

JANUARY

16

FRIDAY

ADVISORY DIARY

- **Fertilizer companies feel more headwinds from new VAT status**
- **In wait of a psychological breakthrough**

Fertilizer companies feel more headwinds from new VAT status

Large fertilizers produced have recently proposed to lawmakers, asking to be imposed zero value-added-tax in order to continue reaping tax rebates from input purchases. Previously, on December 4th 2014, the Ministry of Finance issued Official Dispatch No. 17709/BTC-TCT, which dictates that classification of fertilizers as VAT exempt goods. As the result, fertilizer companies should feel some adverse policy impact this year on top of the oversupply situation that has haunted the industry for the past few years.

The similarity between VAT exemption and zero VAT rate is that a firm pays no tax money. The difference, however, is that companies may collect tax rebates from purchasing manufacturing inputs if they fall under zero VAT rate, something they cannot perform being exempt from VAT entirely. With the new legislation, companies that sell fertilizers in the domestic market are subject to zero tax rebates whereas those selling abroad are not affected.

Speaking with our analyst, representatives of some listed fertilizer producers explained how the new OD raises difficulties to their businesses (see table below).

Exhibit: Impact of new VAT status on listed fertilizer companies

	DPM		LAS		SFG	
VAT status change impact	Domestic sale: Production cost will increase by the amount VAT rebates that would otherwise be collectible. For the 250-thousand-ton-a-year NPK plant project, zero VAT rebate will lead to higher initial outlay.		Selling prices will have to increase to the make up for lost tax rebates for inputs (coal, ore, electricity...) Average VAT paid for imported inputs (10% VAT rate) is estimated at VND140 billion.		Phosphate fertilizers: zero VAT rebate will increase ore purchase price. NPK: zero VAT rebate for electricity, additives and other inputs will raise production cost	
Damage and control	VND400 billion of lost profit The Company will boost exports to take advantage of VAT rebates		VND70-80 billion of lost profit Sale price will increase 2.5% from the current level		Negligible effect on profits Sale price will be adjusted upward	
Unit: VND billion	Revenue	PBT	Revenue	PBT	Revenue	PBT
2014 business performance	9.975	1.390	4.987	555	2.200	125
2015 plan	9.246	928	na	na	3.600-3.800	137-145

Sources: LAS, DPM, SFG, RongViet Research

In sum, our analyst believes fertilizer companies will feel the impact from three front. (1) Firms will no longer be subject to VAT rebates and thus higher production costs. (2) Imported

Bloomberg: VDSC <Go>

“In wait of a psychological breakthrough”

fertilizers are currently taxed 11% in total, which comprises 6% of import tax and 5% of VAT. After the VAT rate is reduced to zero, imported fertilizers will be more competitive in term of price compared to domestically-produced fertilizers. (3) For investment projects, firms will not be able to collect VAT rebates for the construction of building and purchases of equipment, which will lead to higher initial outlay and thus reduced project returns.

In wait of a psychological breakthrough

Taking a look back at the second week of January, it was not hard to recognize a half-hearted psychology in the market. Although a relative recovery of trading value (12% as compared to last week) can be a signal of reduced skepticism, the lack of information as a driving force and investors' wavering made it hard for indices to form a definite trend.

The decrease of 0.51% of VNIndex and 0.62% of HNIndex, today, cannot make us surprised. Total transaction amount also was 17% lower than last day, reached VND 2,390 in both bourses. Compared with first sessions this week, Blue-chips slowed down continuously with the decrease of VN30 and HNX30 (~0.55%); and KDC, BVH, BCC, KLS were individual sparks.

Also relating to blue-chips, the VN30 Council, as we learned, had a meeting this afternoon to review constituent stocks in this sub-index. According to preliminary information, 2 bank stocks have been proposed to be ejected out of the VN30Index due to their being downgraded by 6-month average liquidity. In the reserve list, HVG and KBC, as our view, are able to most potential candidates. Particularly, KBC has announced successful issuance of VND1,200 billion worth of convertible bonds for 2 foreign organizations and 4 domestic ones

In addition, the Ministry of Construction organized the online conference to implement the 2015 tasks. In the report before the conference, the Ministry of Construction has issued some optimistic statistics about the real estate market in the past, such as: Number of successful real estate transactions increased by more than two times compared to 2013, the total value of real estate inventory decreased by 42.52 % compared to Q1/2013, outstanding loans for real estate (to 31/10/2014) increased by 14.08 % from early 2014, the real estate stand at 2nd place as FDI attraction destination. Notably, as of 15/12/2014, the VND30,000-billion package has committed loan amount of VND9,417 billion, reaching 31.39% compared to 13.47% in June 2014; simultaneously, the disbursement rate has reached 16.27% (reached only 7.63 % at June 2014). As we mentioned in Advisory Diary yesterday (01/15/2015), policy factors will be the key dynamics of the housing market this year. Meanwhile, the industrial real estate will have the most positive outlook due to abundance demand of FDI and the improvement of the business environment.

So, what to expect from the market next week? The oil price movement has been investors' main source of concern and tracking issue. The valid short-term impact of Circular 36 on the market is still being debated. Macro data on 2015 January CPI and 2014 trade activities is to be released next week. However, we believe those are not the sort of information investors are waiting for. Then, how about 2014 earnings results? To this point in time, we think that most of analysts in-charge already received information or could foresee the earning results of the majority of listed firms as well as their expected completion progress. Therefore, what concerns us the most is the view of listed companies regarding their operations in 2015, reflected by their investment, earnings and additional share listing plans...and other going-to-be listed companies in the forthcoming AGM season. For that reason, we are more aligned to the possible market scenario of "slow moving" until investor's cautious sentiment is eased by a clearer picture of listed enterprise's operation in 2015 which could linger to the AGM season.

Tai Nguyen

+ 84 8 6299 2006 | Ext: 319

tai.ntp@vdsc.com.vn

WEEKLY TECHNICAL VIEW

VN-Index

VN-Index rose for the fourth consecutive week, gained 5.08 points (or 0.89%), closed at 574,81. Trading volume increased 15.4%, up to 546 million shares.

VN-Index climbed to 580 areas and then regressed. As mentioned, 580 was a strong resistance of VN-Index. If VN-Index breaks above this area on high volume then the intermediate-term correction will end.

A gap was created this week and traders should look for VN-Index to keep going down to fill this gap and to retest the 26-day moving average (around 565 areas).

Looking at technical indicators, the MACD continues to rise but its momentum is slowing, the RSI turned down and decreased slightly.

On weekly chart, a Doji appeared together with a gap, showing that after a long recovery from the trough, selling forces are increasing and VN-Index is now struggling at resistance.

Traders should watch for a correction to 560-565 area.



HNX-Index

Unlike VN-Index, HNX-Index lost 0.3 points (or 0,35%), closed at 83,35. Trading volume was approximately equal to last week with about 251 million shares changed hands.

For the whole week, HNX-Index fluctuated narrowly just above its 26-day moving average. Traders should watch for a move to 87 or a retracement to 84 area where it is supported by the EMA(26).

Looking at technical indicators, both the MACD and the RSI are going up but not strong. It seems that HNX-Index is now in a accumulate stage.

In a short-term, HNX-Index is moving towards 87 area and is supported at 84.



Recommendation:

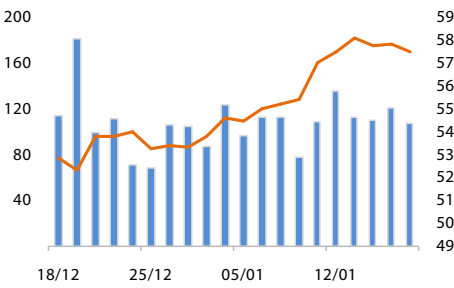
VN-Index turned down at resistance while HNX-Index fluctuated right above its support. Traders should wait for a few days and then keep disbursing at supports on corrective sessions.

Khai Tran

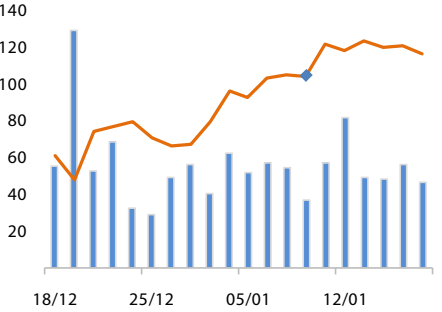
+84 8 6299 2006 | Ext: 208

khai.tq@vdsc.com.vn

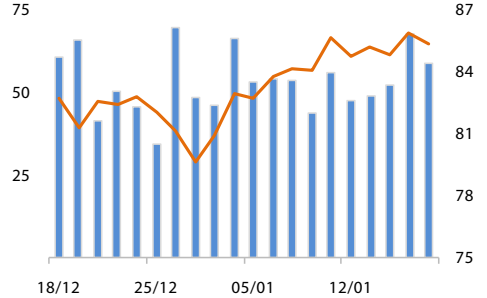
VNINDEX -0.51% 574.81



VN30 -0.47% 614.72

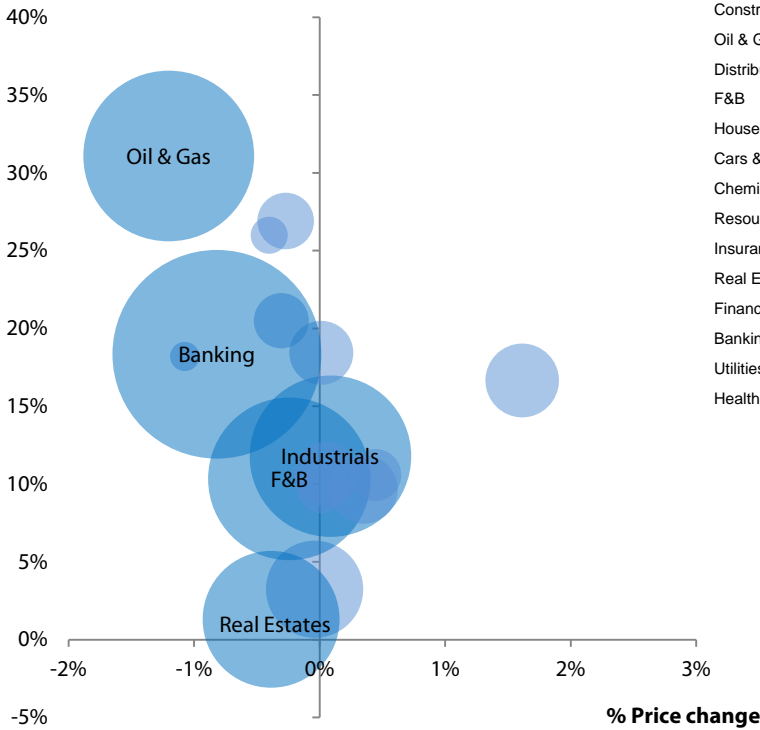


HNXINDEX -0.62% 85.35



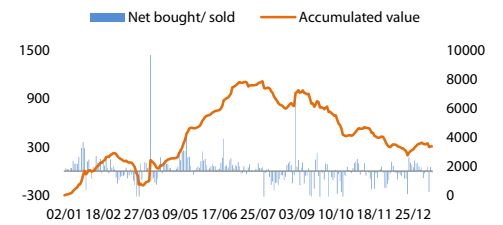
Industry Movement

Industry ROE

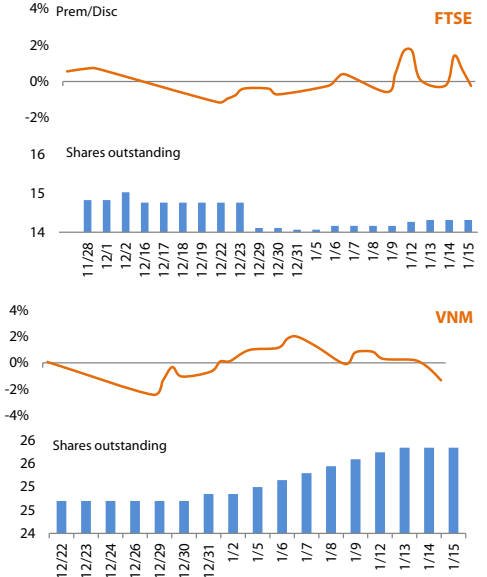


Industry	% change
Technologies	-0.3%
Industrials	0.1%
Constructions	0.0%
Oil & Gas	-1.2%
Distribution	-1.1%
F&B	-0.2%
Household Goods	0.0%
Cars & Parts	-0.4%
Chemicals	0.0%
Resources	-0.3%
Insurances	1.6%
Real Estates	-0.4%
Financials	0.3%
Banking	-0.8%
Utilities	0.1%
Healthcare	0.4%

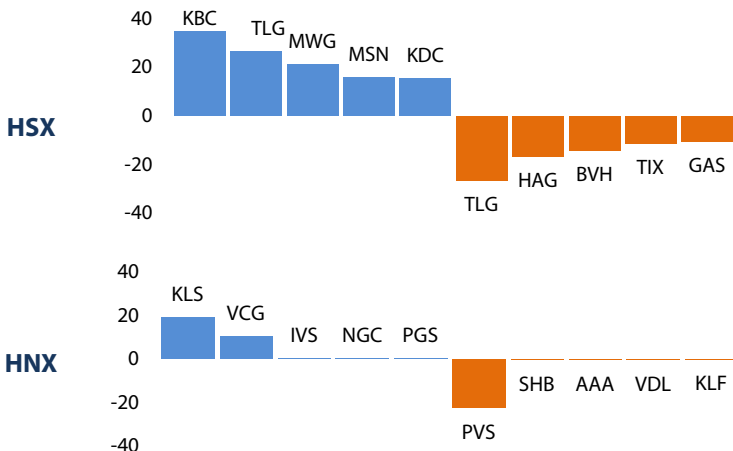
Foreign Investors Trading



ETF



Top net bought/sold by foreigners (VND bn)



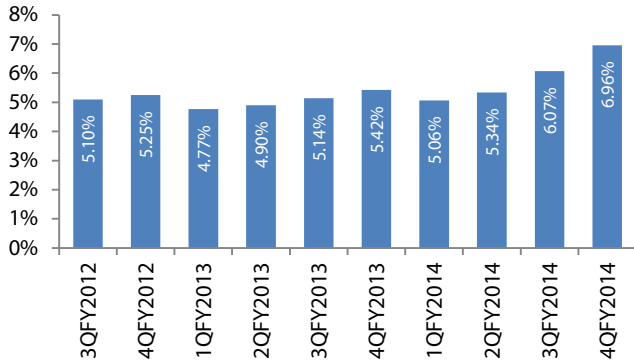
Top Active

Ticker	Price	Volume	% price change
FLC	11.1	15.26	0.9%
DLG	11.6	9.52	5.5%
OGC	6.3	4.99	-1.6%
KBC	16.3	4.83	0.0%
HAG	23.0	4.00	-2.1%

Ticker	Price	Volume	% price change
KLF	11.7	7.76	-3.3%
KLS	11.1	4.43	3.7%
SHB	8.7	3.60	-2.2%
PVS	28.3	3.10	-2.1%
PVX	5.0	2.39	-2.0%

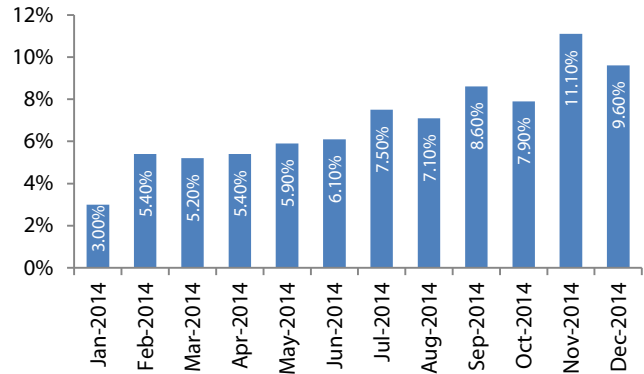
MACRO WATCH

Graph 1: GDP Growth



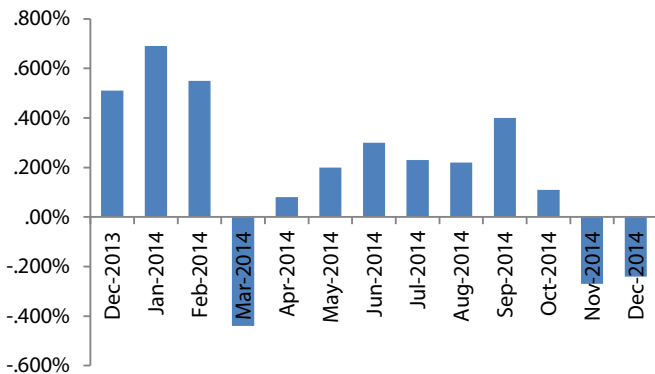
Sources: GSO. Rongviet Securities database
(* Comparison price in 1994)

Graph 2: IIP



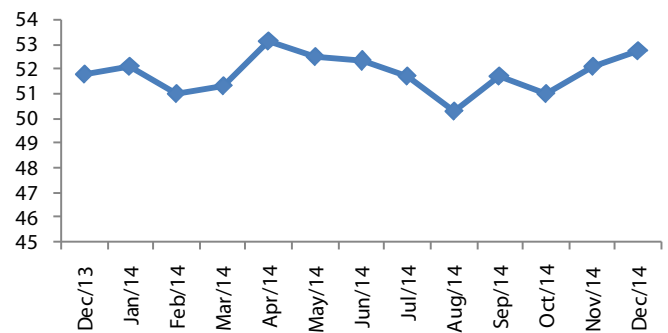
Sources: GSO. Rongviet Securities database

Graph 3: Monthly CPI



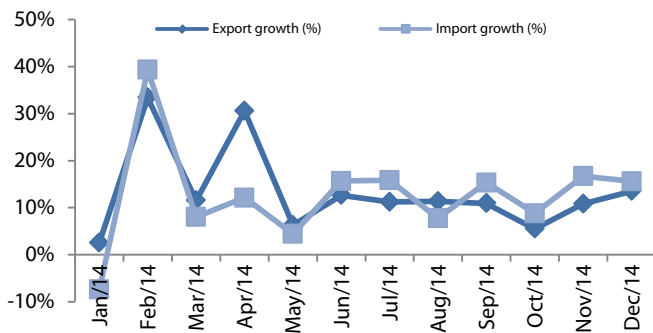
Sources: GSO. Rongviet Securities database

Graph 4: HSBC - PMI



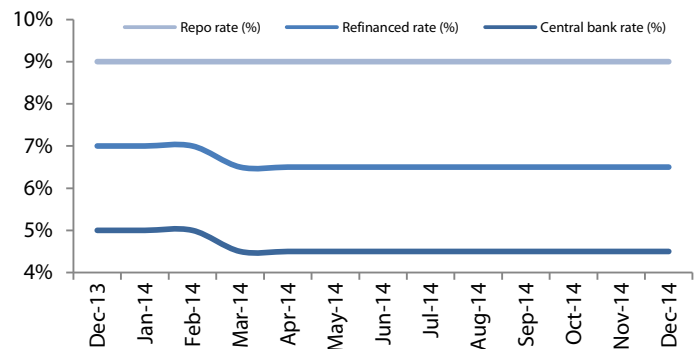
Sources: GSO. Rongviet Securities database

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
HMH - Positive outlook from various supporting factors	Jan 06 th , 2014	Accumulate – Long term	33,800
DPM - Tail wind from crude oil	Dec 26 th , 2014	Buy – Intermediate term	36,100
VNM - 2014 - At the pit stop	Dec 19 th , 2014	Accumulate – Long term	110,000
PCT – Restructuring	Dec 11 th , 2014	Monitor	
FPT - Growth driver expected from retails	Dec 3 rd , 2014	Accumulate – Long term	61,000

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	06/01/2015	0%-0.75%	0%-2.5%	11,403	11,370	0.29%
VEOF	06/01/2015	0%-0.75%	0%-2.5%	9,353	9,065	3.18%
VF1	09/01/2015	0.2% - 1%	0.5%-1.5%	20,840	20,915	-0.36%
VF4	07/01/2015	0.2% - 1%	0%-1.5%	9,017	8,799	2.48%
VFA	09/01/2015	0.2% - 1%	0%-1.5%	7,345	7,313	0.43%
VFB	09/01/2015	0.3% - 0.6%	0%-1%	11,887	11,877	0.09%
ENF	02/01/2015	0% - 3%	0%	10,605	10,402	1.95%
MBVF	05/01/2015	1%	0%-1%	11,234	11,109	1.13%
MBBF	31/12/2014	0%-0.5%	0%-1%	11,908	11,893	0.13%

ANALYSTS

Truc Doan – Head of Research

+ 84 8 6299 2006 | Ext: 355

truc.dtt@vdsc.com.vn

Hoang Nguyen

+ 84 8 6299 2006 | Ext: 328

Hoang.nh@vdsc.com.vn

Lam Nguyen

+ 84 8 6299 2006 | Ext: 323

lam.ntp@vdsc.com.vn

Tuan Huynh

+ 84 8 6299 2006 | Ext: 326

Tuan.hm@vdsc.com.vn

Ha My Tran

+ 84 8 6299 2006 | Ext: 319

my.tth@vdsc.com.vn

Tai Nguyen

+ 84 8 6299 2006 | Ext: 319

tai.ntp@vdsc.com.vn

Diem My Tran

+ 84 8 6299 2006 | Ext: 321

my.ttd@vdsc.com.vn

Van Binh

+ 84 8 6299 2006 | Ext: 324

Van.btt@vdsc.com.vn

Trien Le

+ 84 8 6299 2006 | Ext: 325

trien.lh@vdsc.com.vn

Tam Bui

+ 84 8 6299 2006 | Ext: 324

tam.bt@vdsc.com.vn

Huong Pham

+ 84 8 6299 2006 | Ext: 323

huong.pt@vdsc.com.vn

Nam Huynh

+ 84 8 6299 2006 | Ext: 321

Nam.hk@vdsc.com.vn

HỘI SỞ TẠI TP.HCM

Tầng 1-2-3-4, tòa nhà Viet Dragon
141 Nguyễn Du, P.Bến Thành, Q.1, TP.HCM

- T +84 8 6299 2006
- F +84 8 6291 7986
- E info@vdsc.com.vn
- W www.vdsc.com.vn

CHI NHÁNH HÀ NỘI

2C Thái Phiên, Q.Hai Bà Trưng, Hà Nội

- T +84 4 6288 2006
- F +84 4 6288 2008
- E info@vdsc.com.vn
- W www.vdsc.com.vn

CHI NHÁNH NHA TRANG

50 Bis Yersin, TP.Nha Trang, Khánh Hòa

- T +84 058 3820 006
- F +84 058 3820 008
- E info@vdsc.com.vn
- W www.vdsc.com.vn

CHI NHÁNH CẦN THƠ

08 Phan Đình Phùng, Q.Ninh Kiều, TP.Cần Thơ

- T +84 0710 381 7578
- F +84 0710 381 7789
- E info@vdsc.com.vn
- W www.vdsc.com.vn



This report is prepared in order to provide information and analysis to clients of Rong Viet Securities only. It is and should not be construed as an offer to sell or a solicitation of an offer to purchase any securities. No consideration has been given to the investment objectives, financial situation or particular needs of any specific. The readers should be aware that Rong Viet Securities may have a conflict of interest that can compromise the objectivity this research. This research is to be viewed by investors only as a source of reference when making investments. Investors are to take full responsibility of their own decisions. VDSC shall not be liable for any loss, damages, cost or expense incurring or arising from the use or reliance, either full or partial, of the information in this publication.

The opinions expressed in this research report reflect only the analyst's personal views of the subject securities or matters; and no part of the research analyst's compensation was, is, or will be, directly or indirectly, related to the specific recommendations or opinions expressed in the report. The information herein is compiled by or arrived at Rong Viet Securities from sources believed to be reliable. We, however, do not guarantee its accuracy or completeness. Opinions, estimations and projections expressed in this report are deemed valid up to the date of publication of this report and can be subject to change without notice.

This research report is copyrighted by Rong Viet Securities. All rights reserved. Therefore, copy, reproduction, republish or redistribution by any person or party for any purpose is strictly prohibited without the written permission of VDSC.