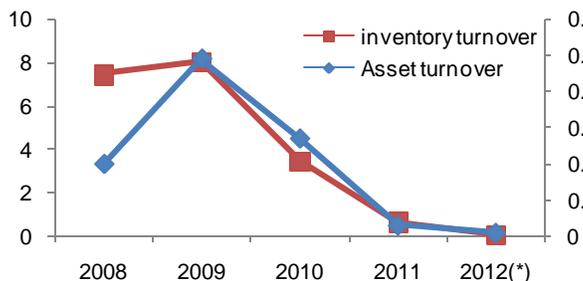
Source: SJS

SJS's liquidity criteria in 2012



Source: SJS

SJS's Operation efficiency over years (2008-12)



(\*): Estimated numbers

Source: SJS

Current asset, which was mostly composed by the inventories account, has high proportion in SJS's total asset.

Total asset of SJS in 2012 reached VND 5,510bn, in which VND 4,648bn belonged to its current asset, equivalent to 84% total assets, whereas non-current asset had the humble value of VND 862bn, less than 1/5 the current asset's value. Additionally, Inventories in 2012 was VND 4,188bn, making up about 90% the current account and approximately 76% the total asset. Thus, most of asset value was attributed to SJS's property products which have been under construction and waiting for launching. Especially, Nam An Khanh project (VND 2,159bn) constituted about 50% SJS's inventories and Hoa Hai –Da nang project 25% its inventories.

**High financial leverage was mainly attributed to long-term loans.**

SJS's Total liability was VND 3,947bn by 31<sup>st</sup> Dec 2012, accounting for 72% its total asset and recording the highest level over the last 5 years. In which, the interest-bearing loans were VND 2,204bn, equivalent to 40% SJS's total asset and non-current interest bearing loan reached VND 1,741bn, 1.26 times as much as owner's equity. These non-current liabilities were divided to 3 main parts: VND 550bn from Maritime Bank and VND 480bn from Viet A Bank for 3 years with the interest rate of 18%/year since June 2012; and VND 700bn corporate bond from Techcombank since 1<sup>st</sup> September 2011 with 3 year duration and 22.5% interest rate.

**Current ratio was high while quick ratio was quite low due to the large amount of inventories.**

Large difference between current asset and current liability (the former accounted for 84% the total asset while the later 34% total asset) made current ratio was relatively high, ranging from 2.3-2.5x. Quick ratio and cash ratio, however, have been humble for years as SJS's inventories composed the main part of its current asset.

**Operation efficiency ratios have declined for 2 years due to a sharp fall in real estate revenue.**

Inventory turnover in 2012 was around 0.05x, the lowest level ever recorded, as inventories' liquidity plunged while their values went up when SJS recognized accumulated interest expense and construction expense into inventories and no new product was sold. Total asset turnover in 2012 was 0.01x, relatively low because SJS's recognized revenue was much lower than its total asset.

## IV. FINANCIAL AND PROFITABLE STATEMENTS

<b>Profit &amp; Loss (Mn VND)</b>	<b>2012</b>	<b>2011</b>	<b>2010</b>	<b>2009</b>
Net sales	71,926	139,543	1,016,740	1,114,883
Gross profit	(146,312)	31,660	670,705	709,421
Financial income	7,129	5,349	50,633	215,746
Financial expense	30,384	27,578	52,256	10,203
Net operating profit	(294,276)	(70,176)	616,464	867,821
Profit before tax	(301,344)	(84,452)	611,398	866,467
Taxation	1,320	( 4,987)	153,598	153,919
Profit after tax	(302,644)	(79,465)	457,800	712,548
PAT of mother company's shareholders	(300,697)	(82,465)	4,587	712,548
<b>Balance sheet (Mn VND)</b>	<b>31/12/2012</b>	<b>31/12/2011</b>	<b>31/12/2010</b>	<b>31/12/2009</b>
Cash & cash equiv.	51,295	41,992	163,006	708,019
Short-term invmts			7,675	84,131
Current receivables	316,122	351,903	362,990	106,032
Inventories	4,188,697	220,490	126,671	76,959
Other current assets	131,001	76,738	33,188	17,031
Long-term invmts	3000	186	-	-
Fixed asset	238,046	3,725,160	3,137,802	1,706,697
Goodwill	-	<b>96,773</b>	<b>94,597</b>	-
Invmts properties	3,624	3,796	3,969	4,141
Long-term invmts	590,642	478,824	534,746	290,909
Other long-term assets	27,112	38,307	2,749	4,582
<b>TOTAL ASSETS</b>	<b>5,510,216</b>	<b>5,033,731</b>	<b>4,467,391</b>	<b>2,998,502</b>
Short-term liabilities	2,011,198	1,250,557	1,641,545	733,564
Long-term liabilities	1,935,469	1,904,818	639,537	500,421
Owners' equity	1,530,018	1,841,193	2,177,918	1,764,517
Minority Interest	33,531	37,163	8,393	-
<b>TOTAL RESOURCES</b>	<b>5,510,216</b>	<b>5,033,731</b>	<b>4,467,391</b>	<b>2,998,502</b>
<b>Ratios</b>	<b>2012</b>	<b>2011</b>	<b>2010</b>	<b>2009</b>
Growth				
<i>Net Revenue Growth (%)</i>	-48.45%	-86.28%	-8.8%	254.89%
<i>Net PAT Growth (%)</i>	-419.98%	-117.36%	-35.08%	493.14%
<i>Net PAT of mother company's shareholders (%)</i>	-465%	-118%	-35.87%	493%
<i>Owner's Equity Growth (%)</i>	-16.9%	-15.46%	23.11%	54.04%
<i>Total Asset Growth (%)</i>	9.47%	12.68%	48.99%	88.45%
Gross profit margin (%)	-179.74%	22.69%	65.97%	63.63%
Net profit margin (%)	-9.82%	-56.95%	45.03%	63.25%
ROA (%)	-0.14%	-1.74%	12.24%	30.73%
ROE (%)	-0.43%	-4.1%	23.16%	48.34%
Basic EPS (VND)	(1,276)	(824)	4,587	8,924
Total debts/Total assets (x)	2.31	0.55	0.42	1.36
Total Interest bearing Liab/Equities (x)	1.26	1.03	0.23	0.22
Total Liab/Equities (x)	2.58	1.71	1.05	0.69

### Note:

- All items from the Balance sheet and Profit and Loss accounts are provided in the audited FS of the company and quoted in VND' million except for numbers estimated in 2012.

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