

**APRIL**

**06**

**MONDAY**

**“Buyers’ cautious!”**

**ADVISORY DIARY**

- **AGM notes: LIX, TCM**
- **Buyers’ cautious!**

**LIX: AGM notes**

Last week, April 4th, our F&B industry analyst attended the AGM of Lix Detergent Joint Stock Company (HSX: LIX), which is a Vietnamese brand having market share of about 6%, concentrating on South region with mid-low income segments.

Operating revenue of LIX comes from both domestic and exporting market. The domestic revenue accounts for 80% under 2 channels: (1) direct sales under the LIX brand (80% total domestic sales) through traditional selling channel with 36,000 retailing shops and over 100 distributors and (2) outsourcing for supermarkets and other enterprises (25% total domestic sales).

LIX’s products are currently exporting to many markets such as Cambodia, Japan, Philippines, Malaysia, Thailand and Taiwan. In 2014, due to rivalry of Chinese products and the depreciation of Yen, the revenue proportion of this segment was just 20%, lower than 23% of 2013. About the impact of joining the ASEAN Economic Community (AEC) in 2015, the Company said that LIX would have many advantages when the tax incentives applied since their products have been penetrating deeply in some Southeast Asian markets such as the Philippines, Malaysia, Laos and Cambodia especially. However, the Chinese product’s rivalry would be more concerned.

In 2015, the company plans to achieve sales of VND1,700 billion and profit before tax of VND104 billion with cash dividend of 25%, equivalent the 2014 result. According to RongViet Research industry analyst, this is a prudent performance target because of the interruption when the manufacture in Hanoi displaced. Accordingly, in 2015, the LIX factory in Thanh Xuan - Hanoi will be moved to Bac Ninh Industrial Park. In addition, the interruption effect is insignificant because the contribution of the North market is only 10% and the inventory will be reserve from 1-2 months. For the new plant in Bac Ninh, LIX could increase capacity to accelerate the North market.

Currently, according to our calculations, the current capacity of LIX is around 205,000 tons/year, 77% of the total designed-capacity (~265,000 tons/year).

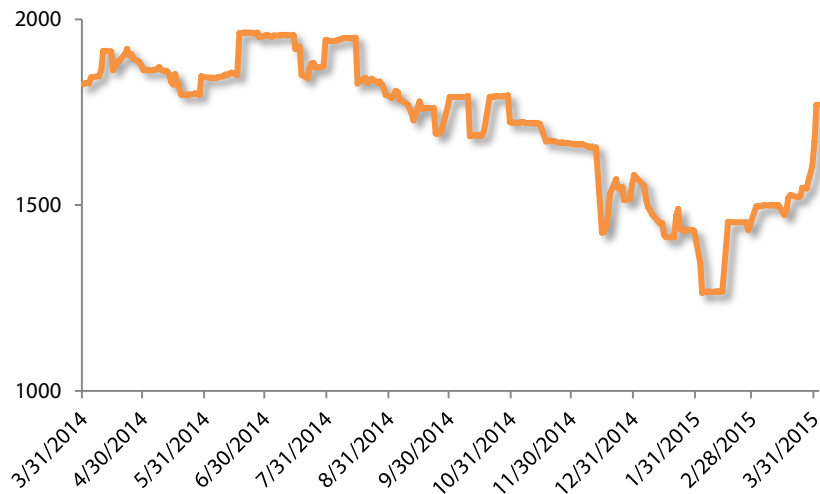
In addition, the main raw material of detergents derived from petroleum (similar to LAS) and plastic packaging, accounting for about 70% of the production cost. Recently, these materials prices have fell sharply. However, they have not been reflected in the 2014 results of some companies. However, with the downward trend of oil prices as at present, the company's gross profit margin would have improved significantly in 2015. Tracking changes in the price of the resin, we found out that the resin prices fell by 6% over the same period. Meanwhile, raw material prices of LAS fell by 24%, compared to the same period.

**Chart: Productivity of LIX’s factories**

<b>Factories</b>	<b>Products</b>	<b>Productivity</b>
Thu Duc Factory	Detergent	120.000 tons/year
Thanh Xuan – Hanoi Factory	Detergent	50.000 tons/year
	Liquid detergent	35.000 tons/year
Binh Duong Factory	Liquid detergent	60.000 tons/year

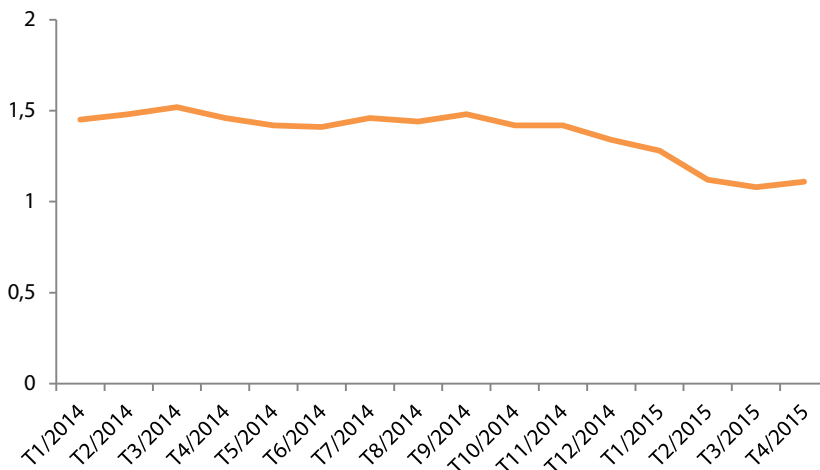
Source: LIX

**Chart: Resin price from Mar 31 2014 – Apr 6 2015**



Nguồn: Bloomberg

**Chart: LAS price from Jan 2014 – Apr 2015**



Source: Zaubia

With the 5-year average growth of 13% and good financial ratios (ROE, liquidity ratio, LIX is showing the advantages over other local businesses in the industry. Before the positive changes in downtrend materials associated with growth potential detergent industry, we believe that LIX quite consistent with the long-term investors. Specifically, in 2015, the company can expect significant income from displacing the plants in Thanh Xuan, Hanoi.

**TCM: AGM notes**

At 2015 annual general shareholder meeting of Thanh Cong Textile (HSX: TCM) holding last weekend, the business result of 2014 and the guidance for 2015 were announced.

According to audited financial statement, TCM's revenue reached VND2,571.41 billion (+0.7% yoy) and NPAT was VND168.36 billion (+36% yoy), equivalent to 91.1% and 102% of the plan. Although the company did not achieve the production and sales plan due to fiber revenue decrease following cotton price (this segment profit margin only reached 2% instead of the average 5 – 7% as in the previous years), NPAT still exceeded the plan due to high profit margin from exported



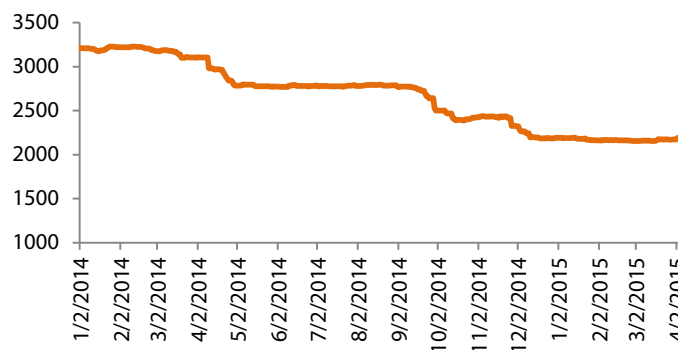
fabrics to Japanese market.

In 2015, the Company made as cautious plan with VND2,780.8 billion (+8% yoy) in revenue and VND170.4 billion (+1.2% yoy) in NPAT due to concerns about the prospects of fiber segments and USD/VND exchange rate. Accordingly, due to accounting for high proportion of revenue (35 – 40%), fluctuation in fiber segment has enormous impact on TCM’s business results. Meanwhile, fiber price has close positive correlation with cotton price and TCM often has cotton reserve enough for 2 – 2.5 months of production. As a result, when cotton price decreases, revenue and profit margin from fiber segment would be narrowed. However, if cotton price remains stable or slightly increase, fiber segment would have some improvement. In fact, cotton price has been stable from Feb 2015.

Regarding the exchange rate, the majority of revenue is driven from export activities and contracts are signed by the USD, so some of our investors are worry that TCM’s business result will be affected by the exchange rate fluctuation. In the context that most other currencies have fell sharply against the USD, the rate USD/VND being kept fixed might lower the competitiveness of Vietnam exported goods. However, about 30-40% of export revenues were guaranteed by Eland and TCM’s products have high quality so the Company tells that exchange rate problem might temporary not cause significant impacts on the earnings of TCM.

Our industry analyst supposes that TCM could achieve better business results than stated in 2015’s guidance due to the plan does not include revenue contribution from Phase 1 of Vinh Long factory (might operate since early Q3 / 2015). Moreover, this year’s profit margin might have some enhancement because 15 new textile mills (high margin) imported at the end of 2014 could operate at full capacity in 2015. Closing at VND30,700/share on today session, TCM is trading at P/E forward of about 8.1 times. Our industry analyst believes this is a reasonable valuation for long-term investors to accumulate TCM share.

**Chart: Trend of cotton price**



Source: Bloomberg

**Buyers’ cautious!**

Market starts Monday with less positive in terms of both indices and liquidity, in which VNIndex fell 0.89% and HNIndex fell 0.33% compared with closing point last week. The total matching volume was 78.2 million shares (-16.4%) and corresponding value was 1161.7 billion (-14%). Regarding to put-through volume, we saw two large transactions including MSN (6.4 million shares) and VNE (7.9 million shares). Foreign investors remained its net bought situation in four consecutive sessions. Their net buying value reached 56 billion today.

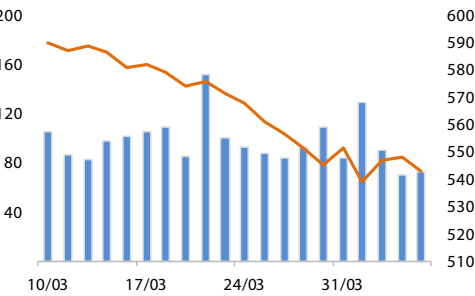
While lack of support information, it is likely that supply volume from over 100 million shares bottomed up on April 1st has pressured on buyers and caused exhaustion of liquidity today. However, contrary to overall negative trend, there are positive performances in some stocks

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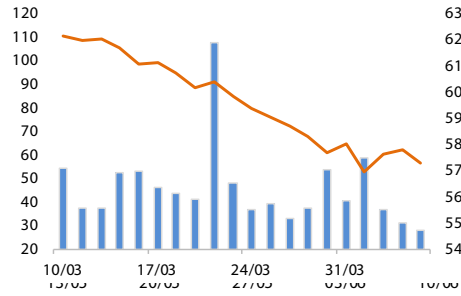
whose have positive earnings in 2015Q1 like HHS. Typically, HHS's 2015Q1 revenue reached VND378.4 billion and NPAT reached VND57.4 billion, up by 2.7 times and 3.4 times respectively.

After a slight increase in two recent sessions, the indices have adjusted today, matching with our expectation of "to increase or decrease mix". According to our market analyst, such movement will form a steady base for an upcoming recovery trend with weak liquidity conditions.

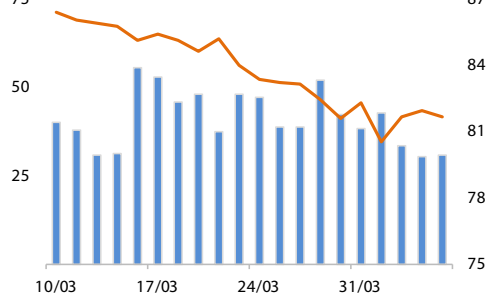
**VNINDEX -0.89% 542.97**



**VN30 -0.86% 572.71**

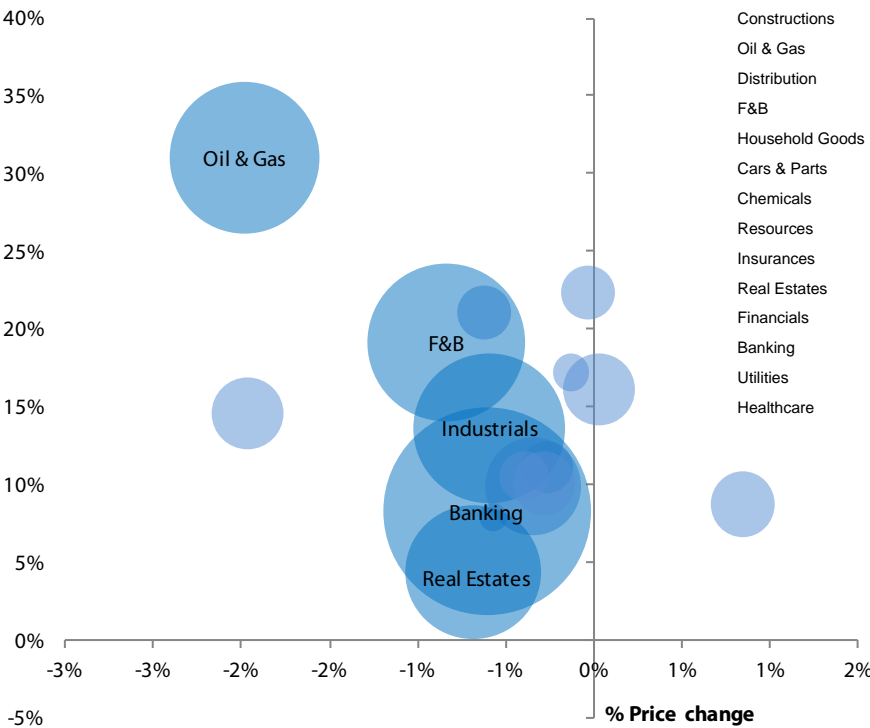


**HNXINDEX -0.33% 81.66**

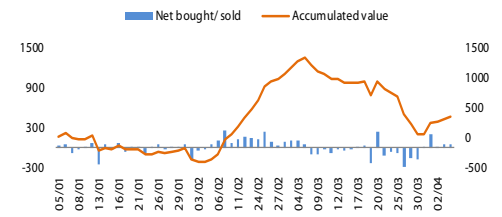


**Industry Movement**

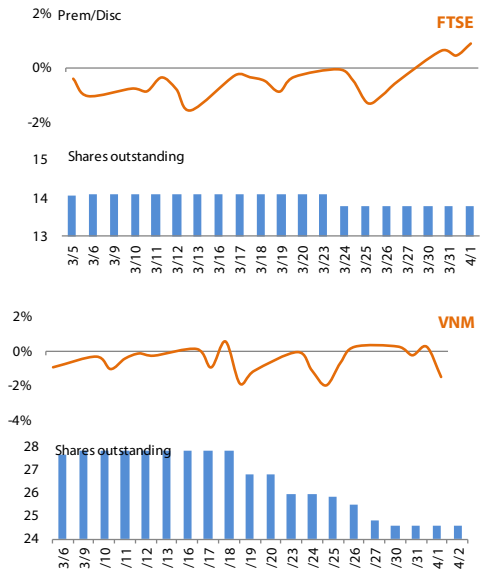
**Industry ROE**



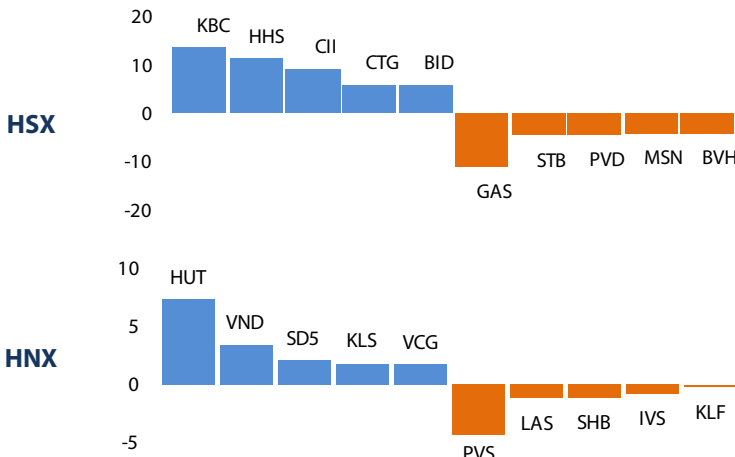
**Foreign Investors Trading**



**ETF**



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



**Top Active**

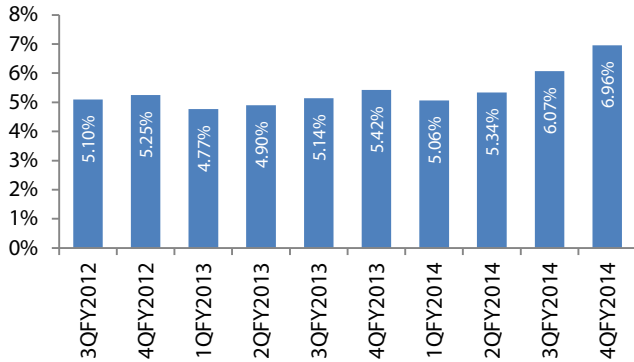
Ticker	Price	Volume	% price change
FLC	10.3	5.31	-2.8%
HAI	10.4	3.96	-5.5%
HAG	20.0	3.20	-2.4%
DCM	13.8	2.64	3.0%
HQC	6.4	2.41	-1.5%

Ticker	Price	Volume	% price change
KLF	8.6	2.44	-4.4%
FIT	17.0	1.75	-1.2%
SHB	8.4	1.51	0.0%
PVS	22.6	1.32	-0.9%
CEO	13.0	1.03	-0.8%

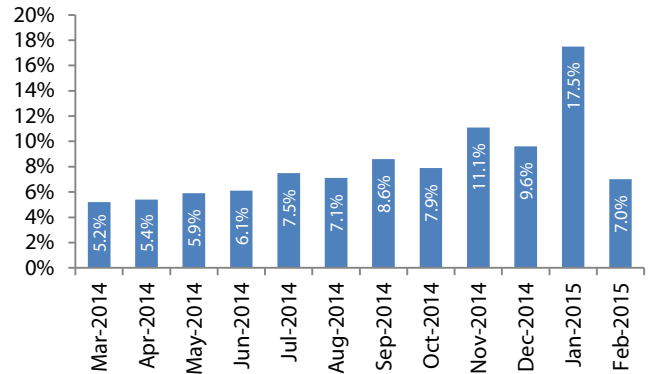
**MACRO WATCH**

**Graph 1: GDP Growth**



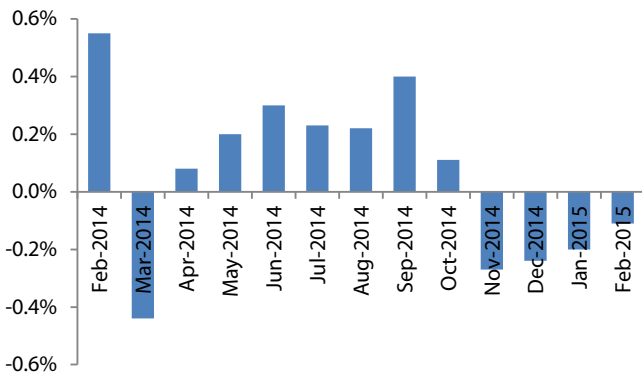
Sources: GSO. Rongviet Securities database  
(\* Comparison price in 1994)

**Graph 2: IIP**



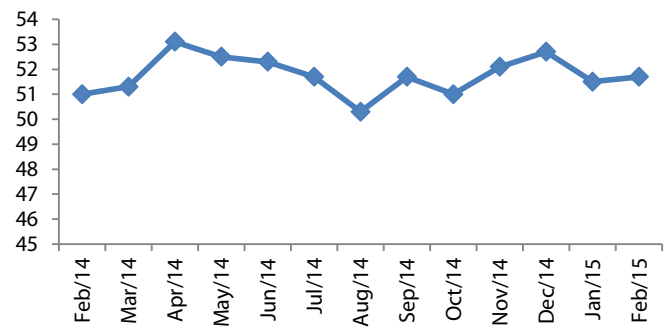
Sources: GSO. Rongviet Securities database

**Graph 3: Monthly CPI**



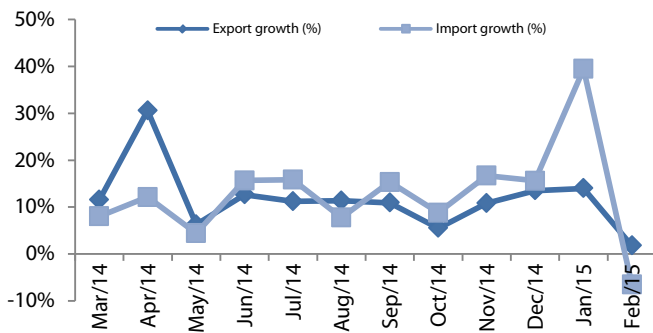
Sources: GSO. Rongviet Securities database

**Graph 4: HSBC - PMI**



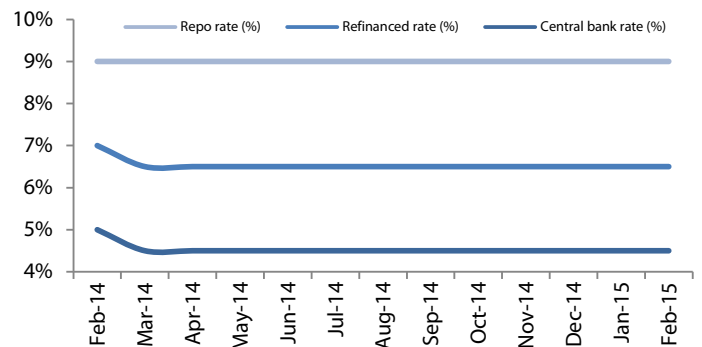
Sources: GSO. Rongviet Securities database

**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
PAC- Opportunities along with challenges	Jan 14 <sup>th</sup> , 2015	Accumulate – Intermediate term	27,500
HMH - Positive outlook from various supporting factors	Jan 06 <sup>th</sup> , 2015	Accumulate – Long term	33,800
DPM - Tail wind from crude oil	Dec 26 <sup>th</sup> , 2014	Buy – Intermediate term	36,100
VNM - 2014 - At the pit stop	Dec 19 <sup>th</sup> , 2014	Accumulate – Long term	110,000
PCT – Restructuring	Dec 11 <sup>th</sup> , 2014	Monitor	

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	10/03/2015	0%-0.75%	0%-2.5%	11,730	11,725	0.04%
VEOF	10/03/2015	0%-0.75%	0%-2.5%	9,871	9,695	1.82%
VF1	16/03/2015	0.2% - 1%	0.5%-1.5%	21,715	21,772	-0.26%
VF4	11/03/2015	0.2% - 1%	0%-1.5%	9,530	9,552	-0.23%
VFA	13/03/2015	0.2% - 1%	0%-1.5%	7,402	7,457	-0.73%
VFB	13/03/2015	0.3% - 0.6%	0%-1%	12,187	12,179	0.06%
ENF	06/03/2015	0% - 3%	0%	10,951	10,868	0.76%
MBVF	26/02/2015	1%	0%-1%	11,081	11,100	-0.17%
MBBF	11/03/2015	0%-0.5%	0%-1%	12,032	11,966	0.55%

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