

APRIL

23

THURSDAY

ADVISORY DIARY

- **DPM- Short term advantages against long term challenges**
- **Stock market game test**

DPM- Short term advantages against long term challenges

DPM is one of the fertilizer stocks in the favoured list of the VietDragon thanks to its leading position in Vietnam urea market (over 40% market share), wide distribution network and strong brand awareness. Today Advisory diary will provide an update of DPM's revenue and newest plans for 2015 on the occasion that our analyst attended DPM's AGM.

In 2014, both the fertilizer industry and DPM will face against various difficulties such as (1) a decrease in demand for fertilizer while oversupply continues increasing, (2) great impact of increased competition (3) increased transportation costs due to tightening truck load policy. Thus, even though sales volume exceeds 5% of the planned but both revenue and PAT only reached 92% of and 52% yoy respectively. Similar to the domestic market, DPM only achieved 51% target in terms of export market (~ 25,718 tons of urea). However, DPM achieved certain success in expanding its export markets and diversifying products by exporting to Myanmar, New Zealand and Jordan.

Table: 2014 and 2013 Business Operating Result – Performance vs Plan

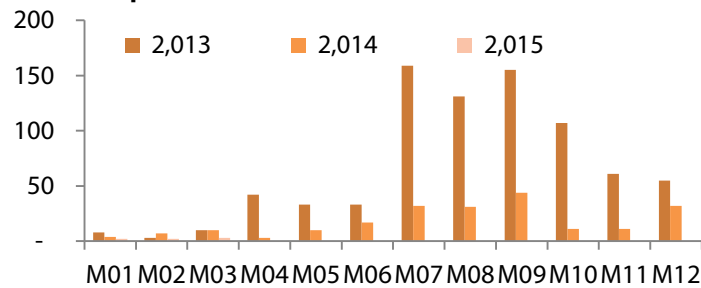
	2013 Performing	2014 Plan	2014 Performing	+/- with 2013 (%)	Perf/Plan(%)
Revenue	10,807	8,700	9,972	92%	115%
Profit before tax	2,468	1,050	1,285	52%	122%
PAT	2,142	910	1,096	51%	120%
Manufacturing output	822	800	850	103%	106%
Sales output	835	800	843	101%	105%

Source: DPM

In 2015's strategy report, our industry analyst identified that fertilizer industry would probably face many constraints in this year: (1) further domestic oversupplying, with the value of over 400,000 tons, (2) rivalry against Chinese products due to China adjustment in the export-tax. However, according to the statistics of Ministry of Agriculture and Rural Development, urea quantity imported in the first 3 months was only 7,000 tons, just a third of the same period figure. The decrease was due to agencies' concern on exchange rate risk, higher conflicting intensity between Vietnam and China after Bien Dong's event and the narrower gap between domestic and global price. Therefore, competitiveness against Chinese product would probably not be in concern as forecasted and the competitiveness of urea market will be between domestic producers.

“Stock market game test”

Exhibit: Imported urea



Source: Ministry of Agriculture and Rural Development, Rong Viet Research

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Exhibit : 2015 và Q1 2015 and 2014 Business Operating Result – Performance vs Plan

	2015 Plan	1Q 2015	1Q 2014	Compared 1Q2014 and 1Q 2015 (%)	Performance of Q1/2015 (%)
Revenue	9,246	2,386	2,509	95.1%	25.8%
Profit before tax	1,293*	560	435,2	128.6	43.3%
PAT	1,047		392,3		

Source : DPM

Along with difficulties in fertilizer industry, many companies show conservative outlook on 2015 plan. As regards DPM, the Company targets revenue of 9246 billion and EAT of 1,047 billion, lower than that of 2014 respectively -8% and -4.5%. However, thanks to the outperform of the first quarter (Q1 2015 reached 43.3% of 2015 plan), DPM has adjusted its profit plan and raise 30% profit based based on oil prices \$ 65 / barrel compared with the previous plan. DPM owned certain positive elements that worth to expect. Firstly, PV Tex –one of the subsidiary of DPM announced its plan to reduce the accumulated losses from 1.470 VND billion to 676 VND billion (DPM provide a provision about 203 VND billion for PVTex). Secondly, DPM is currently investing to build and enhance the capacity of NH3-NPK projects with a total investment of up to 5,000 VND billion and is expected to begin in January 5/2015. In addition, projects chemical factory UCF85 / Formaldehyde is expected to go into full operation this year. These two projects can contribute 4,500 billion to total sales (~ 1.5x times than now)

In general, DPM is still affected by the overall “depressing” picture of the fertilizer industry but it has find its opportunities to growth. Since 2017, two new projects will be in full operation and guarantee its future. According to our industry experts, Q2 earnings may not be positive as Q1 but there is the possibility that EPS forecast of DPM might higher than the 3.000 VND per shares that many other analysts and market sectors forecast. Investors could be interested in this stocks when prices fluctuate less than 30,000 VND per share.

Table: The construction projects of DPM

Project	Total Investment	Term	Disbursement till now	Product	Completed term	Capacity
UFC85/formaldehyde	USD22 million	03/2014	10,05% (until August 25 th 2014)	UFC85/formaldehyde	late 2015	15.000 tons UCF85 or 25.000 tons Formaldehyde
NH3 and NPK	USD227 million	2014-2015	N/A	NH3, NPK	N/A	90.000 tons NH3, 250.000 tons NPK
Petrochemical Complex	USD3.1 billion	N/A	N/A	Olefin, SM, PS	2021	N/A
Polystyrene	USD170 billion	N/A	N/A	Polystyrene	2020	300 KTA
Hydrogen Peroxide (H2O2)	USD20 billion	N/A	N/A	Hydrogen Peroxide	N/A	N/A
Nitrat Amon (NH4NO3) Amoniac (NH3)	USD900 billion	N/A	N/A	Nitrat Amon Amoniac	N/A	30.000 tons per year

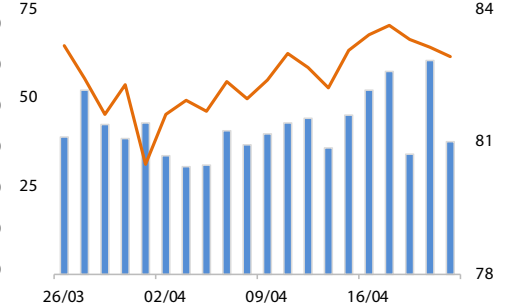
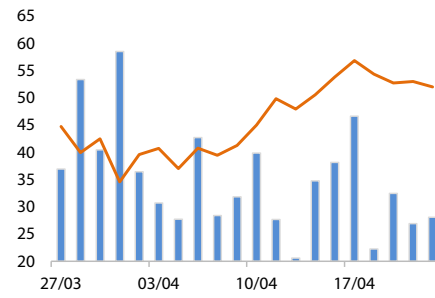
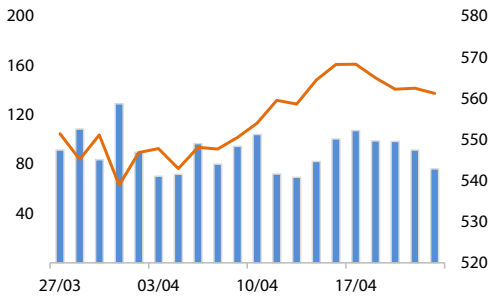
Source: DPM

Stock market game test

VN-Index and HNX-Index today closed down by 1.26 and 0.25 points respectively. The afternoon session saw a sharp fall sometimes down by nearly 5 points as contrary to the quiet morning session. KDH, CII, NBB, HBC, DXG, started the afternoon plunge with effects spreading to other stock groups. Noticably, VN30 stocks showed resilience to be important market pillar to pull the market back. The sudden fall and quick bounce-back seen was deemed as a test for both market's buying and selling activities. The initial result showed a relatively good bottom-fishing demand but not really strong perhaps by the still cautious investors' confidence.

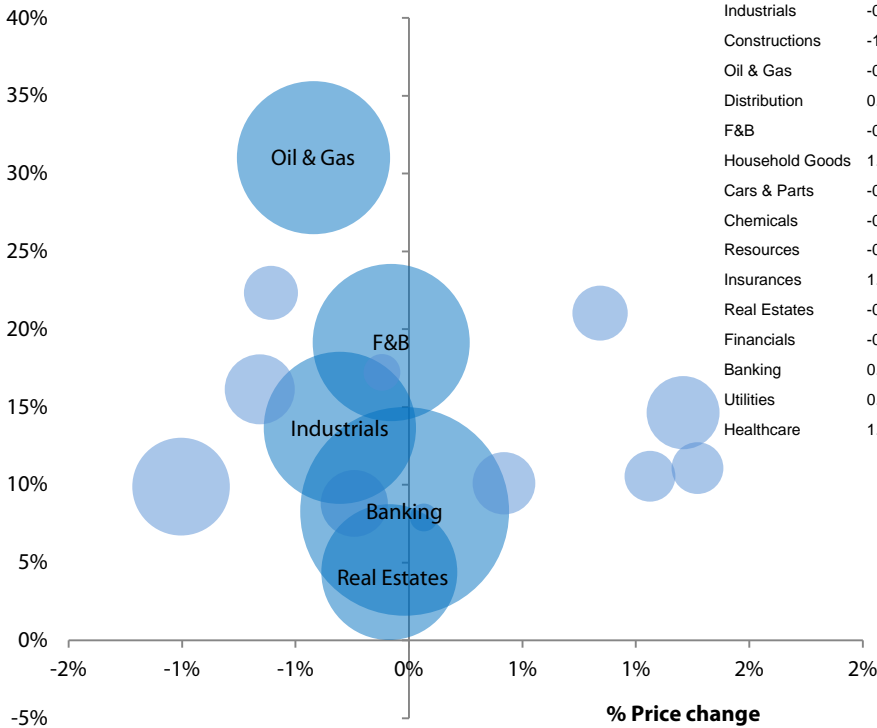
On the other hand, some investors could have sold part of their portfolio to reduce margin balance ahead of the coming public holiday. This partially created unexpected market supply which could dent investors' confidence. However, market liquidity remained comparatively low and slightly lower than yesterday. If the market carried on this way, investors could consider the strategy of "buy low sell high" with partial disbursement.

VNINDEX 0.05% **562.51** **VN30** 0.06% **594.00** **HNXINDEX** -0.26% **82.89**

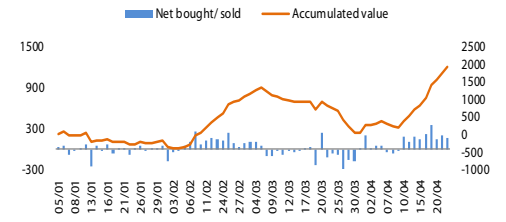


Industry Movement

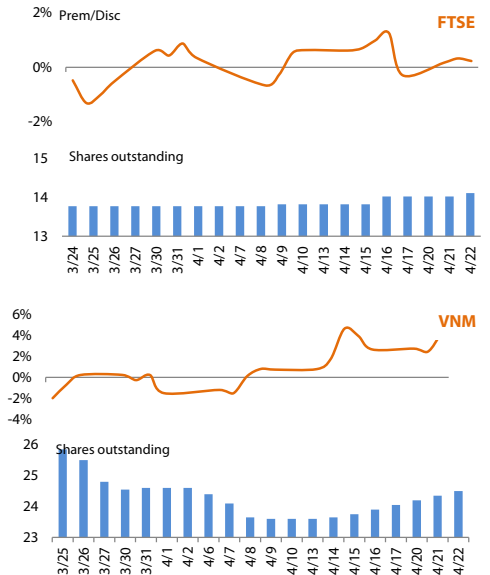
Industry ROE



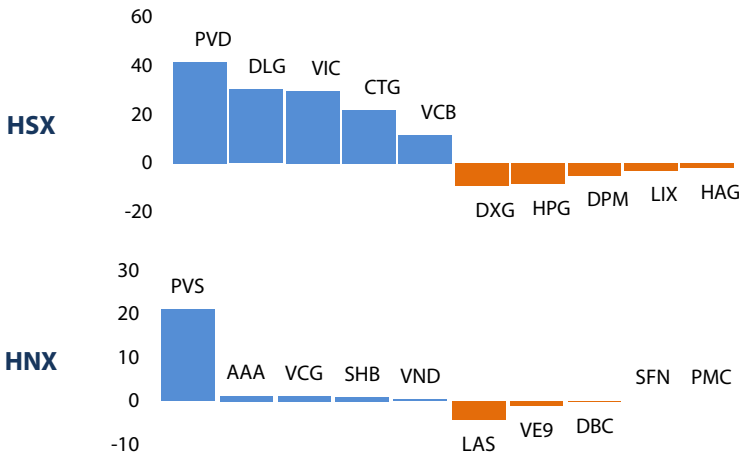
Foreign Investors Trading



ETF



Top net bought/sold by foreigners (VND bn)



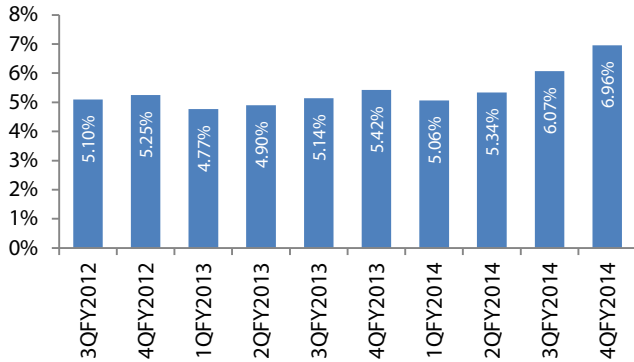
Top Active

Ticker	Price	Volume	% price change
CII	21.5	6.94	-6.9%
FLC	10.5	4.53	0.0%
HHS	20.0	3.34	-2.9%
DLG	9.4	3.08	-6.9%
HAI	10.4	2.95	-2.8%

Ticker	Price	Volume	% price change
KLF	9.0	12.51	0.0%
FIT	14.5	4.29	-0.7%
PVS	25.9	2.01	1.2%
HUT	15.4	1.34	-1.3%
CEO	12.6	1.04	-1.6%

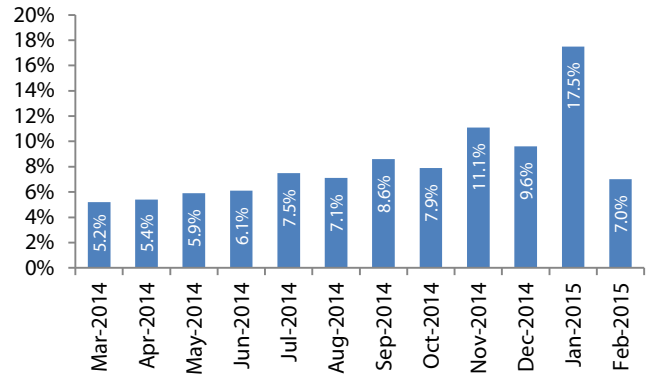
MACRO WATCH

Graph 1: GDP Growth



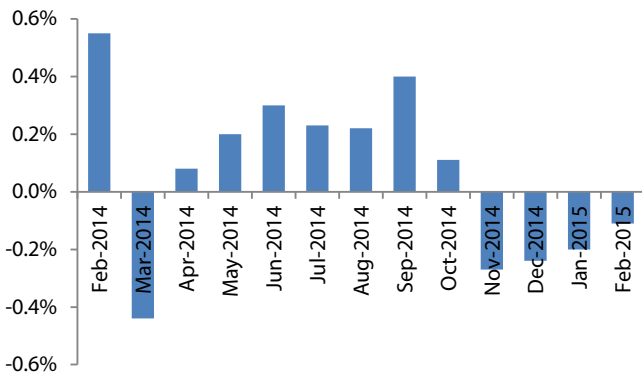
Sources: GSO. Rongviet Securities database
(* Comparison price in 1994)

Graph 2: IIP



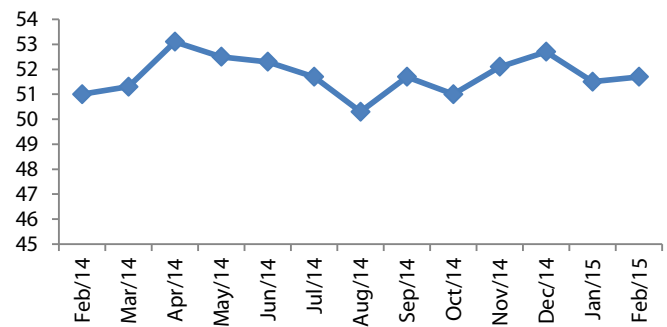
Sources: GSO. Rongviet Securities database

Graph 3: Monthly CPI



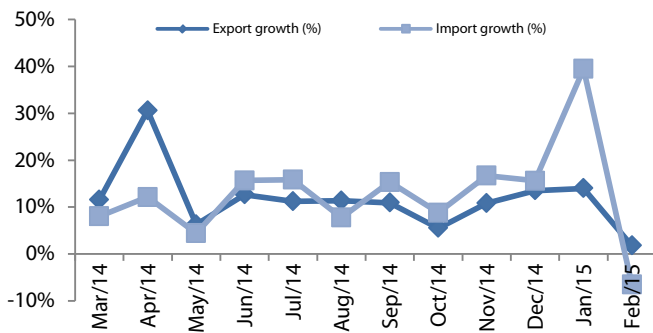
Sources: GSO. Rongviet Securities database

Graph 4: HSBC - PMI



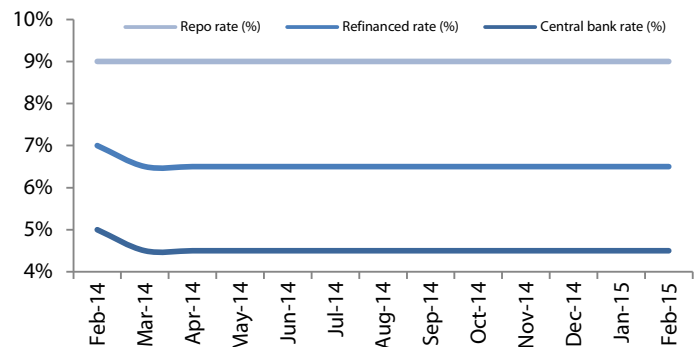
Sources: GSO. Rongviet Securities database

Graph 5: Trade Growth



Sources: GSO. Rongviet Securities database

Graph 6: Interest



Sources: SBV. Rongviet Securities database

RONG VIET NEWS

COMPANY REPORTS	Issued Date	Recommend	Target Price
PLC - A firm foothold	April 14 th , 2015	Accumulate – Intermediate term	40,000
BT6 - Restructuring scheme to bring a brighter prospect	Jan 27 th , 2015	Monitor	
PAC - Opportunities along with challenges	Jan 14 th , 2015	Accumulate – Intermediate term	27,500
HMH - Positive outlook from various supporting factors	Jan 06 th , 2015	Accumulate – Long term	33,800
DPM - Tail wind from crude oil	Dec 26 th , 2014	Buy – Intermediate term	36,100

Please find more information at <http://vdsc.com.vn/tabid/149/language/vi-VN/default.aspx>

FUND CERTIFICATION INFORMATION

Fund name	Trading Day	Subscription Fee (% of trading value)	Redemption Fee (% of trading value)	NAV per unit at valuation date	NAV per unit last valuation date	Change in NAV
VFF	07/04/2015	0%-0.75%	0%-2.5%	11,783	11,757	0.22%
VEOF	07/04/2015	0%-0.75%	0%-2.5%	9,405	9,357	0.51%
VF1	16/04/2015	0.2% - 1%	0.5%-1.5%	21,202	20,973	1.09%
VF4	15/04/2015	0.2% - 1%	0%-1.5%	9,097	9,006	1.01 %
VFA	10/04/2015	0.2% - 1%	0%-1.5%	7,124	7,087	0.53%
VFB	10/04/2015	0.3% - 0.6%	0%-1%	12,152	12,152	0.01%
ENF	10/04/2015	0% - 3%	0%	10,798	10,633	1.55%
MBVF	09/04/2015	1%	0%-1%	10,267	10,854	-5.41%
MBBF	08/04/2015	0%-0.5%	0%-1%	12,083	12,072	0.09%

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