

## ITRC CUT DOWN ON EXPORT VOLUME

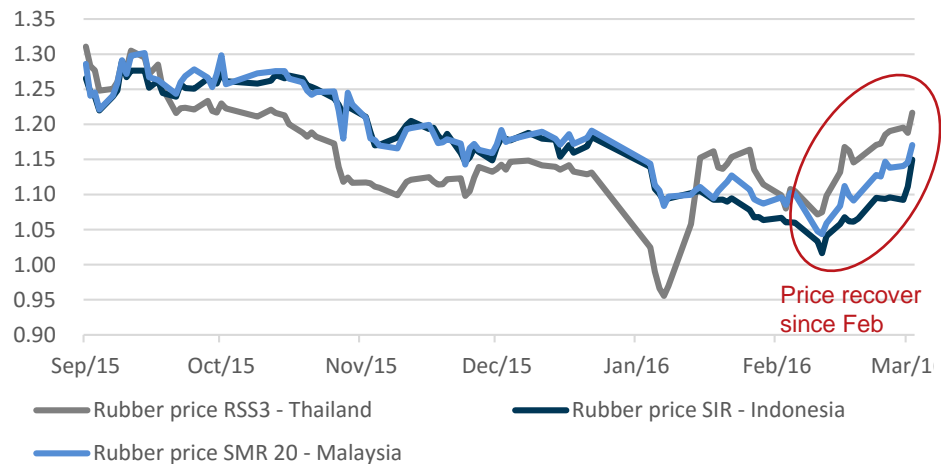
## CONTRIBUTOR

Nguyen Bao Hoang Le

lenbh@bsc.com.vn

Tel: +84 4 3935 2722, ext 108

Rubber price ( \$/kg)



Source: Bloomberg

**Major rubber producers to cut exports:** On Feb 4<sup>th</sup> /2016 , the International Tripartite Rubber Council (ITRC) including Thailand , Indonesia and Malaysia agreed to cut exports of natural rubber by total 615,000 tonnes , in the period of 6 months starting on march 1<sup>st</sup> 2016 . This move aimed to boost up rubber prices, which was already at the bottom of the last 6 years. The reduction was equivalent to approximately 6% of global natural rubber output of 2015, equal to two times the level of estimated oversupply in 2016 , and 23% of the current global rubber stock. Specifically, Thailand cuts 324 thousand tons (about 9 % of exports in 2015); Indonesia cuts 238.7 thousand tons (about 34 % of exports in 2015) , and Malaysia dropped 52.3 thousand tonnes (2% of exports in 2015) .

**As the result, rubber prices has recovered quickly and reached \$ 1.22/kg**, as of March 4<sup>th</sup> 2016, which is equivalent to an increase of 13 % from the day IRTC announced this policy, and less than 8.9 % compared to the average price in 2015. According to the price of the future transaction at the TOCOM, Japan, the price of rubber futures contract increases from 160.8 yen / kg in March to 174.6 yen/kg in August, an increase of 8.5 %.

**BSC assessed that the natural rubber prices may recover in 2016** due to expory cuts of ITRC. However, since production cuts last only for 6 months, the impact on rubber prices are just short-term and long-term outlook for the sector remains negative due to weakening demand from China.

**As of March 4<sup>th</sup> 2016, rubber stocks had gain relatively good growth since the day ITRC made the decision to cut export:** DPR (+25.4%); PHR (+13.3%); TRC (+8.1%), while some stocks has not increased in price yet such as TNC (0.1%); VHG (0%). Some notable stocks are as follows:

#### **DPR**

Dong Phu Rubber owns rubber plantations with high productivity, and a large area, which gives the business the flexibility in controlling input and output quality. Owning young plantation with high productivity is the biggest strength of DPR, enables the company to enjoy the highest profit margin among listed companies in 2015 at 21.4%, compared with 11.2% margin of the industry average . DPR rubber plantation located in Cambodia with a total area of 6,300 hectares is expected to put into operation in 2017 and will double the total area of the rubber plantation of the company. As of March 4<sup>th</sup> 2016, DPR is currently being traded at 39,000 VND and P / E = 10.7

#### **PHR**

PHR focuses on high quality product segment such as CV50, CV 60, and CVR, whose selling prices are higher by 6-8% compared to SVR 3L. Compared to the industry, PHR's old rubber trees has low productivity, leads to low profit margin than average, however, PHR has gained a significant profit from the liquidation of old trees, at an average of 90 billion / year and is expected to be maintained until 2018. From 2016, the rubber projects in Cambodia will begin to be exploited, which will gradually improve the yield and productivity. PHR currently has 8,000 hectares in Cambodia, increasing the total area to 23,000 hectares. As of March 4<sup>th</sup> 2016, PHR shares were trading at 17.900 VND and a P / E = 6.7.

#### **TRC**

TRC owns young rubber plantation with the highest productivity in the industry. Besides, the main products of TRC is Latex (70% of total revenue), face less competition and does not depend on the production situation in China. TRC also have rubber tree planting projects in Cambodia with a total area of 6,150 ha, which will increase the total area of the planting rubber trees more than double when put into production in 2018. As of March 4<sup>th</sup> 2016, the TRC stock price was traded at 20,000 VND and P / E = 10.3

#### **VHG**

VHG operates in several business segments, including rubber, fertilizers, in which rubber contributes 14.4% of total revenue, and 98% profit due to significantly higher margins compared to other segments. The total rubber plantation area of VHG is 13,303 ha in Quang Nam, which includes 500 hectares of newly planted trees in 2014. According to the company plan, the rubber planting area will increase to 22,034 ha by 2016 and to 48,593 ha by 2020.

#### **Financial Outlines**

<b>Tickers</b>	<b>Revenue 2015 ( VND Bil)</b>	<b>% yoy</b>	<b>PAT 2015 ( VND Bil)</b>	<b>%yoy</b>	<b>ROE</b>	<b>ROA</b>	<b>P/E</b>	<b>P/B</b>	<b>Dividend 2015</b>
<b>TNC</b>	83.4	30.6%	10.97	-37%	4%	3%	15.8	0.6	5% cash
<b>TRC</b>	362.9	-28%	57.2	-59%	4%	4%	10.2	0.4	32.5% cash
<b>DPR</b>	853.9	-9.1%	145.8	-32%	6%	4%	10.7	0.7	30% Stock
<b>HRC</b>	94.5	-41.5%	30.5	-46%	6%	4%	30.1	1.7	40% stock
<b>PHR</b>	1,228.6	-23.9%	215	-19%	10%	6%	6.6	0.7	35% cash
<b>VHG (*)</b>	659.7	53%	70.7	-22%	6%	5%	7.7	0.5	
<b>GMD (*)</b>	3589	19%	460.5	-19%	8%	5%	11.3	0.9	20% cash

(\*) VHG and GMD operates in rubber plantation segment, among with other business operations

## Disclosure

*The information, statements, forecasts and projections contained herein, including any expression of opinion, are based upon sources believed to be reliable but their accuracy completeness or correctness are not guaranteed. Expressions of opinion herein were arrived at after due and careful consideration and they were based upon the best information then known to us, and in our opinion are fair and reasonable in the circumstances prevailing at the time. Expressions of opinion contained herein are subject to change without notice. This document is not, and should not be construed as, an offer or the solicitation of an offer to buy or sell any securities. BSC and other companies in the BSC and/or their officers, directors and employees may have positions and may affect transactions in securities of companies mentioned herein and may also perform or seek to perform investment banking services for these companies. This document is for private circulation only and is not for publication in the press or elsewhere. BSC accepts no liability whatsoever for any direct or consequential loss arising from any use of this or its content. The use of any information, statements forecasts and projections contained herein shall be at the sole discretion and risk of the user. No part of this material may be (i) copied, photocopied or duplicated in any form by any mean or (ii) redistributed without the prior written consent of BIDV Securities Company (BSC).*

### **BSC Headquarters**

BIDV Tower, 10th & 11th Floor  
35 Hang Voi, Hoan Kiem, Hanoi  
Tel: +84 4 3935 2722  
Fax: +84 4 2220 0669

### **BSC Ho Chi Minh City Office**

146 Nguyen Cong Tru St, 9th Floor  
District 1, HCMC  
Tel: +84 8 3821 8885  
Fax: +84 8 3821 8510

Website: <http://www.bsc.com.vn>  
Facebook: [www.facebook.com/BIDVSecurities](http://www.facebook.com/BIDVSecurities)  
Bloomberg: BSCV <GO>

