03

TUESDAY

- **DPM – Low input prices fired up 3Q earning result**
- **Market closed higher 610**

DPM – Low input prices fired up 3Q earning result

In 2015, Petrovietnam Fertilizer and Chemicals Corporation (DPM-HSX) has been one of the oil and gas firms to benefit from lowered oil prices. Having attended DPM's shareholder meeting held last week, RongViet Research noted several key points regarding the company's performance.

Urea prices in the domestic market went better than expected. As mention in a previous report, oversupply and competition against imported urea continued to be a challenging problem to the local producers. Besides, the gas base price remaining low has been putting pressure on both global and local urea prices. However, domestic price movements were more optimistic than estimated. Major local urea manufacturers such as DPM and DCM and Ha Bac Urea JSC took periodical maintenance at the same time of planting season, leading to temporary shortage and price increase. DPM's 9M2015 sales price remained quite stable at VND 7,406/kg, 0.5% lower y.o.y.

According to JP Morgan's forecast for the rest of 2015, abundant supply and low gas prices are going to lay pressure on world urea prices. Meanwhile, the low demand quarter predicts a slight decline in domestic urea prices for the remaining of 2015.

Advantages of low input gas prices. Continuing to benefit from the oil price downtrend since 2H2014, DPM's gas prices plummeted in 2015. The 9M2015 average gas price is estimated at USD 4.51/BBMTU, decreasing 37.2% y.o.y. DPM's gross margin therefore improved to 31.6%, comparing to 25.7% y.o.y, despite the one-month maintenance break in Q2/2015.

According to our statistics, gas price remained at USD 3.74/BBMTU in October, 2015. Based on the scenario of USD50 – 60/barrel of oil price, we expect that gas price in 2015 to fluctuate around USD 4.4-4.5/MMBTU, downed 34-35% as compared to the same period. 2015 Gross profit margin is projected to reach 32.5%, increasing from 25.4% in 2014.

PVTEX's investment – Possible plan for divestment after 2015

While DPM's main segments maintain the stability and efficiency, PVTex's business results – a joint venture investment of DPM continues to record losses in 9M2015. According to the statistics in Q32015 Financial statement, DPM made the provision that worth total amount of investment in PVTex. In addition, company's executive asserted that there is a plan to find appropriate investors in order to withdraw this investment capital. Based on DPM's assessment, with new machine system, modern technologies and significant benefits from TPP agreement, company could consider the suitable investors for the divestment.

New projects could be expected as a prerequisite for growth catalyst for the next years. While fertilizer companies are struggling in terms of maintaining market shares, DPM among a few businesses that are looking for new direction. Especially, new projects are associated with the strategic product diversification and intrinsic capacity enhancement.

Statistics demonstrated that domestic demand for NPK was 4 million tons per annum, of which 5 – 10% is high-quality products. At this moment, DPM is importing high-quality NPK and packaging under the brand of NPK Phu My in order to create market. In the recent meeting, company's representative pointed out that despite of new entrance into the market for 2 years, such product had been among Top 4 of market shares in national NPK segment. Investment focusing on technologies and products that domestic markets could not provide is the suitable preparation for

"Market closed higher 610"

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DPM's new projects.

Table: On-going projects' information

Project	Total Investment (mil USD)	Capacity	Technology	Expected commercial operation	Market	Note
NH3 expansion	191	90,000 tons/year	Haldor Topsoe (Denmark)	2017	Serve as feedstock for fertilizer and chemical production, food processing in domestic	IRR: 14.1%, ROE: 25% (NH3-NPK combined)
NPK plant	53	250,000 tons/year	Incro SA (Spain)	2017	Domestic and international market	Input materials: H3PO4, NH3, DAP
UFC85/ Formaldehyde project	22	15,000 tons UFC 85 or 25,000 tons Formaldehyde		12/2015	Domestic market	ROE: 16%, IRR: 14.6%, Gross profit: 30%

Source: DPM, RongViet Research

DPM is the leading urea producer with a high market share of 48%. In the first 9 months of 2015, thanks to a plunge in oil price as well as the higher than expectation of urea domestic price, DPM earnings results witnessed a favorable situation. In particular, 9M2015 revenue and NPAT recorded VND 7,470 billion (+4,5% yoy) and VND 1,178 billion (+25,5% yoy) respectively. Moreover, DPM's representatives also made known that 2015 earnings result will likely reach VND 9,600 billion for the 2015 revenue and 1,458 billion for NPAT. Thus, 2015 EPS is expected to VND 3,166/share and P/E forward ~ 10.58. Besides the stable operation of core business, the firm had to record a loss in PVTex's investment. In the long-run, our analyst valued the new direction of DPM when preparing for the new markets, technologies for the new projects. While other competitors have struggled for the development, DPM's new projects would become highlight spot in upcoming years.

According to DPM's representatives, FY2015 dividend prepayment is expected to come in due Q4/2015. In terms of positive earnings result, we suppose that the firm likely increase its dividend payment.

Market closed higher 610

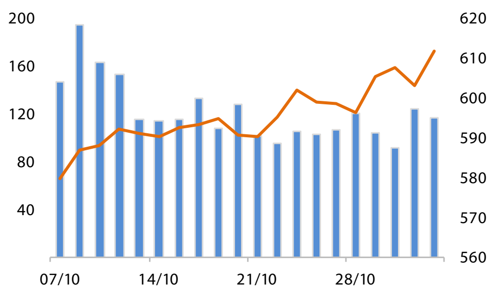
Market's three main pillars including VNM-FPT-BVH gains helped VN-Index to achieve 610 level. Of which, VNM played a dominant role in today's market rally. Rumors on Singapore F&B conglomerate F&N offering to acquire the entire SCIC's stake at VNM at the premium of 43% current market price made VNM to handsomely register big gain. Not being on the sideline, FPT and BVH 's high trading volume added more oil to the fire to spread excitement to all over the market. Closing the day, VNIndex passed 610 mark (up 1.48%) while HNIndex gained 0.96% to 81.89 point.

Market breadth turned wider. At 23/10/2015 when VNIndex also witnessed a break-out 600 (a considerable point in period of side-away) mainly thanks to leading stocks, today break-out was supported by various stocks, including blue-chip and others. Number of stocks having closing price higher than opening price was 59.22% today, dramatically higher than that figure of 35% at 23/10. Besides, proportion of that figure at 23/10 having an increase of above 2% was only 19%, higher than today of 29%.

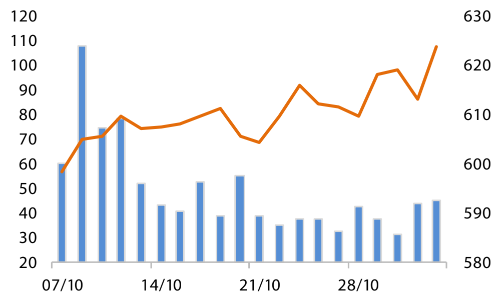
Capital inflows were distributed into almost every sector. Total trading volumes also surged to 142.36 million shares (+22.53%).

Despite more than 52.43% of total share numbers closing at the day highest price, a new market level would only be established when having higher liquidity. Today liquidity increased significantly, with order-matching volume at 142.36 million shares (+22.53%) and was absorbed by various sectors. So, to sustain current trend, market need more demand to digest selling pressure in the next few sessions. As usual, to confirm a new market level, above 610, market needs more liquidity in buying side to win taking-profit side.

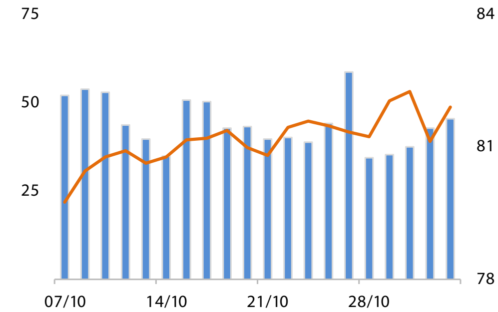
VNINDEX 1.48% **611.71**



VN30 1.74% **623.85**

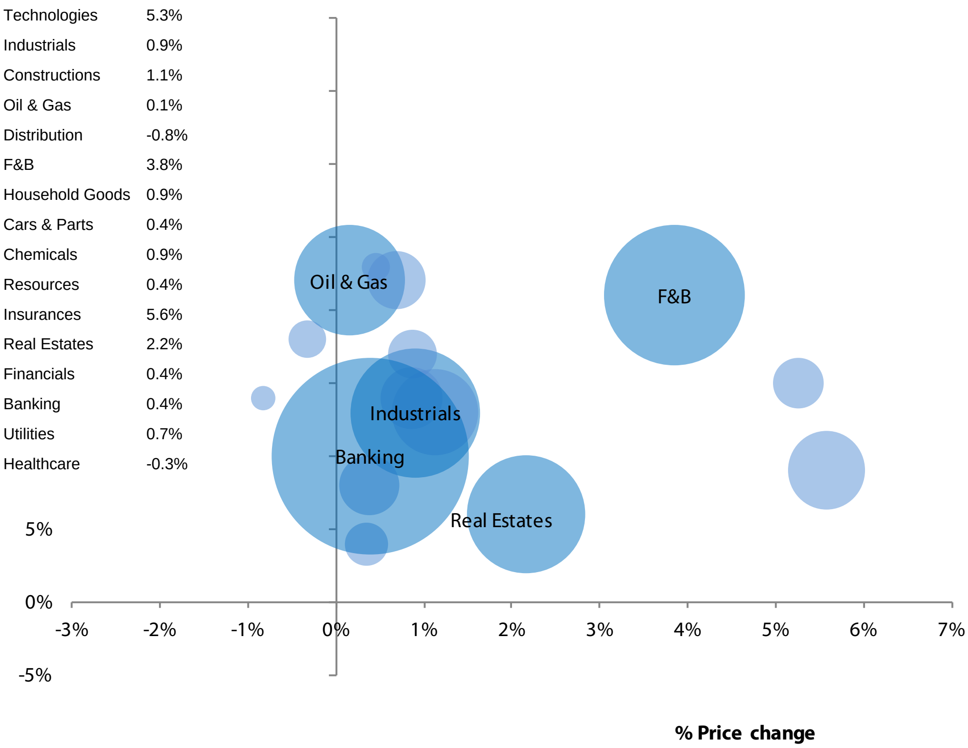


HNXINDEX 0.96% **81.89**

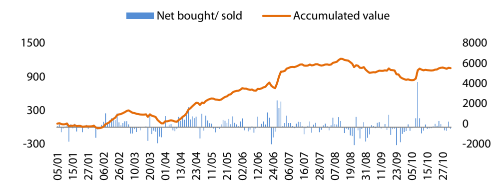


Industry Movement

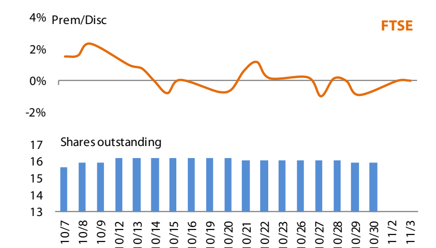
Industry	% change
Technologies	5.3%
Industrials	0.9%
Constructions	1.1%
Oil & Gas	0.1%
Distribution	-0.8%
F&B	3.8%
Household Goods	0.9%
Cars & Parts	0.4%
Chemicals	0.9%
Resources	0.4%
Insurances	5.6%
Real Estates	2.2%
Financials	0.4%
Banking	0.4%
Utilities	0.7%
Healthcare	-0.3%

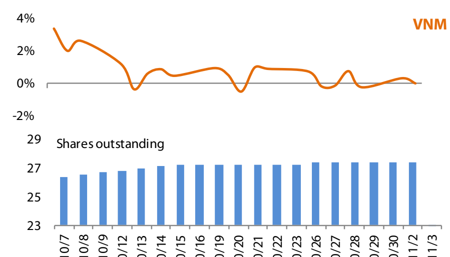


Foreign Investors Trading

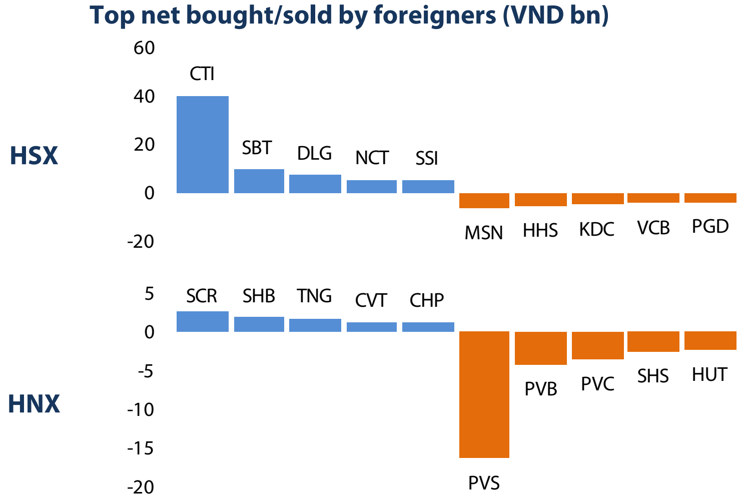


ETF





Top net bought/sold by foreigners (VND bn)



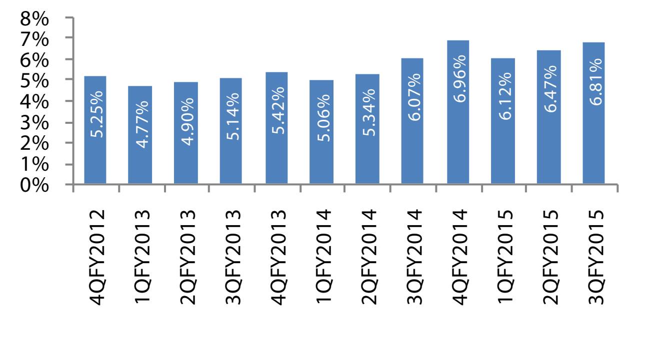
Top Active

Ticker	Price	Volume	% price change
DLG	9.0	6.23	5.9%
OGC	2.8	5.85	3.7%
CII	23.0	5.46	-1.7%
SBT	16.3	5.34	3.8%
FLC	7.2	4.75	2.9%

Ticker	Price	Volume	% price change
VCG	12.3	4.04	7.9%
SCR	8.3	3.99	3.8%
TIG	11.4	2.21	1.8%
PVS	22.1	2.17	1.8%
KLF	4.4	1.99	2.3%

MACRO WATCH

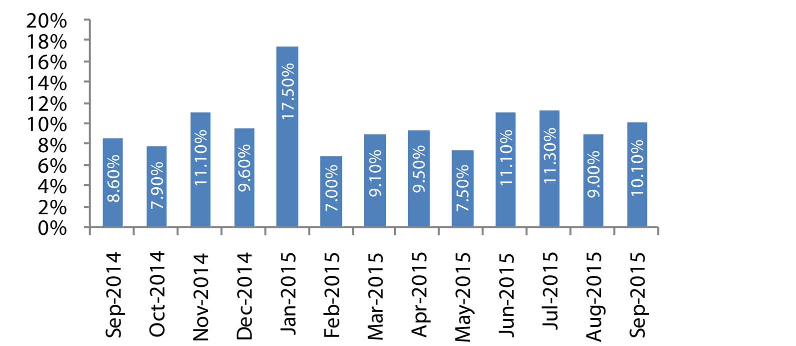
Graph 1: GDP Growth



Sources: GSO. Rongviet Securities database

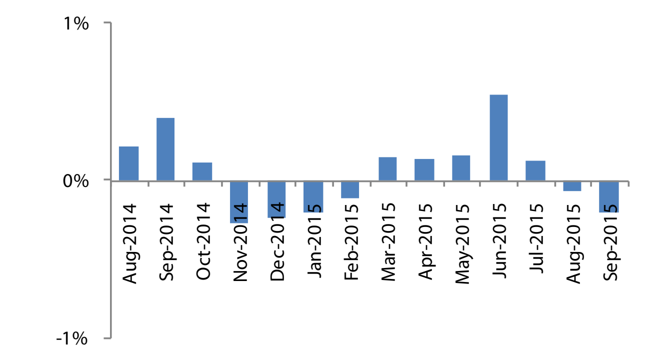
(*) Comparision price in 1994

Graph 2: IIP



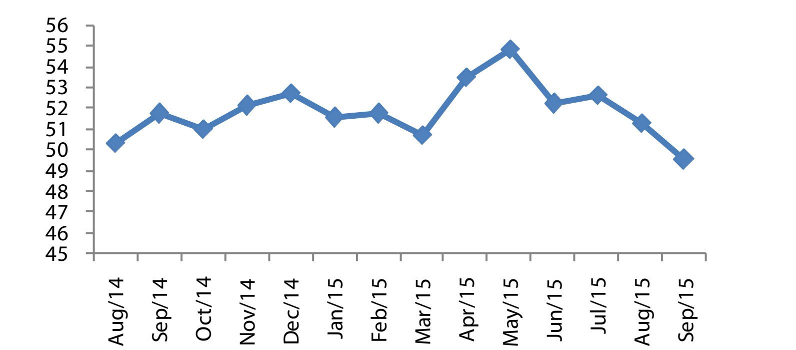
Sources: GSO. Rongviet Securities database

Graph 3: Monthly CPI



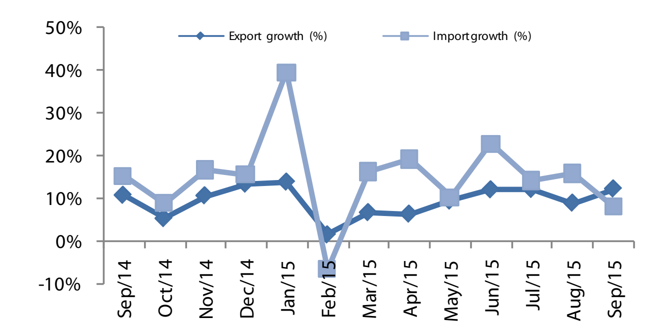
Sources: GSO. Rongviet Securities database

Graph 4: HSBC - PMI



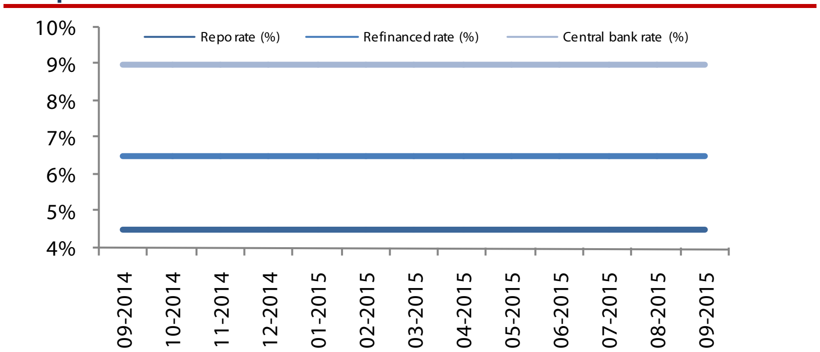
Sources: GSO. Rongviet Securities database

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
DMC - Restructuring sparks positive changes	October 30th, 2015	Accumulate – Intermediate term	49,000
HSG - New investments: The engine of growth	October 29th, 2015	Accumulate – Long term	52,500
KSB - Rock-solid foothold in the construction stone	October 28th, 2015	Buy – Intermediate term	38,400
HHS - Riding on a rough road	October 28th, 2015	Neutral – Short term	20,100
PVT - Upside potential outweighs short-term risks	October 20th, 2015	Buy – Long-term	15,900

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	20/10/2015	0% - 0.75%	0% - 2.5%	12,030	11,946	0.70%
VEOF	20/10/2015	0% - 0.75%	0% - 2.5%	10,558	10,473	0.81%
VF1	28/10/2015	0.2% - 1%	0.5%-1.5%	23,992	23,909	0.34%
VF4	28/10/2015	0.2% - 1%	0%-1.5%	10,788	10,747	0.38%
VFA	22/10/2015	0.2% - 1%	0%-1.5%	7,438	7,488	-0.67%
VFB	22/10/2015	0.3% - 0.6%	0%-1%	12,421	12,409	0.10%
ENF	23/10/2015	0% - 3%	0%	11,963	11,943	0.17%
MBVF	22/10/2015	1%	0%-1%	11,000	10,965	0.32%
MBBF	28/10/2015	0%-0.5%	0%-1%	12,438	12,445	-0.06%

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