

NOVEMBER

25

TUESDAY

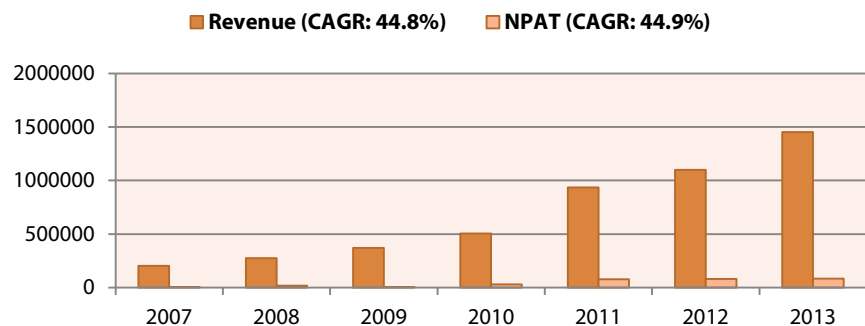
ADVISORY DIARY

- **Comments on the IPO of Century Synthetic Fiber Corp**
- **Rise in difficulties!**

Comments on the IPO of Century Synthetic Fiber Corp.

Our industry specialist attended the Roadshow of Century Synthetic Fiber Corporation (STK) on Monday (24/11/2014). General assessment of the business and prospects of the company, STK has solid fundamentals and positive growth potential. Established in 2000, when the synthetic fiber needs are replacing the natural fibers needs, STK products has gradually been identified in the large market in Europe and Asia due to the high quality and the ability to meet customer demand. Average CAGR growth rate of revenue and profit after tax reached 39.4% and 52%, respectively. With export revenue accounts for nearly 80% of total revenue, STK depends heavily on export markets but also has the advantage of USD loans with low interest rate (about 3%/year). In addition, for a company manufacturing and selling across the board as STK, the financial ratios of liquidity, asset turnover, and debt/equity are generally positive.

Chart: STK's performance (2007-2013)



Source: STK

“Rise in difficulties!”

Exhibit: STK's financial ratios

	2010	2011	2012	2013
Current ratio	1.45	0.92	1.17	1.32
Quick ratio	0.85	0.4	0.41	0.58
Cash ratio	0.24	0.22	0.09	0.25
Cash conversion cycle (days)	-2.78	-7.76	9.16	23.87
Debt/Equity	0.62	0.59	0.67	0.57

Source: STK

At the Roadshow, the growth potential of the company is evaluated based on several factors including industry outlook, operational efficiency and investment in capacity expansion. In particular, we are concerned about the growth opportunities of the textile industry of Vietnam. According to the company, STK is one of the few businesses meet the TPP “Yarn forward” rule of origin. With the structure of existing customers (mainly exported to Turkey and Taiwan), the direct benefit from TPP is unexpected for STK. However, we believe that STK can benefit indirectly through sales to FDI, currently investing textile manufacture in Vietnam. The benefits will be achieved mainly after 2015 because these plants are in the investment stage. This also explains why STK has started to invest in raising by 40.5% its capacity from May, 2015. According to the

plan, total investment will be approximately VND729 bn, 70% financed with debts, the Company expects the expanded factory will operate at 50% capacity in Q3/2015 and at full capacity in Q1/2016.

Apart from above positive factors, we concern only on the STK's ability to maintain gross profit margin. As we known, in early 2014, cotton yarn price is higher than polyester filament price. However, till the end of Nov, 2014, due to the slump of cotton price, yarn price has become cheaper than polyester filament price. We consider the gap of those materials as a factor making natural fibers more competitive than synthetic fibers thus affect the Company's selling price. In addition, the downtrend of crude oil price has led to the decrease of polyester chip price. Thus, the decreasing rate of selling price compared to that of material price should be monitored closely to evaluate STK outlook in the following year.

Under the plan, STK will be offered at the starting price of VND18,000, an attractive price with P/E of just 6.4x, lower than the average industry P/E of 12x. After IPO, STK also has specific schedule to be listed on HOSE in April-May, 2015, therefore, we expect the upcoming auction (09/12/2014) may attract the attention of many investors.

Rise in difficulties!

Recently, when the market is affected negatively due to the circular 36, we asked a friend of us how we should behave at the occurrence of unquantifiable risks in Vietnam stock market. Nearly one year passed, RongViet and our customers were familiar with such information like Bien Dong event, Mr. Ha Van Tham event and most recently the Circular 36. We get profound advice in this case is to ignore short-run volatility and focus on the long term fundamentals. According to our opinion, this advice is quite fit the current situation, if investors believe in the fundamentals of company, it is clear that the pessimistic performance of market could offer an ideal opportunity for investors to accumulate shares with solid fundamentals and efficient business.

Today, the risk appetite has been diverged in the stock market. In which, blue-chips find equilibrium as VN30 rebounded 1.11%; few stocks with unreasonable gains were still under strong sells (GTN, QBS, VHG); while some shares which rallied in the downtrend of market (HUT, KHA, LCG) continued to limited. Foreigners' transactions also interesting, we subjectively think that foreigners likely net buy when VNIndex touches 580 points. The decline at the end of October was an evident with strong buying shares including PVD, HPG, KDC. This month, foreigners began to net buy yesterday with the most net bought shares including VIC, HAG, HSG. On HNX bourse, PVX attracted our attention when foreign investors net bought about 1 million units. Today, HSG announced the resolution for the annual general meeting in 2015 (19/01/2015), notably (1) the Company will pay shares dividend and increase charter capital; (2) the restructuring plan (as we mentioned before in Advisory Diary). For PVX ticker, many investors believe the Company will continue to record positive earnings in 4Q2014 by disposed some investments in order to avoid being delisted. At the end of trading day, the National Assembly has approved the Housing Law (Amendment), we will have specific evaluation about new condition for foreigners to buy houses in the next Advisory Diary.

Ha My Tran

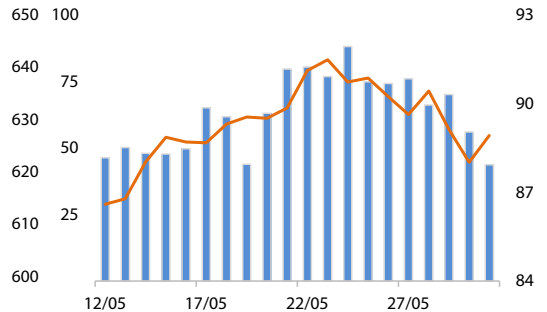
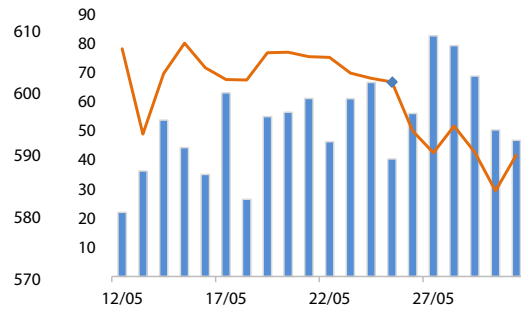
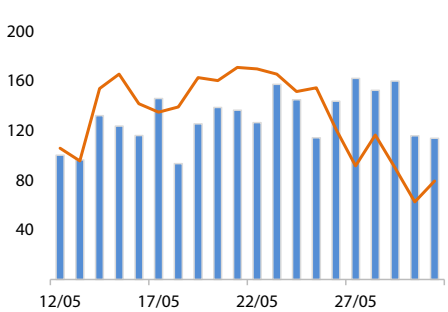
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VNINDEX 0.58% **585.91**

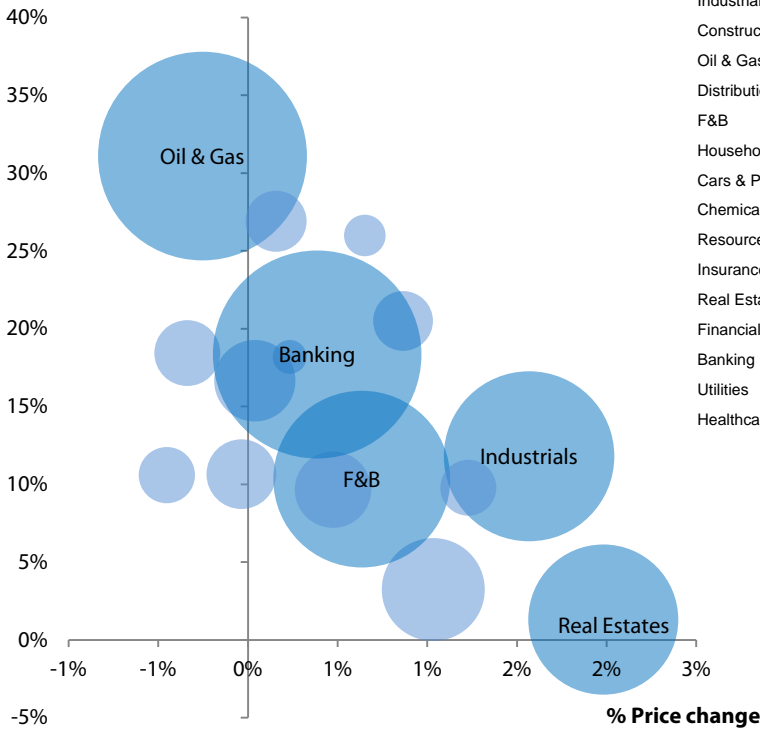
VN30 1.11% **623.23**

HNXINDEX 1.03% **88.93**



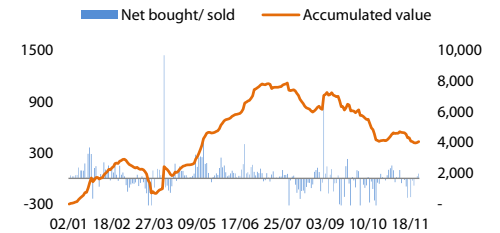
Industry Movement

Industry ROE

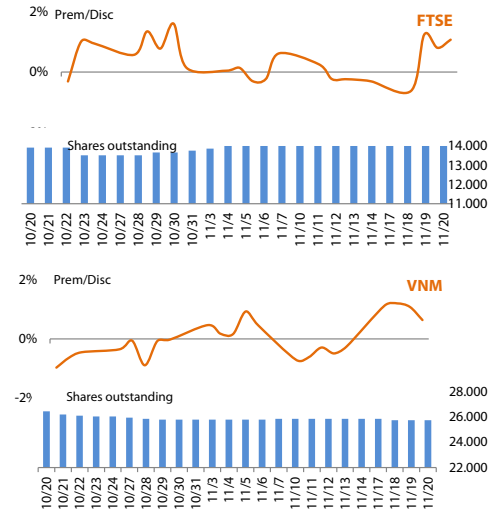


Industry	% change
Technologies	0.9%
Industrials	1.6%
Constructions	1.0%
Oil & Gas	-0.3%
Distribution	0.2%
F&B	0.6%
Household Goods	1.2%
Cars & Parts	0.7%
Chemicals	-0.3%
Resources	0.2%
Insurances	0.0%
Real Estates	2.0%
Financials	0.5%
Banking	0.4%
Utilities	0.0%
Healthcare	-0.5%

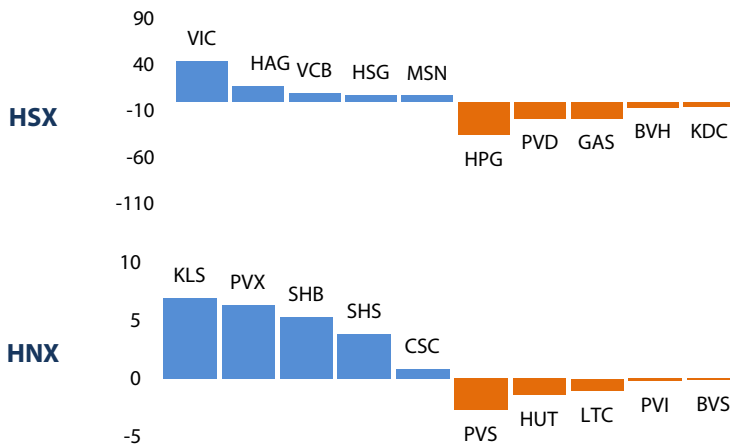
Foreign Investors Trading



ETF



Top net bought/sold by foreigners (VND bn)



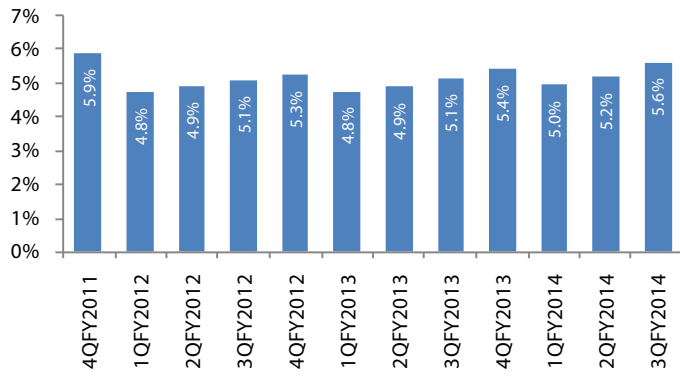
Top Active

Ticker	Price	Volume	% price change
VHG	14.6	15.70	-3.3%
FLC	12.2	13.95	-0.8%
OGC	8.6	8.86	-2.3%
ITA	8.8	4.66	0.0%
KBC	16.7	2.37	1.8%

Ticker	Price	Volume	% price change
KLF	14.4	10.97	2.9%
PVX	6.2	4.58	1.6%
HUT	15.2	3.52	9.4%
SCR	10.0	1.58	2.0%
FIT	29.9	1.57	-1.3%

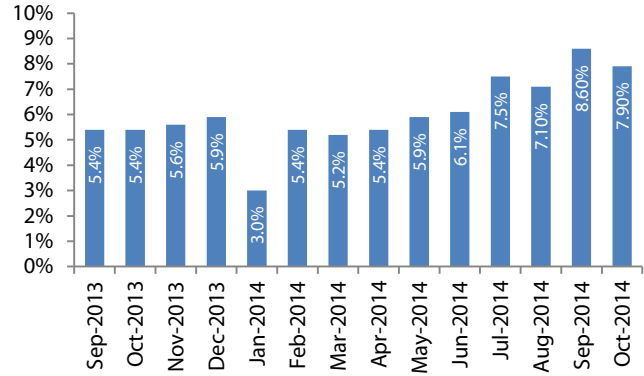
MACRO WATCH

Graph 1: GDP Growth



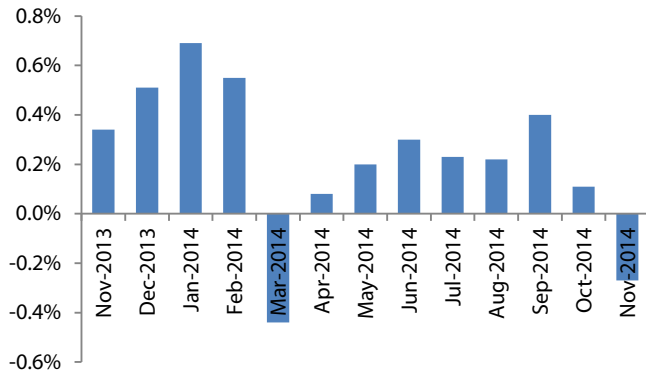
Sources: GSO. Rongviet Securities database
(*) Comparision price in 1994

Graph 2: IIP



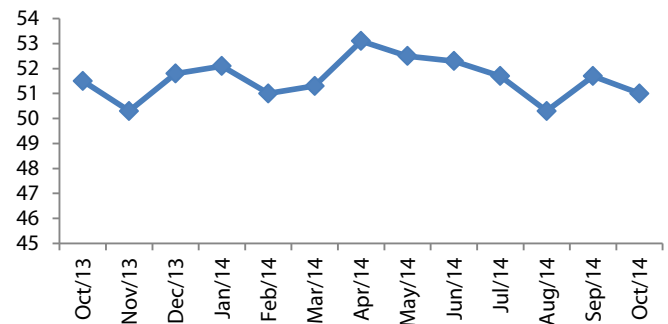
Sources: GSO. Rongviet Securities database

Graph 3: Monthly CPI



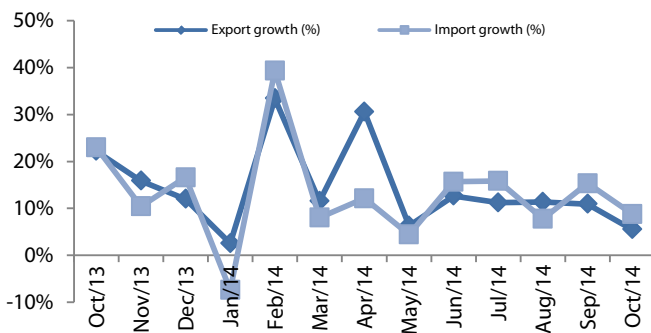
Sources: GSO. Rongviet Securities database

Graph 4: HSBC - PMI



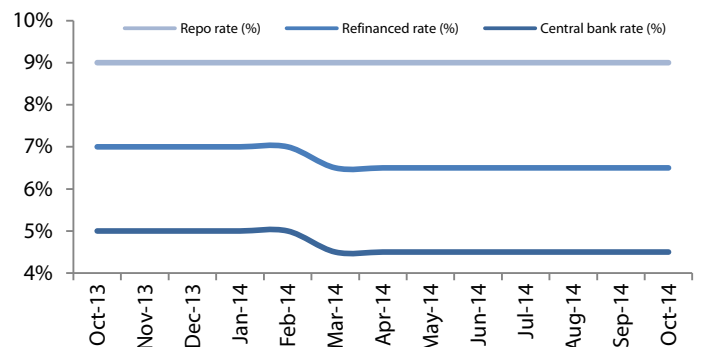
Sources: GSO. Rongviet Securities database

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
PGS - 2015: A year of challenge	Nov 24 th ,2014	Neutral - Long term	37,800
NBB - A turning point with City Gate Towers	Nov 14 th ,2014	Buy - Long term	26,800
CMI-Project restarts spark new hopes	Nov 13 th , 2014	Monitor	
CNG - Potential growth from building materials industry's well-being	Nov 10 th , 2014	Accumulate – Long term	46,000
GMD - Positive developments from core businesses	Nov 7 th , 2014	Accumulate – Long term	44,400
BMP -Every cloud has a silver lining	Oct 30 th , 2014	Buy – Long term	87,700
SBA - Growth season ahead	Oct 24 th , 2014	Buy – Intermediate term	14,500

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	11/11/2014	0-0.75%	0-2.5%	11,815	11,868	-0.45%
VEOF	11/11/2014	0-0.75%	0-2.5%	10,367	10,283	0.82%
VF1	20/11/2014	0.20% - 1.00%	0.50%-1.50%	22,293	22,545	-1.12%
VF4	12/11/2014	0.20% - 1.00%	0.00%-1.50%	10,357	10,338	0.18%
VFA	14/11/2014	0.20% - 1.00%	0.00%-1.50%	7,567	7,570	-0.03%
VFB	14/11/2014	0.30% - 0.60%	0.00%-1.00%	11,949	11,950	-0.01%
ENF	07/11/2014	0.00% - 3.00%		10,996	10,504	4.. 8%
MBVF	13/11/2014	1%	0%-1%	11,096	11,119	-0.21%
MBBF	12/11/2014	0-0.5%	0-1%	11,742	11,734	0.07%

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