

*“The
undersea
wave took
effects”*

- **Updates on HSG’ result and a new strategy**
- **The undersea wave took effects**

Updates on HSG’ result and a new strategy

Recently, RongViet research have visited Hoa Sen Phu My factory., in that, our analyst have noted some updated information on business activities of HSG in recent time. According to HSG estimate, I FY 2013-2014, revenue will reach 15,150 bn VND, up 29 % y.o.y. However, PAT will decrease by 29% to 410 bn VND, slightly higher than our estimate (~399 bn). After 3 consecutive quarter in which, HSG had to deal with adverse because HRC price was going down constantly, performance achieved positive result when revenue and PAT respectively got 4,177 bn and 128,6 bn, increase 30% and 200% q.o.q

Up to now, entire key production line of Hoa Sen Phu My steel sheet factory (phase 2) was completed and come into operation. In July, 2014, HSG started construction of Hoa Sen Binh Dinh steel pipe factory with total investment of 199 bn. In particular, phase 1 has completed 9 steel pipe production line (capacity of 75,000 tons/year) with a capital of 101 bn. In addition, HSG is investing 1,348 bn (3 phases) to construct Hoa Sen Nghe an steel sheet factory, starting in 4 Oct 2014.

The sphere of steel pipe manufacture and business is on track to thrive, in the first 7 months 2014, the market share has reached 19.9%, surpassed HPG. Therefore, in FY 2014-2015, the company is still raising steel pipe production capacity up to 479,000 tons year, an increase of 72% y.o.y. Besides, domestic distribution is focused continuously. In FY 2013-2014, HSG opened 23 retail branches, oriented to add 59 new branches, concentrating on expanding market in all three regions in next FY. According to the sharing of MR. Le Phuoc Vu – chairman of BOD, expanding distribution system is considered as one of steps preparing for restructuring in near future

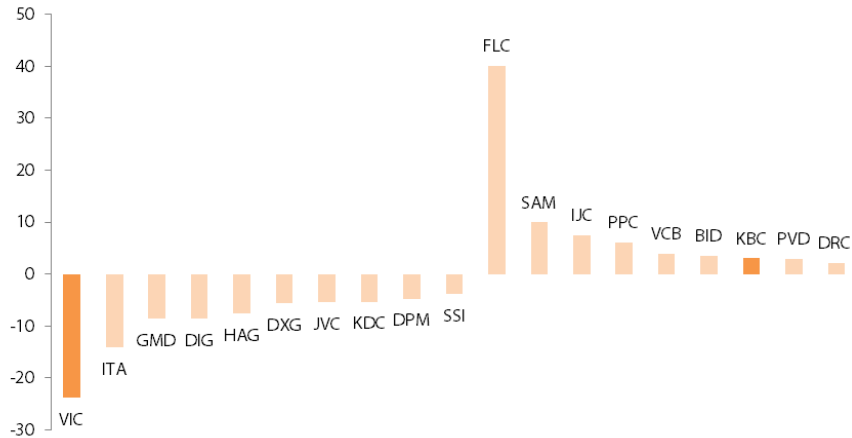
Our analyst identified that current market price of HSG has reflected reasonable company prospect for FY 2013-2014. However, in the case of leveling off in HRC price at low level, we expect gross margin will shows a positive shift, especially in Q1 of FY2014-2015. According to our estimate that the intrinsic per-share value of HSG is **VND48,100** higher than today’s closing price as VND44,000.

The undersea wave took effects

In Advisory Diary published on 30 September 2014, we mentioned the wave, still existing before the decline of the VN Index. The pessimism is not necessary existence in the market place in the last session when the number of blue stickers is quite overwhelming. And this undersea wave today took effect when the general level, the positive spread in almost all sectors. Decline in the large-cap stocks such as MSN (-1.2%), VIC (-1%), GAS (-0.9%) also did not be effected s more significantly than the previous session. In particular, the securities industry has good growth when most of stickers were blue, such as SSI (+ 1.6%), HCM (+ 2.8%), BVH (+ 2.2%).

On the other hand, we witnessed the intensive activity of foreign investors as KBC was purchased in ample volumes, at about 6.2 million units. Since the accumulated values of foreigners peaked at 7,843 billion (as of Jul 28), selling activity has gradually appeared. The value, then, hit a low at 5,957 billion (as of Sep 30). In recent sessions, foreign trading was still in combination of buying and selling but selling activity was quite dominated (with the net sold values of VND1,344 billion).

Figure: The top buying and selling stocks in recent two months



Source: RongViet Securities compiled

Observing the top selling stocks in recent two months, we recognize a leading stock of VIC with over 23.88 million units. Moreover, the stock was also sold intensively in both foreigners and domestic investors; VIC's price has declined from VND57,500 per share to about VND49.500 per share (-16%) in 1 month.

On the other hand, KBC was one of noticeable stock with increasing volumes in buying activity of foreigners and the price surged in over 1 month (+61%). In our advisory diary as of Sep 8, we mentioned the underlying factors that had caused KBC's price to climb ceiling price. That factor was that the Haiphong Economic Zone Authority had granted Saigon-Haiphong Industrial Park Corporation (SHP), a subsidiary of KBC, the license to develop phase 2 (364 hectares) of Trang Due Industrial Park. Moreover, KBC has been preparing to hand over the land to LG Electronics (Korea) for the foreign investor's 40.2-hectare hi-tech complex. Last week, KBC signed a MOD contract with LGE regarding to the investment expansion in Trang Due Industrial Park with total value of VND650 billion. The contact would contribute to performance results in 4Q2014.

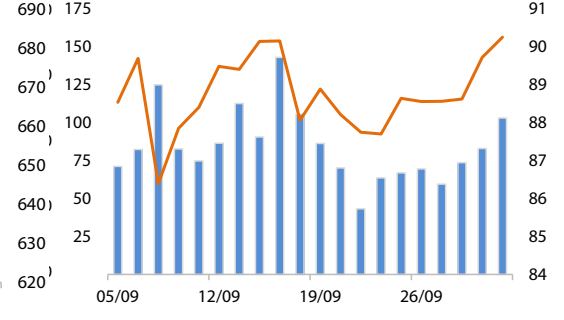
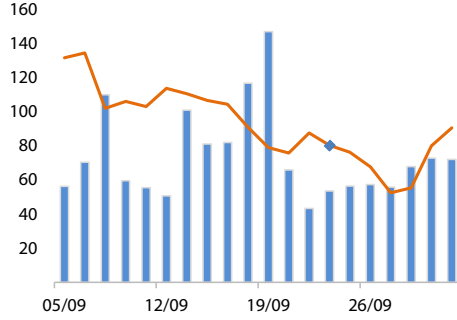
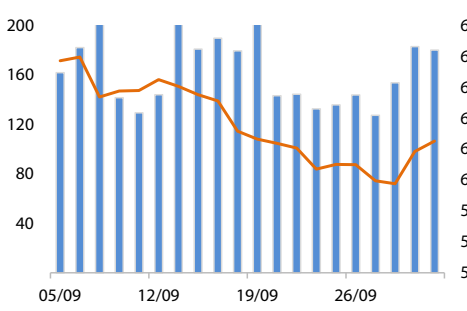
Today's session was not quite intensive but the eventful trading showed that the demand and purchase has been met. However, we still realize profit-taking has appeared which might cause the combinations of "red and green" color in upcoming sessions.

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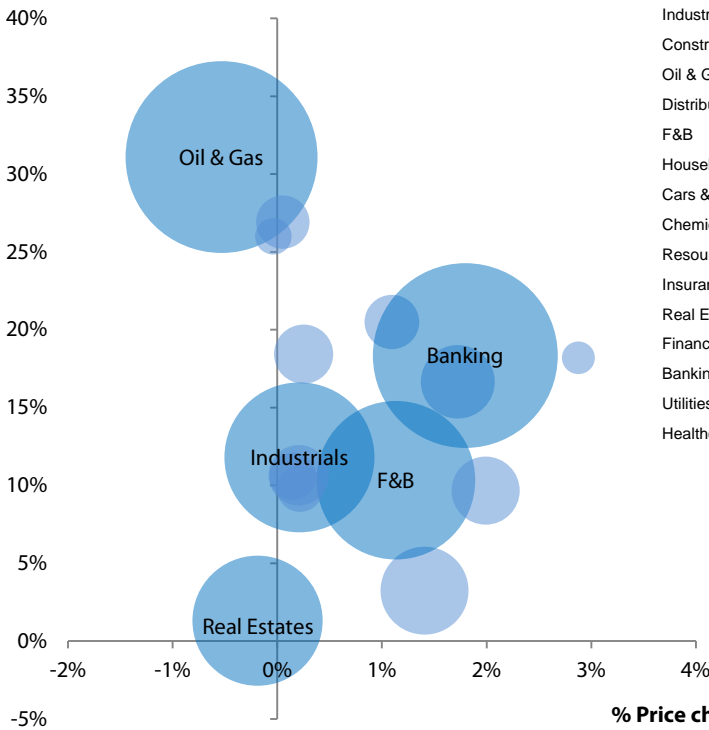
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VNINDEX 0.56% **612.66** **VN30** 0.70% **659.64** **HNXINDEX** 0.59% **90.26**



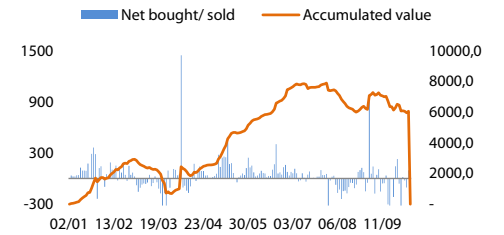
Industry Movement

Industry ROE

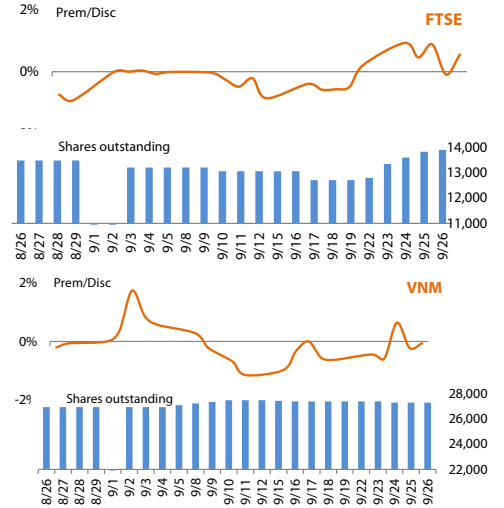


Industry	% change
Technologies	1.1%
Industrials	0.2%
Constructions	1.4%
Oil & Gas	-0.5%
Distribution	2.9%
F&B	1.1%
Household Goods	0.2%
Cars & Parts	0.0%
Chemicals	0.3%
Resources	0.1%
Insurances	1.7%
Real Estates	-0.2%
Financials	2.0%
Banking	1.8%
Utilities	0.2%
Healthcare	0.1%

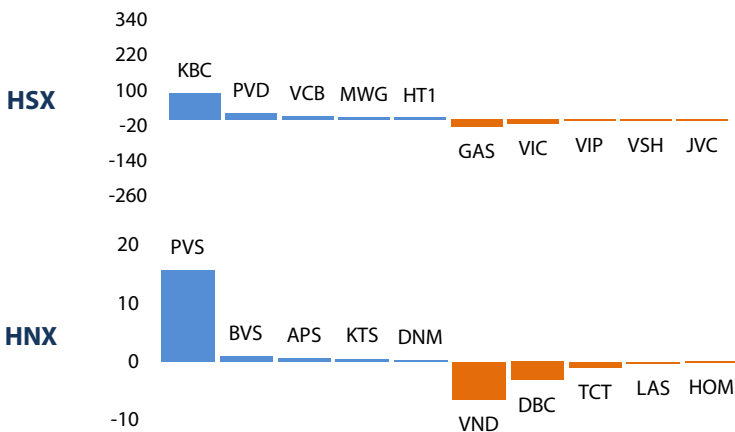
Foreign Investors Trading



ETF



Top net bought/sold by foreigners (VND bn)



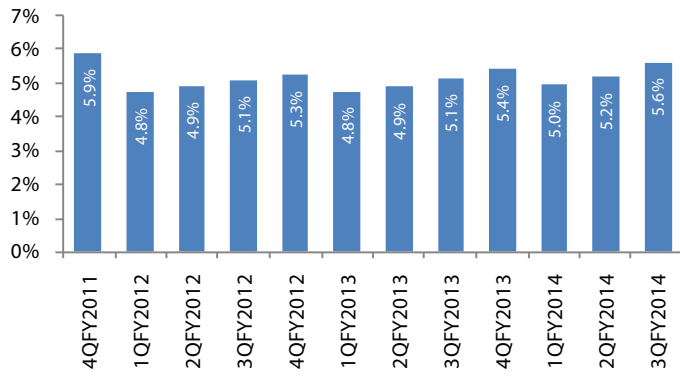
Top Active

Ticker	Price	Volume	% price change
FLC	12.2	14.23	0.0%
HAG	26.4	10.88	3.5%
OGC	13.1	9.14	5.7%
ITA	9.0	7.81	0.0%
KBC	16.6	7.59	3.8%

Ticker	Price	Volume	% price change
PVX	6.70	18.03	-2.9%
KLF	12.70	10.34	0.0%
KLS	13.20	5.38	2.3%
SHS	13.10	4.78	2.3%
SCR	10.60	4.32	0.0%

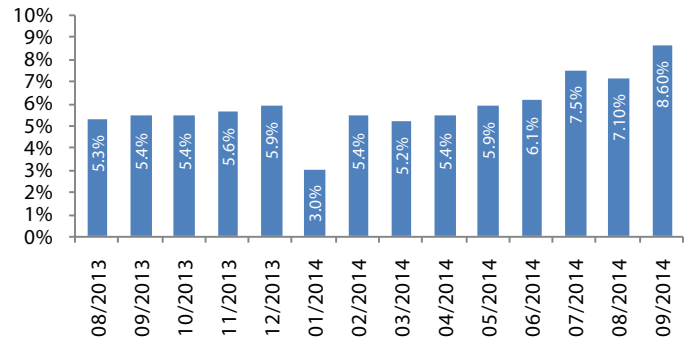
MACRO WATCH

Graph 1: GDP Growth



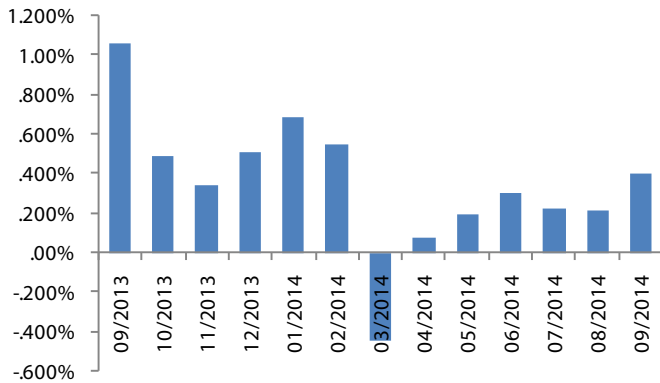
Sources: GSO. Rongviet Securities database
(* Comparison price in 1994)

Graph 2: IIP



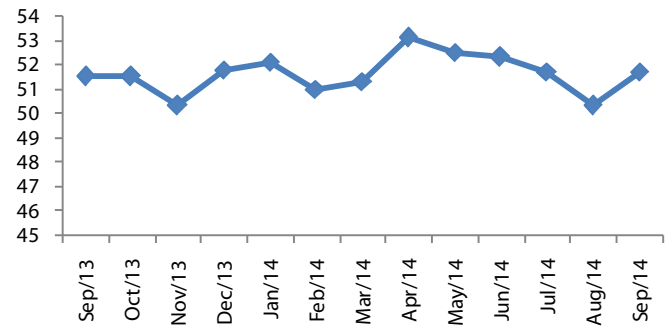
Sources: GSO. Rongviet Securities database

Graph 3: Monthly CPI



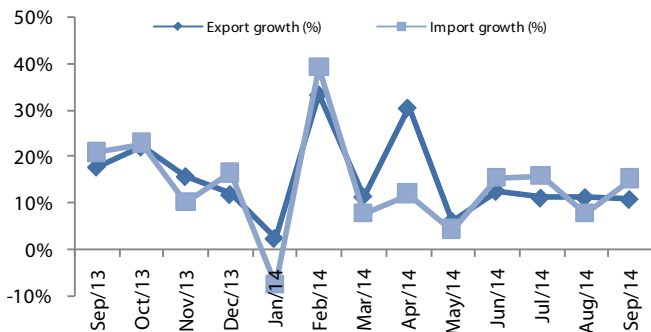
Sources: GSO. Rongviet Securities database

Graph 4: HSBC - PMI



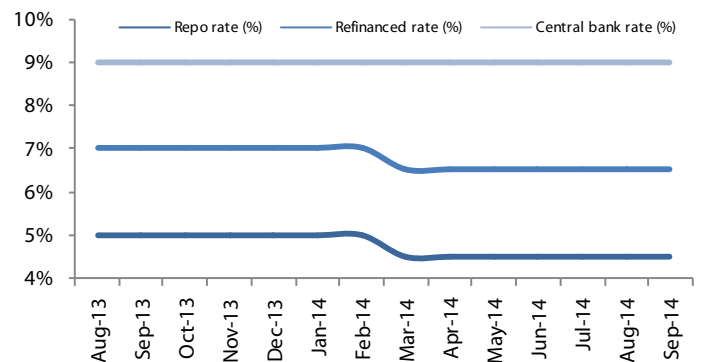
Sources: GSO. Rongviet Securities database

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
DHC - Restructuring yielded juicy fruits	Sep 29 th , 2014	Buy – Intermediate term	25,200
PVD – Busy O&G exploitation brought warmth	Sep 17 th , 2014	Accumulate – Long term	122,00
REE - Solid ground s for sustainable growth	Sept 9 th , 2014	Neutral - Long term	29,700
HSG - The hard part has gradually done!	Aug 21 st , 2014	Accumulate – Intermediate term	48,100
HPG - On the way to dominate nationwide’ market shares	Aug 12 th , 2014	Accumulated – Intermediate-term	66,400

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	23/09/2014	0-0.75%	0-2.5%	11,702	11,645	0.49%
VF1	26/09/2014	0.20% - 1.00%	0.50%-1.50%	23,267	23,041	0.98%
VF4	24/09/2014	0.20% - 1.00%	0.00%-1.50%	10,541	10,868	-3.01%
VFA	26/09/2014	0.20% - 1.00%	0.00%-1.50%	7,690	7,709	-0.25%
VFB	26/09/2014	0.30% - 0.60%	0.00%-1.00%	11,709	11,532	1.53%
ENF	19/09/2014	0.00% - 3.00%		10,761	10,705	0.52%

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