

DECEMBER

22

MONDAY

*“Record fall in gasoline price – market closed in green”*

**ADVISORY DIARY**

- **PPC- promising extraordinary results in the final quarter of 2014**
- **Record fall in gasoline price – market closed in green**

**PPC- promising extraordinary results in the final quarter of 2014**

In the “morning café” today, our analyst presented to investors some key points from the PPC’s BOD resolution dated on 19 December 2014. Particularly, the firm’s BOD approved to prolong depreciation period of Pha Lai Thermal Power 2 from 2 years at the present to 10 years. Our analyst has had a short conversation with the firm’s representatives surrounding this issue.

Regarding PPC’s 2 thermal power plants, The Pha Lai 1 plant has completely been depreciated, while, The Pha Lai 2 plant has been expected to record full depreciation in 2016. However, the new depreciation policy would prolong the plant’s depreciation time to 10 years from now. Based on PPC’s tangible assets on financial statement at 31/12/2013, the estimated depreciation expenses in 2014,2015 will be VND152 billion/year instead of VND 600 billion when this resolution takes effect. Nevertheless, until to Q3/2014, PPC has actually accounted depreciation expense of ~VND 521 billion, higher than the one estimated by new method. Therefore, the depreciation expense difference will be reverted in Q4/2014, and that would increase PAT about ~VND 370 billion as a result. This will lead a surge in PAT of PPC in last quarter of 2014.

Therefore, the 2014Q4 business result of PPC is likely to see sudden increase thanks to (1) the reinstatement of approximately VND 370 billion of depreciation expense recorded in 9 months of 2014 and (2) VND 375 billion of unrealized foreign exchange gains. The estimated electric quantity sold to EVN in 2014 is about 5.6 billion kWh and revenue is estimated at VND 7,849 billion. If unrealized foreign exchange gains and depreciation recovery are taken in account, the PBT and PAT will be over VND 1,486 billion and VND 1,195.6 billion, equivalently EPS of VND 3,758 per share. However, if the two extraordinary factors are excluded, EPS of PPC will be VND 2,277, equivalently PE 11,8x (as at 22/12/2014)

By extending the depreciation duration of the Pha Lai 2 plant to 10 years from 02 years and depreciation reinstatement, the profit in 2014-2015 as well as 2014Q4 would be higher than before the new depreciation policy taken place. However, our industry analyst still does concern about the profitability of the Pha Lai 2 plant beyond 2016 since the purchasing power price of EVN for the Pha Lai 2 plant is fixed at VND 1,233/Kwh while the plant continues to record depreciation expense, which should have been fully depreciated during 2014-2016) and the coal material price may be increased in next years. Otherwise, the VND/JPY exchange rate is decreasing, investors interesting in PPC should not expect too much on the exchange rate gains from loans revaluation because this item does not generate cash flow and is not used for dividend payment. In contrast, this could increase in the corporate taxable income and decreases earnings for shareholders.

**Record fall in gasoline price – market closed in green**

After a frustrating last week, today market witnessed impressive recovery when VnIndex and HNX Index closed up + 2.76 % and +1.51 respectively. In general, both indices increased continuously from the start of the session strongly supported by large-cap tickers including oil and gas group, which was regarded as “villain” last week causing the market engulfed in red . While the “oil” groups such as PVD and PXS on HSX , PVS and PVC on HNX closed at the highest price of the day , the “ gas ” group including GAS , CNG and PGS also increased significantly. The Index regained 14.5 points during the session contributed also by a majority of VN30 tickers including most notably DRC, HPG , PPC and STB . The market is also excited by information on

the further reduction of gasoline price announced on late afternoon. This is the largest decrease in gasoline prices (RON92 fell 2,050 VND/liter) being the reason behind the rally of many shipping tickers like : VOS , VIP and VTO .

The market today also witnessed the return of foreign investors' capital with a total value of net buying on both floors up to VND173.4 billion , focusing on tickers including MWG , CNG , VIC , PVD . It can be said that foreign investors returning to be net buyers after a week of "selling " could be a good psychological factor for investors in the country .

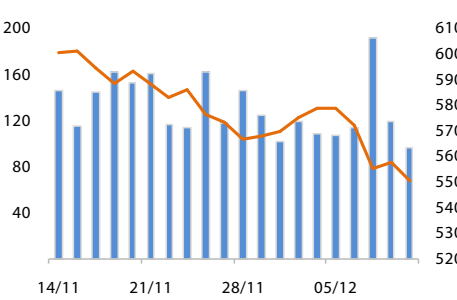
Conversely, from the liquidity view, market traded not entirely positive today. Volume and turnover on both exchanges plummeted 38.9 % and 40.7 % respectively, compared to the previous week's average (excluding negotiable deals). In general, low liquidity in the context of the shares price increase can be seen as a sign of the "low supply "after waves of sell-off occurred last week. Meanwhile, demand is still relatively good, reflected by the buyer's willingness to pay higher prices during this session. In general, the continuing bottom fishing demand is considered a bright spot in the market.

**Hoang Nguyen**

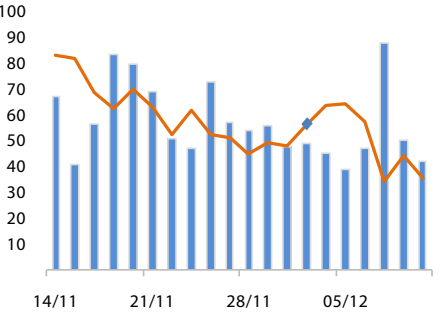
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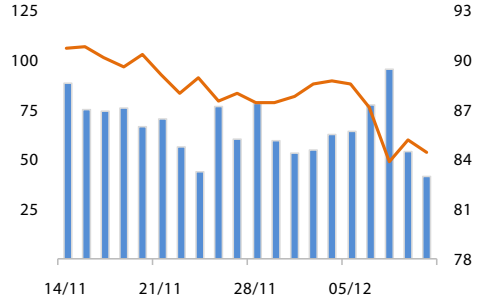
**VNINDEX 2.76% 537.54**



**VN30 2.97% 587.56**

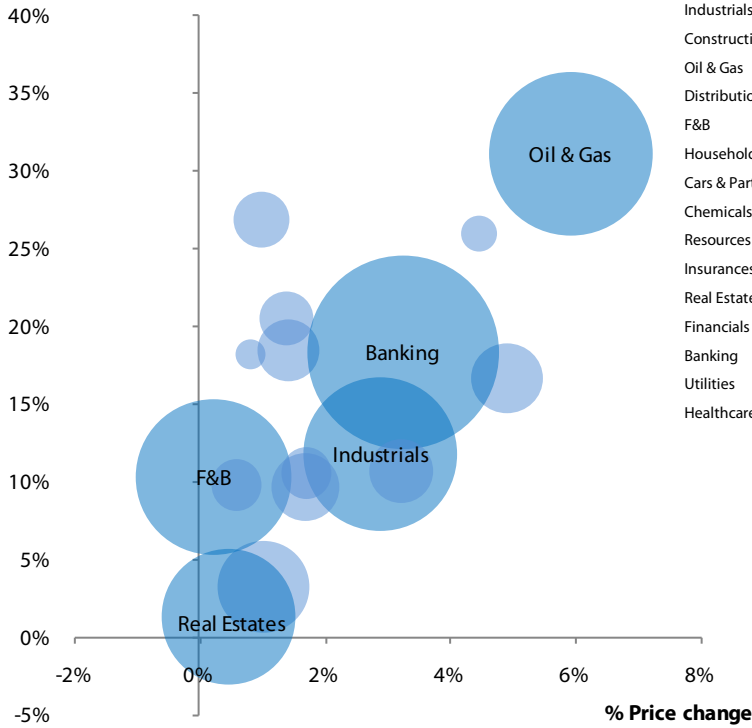


**HNXINDEX 1.51% 82.55**

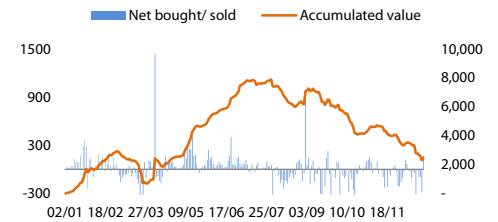


**Industry Movement**

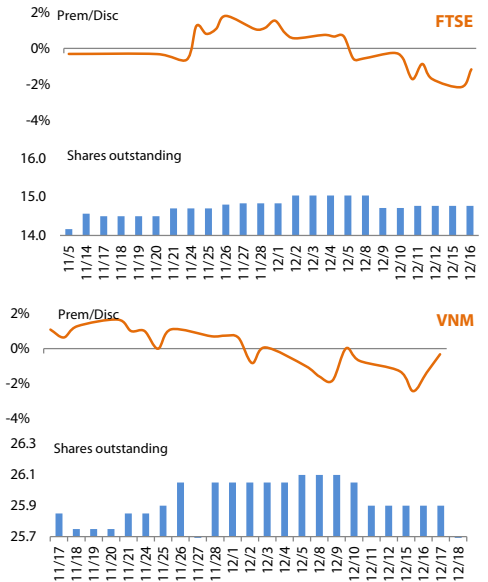
**Industry ROE**



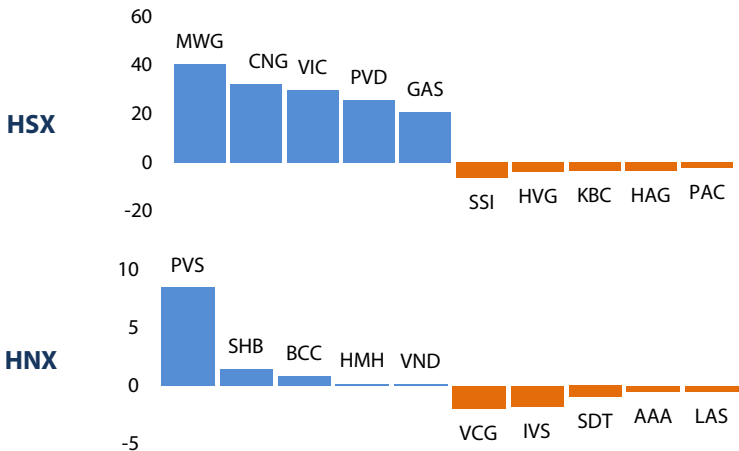
**Foreign Investors Trading**



**ETF**



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



**Top Active**

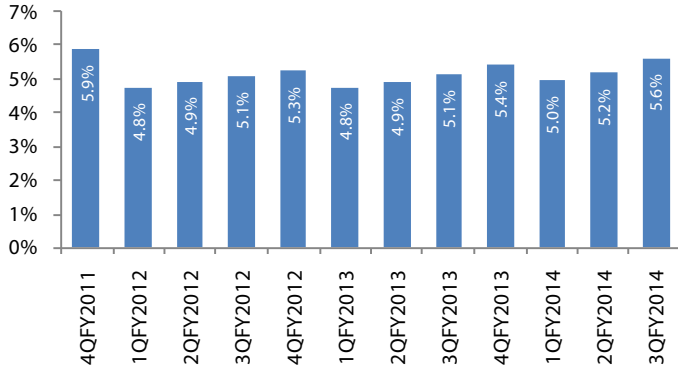
Ticker	Price	Volume	% price change
FLC	10.4	5.82	3.0%
ITA	7.9	4.54	3.9%
SSI	27.6	3.50	1.8%
OGC	7.7	3.50	1.3%
PVT	15.4	3.48	2.7%

Ticker	Price	Volume	% price change
KLF	11.8	8.44	0.9%
PVX	5.1	3.67	2.0%
PVS	27.4	3.29	7.5%
PVC	26.3	1.91	4.0%
FIT	23.0	1.81	6.0%

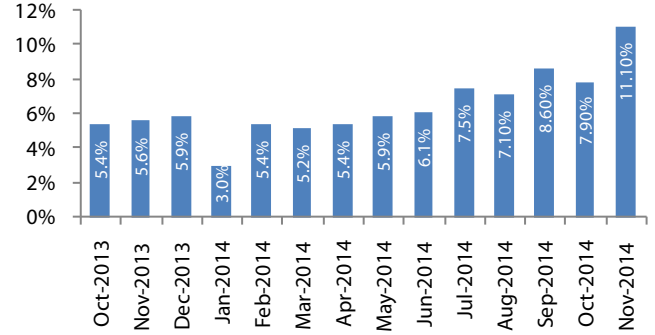
**MACRO WATCH**

**Graph 1: GDP Growth**



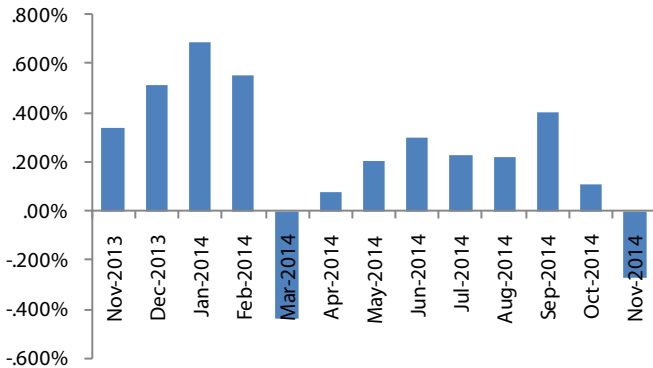
Sources: GSO. Rongviet Securities database  
(\* Comparison price in 1994)

**Graph 2: IIP**



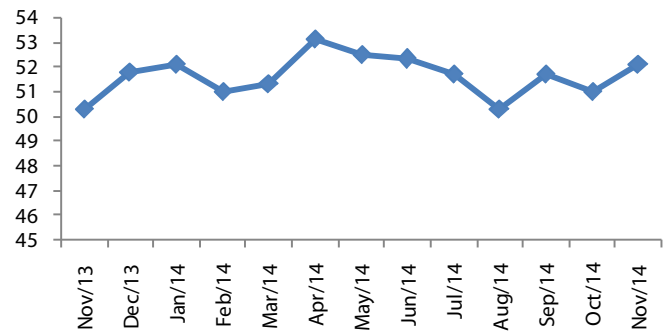
Sources: GSO. Rongviet Securities database

**Graph 3: Monthly CPI**



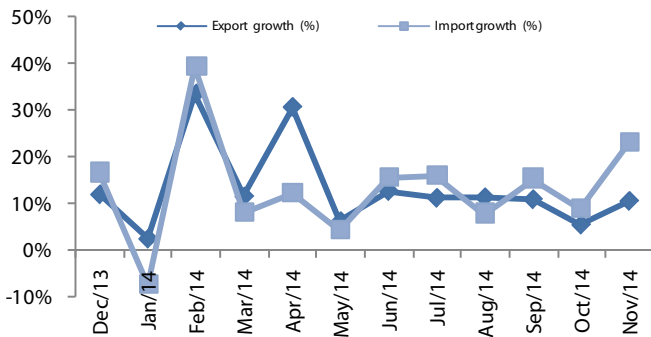
Sources: GSO. Rongviet Securities database

**Graph 4: HSBC - PMI**



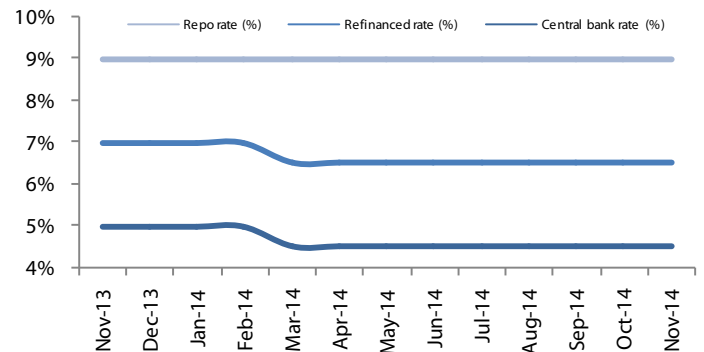
Sources: GSO. Rongviet Securities database

**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
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
GDT - Still being on upward trend	Nov 27 <sup>th</sup> , 2014	Accumulate – Long term	41,300
PGS - 2015: A year of challenge	Nov 24 <sup>th</sup> , 2014	Neutral - Long term	37,800

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	16/12/2014	0%-0.75%	0%-2.5%	11,522	11,378	1.27%
VEOF	16/12/2014	0%-0.75%	0%-2.5%	9,775	9,800	-0.26%
VF1	19/12/2014	0.2% - 1%	0.5%-1.5%	20,134	19,727	2.06%
VF4	17/12/2014	0.2% - 1%	0%-1.5%	8,875	9,102	-2.50%
VFA	19/12/2014	0.2% - 1%	0%-1.5%	7,277	7,373	-1.30%
VFB	19/12/2014	0.3% - 0.6%	0%-1%	11,849	11,841	0.06 %
ENF	12/12/2014	0% - 3%	0%	10,651	10,889	-2.19%
MBVF	11/12/2014	1%	0%-1%	11,083	11,135	-0.47%
MBBF	10/12/2014	0%-0.5%	0%-1%	11,766	11,768	-0.02%

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