

BINH CHANH CONSTRUCTION INVESTMENT SHAREHOLDING COMPANY (HSX: BCI)

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BCI's stock price movement



Trading data 19/02/2013

52 weeks high (VND/share)*	25,200
52 weeks low (VND/share)*	13,700
Listing shares (share)	72,267,000
Outstanding shares (share)	72,267,000
30 days average trading vol (share)	48,992
% Foreign ownership	32.17
Chartered capital (VND bn)	722.67
Market capitalization (VND bn)	1,257.45

Indicators (VND bn)	2011	2012
Net revenue	217	200
Gross profit	118	-106
Profit before tax	97	259
Profit after tax	79	171
Gross profit margin	54.4%	-53.1
Profit after tax margin	36.5%	85.9%
EPS (VND/share)	1,138	2,384
P/E	13.1	6.5
ROE (%)	4.7	9.8

Shareholders	Ratio (%)
HFIC	27.9
Southernbank	12.93
Tran Ngoc Henri	6.67
Warrenham Group Ltd	5.1
Tram Be	3.06
Other shareholders	44.34
Total	100

Summary

BCI's turnover in 2012 reached nearly VND 200bn, fulfilling 29% its annual plan. Its total revenue from both financial activities and its main business in 2012 was VND 667bn, completing 69% its plan. In which, the transfer of 70% equity of Phong Phu Industrial Park Corporation (PPIP) (equivalent to about VND 362bn) since Q2'12 took a significant proportion. The company's net income in 2012 was VND172 billion, outperforming 15% its annual plan.

The inventory account by 31st Dec 12 was VND 2,245bn, down by 9% compared with the 2011's level. In which, Infrastructure cost and construction in progress composed 99%, equivalent to about VND 2229bn. These inventory items were mainly composed of value of ground-land projects, which were listed in a relatively low-risk sector under such stagnant market as current. By late 2012, the Company's total usable land bank was about 343 hectares.

According to shareholder's revolution 2012, cash dividend rate was 18% equity and total dividend payments were VND 130bn. The company is expected to pay its current shareholders right after its annual shareholder meeting 2013 (scheduled in mid - April/2013) because of its abundant cash amount available as its net income outperformed 2012 annual plan.

Investment recommendation

In general, BCI has operated relatively smoothly without any high – risk potentials. Its financial leverage in 2012 was about 1.99x much lower than the industry average level which ranges from 4 to 5x. Huge inflow cash attained from the transfer of part of PPIP has markedly improved BCI's liquidity. Owning a large bank of free land located in the West of Saigon (Binh Chanh District) could be considered as a sharp advantage of BCI for the next 3 years, especially when the local authority has approved the 1/5000 design of South Sai Gon urban area. This project (known as Satellite city) spread over 2,975 hectare area, 65.8% of which (equivalent to 1958.6 hectares) locates in Binh Chanh District. This project will guarantee BCI's growth in coming years. Using the net asset valuation (NAV) method, we estimated BCI's stock value around VND 20,000 – 21,000 per share.

Recommendation: Accumulate/hold.

An assess on business performance

BCI's gross sale in 2012 reached VND 200 bn, in which VND 110bn was sale of Phong Phu 4 Residential Area, VND 6-7bn sale of the 14 last apartments in Nhat Lan Condominium project, and VND 50bn turnover from leasing and services in Le Minh Xuan Industrial Park.

In 2012, the company executed a land swap with local residents to complete site clearance progress of Phong Phu 4 Residential Area. Specifically, the local residents living in area of Phong Phu Project had to pay only VND 2-2.5mn/m² to resettle in new allocated area which had been invested with an average expense of VND 4-5mn/m² (mainly acquirement and infrastructure expense). With this selling price, BCI had to recognize a loss of VND 106bn in 2012. The land of Phong Phu Project, in turn, had value raised significantly to VND 12-13mn/m² as it was no longer used for agricultural purpose but for residency and its infrastructure was completed. Therefore, its operation efficiency was quite high with the gross profit margin of 30-40%.

In Q2/2012, the company successfully divested part of its investment in Phong Phu 4 Industrial Park as much as 70% this project's equity. This transfer contract had value of approximately VND 700bn, helping BCI earn VND 362bn turnover. Besides, a large amount of cash deposited in banks, realized as cash and cash equivalents account in the balance sheet (about VND335bn by 31st Dec 12) brought BCI additional VND 79bn deposit interest. The Company also earned VND 13.4bn interest from its customers for their late payment for sale of ground-land. Thus, BCI's financial activities had replaced its main business activities, playing a role as an generating resource of BCI's return.

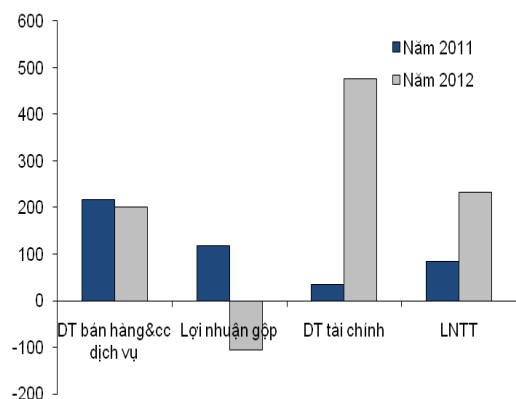
Whereas BCI's sale in 2012 completed only 29% its annual plan and its gross profit plunged to negative VND 106bn, its net income outperformed 15% the annual plan, reaching VND 172bn thanks to financial activities which generated about VND 400bn profit before tax. Profit after tax margin in 2012 was up to 86% compared with the 2011's level of 36.5%.

BCI's financial position in 2012

Inventory:

BCI's Inventory account was VND 2,245bn at 31st Dec12, down by 9% yoy. In which, infrastructure cost and construction in progress made up 99%, equivalent to about VND 2,229bn. Except for the VND 210bn construction expense of the foundation and two basements of An Lac Plaza project, most of inventory account was from site

BCI's business performance



Source: BCI's financial statement, FPT's gathering

Phong Phu 4 Residential Area's planning map



Phong Phu 2 Residential Area's planning map



Tan Tao 1 Condominium



clearance cost and infrastructure cost in large projects such as: Phong Phu 2 and 4 Residential Areas, Residential Area on plot 11A (Corona City project). The liquidity of ground land is better than that of apartments since ground- land's price hardly went down, ground- land is suitable for long-term investment, and its inflexibility in adjusting the project's area and the construction cost. Thus, BCI – a ground land holder- has a huge advantage compared with other real – estate companies.

Liability:

BCI's total liability by 31st Dec 12 was VND 487bn, decreased by 39%yoy. In 2012, BCI did not borrow any new loans due to high interest rates and the market stagnancy. It paid out a VND 157bn loan and made no new loans, but its interest expenses increased 40% yoy due to increasing interest rates.

Short-term receivables:

BCI's short-term receivables in 2012 were VND 175bn, in which the receivables from customers were VND 166bn. BCIT's short-term receivables account was also a factor supporting its abundant cash inflow.

Cash flow 2012 analysis

BCI's cash and cash equivalents account by 31/12/2012 was VND 338bn, increased by VND 43bn compared the previous year's level. Increased cash flow primarily came from investing activities. Meanwhile, cash flows from operating and financing activities were negative. Cash flow from operating activities was negative VND 138bn compared with VND 144bn in 2011. Additionally, other amount of cash spending on operating activities was VND 392bn, including VND 108bn of 2011 dividend payments (15% face value). Cash flow from financing activities was negative VND 157bn since the Company only paid out overdue loans and did not make any new loans.

Dividend

According to shareholder's revolution 2012, cash dividend rate was 18% equity and total dividend payments were VND 130bn. The company is expected to pay its current shareholders right after its annual shareholder meeting 2013 (scheduled in mid - April/2013) because of its abundant cash amount available as its net income outperformed 2012 annual plan.

The company's outlook in 2013

The company has proposed its 2013 business plan cautiously, estimating a sharp fall of revenue and profits this year. Specifically, 2013 total revenue is expected to decline to VND 300 - 400bn, equivalent to 50 - 60% the 2012 level. Profit after tax is also expected to plunge to VND 70 – 100bn, equivalent to 40 - 60% the previous year's level.

Business plan in 2013 (Unit: VNDbn)

Indicators	2012	Plan of 2013
Total revenue	667	350 - 400
Profit after tax	171	70-100
Cash dividend	18%	N/A

Source: BCI

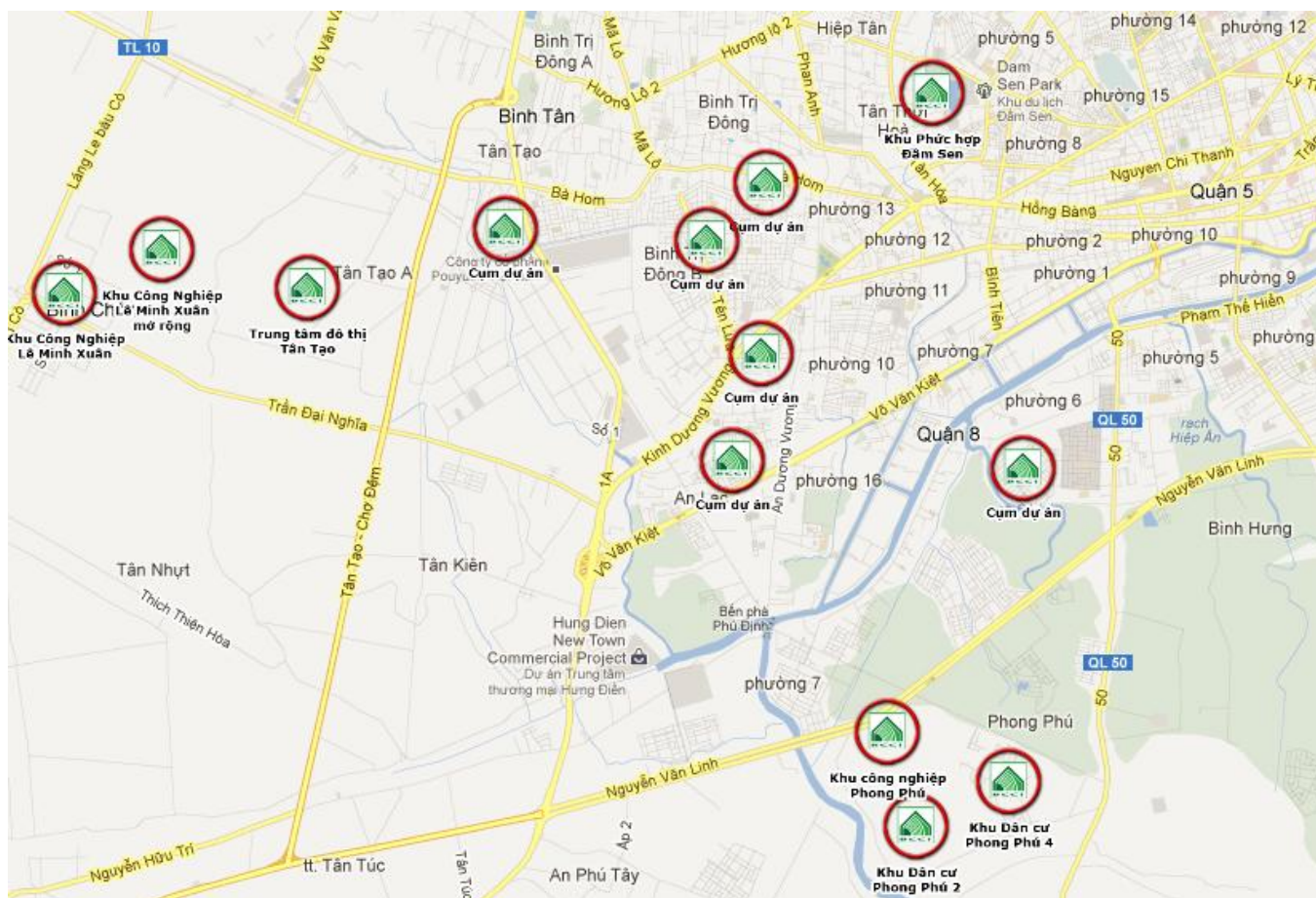
The forecasted BCI's business performance in 2013 was based on the following reasons: The real estate market in 2013 is not really thriving, hence sales from BCI's main projects are limited at VND 250 – 300bn (1). Financial income is not as high as 2012's level since the Company doesn't aim to transfer any projects (2). 2013 Revenue is estimated as the total of followings: VND32bn unearned revenue in Tan Tao 1 Condominium, a part of VND316bn unearned revenue in Phong Phu 4 Residential Area, the remaining 8 apartments of Nhat Lan Condominium, leasing turnover in Le Minh Xuan Industrial Park (about VND 50bn). BCI's EPS in 2013 is expected to reach approximately VND 1,400/share.

Updating the projects' progress

BCI is a real estate company that holds a large area of land which mainly locates in West Saigon. The total available land area by 31/12/2012 included as 343 hectares ground-land area (that is in site clearance phase) and more than 40,000 m² floor area (of Tan Tao 1 Condominium).

BCI's current primary segment is residential ground land; hence the liquidity is better than apartment projects under construction. There are several projects expected to bring in revenue for the next two years, such as: Phong Phu 4 Residential Area and 11A Residential Area. In addition, the Company also has a number of apartment projects nearly completed and on sale, including: Tan Tao 1 Condominium and Nhat Lan Condominium.

BCI's projects map



Source: BCI's website

Updated progress of the projects

No.	Project	Total area (m ²)	Compensated area (m ²)	Usable floor area (m ²)	Project speed (until 31/12/2012)
1	Phong Phu 4 Residential Area	839,997	403,199		Has completed 80% of the infrastructure of the residential area. Commercial land is approximately 40.2 hectares (including ground and condominium). The Company has sold about 60% of the total 40.2 hectares (all ground). In 2012, the Company recorded 90% of value of the contracts that are eligible to be recognized as revenue (approximately VND110bn). The unearned revenue is about VND316bn. This project is the major BCI's source of revenue in 2013.
2	Phong Phu 2 Residential Area (Green City)	1,329,200	664,600		The project consists of five sub-areas of 3383 houses including both attached dwellings with gardens and villas. The Company has paid 50% of the compensation (66 hectares have been freed up). Currently, BCI is building infrastructure of the area with the cost of about VND700,000/m ² . This project is expected to generate revenue for BCI in 2015.

3	Tan Tao 1 Condominium	12,621	-	43,000	The project has been adjusted to include 347 apartments rather than 240 apartments while each apartment's area decreases from 70 - 90m ² to 50-60m ² . Average price of raw construction of apartment is about VND10mil/m ² . Since starting selling, BCI has sold more than 80 apartments. In 2012, the Company sold 10 apartments but did not recognize this revenue. Unearned revenue of this project is about VND32bn. Floor area is about VND58,000/m ² .
4	11A Residential Area (Corona City)	181,600	118,040		The project's total area is about 18 hectares. Among, the area of residential land is about 6.7 hectares. BCI has paid 60 - 70% of the compensation, equivalent to 11 - 12 hectares. Revenue is supposed to be recognized in 2014.
5	Tan Tao Concentrated Residential Area	3,200,000	1,472,000		The project's total area is about 320 hectares; the area of residential land is about 110 hectares. BCI has paid approximately 46% of the compensation, equivalent to 147 hectares. Revenue is supposed to be recognized in 2014.
6	An Lac Plaza	7,553	7,553		BCI has invested VND210bn to build foundation and two basements. The Company is examining the efficiency of Tan Tao 1 Condominium project before deciding to change project function, from luxury to medium condominium.
7	Nhat Lan Condominium	12,425		-	The project consists of two 12-storeyed apartment blocks of 26,481 m ² floor area. BCI has sold 6 of 14 remaining apartments of the project and has recognized this revenue in 2012. It is expected that the Company will sell out the remaining apartments in 2013.
8	BCCI Apartment	4,701			BCI is redoing the basic design in order to build investment projects
9	Le Minh Xuan Industrial Park (extended)	1,090,000	763,000		Completed 70% of site clearing work, equivalent to 763,000 m ² . The Company is waiting for the approval of the City to hand over land-use rights.
Total		6,678,097	3,428,392	43,000	

Source: BCI's financial statement

Net asset value of BCI

BCI is a real estate company that has a large amount of land concentrating in the west of Ho Chi Minh City (Binh Chanh district and Binh Tan district). The company's total future projects' land is about 668 hectares; 343 hectares (about 50%) have been compensated for floor clearance. Most of BCI's projects are in forms of residential land, villa land and middle-class apartments. BCI's revenue is expected to surge from 2015 onwards when a lot of projects finish their compensation and start to build infrastructure. These projects include: Phong Phu 2 Residential Area (133 hectares), Tan Tao Residential Center (320 hectares), Corona City Residential Area (18 hectares) ... In addition, the positive expectations about the real estate market in the next 2-3 years, and the benefit from the planning of HCM City People's Committee are also positive signals for BCI's future growth.

The preliminary estimation shows that BCI's net assets value (NAV) is approximately VND 2,100bn as of 31/12/2012, accordingly, BCI's

stock price is valued in the range of VND 20,000 - 21,000/share, 21 - 27% higher than current price (VND 16,500/share).

GENERAL INFORMATION		INCOME STATEMENT			
Stock code	BCI	Indicators (mil VND)	2010	2011	2012
Company name	Binh Chanh Construction Investment Shareholding Company	Net revenue	797,289	216,873	199,491
Address	550 Kinh Duong Vuong, An Lac, Binh Tan	Gross profit	409,891	118,071	-105,857
Tel	(84.8) 38 753021	Financial income	9,372	21,667	468,192
Fax	(84.8) 38 753552	Financial expenses	-12,733	-22,392	-84,507
Email	mylinh@bccj.com.vn	Profit before tax	368,447	97,268	259,379
Website	http://www.bccj.com.vn	Profit after tax	281,140	79,156	171,269

MAJOR BUSINESS SECTORS		BALANCE SHEET			
<ul style="list-style-type: none"> Investment in the construction and business of houses and land for residential area Investment in the construction and business of services in industrial zones Investment in the construction of condominiums, markets, kindergartens, nurseries Investment in the construction of civil, industrial, transportation and irrigation works. Construction and installation of medium-voltage network. 		Indicators (mil VND)	2010	2011	2012
		Cash and cash equivalents	179,234	295,341	337,728
		Short-term financial investments	1,150	1,438	-
		Short-term account receivables	301,436	227,242	209,173
		Inventory	470,130	419,231	398,728
		Other short-term assets	17,976	13,374	3,457
		Long-term receivables	-	-	-
		Fixed assets and basic construction	977,846	1,029,417	502,090
		Long-term financial investments	95,062	130,835	148,968
		Other long-term assets	1,008	399	14
		Total assets	3,851,458	4,294,131	3,570,438
		Current liabilities	805,760	1,183,218	518,434
		Non-current liabilities	1,123,529	1,187,998	1,169,139
		Owners' equity	1,729,585	1,733,536	1,796,042
		Minority interests	192,584	189,380	86,823
		Total resources	3,851,458	4,294,131	3,570,438

Financial ratios				
Indicators	2010	2011	2012	
Gross profit margin %	51.4 %	54.4 %	-53.1 %	
Profit after tax margin %	35.3 %	36.5 %	85.9 %	
ROE %	19.4 %	4.7 %	9.8 %	
ROA %	8.2 %	2.0 %	4.4 %	
Inventory turnover (time)	0.2	0.0	0.1	
Account receivables turnover (time)	4.5	1.0	1.1	
Debt/Equity (time)	1.1	1.4	0.9	
Quick ratio (time)	0.6	0.4	1.1	
Cash ratio (time)	0.2	0.3	0.7	
EPS (VND/share)	3,909	1,138	2,384	
P/E (time)	8.0	13.1	6.5	
P/B (time)	1.3	0.6	0.6	

Interpretation of recommendation

This assessment aims to determine the share's value representing the corporate valuation, in order to find each share's potential value and provide the useful information to investors during the 12-months investment. **The scale is from levels 5 (strong buy at current market price) to level 1 (strong sell at current market price).**

Evaluation of the stock	Interpretation
5/5	Strong buy – If target value is higher 25% compared to market price
4/5	Buy - If target value is higher 15% compared to market price
3/5	Hold - If target value is higher/lower than market price at the rate less 15%
2/5	Sell - If target value is lower 15% compared to market price
1/5	Strong sell - If target value is lower 25% compared to market price

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