

## Construction & Materials

Company visit note

Otc, 2014

Sticker : CTA

Reuters: CTA.HN

Bloomberg: CTA VN

### CTA – High expectation on Calcium Carbonate powder in 2015

Recommendation

Target price (VND)

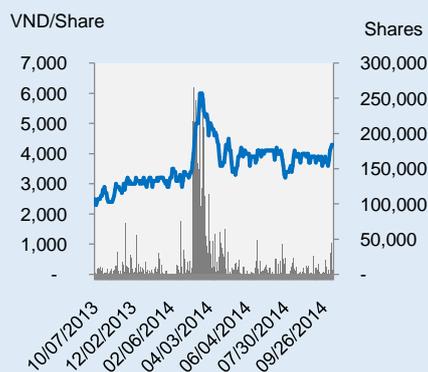
Market price (09/10/2014) **4,300**

Expected return

#### SHARES INFORMATION

Trading exchange	HNX
52-week price range	2,300-6,000 VND
Market cap	41 Bil VND
Outstanding shares	9,542,381 shares
10-day average volume	15,534 shares
% foreign owned	0.22%
Foreign room	49%
Dividend per share	-
Dividend yield	-
Beta	1.45

#### PRICE MOVEMENTS



	YTD	1M	3M	6M
CTA	72,0%	10,3%	2,4%	10,3%
VN-Index	24,8%	-1,3%	5,9%	10,4%

Analyst

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□ **With many difficulties in its core operation, the company can hardly fulfill its FY target plan** . In 1H/2014, the company's revenue tumbled 22% yoy to reach VND9.4 billion, resulted in a net loss of VND1.8 billion. That is because its commercial revenue from Calcium Carbonate powder and ashlar reduced 14% while its revenue from installing ashlar for construction projects declined by over 28%. Given many difficulties in the general condition of real estate market, CTA has stopped its production of natural white ashlar at the 2 quarries Tham Then and Khau Ca because this product is mainly used in high-end projects, thus having slow consumption. Besides, the segment of Calcium Carbonate powder production has gone into operation for 3 months but the output volume is still modest because the powder specification has yet to meet customers' requirement. Therefore, the company can hardly fulfill its FY target plan of VND90 billion in revenue and VND6 billion in net profit.

□ **Calcium Carbonate powder production is expected to open a new stable business phase for CTA from 2015 onwards**. Because Calcium Carbonate powder can be widely used in many sectors including building materials, paper production, packages, tyres and cattle feed, domestic demand for this kind of product is rather high. Moreover, thanks to the high purity of Vietnam white stone quarries, domestic Calcium Carbonate powder is highly welcomed by export markets, especially India and Bangladesh. In terms of production capability, Vietnam, together with Malaysia, is among countries with lowest Calcium Carbonate powder production costs, thus having good competitiveness. Currently, CTA has completed the phase 1 with 4 coarse crushing mills and 1 superfine crushing mill with a total investment of VND25 billion. As revealed, the company will continue to purchase 3 more superfine crushing mills worth VND5 billion/each in 2014. At high capacity, this project can produce 100,000 tonnes Calcium Carbonate powder , bringing an annual revenue and net profit of VND180 billion and VND12 billion, respectively, corresponding to an EPS of VND1,330/share. Moreover, by owning 2 white stone quarries called Tham Then and Thau Ca, CTA can invest in white stone debris exploitation and self-supply its input material in producing Calcium Carbonate powder, thus further improving its operating margin.

□ **Investment perspective:** Despite the existence of difficulties in its operation, CTA still has certain advantages when having healthy financial structure with nearly no debt and the management has actively restructured its operation in order to focus on Calcium Carbonate powder production for making better use of its current white stone quarries. CTA share closed at VND4,200/share on 07/10/2014, a rather low risk level when compared with its book value of VND10,000/share. Therefore, we think CTA, especially the efficiency of its Calcium Carbonate powder production project, is worth paying attention to. Last but not least, investors should be aware of liquidity when its 10-day average volume was only 11,034 shares.

**Company Visit note**
**OWNERSHIP INFORMATION**

State owned	0%
Foreign owned	0.22%
Others	99.78%

**MAJOR SHAREHOLDERS**

Mai Hong Bang	19.33%
Vinavico Incom ., JSC	13.2%
Vnstone JSC	6.57%

**FINANCIAL RATIOS**
**Profit and loss statement**

Unit (VND billion)	2010	2011	2012	2013
Revenues	61.77	48.90	31.01	25.96
Cost of goods sold	51.32	33.13	19.84	21.90
Gross profit	10.45	15.78	11.18	4.07
Financial income	13.36	3.10	0.75	0.36
Financial expenses	4.27	6.35	4.87	(2.31)
Net income	10.57	1.85	(6.07)	0.33

**Balance sheet**

Unit (VND billion)	2010	2011	2012	2013
Cash and cash equivalents	25.39	1.39	4.14	1.30
Accounts receivable – short-term	23.30	26.38	27.73	21.10
Inventories	7.41	12.94	14.29	15.55
Tangible fixed assets	40.99	71.57	69.93	59.91
Long-term investments	11.65	9.91	4.40	14.12
<b>Total assets</b>	<b>135.74</b>	<b>146.24</b>	<b>137.54</b>	<b>137.24</b>
Short-term loans	-	1.41	-	2.18
Long-term debt	-	-	-	-
Owners' equity	103.62	102.77	90.72	97.03
<b>Total resources</b>	<b>135.74</b>	<b>146.24</b>	<b>137.54</b>	<b>137.24</b>

**Financial ratios**

Items	2010	2011	2012	2013
<b>Growth</b>				
Revenue growth (%)	399%	-21%	-37%	-16%
Net profit growth (%)	991%	-83%	-429%	-105%
<b>Yield</b>				
Gross profit margin (%)	17%	32%	36%	16%
Net profit margin (%)	17%	4%	-20%	1%
ROA (%)	11%	1%	-4%	0%
ROE (%)	14%	2%	-6%	0%
<b>Capital structure</b>				
Total liabilities to total asset (%)	0.2	0.3	0.3	0.3
Total liabilities to Owners' equity (%)	0.3	0.4	0.5	0.4
<b>Per shares</b>				
EPS (VND/share)	1,149	201	(659)	34
Book value (VND/share)	11,264	11,170	9,861	10,051

## 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



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