

AUGUST

08

FRIDAY

*“Input capital flows unclearly appeared in the market”*

ADVISORY DIARY

- **2Q2014 results- DHG Pharmaceutical (DHG-HSX)**
- **Input capital flows unclearly appeared in the market**

#### **2Q2014 results- DHG Pharmaceutical (DHG-HSX)**

Our analyst has been a discussion with DHG Pharmaceutical (Ticker: DHG) related to 1H2014 results as well as Company’s development plans in upcoming months.

For the first six months, the revenue reached about VND1,700 billion (+10% yoy) whereas the 1H2014 NAT was approximately VND272 billion (+12% yoy). The gross profit margin also increased slightly from 46% (1H2013) to 53% (1H2014) due to an increase in a scale of self-manufactured goods (gross profit margin of above 50%). In the first half of the year, the scale of self-manufactured goods was approximate 91.3% (+15% yoy) meanwhile the merchandise and material trading business with a proportion of 7.69%, declined by 1.19% yoy.

Currently, along with the operation of two new factories Non-Betalactam and Betalactam, the production capacity of the enterprise will be raised to 9.5 billion units/year (double compared with current capacity). While Non-Betalactam factory (capacity of 4 billion units/year) had been given into exploitation since April 2014, Betalactam factory (capacity of 1 billion units/year) is still in construction stage and will be completed in next year. According to the preferential policy of corporate income tax, the tax rate of 0% will be applied for two plants in the first 4 years and increased to 5% in the next 9 years, and 10% for the remaining 2 years. Taking this advantage, 80% of the old plant’s capacity will be transferred to the new plant. Thus, the net profit margin will be significantly improved.

To advance consumption and manufacturing capacity, DHG has been restructuring step-by-step the selling methods and systems. One improvement was that the company organized sale teams based on product lines besides only division by areas. This reminded of distribution models in FMCG Vietnam. Following our assessment, the distribution cooperation with MSD since 5/2014 could give more chances for new contracts with potential partners. Investment in creating a complete and specialized distribution system was such good suggestion.

Moreover, the brightest spotlight in the first half year is “self-branded” products of DHG with high value growth of 16%. In which, Naturenz is a noticeable product as a role of liver detoxification that is created by natural materials. Last year this product constituted about 3% of total revenue.

Based on these following prospects: (1)the demand of medicine was forecasted to go up by 16% from 2013 to 2018, (2) a double-increasing production capacity to meet the demand, (3) income tax incentives of 0% for two new factories, (4) promotion strategies and sales system restructuring, (5) development of new product segments and group of high tech medicines and drugs; it was highly possible for DHG to meet its initial targets, with total revenue of VND 3,880 bn (+10% yoy) and profit of VND 686 bn (+4% yoy).

#### **Input capital flows unclearly appeared in the market**

The market from 4-Aug to 8-Aug recorded a moderate rise (+1.94%) compared to 593.9 points last week. However, we recognized that Blue-chips dominated mostly on VNIndex this weekend as gain momentum did not spread largely on huge tickers instead concentrate on large-caps. Many Blue-chips with a slight rise in comparison with that of last week such as GAS (+4.31%), PVD (+4.08%), KDC (+6%), VNM (+3.7%).

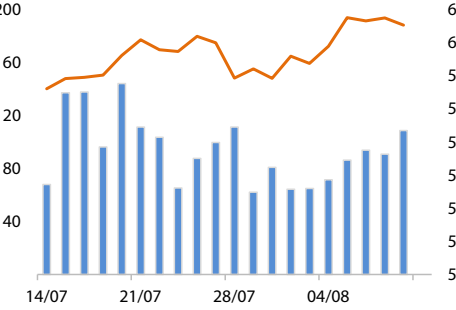
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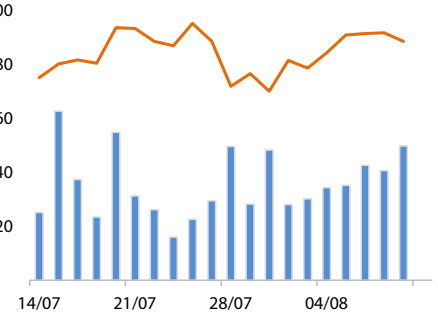
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Average liquidity this week at HSX recorded a decrease of 15%, from VND90.5 billion to nearly VND76.9 billion. It was shown that input capital flows unclearly appeared in the market. Foreign investors still maintained net-sold status although a decline in total values was recognized. To forecast for next week point, we believe that supporting information was still insufficient. The information about credit growth in July might be revealed, however, it's in our expectation that there will be no surprising events. Hence, the VNIndex trend in next week can go sideways and 610 point will be the test zone for the increasing possibility of this index.

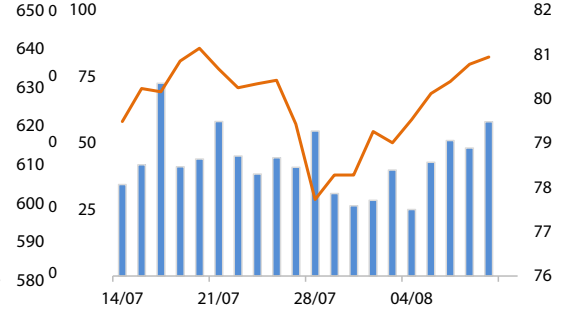
**VNINDEX -0.36% 605.43**



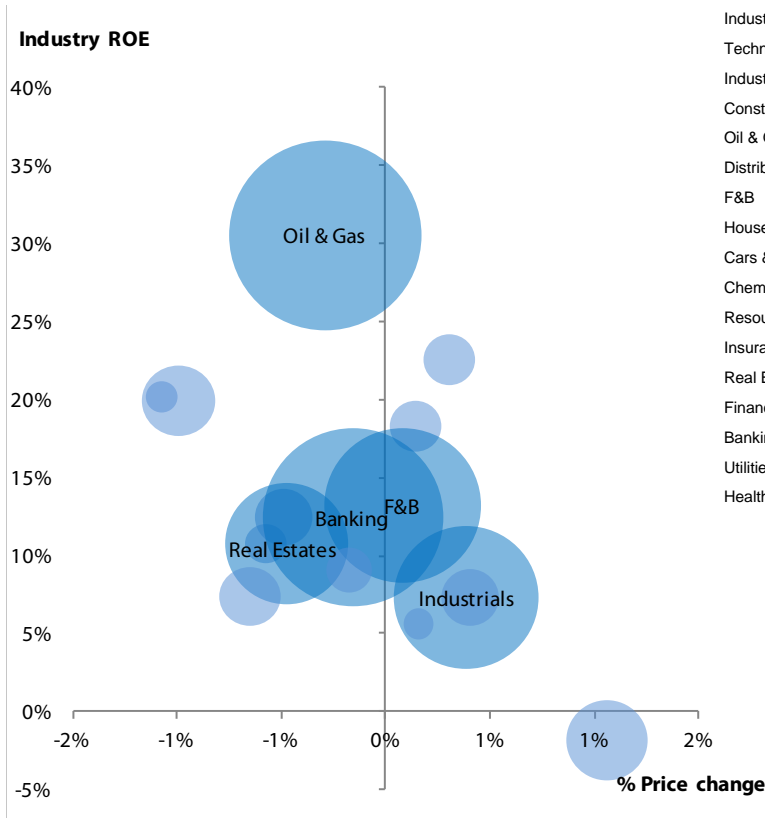
**VN30 -0.35% 641.93**



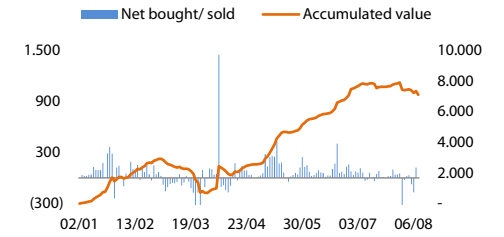
**HNXINDEX 0.20% 80.94**



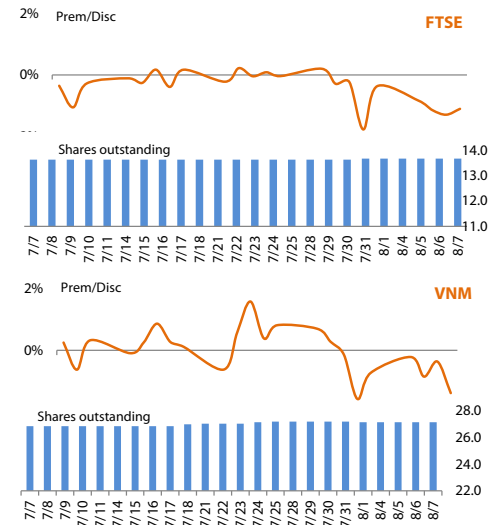
**Industry Movement**



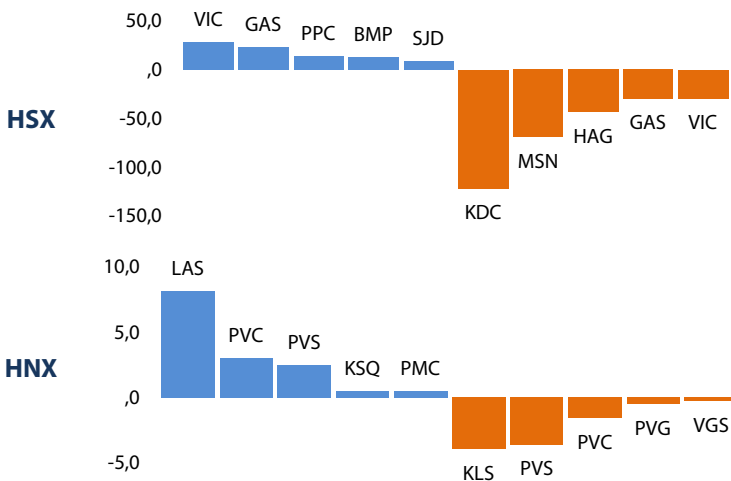
**Foreign Investors Trading**



**ETF**



**Top net bought/sold by foreigners (VND bn)**



**Top Active**

Ticker	Price	Volume	% price change
FLC	13.90	14.90	2.2%
HQC	8.10	6.10	2.5%
HAG	25.10	4.70	-0.8%
ITA	7.90	4.20	0.0%
SAM	11.70	3.60	0.9%

Ticker	Price	Volume	% price change
PVX	4.70	10.14	0.0%
KLF	12.50	5.08	0.8%
SCR	9.10	4.33	-1.1%
PVS	33.60	4.05	-1.2%
KLS	11.30	3.82	0.0%

**WEEKLY TECHNICAL VIEW**

**VN-Index**

VN-Index gained 11,53 points (+1,94%), closed at 605,43. Totally, 431,6 million shares changed hands (+19,5%).

After rebounding from its support at around 590, VN-Index moved past its resistance at 603. Traders should watch for an extended move higher to the upper trend line of the current price channel or a move back to its previous resistance at 603 to rebase before a move higher.

Looking at technical indicators, the RSI and MACD both appear to be neutral.

Trading volume increased steady above 10-day average liquidity but is still rather low compared to the volume when VN-Index was at 610 in March 2014.



**HNX-Index**

HNX-Index increased 1,93 points (or 2,44\$), closed at 80,94. Trading volume increased 28% with 224 million shares changed hands.

The current up price channel of HNX-Index is still steady. HNX-Index is now moving towards the upper trend line at around 82.

All the short-term, intermediate-term and long-term moving averages are moving up. The volume also rose day by day.

Looking at technical indicators, the RSI and MACD both appear to be neutral.

Traders should watch for and extended move to 82 area or a move back to its lower trend line support at around 78,5.



**Recommendation:**

Both indexes continued to recover on rising volumes. Traders consider taking profit when indexes move to their resistances.

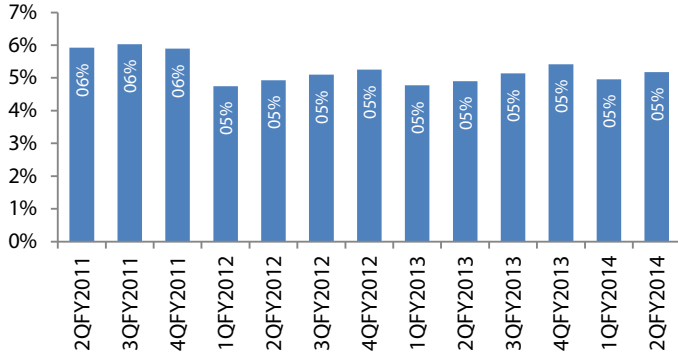
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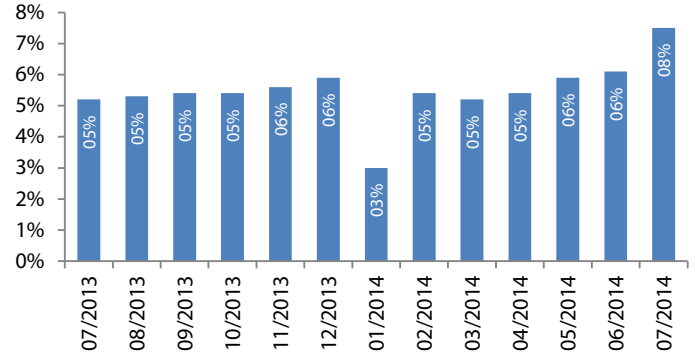
**MACRO WATCH**

**Graph 1: GDP Growth**



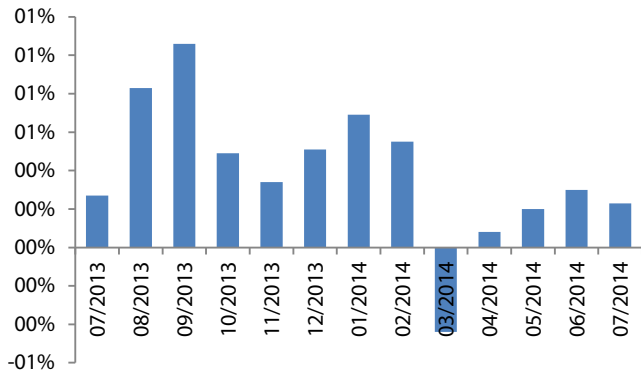
Sources: GSO, Rongviet Securities database  
(\* Comparison price in 1994)

**Graph 2: IIP**



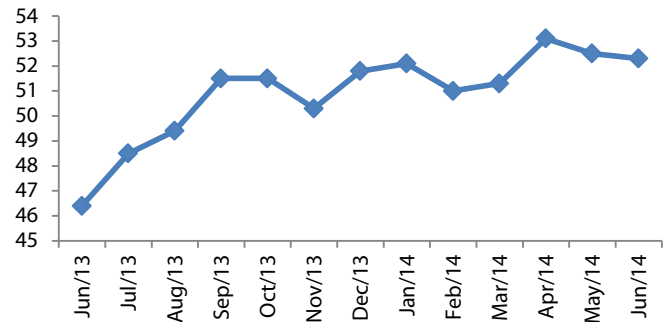
Sources: GSO, Rongviet Securities database

**Graph 3: Monthly CPI**



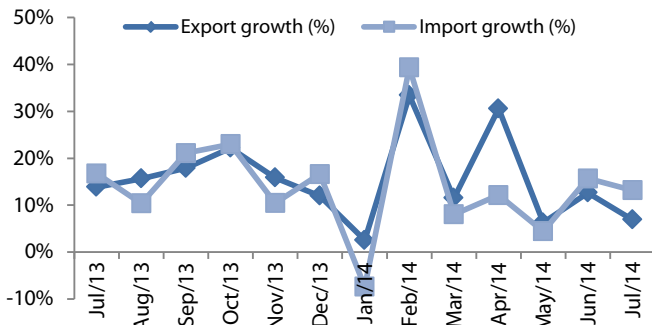
Sources: GSO, Rongviet Securities database

**Graph 4: HSBC - PMI**



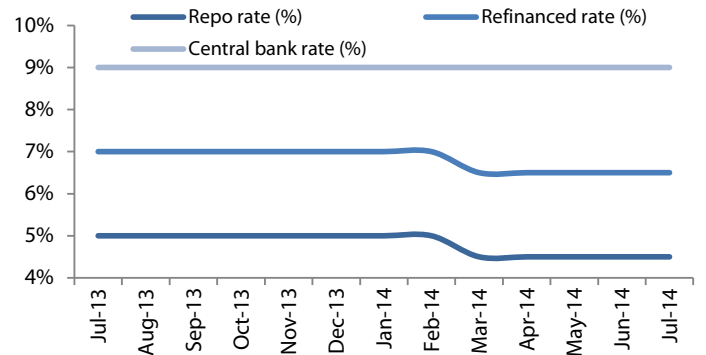
Sources: GSO, Rongviet Securities database

**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
DBC-Benefit from decline in material price	May 27 <sup>th</sup> , 2014	Buy – Long-term	28,000
FPT-Leaping revenue	May 27 <sup>th</sup> , 2014	Accumulate – Intermediate-term	51,600
NBB-Strengthened cash flows	May 07 <sup>th</sup> , 2014	Buy – Long-term	36,300
DIG-Reboot	April 28 <sup>th</sup> , 2014	Accumulated – Long-term	19,200
HPG-Sustainable Development	April 24 <sup>th</sup> , 2014	Accumulated – Intermediate-term	55,100

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	22/07/2014	0.75%	0.75%	11,065	11,000	0,59%
VF1	24/07/2014	0.20% - 1.00%	0.50%-1.50%	22,261	21,961	1,36%
VF4	23/07/2014	0.20% - 1.00%	0.00%-1.50%	10,157	9,975	1,83%
VFA	25/07/2014	0.20% - 1.00%	0.00%-1.50%	7,516	7,479	0,50%
VFB	25/07/2014	0.30% - 0.60%	0.00%-1.00%	10,982	10,975	0,07%
ENF	18/07/2014	0.00% - 3.00%		10,105	10,009	0,96%

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