

OCTOBER

14

TUESDAY

“Blue-chips sank and indices plunged in thinner liquidity”

ADVISORY DIARY

- **DHC – Depressed material price to boost future earnings**
- **TCM – Moving up the value chain**
- **Blue-chips sank and indices plunged in thinner liquidity**

DHC – Depressed material price to boost future earnings

Dong Hai Ben Tre SJC (DHC-HSX) announced yesterday its business result in the third quarter of 2014, which showed that Q3 NPAT remained largest optimistic at about VND12 billion, up about 14.5% from a year earlier. By the end of September, consumption volume has reached over 35,000 tons with the consumption breakdown by product mostly steady at 30% testliner and 70% medium paper. Whereas NPAT was announced to exceed the whole-year earnings target 20% in the 9-month period, two issues emerged in Q3 financial report, hiking inventory and a significant contraction of gross profit margin.

With regard to gross profit, DHC posted a GPM of only 16%, well below our projection of 18%, which as revealed by the Company in a discussion with our analyst, was mostly due to a sharp increase in rice husk price (26%). Also, DHC expects the upswing of rice husk price to stretch over the last quarter of the year. On the other hand, China’s slowed manufacturing expansion as the result of civil strain has recently put a downward pressure on raw paper price (now standing at USD192/ton), which in turn is bolstering DHC’s profitability. Our analyst expects the fall of raw paper price to largely offset the effect of rising rice husk price and reverse Q4 GPM to 17.2-17.5%.

DHC made known that its inventory of finished products swelled 72% over the one-year period in Q3 because the peak season of manufacturing and thus packing paper consumption started quite late this year. Nonetheless, DHC said it had seen its order book growing quickly again so far into October. The Company intends to issue over 690 thousand shares under the ESOP in Q4, thereby raising its share capital to VND156.9 billion.

Given Q3 actual results, our analyst sees a high likelihood that DHC will achieve of whole-year NPAT of VND46.7 billion in 2014. At today’s close of VND20,400/share, DHC is trading at a forward P/E ratio of about 6.5x, a pretty attractive valuation for a company with such operational stability as DHC’s. Nonetheless, the shortcoming in term of liquidity leads us to believe that the stock is more suitable for long-term and value investors.

TCM – Moving up the value chain

RongViet Securities just published today an updated report on Thanh Cong Textile & Garment Investment Trading SJC (TCM-HSX), in which our analyst estimates TCM’s Q3 revenue and NPAT at about VND606.1 billion and VND45 billion, respectively. With this result, TCM has achieved 74% of its whole-year earnings guidance, or ~VND 127.5 billion by the end of the third quarter. In expectation of higher NPAT growth in 4Q2014 thanks to peaking demand in leading export markets holidays near the end of the year, we believe the NPAT target for FY2014 of VND173 billion is nothing out of reach.

Since RongViet Research published the last Update Report on TCM, the stock has gained 22.6% and at times, over 30%. Considering the current price and the 2014 EPS projection of VND3,671/share, the forward P/E ratio for the stock seems reasonable enough. This raises a question of whether there is anything else to expect of TCM. And the answer is yes. In this report, we want to update some radical progress that will not only bolster the Company’s business performance in 2015 but also serve as a foundation of further advancement of firm in the long

term.

One of the most important update in this report is TCM's expansion of into high-quality woven fabrics for the Japanese market. With these highly value-added goods, the gross profit margin for the fabric segment has been heightened to over 20% from 17% in 2013. To cater for the growing demand from overseas markets, TCM has imported 15 new power looms, thereby raising its weaving capacity up about 20%. We view this as one of TCM's preparations to advance to a higher level in the value chain.

From 2015 onwards, there are factors underpinning TCM's revenue and earnings growth due to the operation of the first 6-million-piece-a-year sewing workshop in the Vinh Long project and the increased weaving capacity. Overall, FY2015, net revenue may add 5.6% and NPAT about 12% from 2014 and estimated EPS is about VND4,110/share. Also, our analyst revises the target price for TCM to **VND42,500/share** and rate the stock as **ACCUMULATE** in the **LONG TERM**.

Blue-chips sank and indices plunged in thinner liquidity

Market sentiment in general seemed rather bleak today as stocks traded without a clear direction and indices went mostly sideways for the majority of the session's time. However, the bears overwhelmed market near the end of the day, plunging nearly every stock in VN30 and HNX30 and even GAS into the down side (MSN was to only stock of VN30 closing without a loss). Although it was blue-chips that felt the most of selling pressure, mid-caps and penny stocks suffered the same way. Even such stocks with optimistic Q3 earnings and expectations as BCC, TCM, DHC, TNG and PXS closed with a large loss. While the sell side proved to be determined, the buy side was not very enthusiastic. Trading volume dropped 4% in the HSX and added 13% in the HNX. Even foreign investors were reluctant to participate, selling a net VND36 billion on both exchanges.

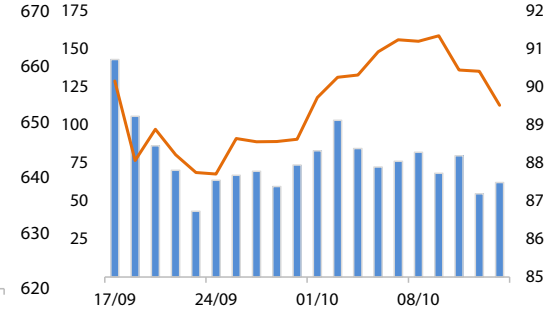
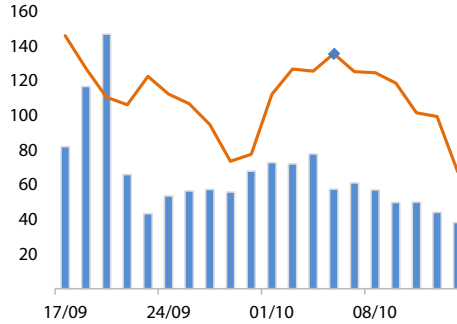
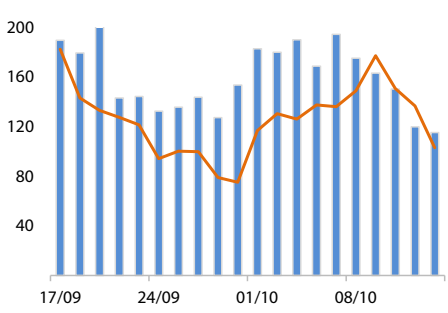
The market of October to this day has been moving consistently with our prediction in our latest Monthly Strategic Report. A substantial downswing of the stock market will open an opportunity for long-term investor to start accumulation on stocks that have returned to a more attractive price level, of course with reasonable caution and in the view of business outlook not only for the remaining months of 2014 but also the year of 2015.

Tai Nguyen

+ 84 8 6299 2006 | Ext: 315

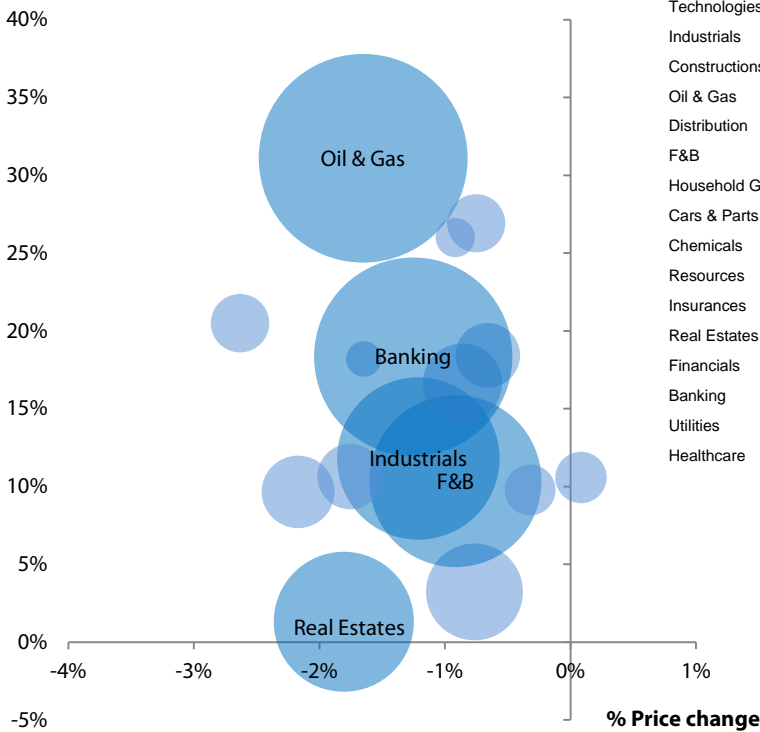
tai.ntp@vdsc.com.vn

VNINDEX -1.37% 605.79 VN30 -1.53% 641.13 HNXINDEX -1.00% 89.52

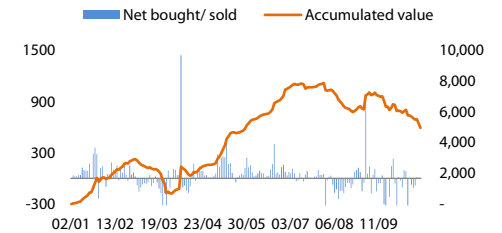


Industry Movement

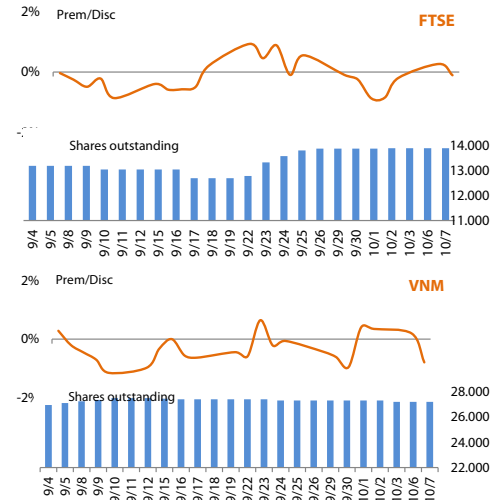
Industry ROE



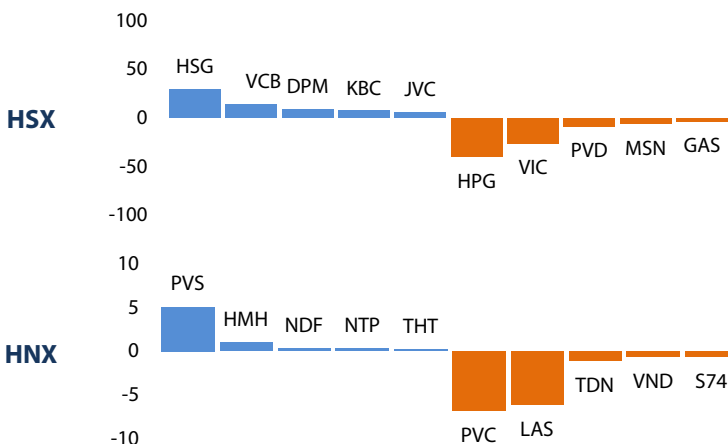
Foreign Investors Trading



ETF



Top net bought/sold by foreigners (VND bn)



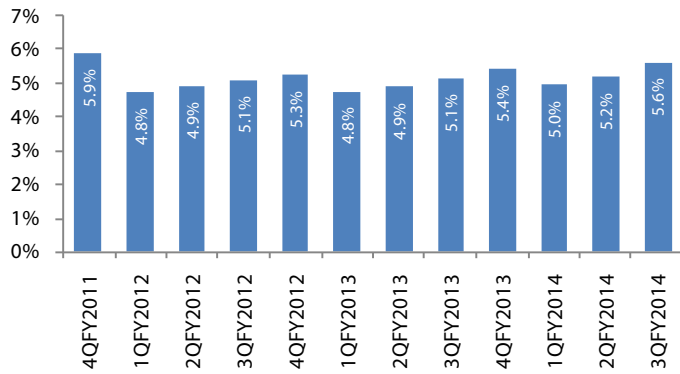
Top Active

Ticker	Price	Volume	% price change
FLC	11.3	8.19	-1.7%
ITA	8.8	5.53	-1.1%
VHG	15.3	5.04	0.7%
SAM	13.0	4.74	-3.7%
KBC	16.2	3.86	-3.6%

Ticker	Price	Volume	% price change
PVX	6.5	7.89	0.8%
SHS	12.1	5.18	-1.9%
SHB	9.0	4.13	0.2%
KLF	11.5	4.04	-1.6%
PVS	43.1	3.96	1.5%

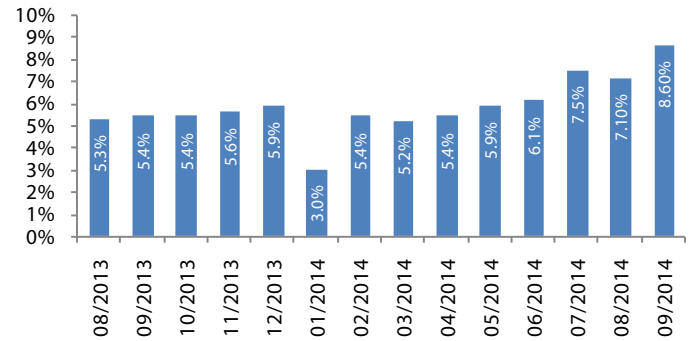
MACRO WATCH

Graph 1: GDP Growth



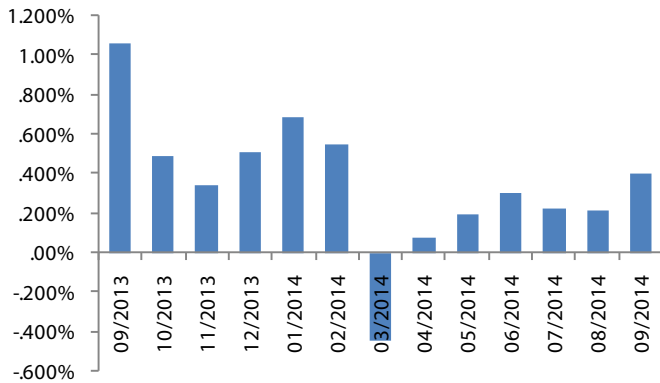
Sources: GSO. Rongviet Securities database
(* Comparison price in 1994)

Graph 2: IIP



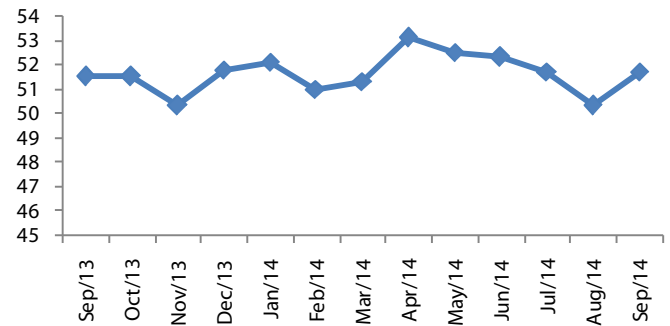
Sources: GSO. Rongviet Securities database

Graph 3: Monthly CPI



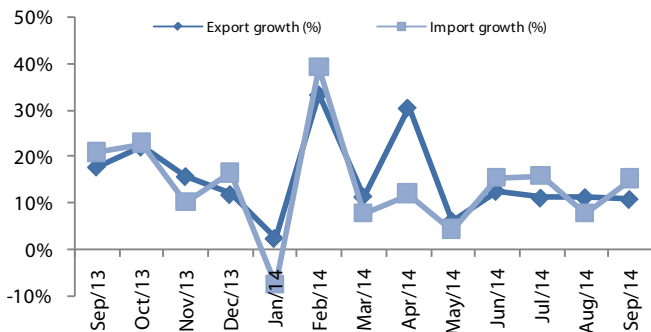
Sources: GSO. Rongviet Securities database

Graph 4: HSBC - PMI



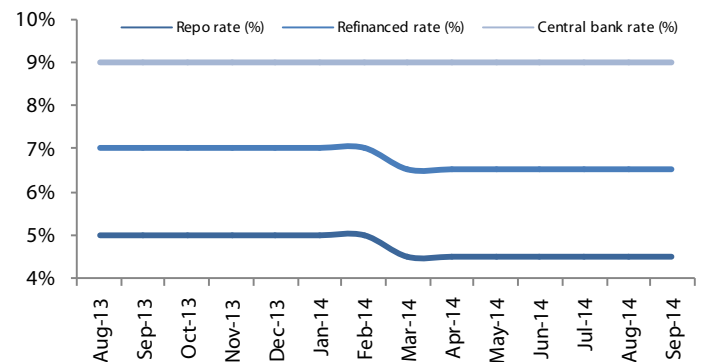
Sources: GSO. Rongviet Securities database

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
DCL – Chances as bad debts to be solved	Sep 22 th , 2014	Neutral – Long term	37,000
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

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	07/10/2014	0-0.75%	0-2.5%	11,886	11,743	1.22%
VF1	10/10/2014	0.20% - 1.00%	0.50%-1.50%	23,855	23,728	0.53%
VF4	08/10/2014	0.20% - 1.00%	0.00%-1.50%	10,744	10,415	3.16%
VFA	10/10/2014	0.20% - 1.00%	0.00%-1.50%	7,787	7,767	0.26%
VFB	10/10/2014	0.30% - 0.60%	0.00%-1.00%	11,983	11,761	1.89%
ENF	03/10/2014	0.00% - 3.00%		11,094	10,763	3.08%

ANALYSTS

Truc Doan – Head of Research

+ 84 8 6299 2006 | Ext: 314

truc.dtt@vdsc.com.vn

Ngoc Chung

+ 84 8 6299 2006 | Ext: 318

ngoc.cb@vdsc.com.vn

Lam Nguyen

+ 84 8 6299 2006 | Ext: 318

lam.ntp@vdsc.com.vn

Ha My Tran

+ 84 8 6299 2006 | Ext: 348

my.tth@vdsc.com.vn

Tai Nguyen

+ 84 8 6299 2006 | Ext: 315

tai.ntp@vdsc.com.vn

Diem My Tran

+ 84 8 6299 2006 | Ext: 344

my.ttd@vdsc.com.vn

Trien Le

+ 84 8 6299 2006 | Ext: 339

trien.lh@vdsc.com.vn

Tam Bui

+ 84 8 6299 2006 | Ext: 348

tam.bt@vdsc.com.vn

Huong Pham

+ 84 8 6299 2006 | Ext: 317

huong.pt@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



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