

Business strategy for da nang

Business, Strategy



Since 2006, The Company has a positive development, the Sales revenue increases annually, and significant increasing in 2009, the percentage of development is 11-23% and dramatically increase to 40% in 2009. It is a prospective development picture of THE COMPANY. Currently, The Company has promoted the construction of a new factory in the Lien Chieu Industrial Zone out- side Da Nang City with the total capacity of 15. 2 million products of all kinds of tires and tubes. The company will move the current factory in Da Nang City to Lien Chieu according to the city's infrastructure scheme.

The capital investment for this project is planned to be VND129 billion, in which Da Nang authority will support VND15 billion and the company will have to manage VND114 billion. The Company plans to borrow VND90 billion and use the company resources to financethe rest. This movement is not just corresponding to the authority policy but also the expansion of production. The new factory will double the current total operating capacity of The Company which is now about 12. 5 million products of all kinds of tires and tubes.

Of course the expansion and movement will be implemented on progress until 2012. Regarding the radial tire factory which has been delayed since last year, The Company finally put the work out to tender and they plan to start building the plant by the end of September 2010. The plant will cost VND2. 99 trillion and is expected to be operational from FY2011 with an annual capacity of 600, 000 tires per year. Perhaps the reasons for the delay are the fact that the market for radial ply tires in Vietnam is still underdeveloped. Therefore building the plant is a fairly big gamble for The Company.

Get the timing wrong and it could hurt them although they do plan to export 40% of the initial production run³. Longer term of course it gives them a jump on the competitions. Currently, export turnover accounts for only 4.1% of total revenues. Once this project is complete, it will increase the operating capacity for tires by 60-70%, from 800,000 currently to 1.4 million tires per year now. The Company is a subsidiary company of Vietnam Chemicals Corporation (VINACHEM), with more than 30 years experience in rubber industrial field.

The Company has created the strong position in the rubber market. In the current time, The Company ranks 5th in the Chemical industry, and the 2nd company in the tire manufacturing companies. Especially, The Company is the pioneer in the market of automobile and tractor tires production. Market share reaches to 35%, to compare to the 15% only of the 2nd manufacturer. The Company's products include tire & tube for automobile, motorbikes and bicycles. The major sales come from automobile segment; it contributes 87% of the total Sales revenue.

Below chart is the Sales contribution by product segment. Sales breakdown on slide 5/Presentation file. The Company targets at domestic retail market with a nationwide channel of 75 agencies in 64 provinces. 75% of company's total sales comes from retailers through this domestic distribution channel. TMT, Truong Hai (KIA) and Hyundai - Vinamotor are the strategic Clients of The Company, all of them are the big brand name of the automobile assembly Companies. This domestic wholesales contributes 15% of the total.

The Company also extends the oversea market with the sales revenue by 15% of total Sales, their products are exported to 27 countries, such as: India, Argentina, Hong Kong, Indonesia, Singapore, Brazil and Chile. With these products and contribution, the company has gained many noble prizes such as : the first class labor medal, the second class labor medal, the third class labor medal, ISO 9001: 2000, Sao vang dat Viet and the top ten of Vietnamese brand name in 2005, 2006... etc.