JULY

27

MONDAY

ADVISORY DIARY

- **IMP: bright future**
- **TPP and catalysts of relative industries**

IMP: bright future

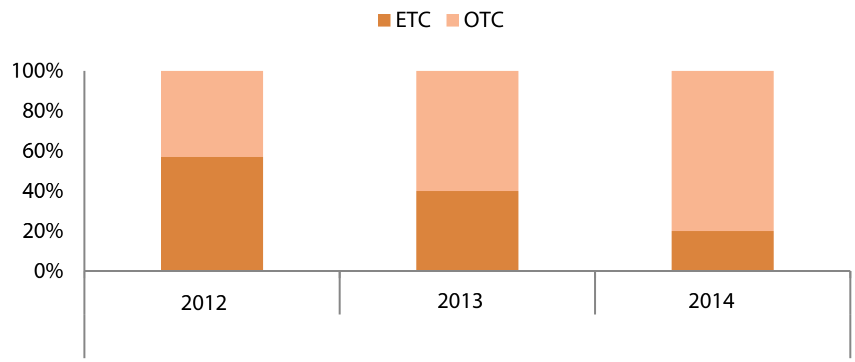
Last weekend, stocks of pharmaceutical industry saw an upbeat trading session, in which IMP, DMC, DHG went up significantly. Tougher competition in the market forces companies to set up their own paths; those are cooperating with strategic partnership and upgrading their plants' standard. DHG, DMC and IMP all have their investment plans into production factories in parallel with roadmaps to comply with PICS or GMP-EU quality standards. As far as we've known, almost drug factories in Vietnam will be upgraded from GMP-WHO to PICS standard. Foreseeing this practice, IMP has found its unique way by choosing GMP-EU, a higher and more stringent requirement. After a company visit trip of our industry analyst, we would like to update the latest progress as well as long-term prospects of IMP in today Advisory Diary.

Factory in Binh Duong manufactures Betalactam product line with two antibiotics Penicillin and Cephalosporin. The two production lines are expected to upgrade in GMP –EU standard at the end of June 2016; in which, Penicillin production line produces injectable drug with total capacity of 4 million units per year and Cephalpsporin lines produce orally administered and injectable drug with total capacity of 800 million units per year. Due to Circular No1, output for ETC segment becomes difficult so the current capacity of factory is relatively low, only 30-35%. Browsing the factory, our analyst impressed by new technology from adjusting exhaust, pressuring and packaging system. Both raw material and machinery are imported from Europe in order to ensure strict standard of GMP-EU. According to the representative, licensing progress is quite favorable and can be completed as plan.

"TPP and catalysts of relative industries"

The plan is an IMP preparation for the amendment of Cir.01 relating to drug procurement in hospital in future. Accordingly, the items of procurement will be classified into 2 particular groups: GMP-EU and PICS-GMP standard. If amended, the new products for ETC will focus on GMP-EU standard, instead of PICS-GMP at the present. Thus, key IMP competitors in this segment are foreign brand with higher price, which rises winning possibility. Thus, IMP expects to increase revenue proportion of this segment to 30%-40%. However, this cannot record significant result in 2016 after finalized this plan due to Vietnam Drug Administration licensing progress lasting additionally 1-2 months. It means that new product starts participating in procurement in Q3/2016, so there is not much number of orders than first quarters. Thus, this catalyst will be more attractive from 2017.

Figure: revenue proportion of ETC and OTC segment



Source: IMP

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Besides upgrading the factory in Binh Duong, Phano - strategic partner is factor drawing attention of investors. Until now, this cooperation has not showed significant result due to low revenue proportion of Phano distribution. According to corporation, IMP and Phano have planned a longer-term strategy, namely the development of Private label. Meanwhile, IMP acts as manufacturer and Phano becomes the exclusive distributor. Along with the Phano ambition to expand the system (~ 30%) in the near future, developing private label may contribute about 15% of total IMP revenue. However, it takes 2-3 years for licensing progress and clinical trials. Therefore, development of private labels will be another long-term catalyst. In addition, the IMP has also invested VND 50 billion to construct high-tech factory for special remedy and schedule to complete in 2017. Further detail of special remedy has not published.

In short term, we expect to boost OTC segment thanks to potential growth of IMP. According to the representative of IMP, in 1H2015, OTC segment held 88% of revenue and grew 30% y-o-y. Moreover, IMP is currently expanding distribution system in Can Tho, Vung Tau and also restructuring its portfolio. Thus, IMP had a 20% growth rate in 1H2015, completed 43% and 51% revenue and PBT 2015 plan. However, due to strong competition, IMP may not complete its revenue plan; however, PAT would exceed the plan by 10 -20%. The P/E is currently trading at 11x, equivalent to the industry one. Though, investors should pay further attention on this stock due to long term sparks.

TPP and catalysts of relative industries

Recently, whenever TPP related news has published, the stocks benefited directly from TPP make investors excited. Therefore, it was not too hard to understand that textile stocks (TCM, TNG, KMR) and fishery (FMC, HVG, IDI) raced to the ceiling price. According to the itinerary, the negotiation of 12 Minister of Trade is going to take place in Hawaii from tomorrow to July 31, 2015. This information may be a reason of positive trading session today.

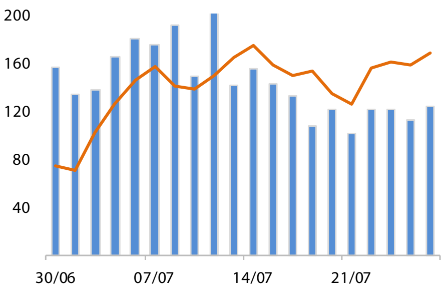
Since the beginning of 2015, the so-called "TPP led market waves" have been observed to be short-lasting caused by investor's overreaction on such benefits this trade agreement could deliver to TPP's members. Vietnam textile industry is the typical example that reflects such TPP potential. Actually, domestic textile firms have seen an increase in export orders from key markets such as the US, Japan since 2013, which have been gradual other than drastic jump in business results the first 6 month of this year except firms that add manufacturing capacity as the like of TNG. However, we believe that would take longer time than expected to realize the full effects of the TPP on textile firms' business performance after being finalized. Hence, the most practical source of growth now would come from textile firms' capacity expansion instead. Among our favorite covered stocks, TCM rose to prominence in recent days after closing today at VND 41,000/stock and approached our target price of VND 42,500/stock suggested in company report dated October 10,2015. Despite all, RongViet analyst believes it would take more time and material developments at the heart of firm's business operation to render a revaluation of this stock.

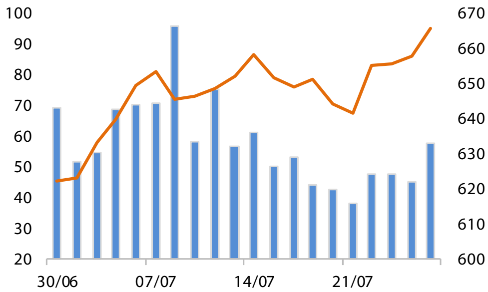
In terms of fisheries industry, participation in TPP has not reflected on business results of companies in this industry. Moreover, participation in TPP also means strict requirement for product quality. Thus, the opportunity will only belong to those that own good production process and has large-scale production. Therefore, we expect that the news relating to TPP would only have a short impact on stocks; then the intrinsic value would be the key factor to determine the long term trend of stocks.

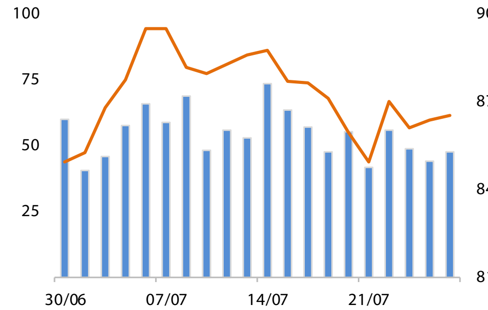
One of the highlight today is not only fishery and textile stocks but others stocks are also in green colors thanks to the news relating to TPP. We realize that today cash flow is diversified and do not concentrate on banking stocks like previous trading sessions. RongViet Research believes this is the moment to "use a rod" as mentioned in the beginning of the year. More detailed analysis and outlook of "How to catch a fish? Which one to catch?" would be discussed in the forthcoming our Investment Strategy report in August.

RONGVIET SECURITIES

VNINDEX	0.67%	635.46	VN30	1.17%	665.66	HNXINDEX	0.21%	86.50

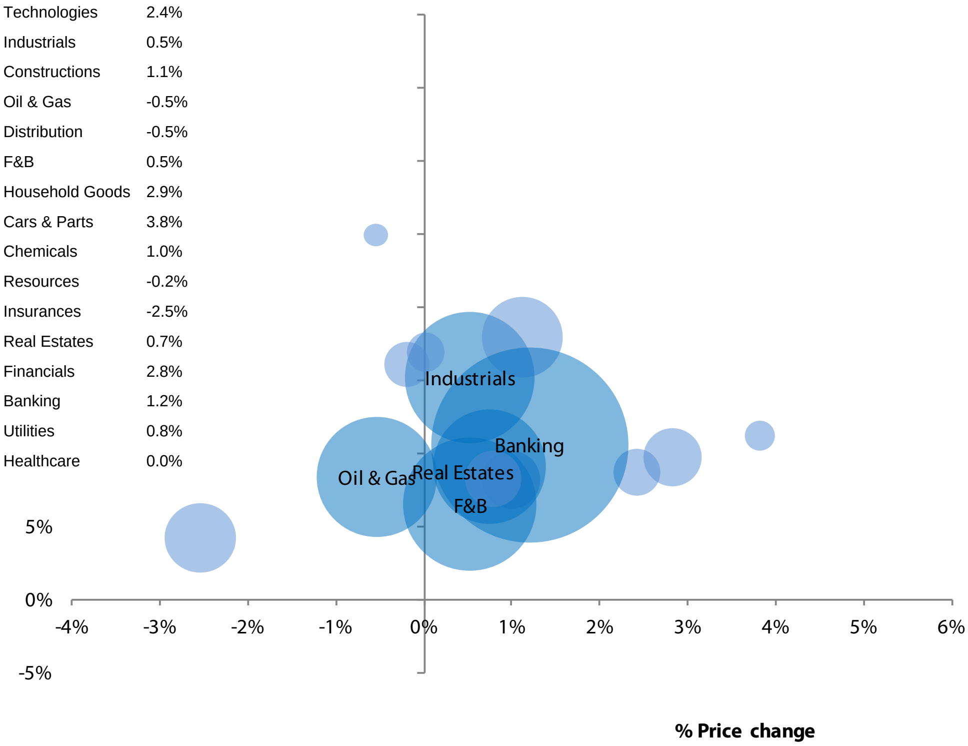




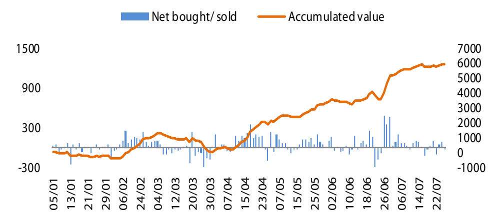


Industry Movement

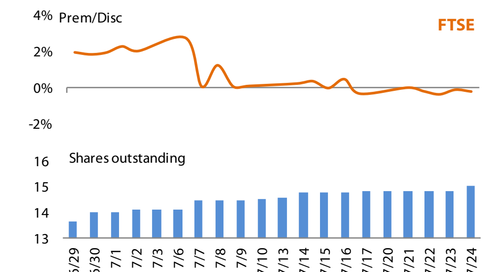
Industry	% change
Technologies	2.4%
Industrials	0.5%
Constructions	1.1%
Oil & Gas	-0.5%
Distribution	-0.5%
F&B	0.5%
Household Goods	2.9%
Cars & Parts	3.8%
Chemicals	1.0%
Resources	-0.2%
Insurances	-2.5%
Real Estates	0.7%
Financials	2.8%
Banking	1.2%
Utilities	0.8%
Healthcare	0.0%

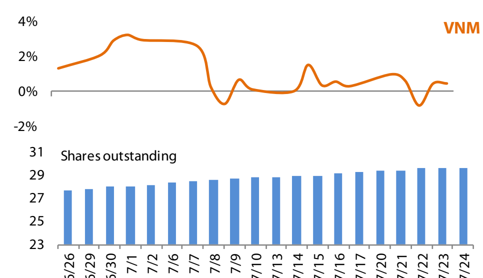


Foreign Investors Trading



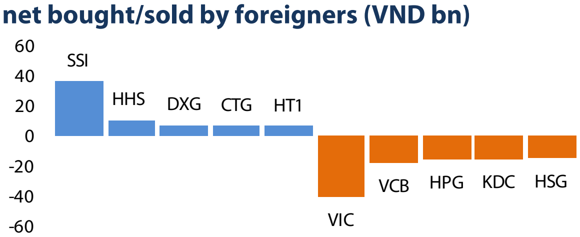
ETF



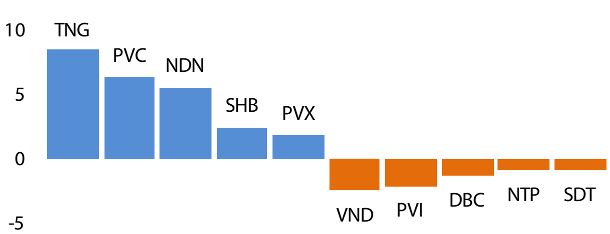


Top net bought/sold by foreigners (VND bn)

HSX



HNX



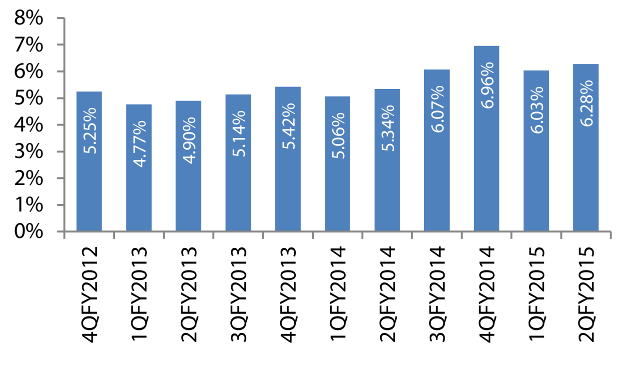
Top Active

Ticker	Price	Volume	% price change
SSI	28.3	8.16	4.0%
MBB	16.2	5.48	-0.6%
FLC	8.1	4.48	1.3%
REE	30.2	4.43	6.7%
DLG	7.3	3.48	1.4%

Ticker	Price	Volume	% price change
SCR	8.8	3.39	0.0%
KVC	35.5	2.99	-9.9%
VND	15.7	2.94	2.6%
SHB	8.7	2.85	1.2%
KLF	6.0	2.48	-1.6%

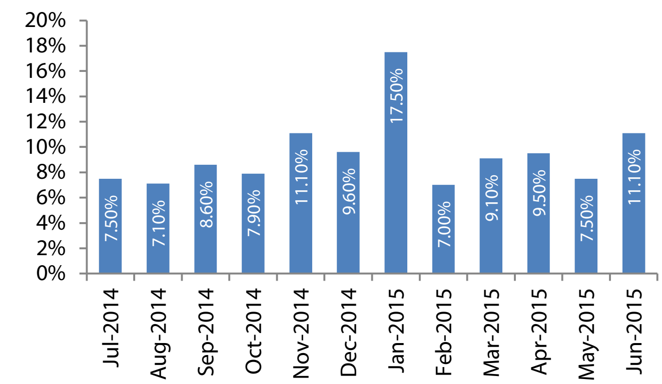
MACRO WATCH

Graph 1: GDP Growth



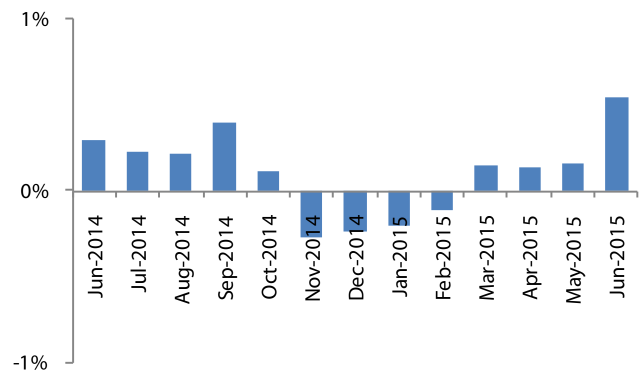
Sources: GSO. Rongviet Securities database
(*) Comparision price in 1994

Graph 2: IIP



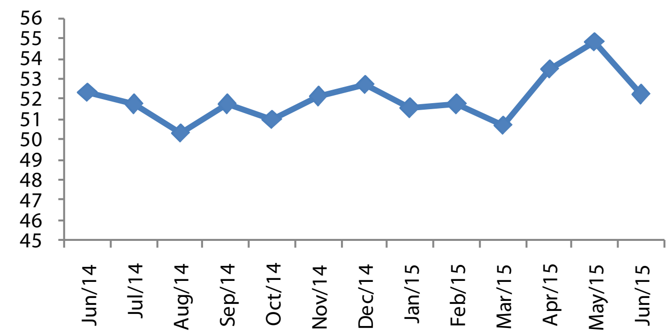
Sources: GSO. Rongviet Securities database

Graph 3: Monthly CPI



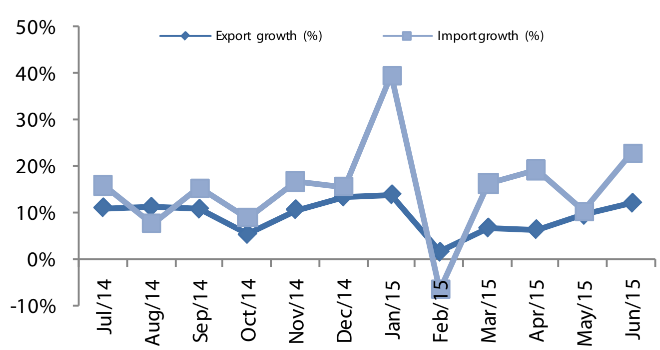
Sources: GSO. Rongviet Securities database

Graph 4: HSBC - PMI



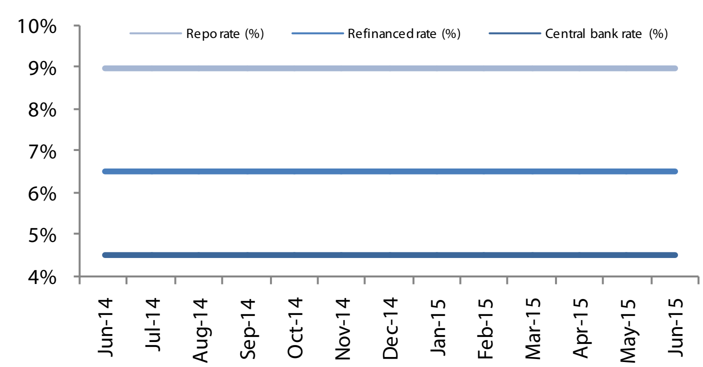
Sources: GSO. Rongviet Securities database

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
LCG - A new cycle begins	July 16th, 2015	Accumulate – Intermediate term	9,500
PVD - Well-positioned in the industry but still early to expect upturn	July 14th, 2015	Accumulate – Intermediate term	61,700
PGS - Favorable time to grow	July 10th, 2015	Buy – Intermediate term	27,000
DNP - Cash flowing in pipes	July 09th, 2015	Buy – Long term	21,900
BMI - Solid base for a bright future	July 08th, 2015	Accumulate – Long term	22,800

Please find more information at http://www.vdsc.com.vn/en/companyReport.rv?categoryId=302

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	07/07/2015	0% - 0.75%	0% - 2.5%	11,750	11,729	0.18%
VEOF	07/07/2015	0% - 0.75%	0% - 2.5%	10,022	9,821	2.05%
VF1	16/07/2015	0.2% - 1%	0.5%-1.5%	23,097	23,391	-1.26%
VF4	15/07/2015	0.2% - 1%	0%-1.5%	10,591	10,578	0.12%
VFA	10/07/2015	0.2% - 1%	0%-1.5%	7,579	7,426	2.06%
VFB	10/07/2015	0.3% - 0.6%	0%-1%	12,233	12,211	0.18%
ENF	10/07/2015	0% - 3%	0%	11,584	11,424	1.40%
MBVF	09/07/2015	1%	0%-1%	10,530	10,563	-0.31%
MBBF	08/07/2015	0%-0.5%	0%-1%	12,157	12,133	0.20%

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