

**JANUARY**

**07**

**WEDNESDAY**

*“Blue-chips solidified as crude oil no longer took hold on investors”*

**ADVISORY DIARY**

- **KMR - Multiple factors to “speed-up”**
- **Blue-chips solidified as crude oil no longer took hold on investors**

**KMR - Multiple factors to “speed-up”**

As Vietnam is moving towards completing the signings of various free trade agreements such as TPP, FTA with the European Union ( EVFTA ), South Korea ( VKFTA ) and the Customs Union of Russia Belarus- Kazakhstan- ( VCUFTA ), the textile and garment industry which posted the 3-year high export value in 2014 (~ \$ 24.5 billion) begins to attract lots of investors’ attention now. Foreseeing prospects of the industry, RongViet Research analyst initiated a discussion with some representatives of Mirae Joint Stock Company (KMR - HSX), one of the largest enterprises in Vietnam specializing in padding and quilting, which are used as raw materials for the manufacturing of various kinds of jackets , blankets , mattresses , etc.

Our analyst believes that the textile segment using synthetic fibers would benefit from the decline in world oil prices. With KMR, cost of raw materials (synthetic fibers) accounts for approximately 50% of the cost of good sold. Also, the fall in fiber price helps reduce the cost of raw materials by 8 % since October 2014. Although input prices has declined but the timing adjustment of selling price will always have some laggings. For this reason, KMR’s earnings was not negatively affected last year. To remain competitiveness, however, the Company is expected to cut the selling prices by 2 - 3% since 1Q2015. With the oil price forecast hardly rebounded from the current price (~ USD48/barrel), our industry analyst believe that KMR is having plenty of opportunities to foster profitability in 2015.

Besides, the growth opportunities of KMR in upcoming years will also come from investments to increase production capacity. Currently, KMR has two factories located in Binh Duong and Hung Yen, with a total capacity of each factory of 30,000 yards/day (~27,432m/day). To improve product quality and expand the production capacity, in 4Q2014, the Company has invested USD3 million for a new production line with a capacity of about 10,700 yards/day in Hung Yen and upgraded the current factory in Binh Duong. The capital is used from the issuance of 6 million shares at par value for strategic shareholders. According to our estimates, the new production line would increase the capacity in Hung Yen factory by about 35.7% and about 17.86% in total Company in 2015, thereby, increasing the revenue by ~14%. After 2016, KMR will continue to build a fiber manufacturing factory in order to be more active on the input source and a factory in Myanmar to take advantage of labor costs in this market.

In general, with some competitiveness such as (1) the advanced technology imported from Korea, (2) the experienced foreign management team and technicians and (3) large capacity compared with the industry competitors, KMR is able to take advantages in long term. Due to producing high-quality products together with the product restructure trend and the textile industry growth when the free trade agreements come into force, the demand of KMR’s product would increase significantly. However, with the plan mentioned above, we think that it is likely that KMR might not pay any cash dividends in 2-3 years.

**Blue-chips solidified as crude oil no longer took hold on investors**

Crude oil stumbled yet again today as WTI was down 0.49% from yesterday to USD47.44/barrel and Brent crude 0.58% to USD50.52/barrel. Nonetheless, trading activity suggested that investors were no longer as easily hurt by crude oil plunge anymore. The green color returned to Oil & Gas stocks like PXS, PXT and PVS; even the GAS, dubbed “December sinner” for pushing VNIndex over

the cliff last month, added VND1,000 today. Other blue-chips such as VNM and MSN also ended higher whereas bank stocks like BVH, CTG, EIB and STB continued to show strength. Meanwhile, KDC and PVD, at substantial net foreign sales both ended lower.

Indices extended yesterday's gains when VNIndex closed up 0.4% at 552.05 and HNIndex 0.45% at 84.18 with winning stocks outnumbered losing ones by a small margin on both exchanges. What drew our attention was a shift of cash flows among speculative issues where FIT recorded a hike of 38.4% in trading value, FLC's trading value also added 39.2% and that of OGC a striking 86.9%. Meanwhile, KLF saw trading value dropping 24.6% and HAR 22.8%... The foreign sector selling net again after days of consecutive purchases in the HSX should have raised some concerns among local market participants.

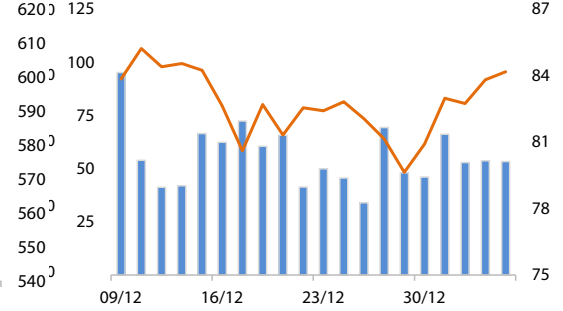
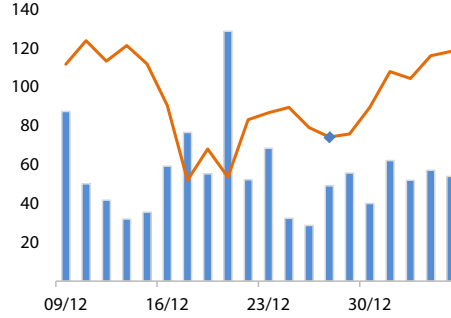
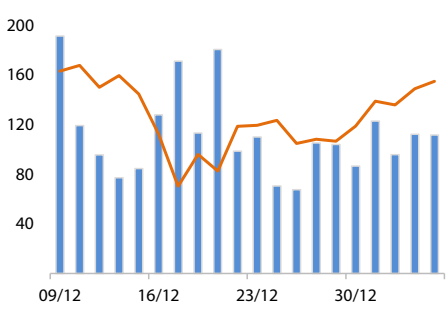
In the absence of much supporting information, the return of cash flows to blue-chips, the return of cash flows to blue-chips and the fact that the market did not react too negatively, if at all, to yet another fall crude oil price today are encouraging signals. Nonetheless, we believe more observations are needed before the recovery of market sentiment can be confirmed.

**Huong Pham**

+ 84 8 6299 2006 | Ext: 323

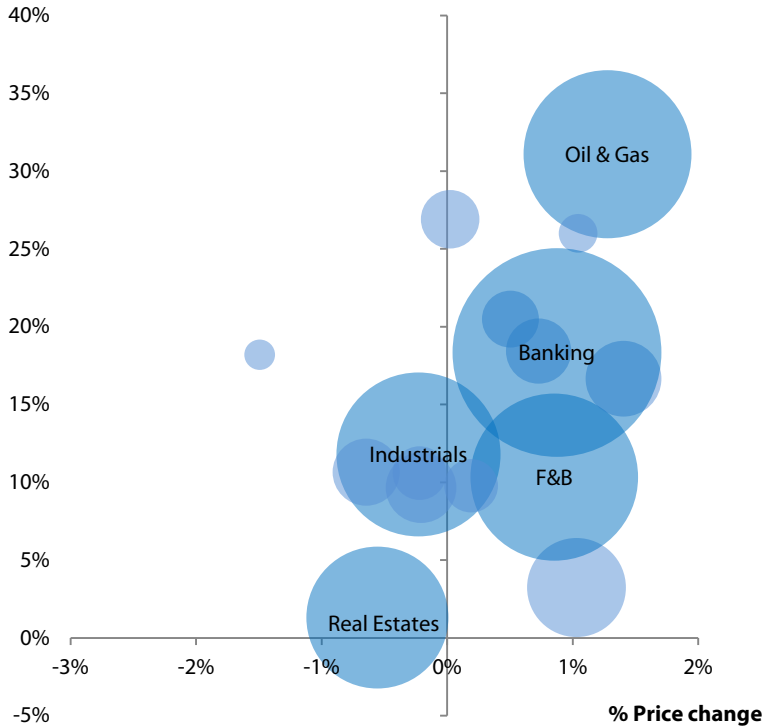
[huong.pt@vdsc.com.vn](mailto:huong.pt@vdsc.com.vn)

**VNINDEX 0.43% 552.05    VN30 0.21% 607.65    HNXINDEX 0.44% 84.18**

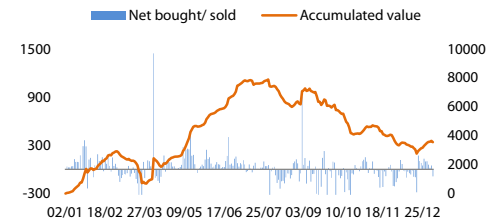


**Industry Movement**

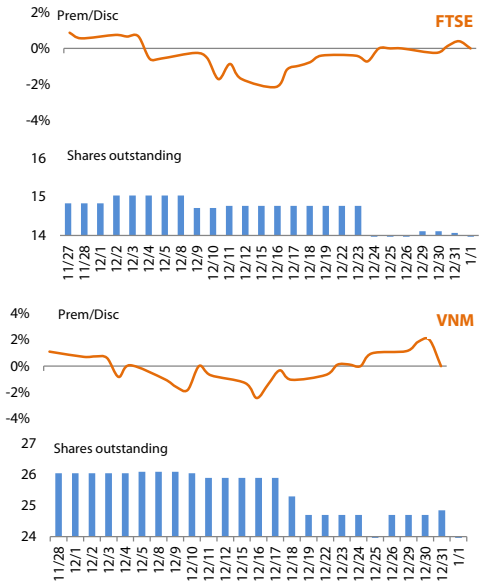
**Industry ROE**



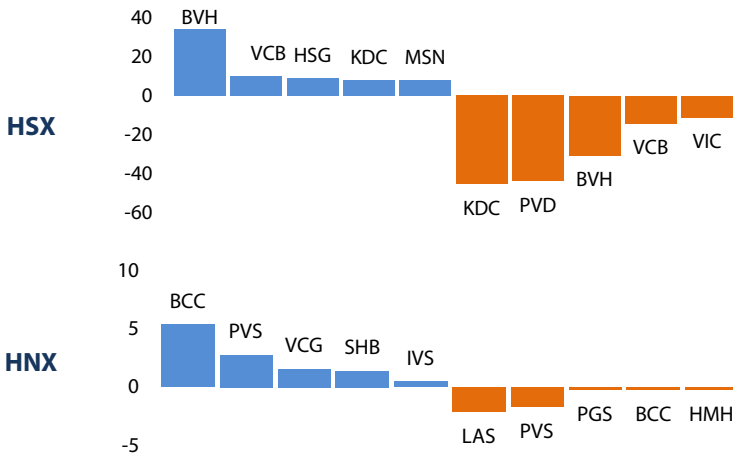
**Foreign Investors Trading**



**ETF**



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



**Top Active**

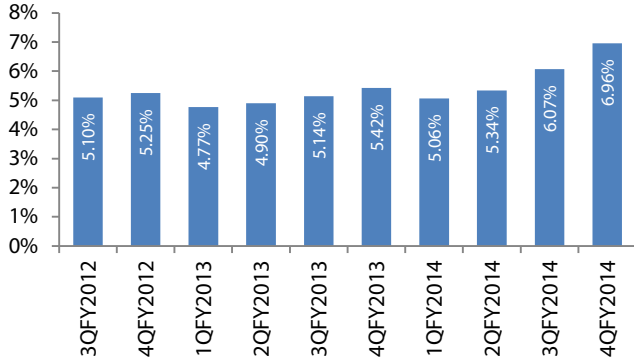
Ticker	Price	Volume	% price change
FLC	11.2	12.60	0.9%
OGC	7.1	10.51	-4.1%
ITA	8.0	5.19	-2.4%
VHG	12.7	5.00	0.0%
IDI	11.4	3.78	1.8%

Ticker	Price	Volume	% price change
KLF	11.4	8.45	-0.9%
SHB	8.6	5.01	1.2%
PVX	5.0	4.58	-3.8%
SCR	9.2	4.01	-3.2%
FIT	18.5	2.36	-2.1%

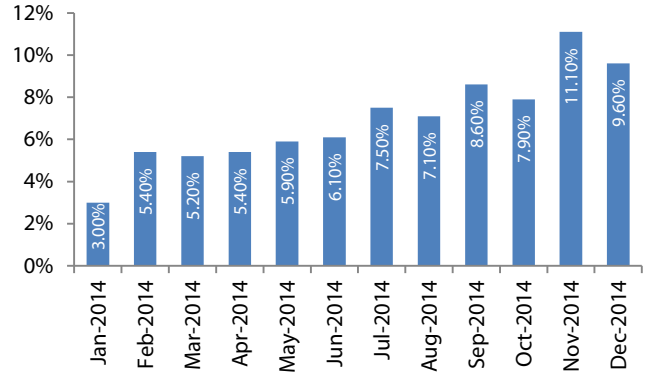
**MACRO WATCH**

**Graph 1: GDP Growth**



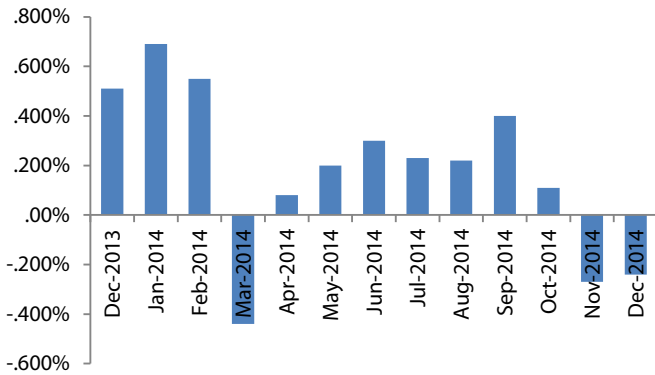
Sources: GSO. Rongviet Securities database  
(\* Comparison price in 1994)

**Graph 2: IIP**



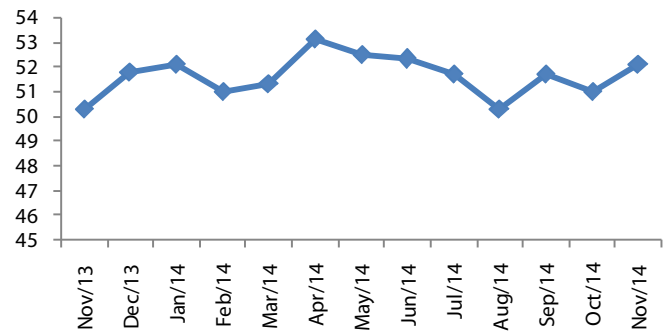
Sources: GSO. Rongviet Securities database

**Graph 3: Monthly CPI**



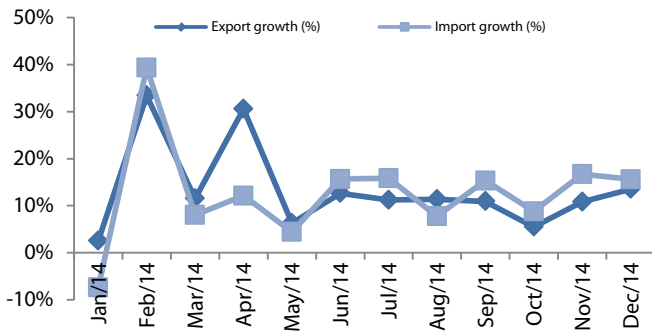
Sources: GSO. Rongviet Securities database

**Graph 4: HSBC - PMI**



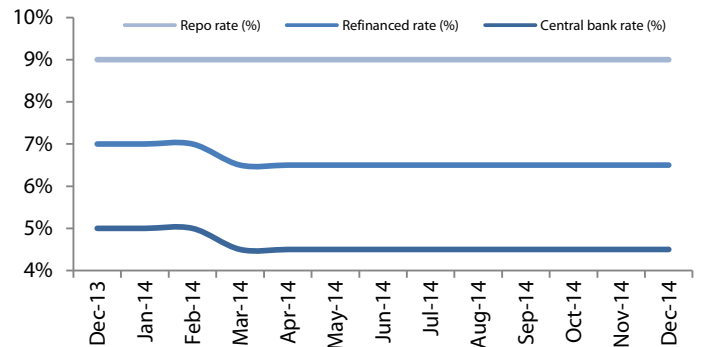
Sources: GSO. Rongviet Securities database

**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 <sup>th</sup> , 2014	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	
FPT - Growth driver expected from retails	Dec 3 <sup>rd</sup> , 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	23/12/2014	0%-0.75%	0%-2.5%	11,398	11,522	-1.08%
VEOF	23/12/2014	0%-0.75%	0%-2.5%	9,432	9,775	-3.51%
VF1	30/12/2014	0.2% - 1%	0.5%-1.5%	20,106	20,149	-0.21%
VF4	24/12/2014	0.2% - 1%	0%-1.5%	8,835	8,875	-0.45%
VFA	26/12/2014	0.2% - 1%	0%-1.5%	7,262	7,277	-0.2%
VFB	26/12/2014	0.3% - 0.6%	0%-1%	11,856	11,849	0.06 %
ENF	26/12/2014	0% - 3%	0%	10,402	10,367	0.34%
MBVF	25/12/2014	1%	0%-1%	11,109	10,979	1.18%
MBBF	24/12/2014	0%-0.5%	0%-1%	11,893	11,892	0.01%

**ANALYSTS**
**Truc Doan – Head of Research**

+ 84 8 6299 2006 | Ext: 355

[truc.dtt@vdsc.com.vn](mailto:truc.dtt@vdsc.com.vn)

**Hoang Nguyen**

+ 84 8 6299 2006 | Ext: 328

[Hoang.nh@vdsc.com.vn](mailto:Hoang.nh@vdsc.com.vn)

**Lam Nguyen**

+ 84 8 6299 2006 | Ext: 323

[lam.ntp@vdsc.com.vn](mailto:lam.ntp@vdsc.com.vn)

**Tuan Huynh**

+ 84 8 6299 2006 | Ext: 326

[Tuan.hm@vdsc.com.vn](mailto:Tuan.hm@vdsc.com.vn)

**Ha My Tran**

+ 84 8 6299 2006 | Ext: 319

[my.tth@vdsc.com.vn](mailto:my.tth@vdsc.com.vn)

**Tai Nguyen**

+ 84 8 6299 2006 | Ext: 319

[tai.ntp@vdsc.com.vn](mailto:tai.ntp@vdsc.com.vn)

**Diem My Tran**

+ 84 8 6299 2006 | Ext: 320

[my.ttd@vdsc.com.vn](mailto:my.ttd@vdsc.com.vn)

**Van Binh**

+ 84 8 6299 2006 | Ext: 324

[Van.btt@vdsc.com.vn](mailto:Van.btt@vdsc.com.vn)

**Trien Le**

+ 84 8 6299 2006 | Ext: 325

[trien.lh@vdsc.com.vn](mailto:trien.lh@vdsc.com.vn)

**Tam Bui**

+ 84 8 6299 2006 | Ext: 324

[tam.bt@vdsc.com.vn](mailto:tam.bt@vdsc.com.vn)

**Huong Pham**

+ 84 8 6299 2006 | Ext: 323

[huong.pt@vdsc.com.vn](mailto:huong.pt@vdsc.com.vn)

**Nam Huynh**

+ 84 8 6299 2006 | Ext: 321

[Nam.hk@vdsc.com.vn](mailto: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



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