

Vietnam Sector Outlook

Báo cáo triển vọng ngành

2016Q2



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Content

Sector investment strategy 2016Q2	1
General assessment on investment strategy for Q2 and 2016.....	2
Sector outlook in quarter 2 and 2016	4
Evaluation of BSC's assessment in 2016Q1	5
Influential policies and economic factors in 2016.....	7
Efficiency of the attentive portfolio.....	10
Top stocks in 2016Q1.....	12
Growth comparison between sectors and VN-Index in 2016Q1	14
Sector outlook in 2016Q2	16
Real Estate Sector [POSITIVE]	16
Construction Sector [POSITIVE]	18
Ceramic Tiles Sector [POSITIVE]	20
IT Sector [POSITIVE]	22
Seaport Sector [POSITIVE].....	24
Textile Sector [POSITIVE]	26
Electricity Sector [POSITIVE]	28
Fertilizer Sector [POSITIVE]	31
Dairy Sector [POSITIVE]	33
Cement Sector [NEUTRAL]	35
Automobile Sector [NEUTRAL]	38
Insurance Sector [NEUTRAL]	40
Plastic Sector [NEUTRAL]	42
Steel Sector [NEUTRAL]	44
Sugar Sector [NEUTRAL]	47
Tires Sector [NEUTRAL]	49
Banking Sector [NEUTRAL]	51
Pharmaceutical Sector [NEUTRAL]	54
Aquaculture Sector [NEGATIVE]	56
Oil & Gas Sector [NEGATIVE]	58
Marine Transportation Sector [NEGATIVE]	61
Natural Rubber Sector [NEGATIVE]	63

Sector investment strategy 2016Q2

As discussed in [our Sector outlook report 2016](#), in the first quarter, sector selection became more challenging for investors. Stock market volitied in V-shaped, from 579 points down to 521, before recovering to 561 just in the first quarter of 2016. Stock diversion became apparent: even in the same sector, stocks with good business results outperformed the ones with less improvements. Most of our statements on investment topics were proved in the first quarter, although some recommended sectors and stocks failed our expectation.

Quarter II focuses on changes and expectations, with the AGM season bringing news about loosening foreigners' ownership room and 2016 business plans. On the global context, quarter II witnesses final preparation for US presidential election, the Brexit plan of United Kingdom, the OPEC meeting and FOMC. To assess the stock attractiveness, investors should examine the business's potential to grow core operations, as well as its external impacts. We maintain a cautious view and believe that the opportunities still available but not without a very careful in choosing sectors and stocks. Our assessments on investment topics, sectors and timing for 2016 are based on the analysis of (1) Influential policies and information in 2016; (2) Changes in macroeconomics and stock market as identified in [the Macroeconomic and stock market report March 2016](#).

General assessment on investment strategy for Q2 and 2016

Among 5 investment topics we discussed in the annual Sector outlook report, some took effect in the first quarter, while some sectors failed our expectation. Following are our updates in prospects of quarter II and 2016:

- **"Firstly, real estate recovers, with rising liquidity".** Real estate stocks in Q1 reflected our expectation that 2016 is the year which passes stable with new ground, instead of expecting similar growth. From quarter II, the biggest impact will come from the amendments of Circular 36, which limits cash flow for real estate, which created stronger differentiation among real estate companies. Enterprises with large landbank, healthy financial situation will benefit from Circular 36 and vice versa (which is most of the real estate companies). In case real estate market slows down, we expect downstream sectors to maintain growth potential thanks to civil demand recovery such as constructions, construction materials (steel, cement, stone, plastic construction), interior (bricks, tiles, wood, bulbs, wires, etc.) Investors can refer to our [Ceramic tiles and the forgotten sector](#) report.
- **"Secondly, Free Trade Agreement (FTAs)".** With TPP becoming official in March, the trend of Vietnam becoming an more open economy is inevitable. Among our recommended sectors that benefit from FTAs, seaport stocks declined in the first quarter. However, we believe the decline was a normal adjustment after the sharp jump in late 2015. With P/E Forward less than 10, this sector is still attractive with stable performance, great growth potential with more FTAs come into effect in 2016. Some sectors that supposedly face high competition as a result of FTA were patronized by domestic policies such as Pharmaceuticals (new Pharmacy Law), steel (defense policy against China steel). In addition, the downward trend in stock market brought down price level of these sectors, which attracts investors in Q1, which may continue in Q2 and slower in Q3.
- **"Thirdly, commodity prices remain at low level."** Movements in Q1 was contrary to our forecast as commodity prices and some sectors rebounded sharply such as: Oil, rubber, steel, sugar, etc. concerning the recovery of commodity price, BSC updated some related sectors in the first quarter, such as [Oil price developments report](#), [Rubber sector report](#) and [The impact of El Nino/La Nina](#). Quarter II is the fairly balanced period with more macro information, both national and international, which helps commodity prices more stable compared to quarter IV/2016 and quarter I/2016. Therefore we believe that the level of recovery of commodity stocks will slow down. Note that the risk of oversupply and slowing demand from China has not been eliminated. These sectors' stock recovery should be a short term rather than long term opportunities.
- **"Fourthly, divested stocks or stocks with lift-up foreigner's ownership room".** In the sector outlook report 2016, we noted the key points (1) State divestment and (2) loosening ownership room for foreign investors. The first quarter brought more opportunities from stocks that had ownership transfer (divestment), which is expected to improve asset efficiency and business results. State divestments stocks and stock with loosening room for foreign investors had good growth and outperformed the index, such as C32, KSB and EVE, VNM, MBB, KMR etc. We believe that the trend of state divestments and business

conducting loosening ownership room for foreign investors will continue to provide opportunities for quarter II and second half of 2016. Besides divestments of SCIC, we believe that investors should pay attention on the divestments of other corporations (VCG, Lilama, Song Da Vinalines Corporation, etc.), companies under Committees of provinces and ministries.

- ***“Fifthly, stocks with high and stable dividend, low beta will be likely to be the investment destinations”.***

The first quarter reflected our expectations: *“In the condition that market is challenging with strong fluctuations (expected at the end of each quarter and 2016-year end), investors are expected to flow in highly defensive stocks”*. Some defensive stocks such as thermal power (BTP, NT2), pharmaceutical (DMC, DHG) had the strongest growth compared to market. In addition, capital continue to flow into basic stocks, with high dividend, low beta such as Plastics (BMP, NTP, RDP), tires (DRC, CSM) and chemicals (CSV, LIX). The limited investment opportunities induced investors to explore Upcom stocks, which has good business results and positive outlook in 2016 such as: VGC, SWC, etc. This trend aligned with our expectations as presented in our annual sector report, and will likely to continue gradually in the last 3 quarters. Upcome will attract investors’ attention as larger capital stocks to be listed. With the belief that 2016 will show more volatilities, we assess low beta stocks will be a good shelter for investors (either listed in HSX, HNX, Upcom or new IPO).

Sector outlook in quarter 2 and 2016

We remain the **OUTPERFORM** assessment for 09 sectors: **Real Estate, Construction, Ceramic tiles, Technology, Ports, Textile, Electrical, Milk and Fertilizer**. In these sectors, our favorites in term of fundamental analysis are still **Technology** and **Seaports**; in terms of market scale is **real estate**. Please note that real estate stocks will be impacted by amendments of Circular 36. Other sectors such as **construction materials, textiles, electrical, milk and fertilizer** are expected to have better business results compared to the overall market.

We assess **NEUTRAL** with sectors: **Plastic, Steel, Sugar, Tires, Cement, Automotive, Insurance and Banking**. We also raise prospect from underperform to neutral for **pharmaceutical** sector. In the first quarter, except commodity stocks (steel, sugar, tires), the Neutral rating stocks fluctuated in narrow range, or declined, with strong diversion and unclear investment opportunities (automotive, insurance and banking). From second quarter to the end of 2016, we still believe that these sectors have mixed prospects, therefore, opportunities will not come to the sector as a whole, but rather to individual stocks.

On the side of **UNDERPERFORM** sectors, we still maintain this claim with **Natural rubber, Marine transportation, Fisheries and Petroleum**. As mentioned above, the recovery of commodity market brought positive movements to some sectors, but we maintain our cautious view and believe that the recovery is only short-term. From quarter II to the end of 2016, opportunities for these sectors will depend on the global commodity price movements. In case of no further meaningful information, business results of these sector will continue to suffer compared to 2015. These sectors' stock recovery should be a short term rather than long term opportunities.

Sector outlook 2016 Brief

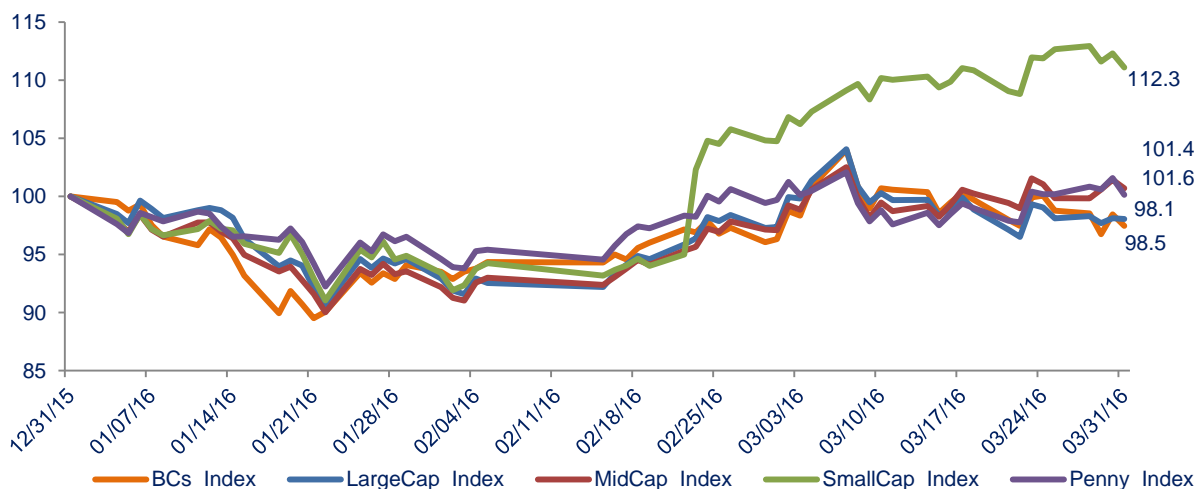
No	Sector	Rating 2016	Recommendation	Tracking/Holding
1	Real estate	Outperform	VIC, DXG, KDH	BCI, CEO, ITC, DIG
2	Construction	Outperform	CTD, HBC	LCG, C32
3	Ceramic	Outperform	CVT, VIT, TTC	VGC, TCR
4	IT	Outperform	FPT, CMG, ITD	
5	Seaport	Outperform	GMD, PHP, VSC	
6	Textile	Outperform	TNG, TCM	STK
7	Electricity	Outperform	NT2, PPC, SJD, CHP	SHP
8	Fertilizer	Outperform	DPM, BFC	LAS
9	Milk	Outperform	VNM	HNH
10	Cement	Neutral	HT1, BCC, BTS	
11	Automobile	Neutral	SVC, TMT	
12	Insurance	Neutral	PTI, PGI	BVH, BMI
13	Plastic	Neutral	BMP, NTP	AAA
14	Steel	Neutral	HSG, NKG	HPG
15	Sugar	Neutral	SLS	BHS, SBT, LSS
16	Tire	Neutral		DRC, CSM
17	Banking	Neutral	MBB	VCB, BID, ACB
18	Pharmaceutical	Neutral		DHG, IMP
19	Aquaculture	Underperform	VHC	HVG
20	Oil and gas	Underperform	CNG, PGS, PVG, PXS	PGC, PGD, PVS, GAS, PVD
21	Marine	Underperform	PVT, GSP	SKG, VIP
22	Natural rubber	Underperform		PHR, TRC, DPR

Evaluation of BSC's assessment in 2016Q1

In order to evaluate the accuracy and efficiency in BSC's assessment in our [Annual sector outlook Report 2016](#) for the first quarter, we consider the following 3 factors: (1) Market movements; (2) The trend of stocks; (3) Influential information.

- (1) **Market movements**, in Sector Outlook Report 2016, we assessed the first quarter of 2016 as follow: *"The market is likely to have a significantly growth in mid-February to March, etc., and difficult at the end of the first quarter and the end of the second quarter "*. At March, 31st 2016, VN-Index closed at 561.22 (-3.1%). In Q1, the market bottomed at 521.88 on Jan 21st 2016 and peaked at 579.26 on March 17th 2016, an increase of 11% compared to the bottom. In the first quarter, foreigners were net sellers of VND 873.5 billion on HSX and net buyers of VND 316 billion on HNX. Capital continued flow into a few large stocks such as VNM, MBB or GAS, which was the main driver for the growth momentum of stock market in Q1. Most banking stocks decreased (VCB, BID, CTG and ACB). During the first quarter, companies gradually announce their 2015 business results and 2016 plans, as well as hold Annual General Meeting of Shareholders.
- (2) **Stock trends**, we made the following comment in the sector outlook report: *"The capital will flow into fundamental stocks with good business results. This trend is also predicted to be the main trend of the stock market in 2016 when cash flow continued to not be appreciated."* We incorrectly predicted the leading role of Large caps and Blue chip, when Small caps had the strongest gain of 6.3%, followed by Penny (1.6%) and MidCap (1.4%). Large cap and Bluechip stocks declined by 1.9% and 2.5% respectively. Specifically, Real estate and Banking underperformed the Vnindex. Quarter 1 didn't have a leader for the market, and therefore investment opportunities come from small cap stocks with improvements in 2015 business results.

Stock movements in Q1/2016



Source: BSC Research

(3) Influential policies and economic factors in Q1. The first quarter revolved around loosening room for foreign investors; in which, VNM benefited, which directly supported the VN-Index in February.

By March, the announcements of 2015 business result and 2016 business plans boosted small and mid cap stocks, which replaced the leading role of VNM. However, the impact was not strong enough for Vnindex to overcome the 580 points resistance level. As mentioned in our 2016 Macro and market report, we analyze the impact of loosening room issues and 2015 business result announcements, and noted a divergence among the stocks in the market.

Influential policies and economic factors in 2016

Global and domestic economy are expected to continue changing in 2016, which affect both directly and indirectly on the stock market. Most of the policies and the information we mentioned in [Vietnam Sector Outlook 2016](#) took effect and started affecting Vietnam stock market. We update policies and highlight news affected in Q1/2016 as follows:

Positive Perspective:

- **Decree No. 60/2015/NĐ-CP** open room for foreign investors in public company. In which, the foreign ownership of public company is depended on (I) the international treaties which Vietnam is a member; (II) Investment law or (III) the others, the ownership percentage is unrestricted unless the company regulation stipulates different. As soon as the decree go into effect, SSI is the first listed company open the ownership percentage for foreign investors to a maximum of 100%, followed by VIX, CII, EVE, VHC, HHS. VNM also submit to shareholders the plan of withdraw 7 sectors from VNM' operation for loosening room. There will certainly be other companies open the room for foreigner investors in the upcoming AGM. Decree No. 60 is a breakthrough which attract foreign indirect investment, promote transparent, clarity and closely of documents related foreign investment and conditional business sectors. (Refer to [The report of analysis of decree by BSC](#)).
- **Decision No. 211/QĐ-VSD (T2 payment for stocks) took effect:** From 1/1/2016, the payment period for stocks, fund certificates is reduced from the third day after the trade date (T+3) to 16h00 of the second day after the trade day (T+2). However, securities and money flow into client accounts after the second day, this decision does not affect market transaction.
- **Two new FTAs do not affect significantly on textile sector in Q1/2016:** They are Vietnam- EU FTA (effective from 1/1/2016) and Vietnam Korea FTA (effective from 20/12/2015). Korea is the second largest supplier of material for Vietnam, after China, and is the fourth largest export market of Vietnam. In Q1/2016, Vietnam- Korea have slightly influence on textile sector. Textile export vale to Korea only increased by 5.4% accumulated 2M2016, much lower than the growth rate of 16.3% in the same period in 2015. Textile value exported to EAEU countries (Armenia, Belarus, Kazakhstan, Russia and Kyrgyzstan) have virtually no growth.
- **Maintain low level price of material:** Price of oil, iron ore and rubber has seen a strong recovery since 2016Q1, but comparing to the same period in 2015 and Q4/2015, they are still lower. We evaluate the recovery only happen in short term. In long term, the low price level will have a mixed impacts including (1) fiercer competition among sectors which import/export minerals such as steel, fertilizer, sugar, minerals, etc, and (2) positive impact on sector using much inputs such as Transport, automobile, thermal, gas (direct beneficiaries) and chemical, asphalt, plastic, fertilizer, electricity, elactric cable, etc (indirect beneficiaries).

Negative Perspective:

- **Draft amendment to Circular No. 36 affect strongly on real estate, construction and banking:** Draft amendment increase risk ratio for receivable from real estate operation from 150% to 250%, tighten the maximum ratio of short term deposit for medium and long term loans. Therefore, interest rate rise, credit growth and banking income growth may be slower. For the real estate business, lending on real estate will be tightened and interest expense will increase. Civil construction companies will be affected directly because: (1) workload will reduce when real estate project were stopped or extended period; (2) interest expenses increase; (3) fiercer competition create downward pressure on bid price and profit margin; (4) Firms whose revenue heavily depend on real estate projects are expected to be strongly impacts, the ability to join in infrastructure and industrial projects has been limited.
- **Deposit interest rate rise:** In the first months of 2016, many banks have increased deposit interest rate at average from 0.2% to 0.5%, particularly for long term, deposit interest rate have risen to 8-8.3%. Because banks promote mobilization to meet expected high growth rate of credit, the ratio of loans to deposit determined by SBV and draft amendment to Circular No. 36/2014/TT-NHNN regulate. BSC estimate that in 2016 the deposit interest rate will increase slightly (0,5%) in order to raise the attractiveness of VND when FED raise interest rate (Refer to the report of [Vietnam Macro & Market Outlook](#)). As a result, interest expense of companies will inflate in 2016.
- **The monetary policy of major countries:** ECB easing monetary, the Abenomics policy of Japan, negative informations of Russia were taking place. However, in Q1/2016, the currency exchange rates of USD, EUR, JPY and RUB did not happen as our forecast. USD/VND reduced, EUR/VND, JPY/VND, RUB/VND increased. Therefore, sectors having large foreign currency loan as thermoelectric (NT2, PPC, BTP) and cement (BCC, HT1, BTS) recorded foreign exchange loss in Q1/2016. The interest rate rise of FED is later than expect so that the monetary policy of major countries and good price will be volatile.

No.	Policies and macroeconomic factors	Effective date	Influential status	Influential degree	Situation to date 31/3/2016
International economy and policies					
1	FED raise interest rate, USD appreciation		Negative	Very strong	Not affected
2	ECB loose monetary policy, (EUR depreciation)		Positive	Strong	Affected
3	Abe-economics policy of Japan (JPY depreciation)		Positive	Strong	Affected
4	Negative news from Russia (RUB depreciation)		Negative	Strong	Not affected
5	Chinese economy slow down (CNY depreciation)		Negative	Very strong	Affecting
6	Low material price (low oil price)		Positive	Very strong	Affecting
Vietnam macroeconomic policies					
1	Decree No. 99/2015/NĐ-CP (guiding Housing Law)	Dec 10 th , 2015	Positive	Very strong	Affecting
2	Circular No. 36/2014/TT-NHNN (Managing prudent ratios in operation of credit institutions and foreign bank branches)	Feb 1 st , 2015	Negative	Very strong	Affecting
3	Decree No. 60 (open room for foreign investors)	Sep 1 st 2015	Positive	Very strong	Affecting
4	Circular 200/2014/TT-BTC (Corporate accounting	Jan 1 st 2015	Positive	Average	Affecting
5	Decision 211/QĐ-VSD (T2 payment for stocks)	Jan 1 st 2016	Positive	Average	Affected
6	Decree No. 108/2015/NĐ-CP (amending the Law on Special Excise Duty)	Jan 1 st 2016	Neutral	Strong	Affecting
7	Circular 155/2015/TT-BTC	Jan 1 st 2016	Positive	Average	Affecting
8	Deploying Basel II Capital Agreement	Feb, 2016	Positive	Strong	Not affected
9	Corporate income tax rate reduced from 22% to 20%.	Jan 1 st , 2016	Positive	Average	Affecting
10	Increase tax rate on Nature Resources	Jan 1 st , 2016	Negative	Average	Affecting
11	Derivative Market (futures)	Quarter 3, 2016	Positive	Average	Not affected
12	Interest rate in VND increase		Negative	Strong	Affecting
13	USD appreciate to VND		Negative	Very strong	Not affected
14	Increasing public investment in infrastructure		Positive	Strong	Affecting
15	Increasing privatization of state-owned enterprises		Neutral	Average	Affecting
16	Divesting State-owned enterprises (SCIC, Ministries)		Positive	Very strong	Affecting
17	Increasing GDP, FDI, PMI, ODA, remittances, credit loans, import & export		Positive	Average	Affecting
Free Trade Agreements					
1	ACFTA – Circular No. 166/2014/TT-BTC	1/1/2015	Neutral	Strong	Affected
2	Vietnam-Korea FTA	20/12/2015	Positive	Strong	Affecting
3	Vietnam – Eurasian Economic Union FTA	2016	Positive	Average	Affecting
4	TPP (*)	2018	Positive	Strong	Not affected
5	Vietnam – EU FTA	2018	Positive	Strong	Not affected
6	RCEP ASEAN + 6	Negotiating	Positive	Strong	Not affected
7	ASEAN Economic Community (AEC)	31 st , Dec, 2015	Positive	Average	Affecting

Source: BSC Research

Efficiency of the attentive portfolio

In Q1/2015, while 324 out of 693 stocks in Vnindex increased, 33 out of 60 stocks in our recommended portfolio gained or unchanged. The total average return was 4.43%, still outperform the Vn-index. In which, the strongest gainers were Tiles (TTC, VIT); Electricity (NT2, PPC); IT – Telecommunication (ITD, CMG); Cement (BCC), Sugar (SBT, SLS) and Construction (CTD). On the other hand, some industries have better recovery than our expectation, such as oil and gas, pharmaceutical, steel sector. Besides, some stocks in our portfolio decreased sharply in the first quarter including SVC (-27%), VSC (-22%) and LCG (-17%).

Sector	Code	Revenue in 2016	Profit after tax in 2016E	EPS in 2016	P/E FW	P/B	ROE in 2016	Price on 31/12/2015	Price on 31/03/2016	Up/Down	Target price
Real estate	<u>VIC</u>	53,000	7,472	4,000	11.43	2.03	23.50%	45,700	47,200	3%	53,000
	<u>DXG</u>	2,148	661	2,300	8.22	1.1	28.20%	18,900	16,300	-14%	22,800
	<u>KDH</u>	1,765	290	2,305	9.37	1.08	11.30%	21,600	22,900	6%	25,100
Construction	<u>CTD</u>	16,000	877	18,743	8.16	1.81	22.19%	153,000	188,000	23%	179,200
	<u>HBC</u>	6,500	175	2,300	8.26	1.07	16.70%	19,000	18,700	-2%	22,800
	<u>LCG</u>	1,472	55	720	9.72	0.51	5.50%	7,000	5,800	-17%	13,200
Tiles	<u>CVT</u>	864	77	3,997	5.75	1.28	22.26%	23,000	23,000	0%	27,183
	<u>VIT</u>	961	69.48	4,632	5.16	1.49	18.38%	19,700	23,900	21%	25,642
	<u>TTC</u>	413	21.7	3,653	6.54	0.9	12.37%	13,600	17,300	27%	16,780
IT – Telecommunication	<u>FPT</u>	42,514	2,678	4,965	9.49	1.64	21.77%	48,300	47,100	-2%	56,186
	<u>CMG</u>	4,255	190	2,100	7.43	1.04	19.24%	14,900	15,600	5%	18,976
	<u>ITD</u>	581	48	2,422	8.88	1.32	19.26%	17,500	21,500	23%	25,785
Seaport	<u>GMD</u>	3,954	583	3,910	10.00	0.71	10.64%	42,400	39,000	-8%	45,755
	<u>PHP</u>	2,531	741	1,385	16.39	1.99	15.86%	21,100	22,600	7%	22,980
	<u>VSC</u>	1,391	381	7,005	8.56	1.17	14.8%	77,000	60,000	-22%	86,208
Textile	<u>TNG</u>	2,230	125	5,187	3.6	1.16	32.00%	19,000	18,800	-1%	28,264
	<u>TCM</u>	2,856	186	3,802	7.5	1.28	17.00%	30,800	28,200	-8%	34,220
	<u>STK</u>	1,672	134	2,873	10.2	1.69	16.50%	31,900	29,300	-8%	N/A
Electricity	<u>NT2</u>	5,902	1,048	3,636	9.13	1.5	17.00%	26,600	33,200	25%	36,405
	<u>PPC</u>	6,921	852	2,676	6.84	1.03	14.00%	18,300	18,800	3%	20,032
	<u>SJD</u>	474	238	4,781	5.42	1.02	21.00%	25,900	24,800	-4%	30,941
Fertilizer	<u>CHP</u>	735	380	2,880	7.19	1.26	20.00%	20,700	20,400	-1%	24,545
	<u>SHP</u>	593	210	2,246	8.46	1.35	16.00%	19,000	18,800	-1%	19,082
	<u>DPM</u>	8,901	1709	3,754	7.7	1.36	19.00%	29,100	28,900	-1%	34,770
Milk	<u>LAS</u>	4,189	393	4,797	6.15	1.65	28.00%	31,000	29,500	-5%	31,180
	<u>BFC</u>	7,537	258	5,155	5.8	1.71	24.00%	27,000	29,900	11%	33,507
	<u>VNM</u>	45,016	8823	7,353	17.4	7.1	41.00%	128,000	134,000	5%	148,000
Cement	<u>HNM</u>	260	3	170	52.4	0.8	1.60%	8,900	9,200	3%	N/A
	<u>HT1</u>	8,229	785	1,975	13.06	1.57	15.06%	26,800	25,800	-4%	27,915
	<u>BCC</u>	4,147	244	2,038	7.75	0.79	12.50%	13,400	15,800	18%	17,323
Automobile	<u>BTS</u>	3,038	91	835	10.66	0.73	6.86%	9,000	8,900	-1%	8,500
	<u>SVC</u>	11,125	140.8	3,325	10.5	0.96	8.10%	41,400	30,100	-27%	35,200

Insurance	TMT	5,803	256.3	7,795	6.2	2.4	9.70%	51,000	43,000	-16%	48,500
	PTI	2,913	142	1,762	14.6	1.05	7.10%	23,900	22,600	-5%	24,900
	PGI	2,376	102.6	1,474	12.7	1.6	12.10%	16,700	16,000	-4%	18,600
Plastic	BMP	3,368	626	12,585	11.52x	3.19	29.00%	131,000	145,000	11%	157,946
	NTP	4,063	409	6,228	10.84x	2.43	22.00%	60,200	67,500	12%	
	AAA	2,046	72	1,360	12.35x	1.01	8.00%	12,300	16,800	37%	
Steel	HPG	28,000	3200	3,794	7.78	1.5	19.32%	29,200	29,500	1%	32,000
	HSG	15,200	716	4,374	7.89	1.71	21.71%	31,500	34,500	10%	37,200
	NKG	5,350	180	3,598	3.59	0.79	21.96%	11,053	12,900	17%	16,200
Sugar	BHS	4,858	162	1,251	15.59	1.23	7.90%	19,500	18,100	-7%	N/A
	SBT	3,090	233	1,255	19.2	1.71	8.90%	24,100	29,000	20%	N/A
	LSS	1,697	34	506	17.79	0.41	2.30%	9,000	10,200	13%	N/A
Tires	SLS	741	95	13,941	3.69	1.2	32.40%	51,500	68,500	33%	64,705
	DRC	3,704	419	4,274	10.41	2.43	22.48%	43,600	44,500	2%	
	CSM	3,366	283	3,521	8.43	1.63	27.18%	24,700	29,200	18%	
Bank	VCB		6587	2,067	19.84	2.42	14.13%	43,900	41,000	-7%	45,500
	MBB	6,587	2,067	20	2.42	0.1413	13.20%	14,600	14,300	-2%	16,600
Pharmaceutical	DHG	3,530	658	6,812	12.33	2.92	22.00%	66,500	84,000	26%	
	IMP	999	104	3,103	15.24	1.51	12.00%	37,500	47,300	26%	
Aquaculture	HVG	23,994	162	870	15.17	1.1	7.30%	11,000	10,500	-5%	14,080
	VHC	6,746	382	4,131	7.07	1.51	17.00%	29,200	27,500	-6%	35,000
	CNG	1,138	128	4,732	8.14	1.66	22.00%	31,400	38,500	23%	36,688
Oil and Gas	PGS	6,314	217	2,736	6.98	0.69	15.00%	17,500	19,100	9%	20,142
	PVG	2,941	27	809	9.88	0.54	7.00%	8,100	8,000	-1%	9,533
	PXS	2,200	116	1,837	6.64	0.91	15.00%	11,600	12,200	5%	14,700
Marine	PVT	5,789	424	1,657	6.15	0.69	9.10%	10,200	10,300	1%	12,271
	GSP	1,132	71	1,922	7.3	1.12	20.01%	15,200	14,100	-7%	15,200
Transportation	SKG	382	218	8,921	9.87	3.7	37.70%	88,000	106,000	20%	89,433
	VIP	N/A	N/A	N/A			N/A	9,500	8,700	-8%	N/A

Source: BSC Research

Top stocks in 2016Q1

TOP 5 MOVERS POSITIVE ON VN - INDEX

Code	Price on 31 st March,2016	Price change in 3M (%)	Index pt
GAS	41,000	+ 13.2	+4.6
VNM	134,000	+4.6	+3.6
VIC	47,200	+3.2	+1.4
NT2	33,200	+24.8	+0.9
DHG	84,000	+26.3	+0.7

TOP 5 MOVERS NEGATIVE ON VN - INDEX

Code	Price on 31 st March,2016	Price change in 3M (%)	Index pt
HNG	8,000	-72.2	-7.4
BID	16,700	-18.9	-6.7
CTG	16,400	-11.8	-4.1
VCB	41,000	-6.6	-3.9
MSN	71,500	-7.7	-2.2

TOP 5 LEADERS ON VN-INDEX

(Price > 10,000 VND. Average volume >70,000 shares/session)

Code	Price at begging of the year	Price at the end of the quater	%Chg
DMC	41,500	70,000	69
DRH	20,200	31,500	56
LHG	17,200	26,300	53
BTP	11,000	16,700	52
EVE	27,000	40,800	51

TOP 5 MOVERS POSITIVE ON HNX - INDEX

Code	Price on 31 st March,2016	Price change in 3M (%)	Index pt
VCS	91,000	+22.9	+0.4
PHP	22,600	+7.1	+0.2
DBC	29,000	+32.3	+0.2
NTP	67,500	+12.1	+0.2
KLS	7,800	+18.1	+0.1

TOP 5 MOVERS NEGATIVE ON HNX - INDEX

Code	Price on 31 st March,2016	Price change in 3M (%)	Index pt
ACB	18,300	-7.5	-0.7
OCH	7,200	-42.4	-0.5
PVS	15,300	-8.3	-0.3
VCG	10,200	-9.7	-0.2
VNR	18,500	-14.3	-0.2

TOP 5 LEADERS ON HNX-INDEX

(Price > 10,000 VND. Average volume >70,000 shares/session)

Cod e	Price at begging of the year	Price at the end of the quater	%Chg
HKB	10,000	18,700	88
VC2	11,000	20,000	81
DNP	21,600	38,000	76
TPP	19,600	29,000	48
CAP	37,400	55,800	44

TOP 5 LAGGERS ON VN-INDEX

(Price > 10,000 VND. Average volume >70,000
shares/session)

Code	Price at begging of the year	Price at the end of the quarter	%Chg
HNG	28,800	8,000	-72
BCG	19,400	6,900	-64
HHS	12,200	8,600	-30
SVC	41,400	30,100	-27
TSC	13,900	10,300	-26

TOP 5 VOLUME LEADER ON VN-INDEX

Code	Average shares per session	Code	Average value per session
FLC	11,596,354	FLC	92,603,817,814
OGC	6,631,183	CII	84,455,271,255
HHS	4,383,816	SSI	70,022,121,457
SBT	3,820,263	HHS	43,587,093,117
HQC	3,686,493	VIC	42,305,380,563

TOP 5 LEADERS ON HNX-INDEX

(Price > 10,000 VND)

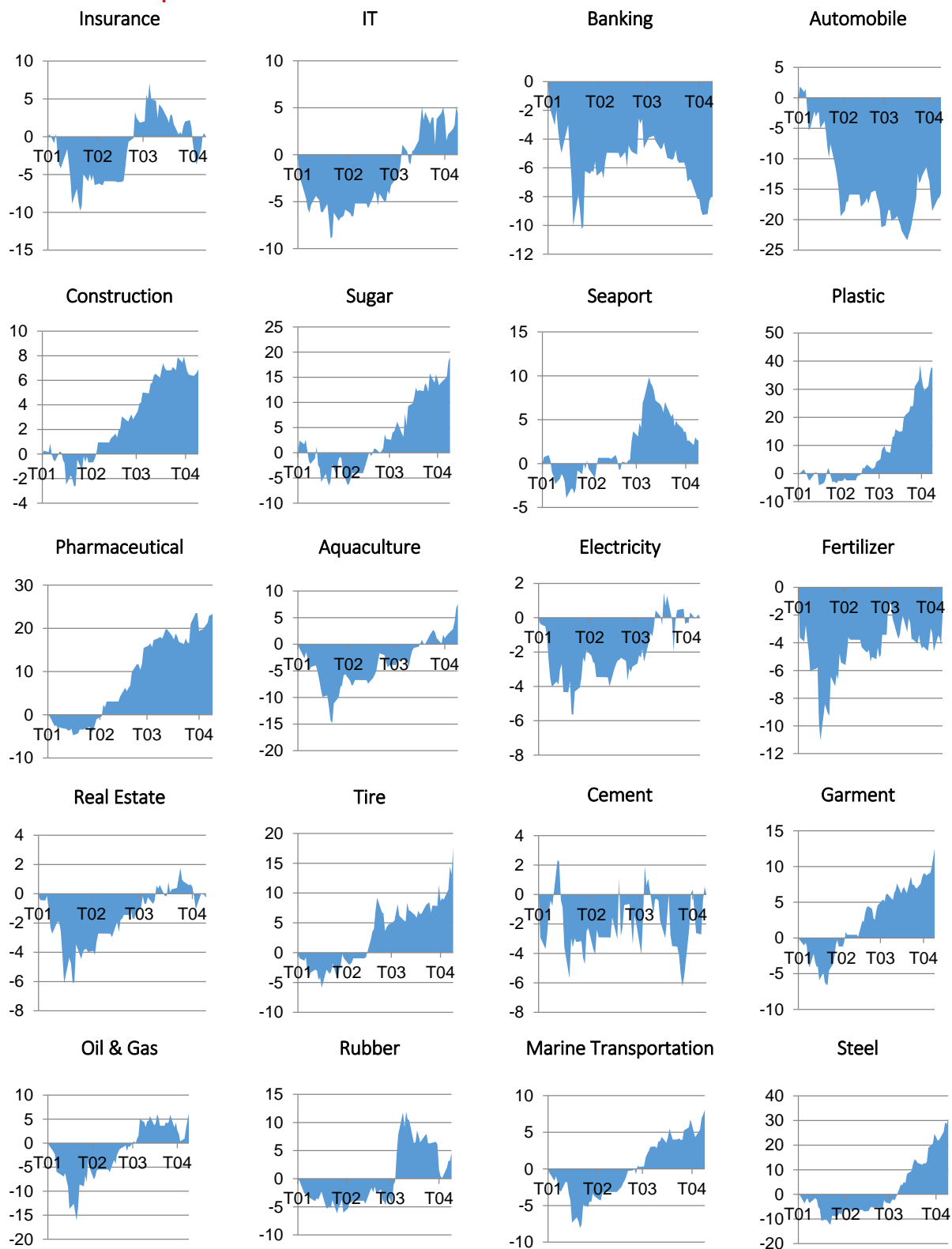
Code	Price at begging of the year	Price at the end of the quarter	%Chg
DPS	10,600	6,600	-37
PSC	16,900	10,600	-37
PIV	15,000	10,700	-28
HHG	11,200	8,200	-27
TVC	17,100	12,700	-26

TOP 5 VOLUME LEADER ON HNX

Code	Average shares per session	Code	Average value per session
SHB	4,332,562	KLF	37,825,011,741
SCR	3,748,853	PVS	34,860,947,656
KLF	3,529,267	SCR	23,522,970,968
TIG	3,167,114	SHB	22,059,446,769
PVX	1,961,516	PVC	19,593,705,474

Source: BSC Research

Growth comparison between sectors and VN-Index in 2016Q1



Sectors having good growth in stock prices: plastics, pharmaceuticals, sugar, tires, textiles and steel. The majority of those sectors had improved information such as Amended Pharmacy Law (strengthen the non-tariff barriers to imported products); safeguard tariffs for imported steel; declining competition risks from imported products. In addition, after a long period of decreasing, many stocks in those sectors enter attractive prices (pharmaceuticals, tires, steel). The remaining sectors start having positive changes such as Sugar and Textiles (signed TPP).

Sectors having slight growth in stock prices: Marine transportation, oil and gas, natural rubber, aquaculture, Seaports, construction and IT. This group are interwoven between sectors with good business and sectors that business cycle is at the bottom. Growth sectors include: Seaports, Construction and IT; the majority of leading stocks had surged in last 2015 and beginning of 2016, so the adjustment in the end of quarter is reasonable. For this sector group, investors will expect better growth in Q2 through to the end of the year. Sectors that are at the bottom of the difficulty such as marine transportation, natural rubber, aquaculture, oil and gas, are able to recover in short-term when the signs of bottoming business operations appear. Therefore, further recovery will require clearer signs than information in Q1.

Sectors having sideway or declining stock price in quarter 1/2016: Electricity, Fertilizer, Real Estate, Insurance, Banking. These sectors such as insurance, banking, had grown strongly in 2015, making valuations become less attractive compared to the region. Real Estate, Electricity and Fertilizer continued divergence as our expectation. In particular, the strong businesses with good financial health and favorable business conditions are still growing, while weaker stocks continued to decline. This makes the stock selection need more details; typically, the thermal power compared to hydro power, nitrogenous fertilizer compared with NPK, firms with large land fund compared with limiting land firms.

Sector outlook in 2016Q2

Real Estate Sector [POSITIVE]

Review 2016Q1

- Real Estate market shows signs of slowing growth
- The Draft amendment to Circular No. 36 is expected to have a strong impact on the market in two ways: (1) Tightening credit into the real estate market, and (2) increasing lending rates.
- Firms which are affected by Circular 36 will belong to: large leverage, rapidly increasing capital, less land bank, non - recurring revenue (mall, office, hotel, ...)

Real Estate market shows signs of slowing growth: As of the end of Q1/2016, in Hanoi, the number of sold apartments was 4,048 units (-5% yoy, the figure increased by 30% in the same period), while 9,090 units was sold in HCMC (+27% yoy, the figure increased by 100% in the same period)

Mixed business results was seen in listed firms: According to our statistics in real estate sector, the total revenue was 60.2 trillion (+24% yoy), PAT 6.7 trillion (nearly 3,3 times over the same period). Only 23/44 enterprises improved the bottom line from core business, while the growth of the rest came from extraordinary incomes, such as divestment or project transfer. As presented in our Sector outlook report, we notice that a quite strong differentiation between listed companies when only some businesses which have strong sales and continue attract cash flow as: VIC, DXG, KDH, SCR, CEO, etc.

Ticker	Rev 2014 (bil VND)	EAT 2014 (bil VND)	Rev 2015 (bil VND)	EAT 2015 (bil VND)	% Changes in rev	% Changes in EAT	Gross margin	Customer in advance (bil VND)	Inventory value (bil VND)	Customer in advance / inventory value
VIC	27737.6	3789.7	33829	1418.9	22.0%	-62.6%	33.8%	2097520	27024	77.6%
DXG	506.2	213	1394.5	445.6	175.5%	109.2%	47.3%	83150	1122	74.1%
KDH	621.1	62.8	1069.8	276.5	72.2%	340.3%	32.0%	510	5857	8.7%
CEO	448.9	105.4	639.4	205.6	42.4%	95.1%	52.9%	172	760	22.6%

Source: Financial Statement, BSC Research

The Draft amendment to Circular No. 36/2016/TT-NHNN is expected to have strong impacts on the market:

The Draft increase risk ratio of receivables of real estate from 150% to 250%, tighten short-term funding to be used for medium and long term loans. This leads to: (1) Tightening capital into the real estate market, and (2) increasing lending rates. We believe that house prices and absorption rate will decline in 2016, real estate developer will need to restructure their project portfolio and project transfer may be boosted. Affected companies include:

- High leverage group: VIC, SJS, DIG, NBB, SCR. In this group, we note that although having high leverage, VIC has advantage over other companies because strong cash flows from customers may soften negative impacts.
- Rapidly Increasing equity capital group: DXG, CEO, NDN. It is difficult to raise equity capital when profit growth will slow and can not keep pace with the increase in capital.
- Small land bank group: VPH, NTL. This will limit transfer projects, creating cash flow and extraordinary income in difficult market conditions. Conversely, large land bank group has the advantage, including VIC, BCI, HDG, DIG.
- Non recurring revenue: Most of the listed companies (exclude VIC - with stable revenue from renting commercial center, Hotel-Resort services and BCI (Le Minh Xuan Industrial Zone, Big C An Lac).

Investment recommendation

We remain **POSITIVE** but less optimistic due to the fact that The Draft amendment to Circular 36 will cause slowing growth, the supply may fall when credit capital is tightened and lending rates increases, home buyer psychology as well as investors will be more cautious. This will gradually be reflected in the business results in the period of 2017-2018. Besides, the advantages will belong to those enterprises with large land bank, a healthy financial situation and fund raising from other sources than bank loans. Challenging market is also opportunities for developers to accumulate cheap land before market enters a new growth cycle.

Update business plans in 2016:

DXG: Revenue is expected to reach 2.200 billion (+57% yoy), PAT 506 billion (+50% yoy), DXG will issue 117.2 million shares at the price of 10,000 VND/share to invest in Nam Rach Chiec project (District 2).

KDH: PAT 400 billion (+52.6% yoy), KDH will also release 54 million bonus shares (30%) to increase its chartered capital to 2,340 billion.

Recommended Stock performance: Except DXG (-13.8%, compared to the end of 2014), VIC (+2.8%) and KDH (+6%) have outperformed VNINDEX (-1.5%).

Ticker	Rev 2016	EAT 2016E	EPS 2016	P/E FW	P/B	ROE 2016	Dividend 2015	Price, 31 Mar 2016	Target Price	Link
VIC	53,000	4,100	2,110	26.00	2.03	23.50%	N/A	47,200	53,000	Link
DXG	2,148	661	2,300	8.22	1.10	28.20%	N/A	16,300	22,800	Link
KDH	1,765	290	2,305	9.37	1.08	11.30%	N/A	22,900	25,100	Link

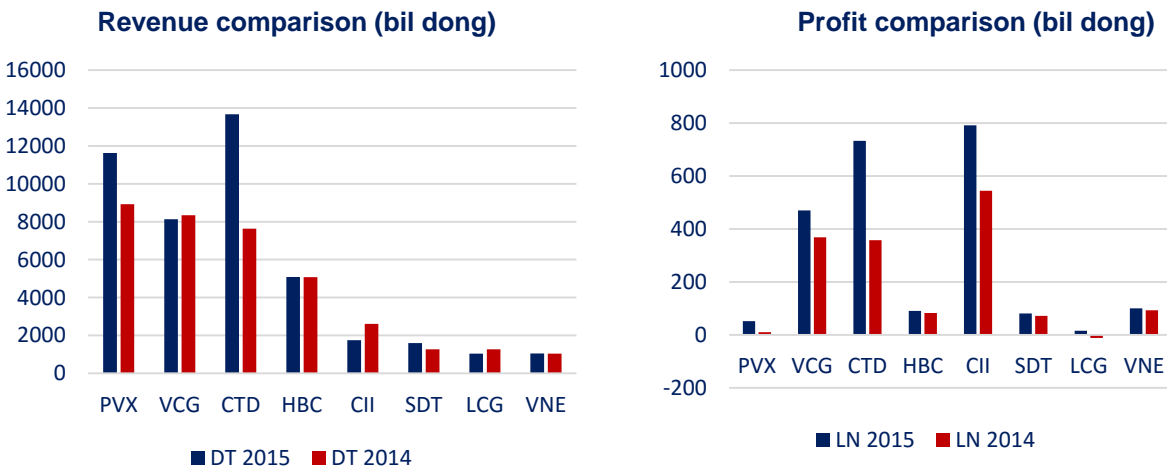
Source: Financial Statement, BSC Research

Construction Sector [POSITIVE]

Review 2016Q1

- The Draft amendment to Circular 36 is expected to have indirect impacts on construction companies: (1) The number of working projects may reduce (2) Interest expense will rise because of the increase in lending rates; (3) increased competition;
- Reducing ODA could affect infrastructure projects.

Business results 2015 was positive for listed construction firms: the total revenue was 102.4 trillion (+18% yoy), PAT 4.7 trillion (+46% yoy). The growth spread to different type of firms: civil construction group (CTD, HBC), industrial construction group (LCG, VCG), and infrastructure construction group (CII).



Source: Financial Statement, BSC Research

The Draft amendment to Circular 36 is expect to have indirect impacts on construction companies: (1) The number of working projects may reduce; (2) Interest expense increases due to rising interest rates (3) Competitive pressure will decrease bidding prices, which put pressure on profit margin; (4) Firms whose revenue heavily depend on residential projects, offices, commercial centers may bear negative impacts, while the ability to take part in infrastructure and industry has been limited.

Reducing ODA can affect the infrastructure projects: ODA accounts for 28% of capital requirement in infrastructure construction plans from 2016 to 2020. Currently, organizations which regularly provide capital such as WB (about 30% of annual ODA), ADB have the plan to stop or cut (WB will stop aid ODA from 7/2017) or cut ODA incentives (ADB) when per capital income has been higher than the concessional lending standards.

Investment recommendation

We maintain a **POSITIVE** assessment for construction sector. In the case of real estate market slowdown, business results of construction companies will lag and slowing growth will be seen in firms whose revenue heavily depend on real estate projects. 2 firms we recommend in sector report are CTD (+24%) and HBC. We reduce CTD to Neutral from outperform.

HBC: In Q1, HBC signed 3 projects: urban area C2 - Gamuda Gardens (730 billion), Hoa Lam International Hospital (361 billion), 304 adjacent apartments (311 billion), increased the total value of signed contracts and had not made about 11,140 billion (+50% yoy). About the influence of Circular, we believe that this will have a strong impact to HBC due to current revenue depends greatly on the construction of houses, offices, commercial (accounts for over 90% annually revenue), industrial construction segment represent for an average of 8% of revenue. The expansion into the infrastructure and industrial construction projects is relatively limited when HBC usually doesn't have advantages to participate in. The high leverage debt/equity ~ 1.91x also will increase interest expense when interest rate is expected to increase from 0.5% to 1% in the near future.

CTD: Revenue is expected to reach 16,500 billion (+19.5% yoy), PAT of 800 billion, the backlog is approximately 15,100 billion (more than doubled over the same period). Civil construction segment accounts for over 70% annual revenue, and the tightening credit may reduce revenues of this segment. However, we believe that when facing the difficulty in searching new real estate projects, CTD can join industrial construction through Unicons and infrastructure projects to offset decreased revenues. In addition, due to no debt, CTD avoid impacts of rising interest rates.

Ticker	Rev 2016	EAT 2016E	EPS 2016	P/E FW	P/B	ROE 2016	Dividend 2015	Price, 31 Mar 2016	Target price	Link
CTD	16,000	877	18,743	8.16	1.81	22.19%	50% cash	188,000	179,200	Link
HBC	6,500	175	2,300	8.26	1.07	16.70%	15% cash; 30% stock	18,700	22,800	Link

Source: Financial Statement, BSC Research

Ceramic Tiles Sector [POSITIVE]

Review 2016Q1

- In 2016, the trend of expanding production to meet the demand for ceramic tiles is growing
- Ceramic tiles companies generally had prospering results in 2015 and Q1/2016

Continue to benefit from the real estate market (link): In Q1/2016, the ceramic tiles industry in particular and finishing construction materials in general continue to benefit from real estate market, when the construction works entering the stage of completion, as well as rising needs for home improvement before Lunar New Year.

In 2016, the trend of expanding production to meet the demand for ceramic tiles is growing: To meet demand in the coming years, a number of ceramic tiles enterprises tend to expand production such as CVT, VIT, TLT, TTC, ..

Ticker	Capacity	Capacity added	Investment (bil VND)	Stock issuance for financing project	Construction time
VIT	4.5 mil m2/yr	2 mil m2/yr, granite	n/a	2 mil stocks	2015
		4.5 mil m2/yr, granite	350	12 mil stocks	2017
CVT	10 mil m2/yr	5 mil m2/yr, ceramic	299	8 mil stocks	2015
		8 mil m2/yr, ceramic	300	10 mil stocks	Q3/2016
TTC	5.5 mil m2/yr	1.5 mil m2/yr, granite	341	9 mil stocks	2016-2017
TLT	8.5 mil m2/yr	6 mil m2/yr, ceramic	378.8	No	2016

Source: Financial Statement, BSC Research

Business results:

In 2015, ceramic tiles companies generally had prospering results: Net sales of most businesses increased, notably CVT, TLT and VGC increased 22.4%, 14.3% and 77.6% yoy respectively; except for TCR and CYC which fell 7-9%yoy. Gross margin of many firms also improved significantly, except for CVT, CYC and VHL with decreasing margin. EAT in all businesses, except for CYC, has outperformed growth compared to EAT in 2014, notably the TCR, TLT and TTC with EAT growth of 2,031%, 493% and 61% yoy respectively. In Q1/2016, the ceramic tiles firms continued to have earnings growth when the real estate market has no signs of slowing down.

Ticker	Net rev		Gross margin 2015	Gross margin 2014	EAT 2015 (bil VND)	%yoy	EPS trailing 12M	P/E	P/B	Business plan 2016		
	2015 (bil VND)	% yoy								Div 2015	Rev 2016 (bil VND)	EBT 2016 (bil VND)
TTC	388.3	2.8%	14.3%	11.9%	21.68	61%	3,660	4.7	1.05	10% cash	n/a	15
TCR	2,063.5	-8.6%	20.1%	15.1%	42.53	2031%	930	9.8	0.64	n/a	n/a	n/a
TLT	442.6	14.3%	18.7%	12.5%	34.78	493%	4,980	3.2	14.49	0%	475.3	43

VIT	681.8	0.6%	15.7%	12.6%	37.30	+35%	2,490	9.6	1.85	15% cash	1020	70.5
CVT	743.3	22.4%	16.9%	20.4%	62.84	+24%	3,260	7.1	1.52	25% cash	1000	90
CYC	325.0	-6.4%	4.7%	7.4%	(31.49)	-	(4,140)	-	0.38	n/a	n/a	n/a
VGC	7,819.9	+77.6%	22.0%	21%	328.4	+56%	1,242	12.3	1.36	7% cash	8800	424*
VHL	1561.5	+8.4%	20.2%	20.5%	100.57	+20.5%	6,290	7.0	1.51	20% cash	1682.6	138.2

Source: Financial Statement, BSC Research

Investment recommendation

With prospects for a sustainable recovery from the real estate market in the near future, as well as construction projects entering completion phase, we maintain the POSITIVE view for Ceramic tiles sector in the remaining 3 quarters in 2016. We continue to recommend BUY in medium and long term with CVT and VIT shares, TRACKING with TCR, VGC stocks, like 2016 Sector Outlook report. For TTC share, we recommended BUY with a target price of VND 16,780 per share. In 31st March, the share price closed at VND 17,300 VND per share, reaching the target price, we will update the stock in the following reports.

Sector	Ticker	Rev 2016	EAT 2016E	EPS 2016	P/E FW	P/B	ROE 2016	Div 2015	Price, 31 Mar 16	Target price	Link
Ceramic Tile	CVT	864	77	3,997	5.75	1.28	22.26%	Cash Div 5%; Share Div 10 : 2	23,000	27,183	
	VIT	848	43	2,886	6.83	1.25	18.38%	Cash Div 12%; Share Div 100 : 15	23,900	25,642	Link
	TTC	413	21	3,565	3.81	0.95	12.37%	Cash Div 8%	17,300	16,780	

Source: BSC Research

IT Sector [POSITIVE]

Review 2016Q1

- The Internet penetration was higher than average in Asian region.
- Outsourcing services will be boosted more aggressively.
- The governmental clients will remain at low growth potential due to budget shortage.

The IT - Telecommunication sector still have large room for growth. According to the “We are social 2016”, the Vietnam Internet penetration stood at 50.35%, which was higher than Asian average standing at 48%; with the growth speed of 10%yoy and urbanization rate for 35% (according to World Bank), lower than median rate of peers, which was 47%, implies that the Vietnam IT sector still enjoys large growth potential.

Besides, outsourcing services are still boosting with Japan to be the main market. Recently, market share of Vietnamese IT companies was about 5-6% in Japan. The main barrier for Vietnam companies is language. In 2015 according to Cushman & Wakefield, Vietnam outsourcing services was ranked number 1 from fifth (accession based on costs, risky factors and operating environment).

	Popula tion	Internet			Social network			Mobile			Urbanizat ion rate
		No. of internet users	Penetr ation rate	Growth compared with Jan 2015	No. of social network users	Penetrati on rate	Growth compared with Jan 2015	No. of mobile subscriber	Penetrati on rate	Growth compared with Jan 2015	
Vietnam	94	47	50%	10%	35	37%	25%	143	152%	5%	33%
Thailan	68	38	56%	21%	38	56%	19%	83	122%	-15%	49%
Indonesia	259	88	34%	15%	79	30%	10%	326	126%	2%	53%
Singapore	6	5	82%	1%	4	64%	0%	8	145%	2%	100%
Malaysia	31	21	68%	1%	18	59%	7%	43	142%	4%	74%
Philippines	101	47	46%	7%	48	47%	20%	119	117%	4%	44%
Brunei	0.43	0.32	75%	0%	0.27	63%	4%	0.52	122%	5%	77%
Cambodia	16	5	32%	32%	3	22%	42%	26	166%	7%	21%
Lao	7	1	14%	16%	1	14%	44%	5	73%	-28%	38%
Myanmar	54	8	14%	192%	8	14%	100%	36	66%	167%	34%
Median of ASEAN region	42	14	48%	13%	13	42%	20%	39	124%	4%	47%

Source: We are social 2016, World Bank data

The governmental clients will remain at low growth potential due to budget shortage: According to Deree 36a/NQ-CP about E-government, in the period of 2016-2017, the government will boost administration revolution, combined with IT application on management and social services. However, due to budget remaining at shortage, capital disbursements and project belonging to the government will not be witnessing high growth.

Investment recommendation

We remain our **POSITIVE** view with IT – Telecommunications Sector. Besides the three stocks we recommended in previous reports (including FPT, CMG and ITD), HIG is also a noticeable stock which benefits from the overall growth of the sector.

FPT - Buy - Price target of VND 56,186 per share ([link](#))

We believe that FPT is an attractive opportunity investment in 2016 due to the expectation of divestment from Distribution Retail segment, profit increased sharply in 2016, the money collected will be used for M&A in IT segment and acquisition of FPT Telecom shares when SCIC divests. On 31 Mar 2016, FPT share was traded at VND 47,100, PE FW = 9.49x (less than the ratio of a leading share).

Business Plan 2016: FPT aims to reach VND 3,151 billion of PBT in 2016 (+10.5% yoy), estimated PAT belong to FPT's shareholders is VND 2,121 billion, equivalent to EPS 2016 of VND 4,965 dong (we note that the plans set out excluded the divestment from Distribution Retail segment).

CMG - Buy - Price target of VND 18,976 VND per share ([link](#))

Estimated business results, Consolidated EAT for financial year 2015 - 2016 was about VND 174 billion (EBT rose sharply over the target number of VND 153.74 billion); estimated EAT attributable to ordinary shareholders reached VND 121.25 billion, equivalent to EPS of VND 1,830 per share.

In 2016 - 2017, we forecast the business results of CMG will continue to grow positively thanks to promoting Industrial Telecommunications segment, bringing APG international telecommunication axis into operation and extending outsourcing market in Japan. Estimated EAT for shareholders of parent company in 2016/17 is VND 139 billion, equivalent to EPS of VND 2,100 VND per share.

ITD – Buy – Target price of VND 25,785 per share ([link](#))

In fiscal year 2015 - 2016, ITD has recorded surge revenue and profit from the Ha Noi - Hai Phong highway project. ITD will have more revenue and profit from the HCMC - Trung Luong highway ITS project in 2016 and Da Nang - Quang Ngai highway ITS project in 2017. We estimate the net profit of the parent company shareholders in 2016 - 2017 will reach VND 37.12 billion (EAT of VND 48 billion), EPS = 2,422 VND/share.

	Rev 2016 (bil VND)	EAT 2016 (bil VND)	EPS 2016	PE 2016	PB 2016	ROE 2016	Div yield 2016	Price (31 Mar 2016)	Target price	Report link
FPT	42,514	2,678	4,965	9.49	1.64	21.77%	20%	47,100	56,186	link
CMG	4,255	190	2,100	7.43	1.04	19.24%	N/A	15,600	18,976	link
ITD	581	48	2,422	8.88	1.32	19.26%	N/A	21,500	25,785	link

Source: Financial Statement, BSC Research

Seaport Sector [POSITIVE]

Review 2016Q1

- Cargo throughout port system growth was remaining at high speed, about 28%
- 2015 business results increased strongly.
- The business performance of second and other 2 last quarter will not be as high as it was in 2015.

The cargo throughout in the first 3 months of 2016 remained increasing at high speed, reaching 112.3 mil tons (+28%yoy) in which container stood at 2.7 mil Teus (+16%yoy) thanks to high growth in trade.

2015 business performance increased dramatically. Most seaport companies recorded bright results (apart from GMD due to no longer recording profit from selling asset as it did in 2014): Total revenue was VND 9,659 bil (+17.5%yoy), Net income was VND 2,048 bil (+44%yoy).

2015 business performance

Tickers	REV		GPM		NI		P/E	P/B	2016 business plan		
	2015	%yoy	2015	2014	2015	%yoy			Rev	EBT	Div
GMD	3,586	19.02%	26.52%	20.75%	402	-24.26%	11.31	1.01	N/A	N/A	N/A
VSC	928	4.10%	39.93%	34.98%	277	11.55%	8.92	2.53	1,015	262	20-30%
PHP	2,350	20.45%	36.57%	29.32%	521	17.60%	19.4	1.81	2,018	600	N/A
DVP	652	20.31%	47.19%	43.67%	281	23.23%	10.18	2.66	700	310	Over30%
HAH	576	33.75%	40.56%	36.97%	174	32.20%	6.17	1.9	580	153	30% cash
TMS	488	10.26%	24.78%	21.08%	155	12.42%	13.55	2.73	N/A	N/A	N/A
VGP	272	4.55%	32.67%	11.51%	39	194.70%	3.65	0.82	N/A	N/A	N/A
PDN	322	19.37%	33.48%	36.98%	51	7.03%	9.71	1.39	352	55	19%
CLL	273	16.16%	40.06%	46.69%	77	0.11%	9.84	1.53	N/A	N/A	N/A
DXP	212	33.04%	43.24%	32.60%	71	76.76%	7.2	1.5	220	75	0
Average			36.50%	31.69%			9.99	1.79	N/A	N/A	N/A

Source: Financial statement, BSC Research

Seaport companies set careful 2016 business plan, especially the ones in the North such as DVP, HAH or VSC. Reasons: (1) the import-to-re export to China goods is forecasted to decrease. (2) Revenue from In-land transportation decreased because from 1st April 2016, fees charged on 5B highway will rise 50%, on 5 highway rise 25%. (3) High depreciation and interest expenses (VSC) and operated above capacities such as DVP, DXP, HAH.

Potential to loosen room for foreign investors in warehouse and yard services, in which cargo handling services in the berth will allow to be owner 50% by foreign investors. Foreign investors may own 100% CFS service after 7 years. Recently, some industry players are planning to proposal Prime Minister to increase foreign ownership to 100% in regard of cargo handling at berth after 2-3 years.

Investment recommendation

We are remaining assessing **POSITIVE** to Seaport sector since revenue will be higher in the last quarters. In the first quarter, seaport shares were not quite positive. We reckon this was seaport cyclical and most seaport shares had up significantly in 2015. We think the increase in business performance in the last quarters will boost seaport share price and give good opportunities for investors. We remain BUY recommendation with GMD and VSC and change from BUY to Tracking with PHP due to its high P/E and P/B. however, PHP price may turn up whenever the government divests.

Sector	Ticker	REV 2016(bil)	EBT 2016(bil)	EPS F 2016	P/E F 2016	P/B F 2016	ROE F 2016	Div 2015	Price, 31 Mar 2016	Target price
Seaport	GMD	3,954	583	3,910	10.00	0.71	10.64%	Cash: 20%	39,100	45,755
	PHP	2,531	741	1,385	16.39	1.99	15.86%	Cash: 3%	22,700	22,980
	VSC	1,391	381	7,005	8.56	1.17	14.8%	Cash: 10%	60,000	86,208

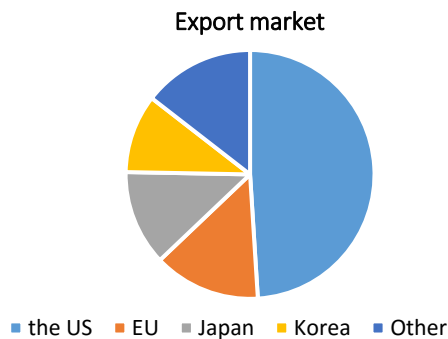
Source: BSC Research

Textile Sector [POSITIVE]

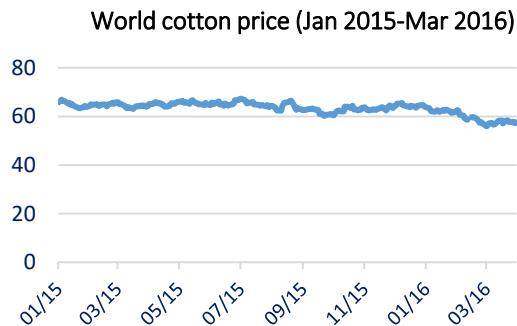
Review 2016Q1

- Textile export value continued to grow at a slow rate in the first 2 months in 2016
- The textile enterprises had benefit indirectly from the decrease of cotton prices and oil prices
- In 2015, the majority of textile enterprises had positive business results.

Textile export value continued to grow at a slow rate in the first 2 months in 2016: According to the General Statistics Office, export value of textiles in the first 2 months in 2016 reached USD 3.28 billion, up 2.3% mom, lower than the growth of 11.9% in the same period in 2015 because export growth to major markets like USA, EU, Korea, Japan, etc. continued to fall. Specifically, the export value to the US reached USD 1.61 billion (+ 4.2% over the same period), to the EU reached USD 457 million, (-1.3 t% over same period); to Japan reached USD408 million (-0.2% over same period); to Korea reached nearly USD 333 million, (+ 5.4% over same period).



Source: General Statistics Office, BSC Research



Source: Bloomberg, BSC Research

The textile enterprises had benefit indirectly from the decrease of cotton prices and oil prices: In Q1/2016, average world cotton prices was at usd 59.6 per pound, down 7.8% compared to Q4/2015 and down 9.6% over the same period in 2015. Oil prices in Q1/2016 recovered but still was at very low levels, the average price of USD 36.1 per bbl, down 21.4% compared to the average price in Q4/2015. Lower cotton and oil prices made the prices of input materials such as fibers, fabrics,.. drop. The textile firms, therefore, may benefit from lower input prices, and export and import growth will be mainly from volume growth.

Business results:

In 2015, the majority of textile enterprises had positive business results. In 2015, total revenue of listed textile firms reached VND 16,368.2 billion, (+10.47% yoy). Total EAT of those businesses reached VND 891.8 billion (+4.4% yoy). Notably, TNG and G20 had large revenue growth of 39.8% and 66.5% respectively; TNG, EVE and G20 had profit growth of 41.7%, 35.3% and 55.2% respectively. Revenue of

NPS and STK fell sharply, by 27.3% and 29% respectively; earning after tax of STK, NPS and TET decreased by 32.8%, 89.1% and 21.1%.

In Q1/2016, the textile business continued to benefit from lower oil prices and cotton prices. In March 2016, VGG started being listed on Upcom, which will contribute great revenue and profits for the sector. Net revenue of VGG in 2015 accounted for about 39.2% total revenue of listed textile enterprises.

Ticker	Net rev 2015	% yoy	EBT 2015	%yoy	Gross margin 2015	Gross margin 2014	EPS diluting 12M	P/E	P/B	Business plan 2016		
										Div 2015	Rev 2016	EBT 2016
VGG	6,408.5	+16.9%	311.0	+4.9%	11.9%	13.4%	7,405*	8.6*	2.35*	30% cash	6,300	200
TCM	2,791.9	+8.6%	153.5	-8.8%	15.3%	14.6%	3,127	9.0	1.56	10%	3,264	160
TNG	1,925.4	+39.8%	75.3	+41.7%	19.1%	19.0%	2,976	6.3	1.28		2,485	120
STK	1,035.4	-29.0%	71.3	-32.8%	18.1%	14.6%	1,584	18.5	1.98	5% cash, 10% stock	1,860	130.9
GMC	1,501.8	+6.6%	68.2	+12.7%	16.7%	14.8%	5,804	6.8	1.97	n/a	n/a	n/a
EVE	880.5	+12.7%	114.4	+35.3%	35.8%	34.0%	4,159	9.8	1.24	20% cash	1,100	150
KMR	355.1	+2.5%	5.6	+25.0%	22.0%	19.6%	312	14.1	0.42	n/a	n/a	n/a
G20	300.9	+66.5%	11.8	+55.2%	11.7%	12.9%	1,229	6.8	0.75	n/a	n/a	n/a
GIL	1,085.1	-2.1%	66.7	+28.5%	18.0%	16.5%	5,951	6.1	1.19	n/a	n/a	n/a
NPS	42.5	-27.3	0.4	-89.1%	14.2%	20.2%	169	80.7	0.88	n/a	n/a	n/a
TET	41.1	-3.8%	13.6	-21.4%	42.3%	65.6%	2,397	8.8	1.64	n/a	n/a	n/a
Total	16,368.2	10.47%	891.8	+4.4%								

* based on 42 million of shares in circulation, after the conversion of VGG bonds

Source: Financial statement, BSC Research

Investment recommendation

Slow increase of textile stocks in early 2016 somewhat influenced by the slow increase in business results. Textile sector is not in the field of limited ownership foreign investment, leading to many textile companies plan to or have loosen up to 100% such as TCM, KMR, TNG, EVE. This factor can help the trading of those shares better next time.

We maintain the **POSITIVE** outlook for textile sector in the remaining quarters of 2016 and recommend BUY with TNG stocks, HOLD with TCM stocks, and TRACKING with STK and some stocks which are expected to be listed such as May 10, Nha Be, etc., as in 2016 Sector Outlook Report. In addition, we recommend TRACKING with VGG stocks which was listed on March 2016, and EVE stocks with positive earning outlook.

Ticker	Rev 2016	EAT 2016E	EPS 2016	P/E FW	P/B	ROE 2016	Div 2015	Price Mar 2016	31	Target price
TNG	2,230	125	5,187	3.66	1.2	32.00%	6% cash div, 10% share div Incentive sale ratio 4:1	18,800		28,264
TCM	2,856	186	3,802	7.5	1.3	17.00%	6% cash div	28,200		34,220
STK	1,672	134	2,873	10.2	1.7	16.50%	10% Share Div	29,300		N/A

Source: BSC Research; *Adjusted price

Electricity Sector [POSITIVE]

Review 2016Q1

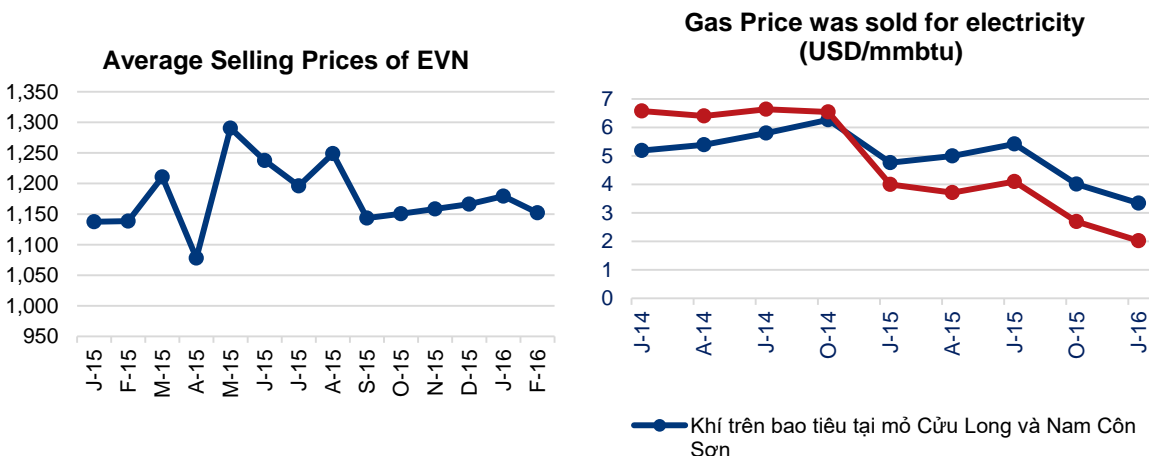
- Reduction in hydroelectric output; growth in thermal output.
- Decline in ceiling price in competitive electricity market.
- Gas prices fell while coal prices were stable.
- Thermal companies recorded exchange rate losses.

Commercial electricity output increased by 12%: in the first 2 months of 2016, commercial electricity output was estimated at 23.22 billion kWh (+12% yoy).

The average electricity purchase price of EVN increased: the decrease in proportion of low price electricity - hydroelectric led to a slight increase of 2% yoy of the average purchase price of EVN in the first 2 months of 2016.

Ceiling price policy on the competitive electricity market changed: the current ceiling price on the competitive electricity market are based on variable costs of hydroelectric plants and thermal power, which lowers the the average selling price in the competitive electricity market in 2016, compared to 2015.

Gas prices used for thermal declined while coal price was stable: Compared to the gas price of Q4/2015, Q1/2016 gas prices used for thermal declined by 17% for gas from the Mekong and Nam Con Son and down 25% for gas from PM3 Ca Mau. Meanwhile, coal prices remain stable since 2015. However, please be noted that gas price policy for electrical plants can change to limit the floor price to be equal price sold at mines. This will increase the input prices of thermal plants, thereby affect the competition of the competitive electricity market participants.



The difficulties of hydroelectric plants indirectly benefits thermoelectric plants: The first few months of the year is dry season in Central and Southern. At the same time, El Nino phenomena caused severe drought

in the region. Water must be prioritized for potable water and the downstream irrigation, which resulted in a sharp reduction in hydroelectric output, even some plants have to withdraw from the competitive electricity market. As of March 11th 2016, 15 out of 51 factories withdrew from the competitive electricity market. Therefore, thermal output surged to compensate for the shortage of hydroelectric. In first 2 months of 2016, production of NT2 increased by 7% yoy while output of hydroelectric plants as SHP, CHP reduced by respectively 37% and 44%. Combined with the fall in ceiling price of the competitive electricity markets, business results of hydroelectric companies in quarter I/2016 decreased while thermal companies were relatively positive.

Exchange rate movements was unbeneficial for thermal enterprises: as of March 31st 2016, JPY/VND; EUR/VND and KRW/VND increased respectively by 6.1%; 2.6% and 8.0% compared to Dec 31st 2015. Thus, businesses with high foreign currency debt recorded foreign exchange losses: VND 275 billion for PPC; VND 45 billion for NT2, and VND 50 billion for BTP.

Business results of electricity enterprises in 2015

	Ticker	Capacity (MW)	Location	Rev 2015 (billion)	%y.o.y	PAT 2015 (billion)	%y.o.y	Note	
	PPC	Thermal coal	1040	Hai Duong	7,664.95	2%	469.63	-55%	Exchange rate loss, low Q1 output; recorded loss from associates
	NT2	Gas turbines	750	Dong Nai	6,729.44	-5%	1,141.63	-28%	retroactive electricity prices in 2014
	BTP	Gas turbines	388	Vung Tau	1,831.57	-13%	115.58	-13%	Output reduced and exchange rate loss
	CHP	Hydroelectric	170	Hue	729.31	16%	328.30	54%	Output increased
	NBP	Thermal coal	100	Ninh Binh	671.18	-31%	11.10	-75%	Output reduced and coal consumption rate
	SHP	Hydroelectric	122.5	Lam Dong	594.69	0%	164.56	-25%	Output reduced
	TMP	Hydroelectric	150	Binh Phuoc	564.98	-18%	208.37	-13%	Selling prices increased
	VSH	Hydroelectric	136	Binh Dinh	467.42	-16%	251.62	-30%	Output increased and joined competitive
	SJD	Hydroelectric	104	Binh Phuoc; Gia Lai; Dien Bien;	382.06	-2%	179.35	-2%	Added new plan
	TBC	Hydroelectric	120	Yen Bai	251.09	-19%	115.29	-17%	Output reduced
	SBA	Hydroelectric	73	Quang Nam, Phu Yen	194.93	-8%	51.77	-21%	Output reduced
	HJS	Hydroelectric	12	Ha Giang	163.67	16%	33.50	61%	Selling prices increased
	GHC	Hydroelectric	28.2	Gia Lai	119.54	-5%	63.05	13%	Output reduced
	DRL	Hydroelectric	16	Dac Nong	63.25	-1%	34.66	2%	Output reduced

Source: Financial statement, BSC Research

Investment recommendation

We maintain our **Outperform** rating for thermal companies in last 3 quarters of 2016 due to output increase along with low fuel input cost. For hydroelectric businesses, as mentioned our El Nino/La Nina report, 2016 will be a challenging year with deficient rainfall by 25-50% over the average of many years. However, in case La Nina occurs in the end of 2016, it will create an opportunity for hydroelectric plants to recover strongly due to rising water in dry season. Although the thermal stocks had good growth in the quarter I/2016, the sector in general still have attractive valuations with average P/E of 8.6x and average P/B of 1.28x.

Sector	Ticker	Revenue 2016	PAT 2016E	EPS 2016	P/E FW	P/B	ROE 2016	Dividend 2015	Price at 31/03/2016	Target Price	Report Link
Electricity	NT2 ¹	5,902	1,048	3,636	9.13	1.50	17.00%	22% cash & 7% stock	33,200	36,405	Link
	PPC ²	6,921	852	2,676	6.84	1.03	14.00%	12% cash	18,800	20,032	
	SJD	474	238	4,781	5.42	1.02	21.00%	25% cash	24,800	30,941	Link
	CHP	735	380	2,880	7.19	1.26	20.00%	9% cash & 5% stock	20,400	24,545	Link
	SHP	593	210	2,246	8.46	1.35	16.00%	15% cash	18,800	19,082	Link

Source: BSC Research

¹ Exchange rate loss for 2016 is estimated at VND 118 Bil, assuming USD/VND rise by 5% and EUR/VND by 1%

² Exchange rate loss for 2016 is estimated at VND 76, assuming USD/VND rise by 5% and JPY/USD= 130

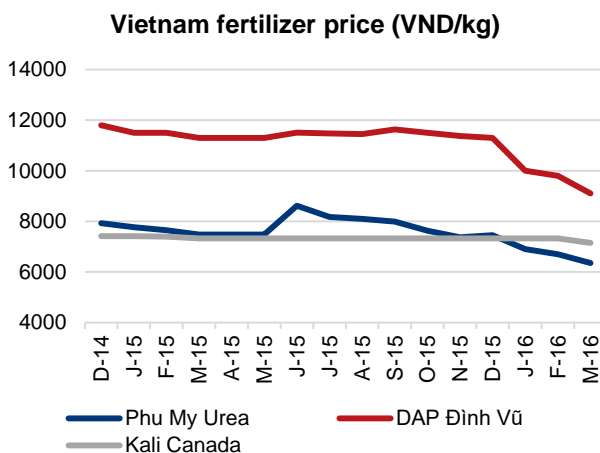
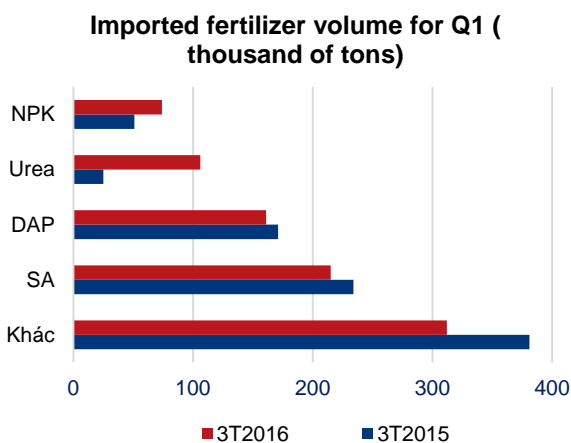
Fertilizer Sector [POSITIVE]

Review 2016Q1

- The supply of fertilizers decreased slightly
- Fertilizer prices plummeted by 15% for urea and by 19% for DAP
- DAP fertilizer import tax increased from 3% to 5%
- Disappointing Q1 results

Fertilizer production: according to the General Statistics Office, in the first 2 months of 2016 urea production decreased slightly by 4.8% to 360.7 thousand tons, while production of NPK slightly increased 6.6% to 340.3 thousand tons.

Fertilizer import output reduced: fertilizer import volume in the first three months of 2016 reached 843 thousand tons with a value of 249 million, down 2.2% yoy in volume and 6.3% yoy in value. Notably, while the output of most fertilizers declined, the urea production increased 4-fold, reaching 106 thousand tons. China still accounted for 40% of imported fertilizer in Vietnam. With the FTA, fertilizer imported from Malaysia and Korea increased by more than 5 times and 2 times while fertilizer imports from Russia decreased by 79%.



Source: Customs statistics, BSC Research

The selling price of fertilizers fell sharply in quarter 1: El Niño caused droughts and extreme sanitization in some Mekong Delta provinces and the central area. The cultivation therefore is seriously affected, causing decline in fertilizer demand as well as fertilizer price. In quarter 1, Phu My urea fertilizer prices fell by about 15%, Đình Vũ DAP prices fell by about 19% and imported kali price from Canada fell 2%.

Increased DAP fertilizer import duties: to help limit imported DAP output, from the date Apr 3rd 2016, the import duty for DAP fertilizer will increase from 3% to 5%.

Input prices fell sharply in Q1: DPM price fell by 39% yoy in Q1, and declined by 8% compared with the end of 2015. At the same time Sulfur prices fell 51% yoy and 29% compared to the end of 2015.

Declining business results in 2015: Overall, 2015 business results of the entire fertilizer industry decline over the same period due to a selling price reduction along with increase in transportation costs and non-deductible VAT for input. However, lower input prices helped net profit in 2015. In quarter 1/2016 El Nino lowering the fertilizer consumption, along with the low selling price caused disappointing business results.

	Main products	Rev 2015 (VND bil)	%y.o.y	PAT 2015 (VND bil)	%y.o.y	Rev 2016 (E)	PAT 2016 (E)	Div 2016
DPM	Ure	9,765	2%	1,488	36%	9,105	1,228	30
BFC	NPK	6,038	-5%	229	0%	6,624	369*	
DCM	Ure	5,584	-8%	755	-8%			
LAS	NPK, phosphate	4,651	-7%	306	-30%	4,900	436*	
QBS	Commercial	3,501	32%	80	24%			
PSE	Commercial	2,695	-5%	27	-8%	2,443	18	12
PSW	Commercial	2,600	2%	32	0%	2,588	28	12
PCE	Commercial	2,452	4%	28	-30%	1,957	16	12
SFG	NPK	2,339	4%	86	-15%	2,425	110	
DGL	phosphate	2,118	17%	273	42%	1,869	165	30
HAI	Commercial	1,515	69%	30	-22%			
PMB	Commercial	1,423	14%	25	-4%			
VAF	phosphate	957	3%	65	-23%			
NFC	phosphate	533	-22%	18	-52%			
PCN	Commercial	243	0%	3	-12%			

*: EBT

Source: BSC Research

Investment recommendation

We maintain an **Outperform** rating for the fertilizer sector for the remaining quarters of 2016. In case El Nino ends in mid-2016, followed by La Nina phenomenon as forecasted by some large organizations such as WMO, NASA, we expect fertilizer prices and demand will recover gradually from the end of Q2, 2016, which is the period of machinery maintenance for many fertilizer companies, which can cause local shortages. Also the low level of input price compared to the same period last year as well as the expected change in VAT policy will improve margins of the business.

Sector	Ticker	Rev 2016	PBT 2016E	EPS 2016	P/E FW	P/B	ROE 2016	Dividend 2015	Price 31/03/2016	on Target price
	DPM	8,901	1,709	3,754	7.70	1.36	19%	40% cash	28,900	34,770
Fertilizer	LAS	4,189	393	4,797	6.15	1.65	28%	55% cash	29,500	31,180
	BFC	7,537	258	5,155	5.80	1.71	24%	28% cash	29,900	33,507

Source: BSC Research

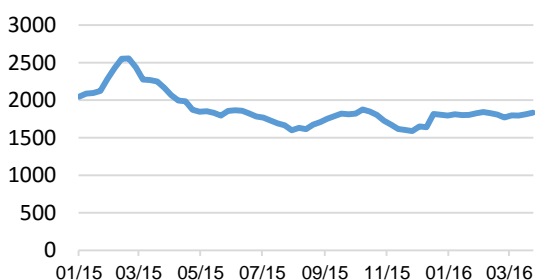
Dairy Sector [POSITIVE]

Review 2016Q1

- Vietnam dairy enterprises can benefit from low global raw milk prices
- The business results of 2 listed milk firms were quite good in 2015 and Q1/2016

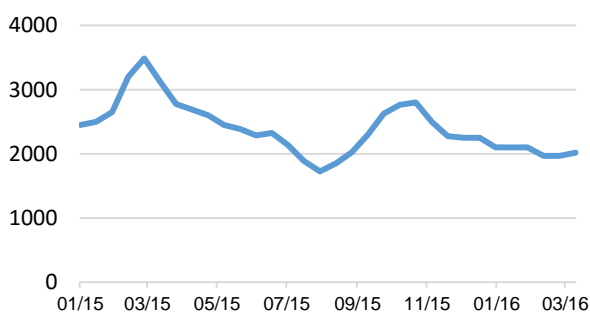
Vietnam dairy enterprises can benefit from low global raw milk prices: Compared to the beginning of 2016, milk prices at the end of March rose slightly by 2.1% for SMP, while down slightly by 3.9% for WMP. Compared to the same period in 2015, the average milk price in Q1/2016 declined by 20.7% for SMP and by 29.6% for WMP. The main reasons are (1) the export volume from Europe grew 6% compared to 2015 as the removal of milk production quotas in Europe makes dairy firms here increase production to achieve economies of scale and increase the world's dairy market share; while (2) the demand slump in the second largest importer of world milk, China (-8%) and Russia (down 75% over the same period due to embargo imports from Europe to Russia. The sanction extended to Aug 2016).

SMP price (Jan 2015-Mar 2016) (usd/ton)



Source: Bloomberg, BSC Research

WMP Price (Jan 2015-Mar 2016) (usd/ton)



Source: Bloomberg, BSC Research

Business results:

In 2015, the business results of 2 listed milk firms were quite good. For VNM, revenue and profits grew sharply over the previous year; gross margin improved to 40.6% due to the benefit from the low raw milk price. For HNM, revenue and profits increased greatly, however gross margin decreased slightly.

In Q1/2016, raw milk prices continue to be low, having positive impact on the dairy firms. For HNM, raw milk prices are fixed for 6 to 9 months to reduce the risk of fluctuations in material prices. In Q1/2016, HNM start promoting sales activities to achieve the high sales and profit targeted in 2016.

Ticker	Rev 2015	% yoy	Gross margin	Gross margin	EAT 2015	%yoy	EPS trailing 12M	P/E	P/B	Business plan 2016		
			2015	2014						Div 2015	Rev 2016	EAT 2016
VNM	40,080.4	+14.6	40.6%	35.2%	7,773.4	+28.1%	6,477	20.7x	7.68x	n/a	n/a	n/a
HNM	267.8	+20.7%	29.5%	31.2%	2.5	+1,508%	125	73.6x	0.87x	0	450	9.5

Source: Financial statement, BSC Research

Investment recommendation

In the remaining 3 quarters of 2016, the world raw milk prices are expected to remain low due to oversupply. Businesses using milk powder for production therefore can continue to benefit as the domestic price of finished milk is forecasted to be stable.

For VNM, ability to loosen room could make foreign investors trading VNM more actively. Meanwhile, earnings of HNM started to be improved, but not significantly, and needs further tracking. Therefore, we maintain our **POSITIVE** view for Dairy sector in Q2/2016 and recommend BUY with VNM and TRACKING with HNM.

Ticker	Rev 2016E (bil VND)	EAT 2016E (bil VND)	EPS 2016	P/E F 2016	P/B F 2016	ROE 2016	Dividend 2015	Closed price 31 Mar 2016	Target price	Link
VNM	45,016	8,823	7,353	17.4	7.1	41.00%	40% cash	134,000	148,000	Link
HNM	260	3.4	170	52.4	0.8	1.60%		9,200	n/a	

Source: BSC Research

Cement Sector [NEUTRAL]

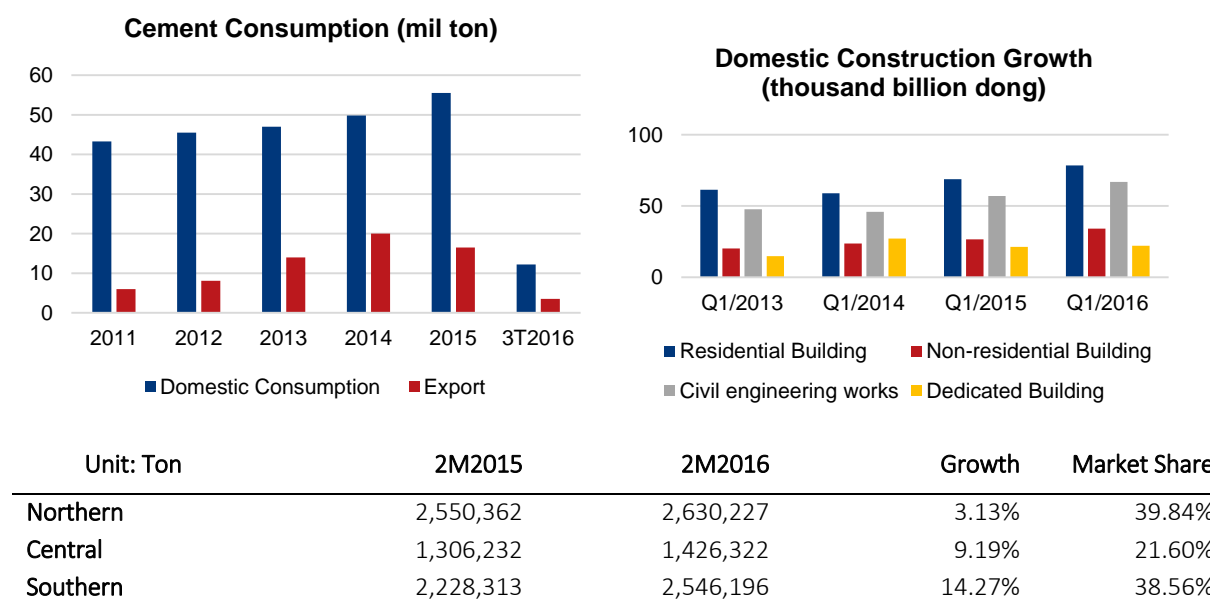
Review 2016Q1

- Sales volume had good growth, mainly from domestic market (12.26%)
- Southern region continued to achieve the strongest growth in cement consumption of the country, thanks to driver from FTAs.
- Exchange rate losses due to revaluating of foreign currency debt in Q1/2016

Cement domestic demand continued growth momentum. In Q1/2016, cement consumption reached 15.71 million tons (+9.8% yoy), while domestic consumption reached 12.21 million tons (+12.26% yoy) and exports reached 3.5 million tons (+2% yoy). The growth in 2016 is driven mainly by domestic demand. The oversupply of China cement (approximately 670 million tons) will continue to have negative impact and increase the competitiveness of cement market in Vietnam.

Currently, Vietnam cement sector is in surplus, with the total capacity of cement plants of about 81.56 million tons and more new plants to come in 2016, while sales consumption in 2016 is forecasted at 75-77 million tons (+5-6% yoy).

Cement consumption in the southern area yields the highest growth rate in the country. As reported by Cement Association, in the first 2 months of 2016, cement consumption in the Southern reached 2.55 million tons (+14.27% yoy) and accounted for 38.56% of market share, up from 35.26% in 2015. The data illustrates the rapid growth of investment projects in the southern area. In Q1/2016, Dong Nai and Binh Duong attracted the biggest foreign investment with a total capital of \$956 million, accounted for 23.7% of total investment capital in Vietnam.



Foreign exchange losses in Q1/2016. According VCB, VND/EUR selling rate rose from VND 24,708 (31/12/2015) to VND 25,425 (31/03/2016), up 2.9%. Using this rate, there are 3 businesses yielding foreign exchange losses: HT1 with debt of over EUR 60 million, BCC with debt of EUR 28.61 million, and BTS with debt of EUR 30.53 million. The losses is estimated at respectively about VND 43 billion, VND 20.5 billion and VND 21.89 billion.

Investment recommendation

We remain our **Neutral** rating for cement sector. The noteworthy point is that sector's growth is higher than expectations, the domestic consumption growth reaches over 12%yoy, cement companies have cash flow improvement, on time foreign currency repayment, reduced debt outstanding to relieve pressures of exchange rates and interest rates. We expect investment opportunities to arise in cement sector.

HT1 - Hold - Target price VND 27,915 /share ([link](#))

We estimate PAT 2016 to reach about VND 769 billion, removing 20% for bonus and welfare fund, 2016 core EPS is VND 1,975. On March 31st 2016, HT1 stock was traded at VND 25,800, equivalent to PE FW of 13.07x.

Positive Q1 business results: Benefited from strong growth of the southern area, we estimated cement consumption of HT1 to increase by 20% yoy to 1.22 million tons. Cement selling price remained unchanged, however bulk cement had higher growth rate than cement bags, so profit margin was lower than the same period of 2015. We estimated the core PAT for Q1/2016 to reach VND 125-130 billion.

BCC - Buy – Target price 17,323 VND/share ([link](#))

On March 31st 2016, BCC stock was traded at VND 15,800/share, equivalent P/B at 0.89, and P/E at 7.75x (2016 core EPS of VND 2,038 after removing 20% of PAT for bonus and welfare fund).

Estimated business results Q1/2016: Sales volume reached about 920,000 tons of cement (+12-15% yoy) and 100,000 tons of clinker. Consumption was more positive than the previous year. Because cement price dropped 30,000 dong/ton (in some categories), revenue reached about 990-1000 billion dong (+10% yoy), PBT core (excluded exchange rate) reached 58-59 billion dong (+6% yoy).

Investment cement grinding lines to bagging plan: is expected a total investment of about 800 billion dong, of which 75% of loan and 25% of equity. Currently the company has finished ground clearance for construction, and has not given specific loan plan.

Dividend 2015 - 2016: BCC submits to Vicem the plan of paying dividend for 2015 and 2016. It is expected that 2015's dividend is 15% in shares and 2016's dividend may be 10% in cash.

BTS - Hold - Target price 8,500 dong/share

2016 core PBT is estimated to reach about VND 114 billion, EPS will be 835 dong/share (from 2016, total PBT of BTS will be taxable at 20% corporate income tax to end accumulated losses of financial report). As of March 31st 2016, BTS stock was traded at VND 8,900, equivalent P/E F of 10.7x.

Update business results Q1/2016: Sales volume of cement and clinker reached 872 thousand tons (+18.64% yoy). PBT core reached 44 billion, up sharply from 36 billion of the same period of 2015. BTS said, they don't have large investment plans for 2016.

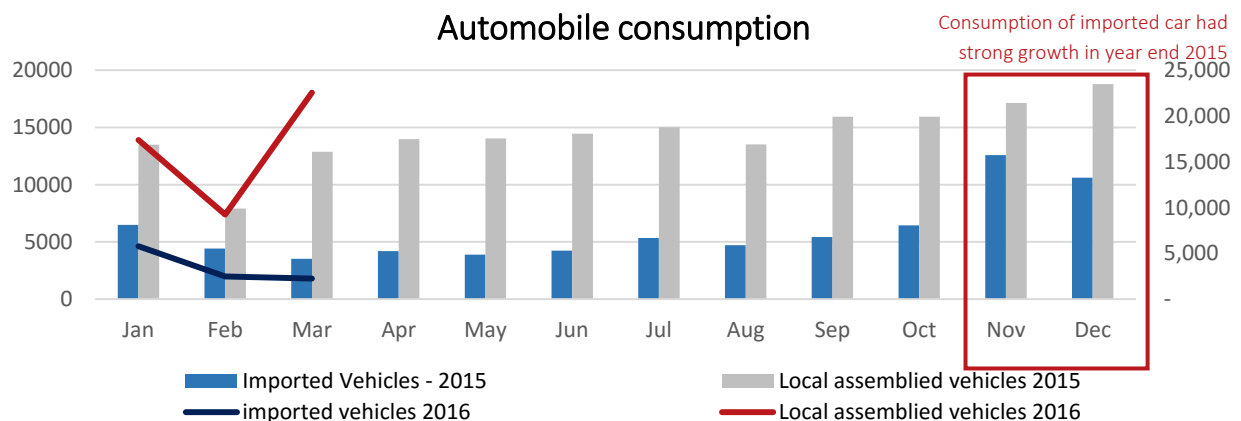
Ticket	Revenue 2016 (billion)	PAT 2016 (billion)	EPS 2016	PE 2016	PB 2016	ROE 2016	Div yield 2016	Price at 31 Mar 2016	Target Price	Link
HT1	8,229	785	1,975	13.06	1.57	15.06%	N/A	25,800	27,915	link
BCC	4,147	244	2,038	7.75	0.79	12.50%	15% stock	15,800	17,323	link
BTS	3,038	91	835	10.66	0.73	6.86%	N/A	8,900	8,500	link

Automobile Sector [NEUTRAL]

Review 2016Q1

- The growth in automobile sales slowed down to 23% yoy in Q1 2016, with consumption of imported car fell by -36% yoy
- Phenomenal earnings growth in 2015 with average revenue up 86.4% yoy and average profit up 144.5%
- Automobile consumption growth is expected to slow down considerably in 2016, with listed companies' 2016 business plans yielding an average increase of 30% in revenue.
- Possible changes in excise tax will significantly impact the automotive consumption

Automobile consumption recovered in March, 2016. According to the Vietnam Automobile Manufacturers Association (VAMA), the first 3 months of 2016 has sold 59,685 vehicles (+ 23% yoy), lower than the 2015 growth rate of 51% yoy. Specifically, in March, consumption increased by 51% yoy, recovering from the growth rate 8% of 2M2016. The growth came mainly from locally assembled vehicles (+ 55% yoy), while imported vehicle plummeted by 36%. Consumption of imported vehicles were affected by the change in tax treatment, which increased excise taxes on imported cars. This provision takes effect from Jan 1st 2016, leading to high growth in imported cars sales at the end of 2015, thereby reducing demand in the early months.



Source: VAMA, BSC Research

For each type of car, passenger cars increased slightly by 6%, while commercial vehicles increased by 55% yoy, which is still lower than the 72.7% increase of 2015.

Automobile listed businesses have phenomenal results for 2015. However, Q4 business results showed a slowdown in both revenue and profit. The average revenue of listed firms in the 4th quarter rose by 19.6%, significantly lower than the average increase of 86.4% for the whole year 2015, and the Q4 profit after tax fell by 2.72% yoy.

Ticker	Rev 2015 (VND Bil)	% yoy	PAT (VND Bil)	% yoy	Dividend	Notes
SVC	9,889.9	24.7%	163.3	86.0%	12% cash	Revenue from automobile distribution grew by 26%, while real estate divestment contributed VND 47.2 Bil in PBT
HAX	1,820.9	49.2%	28.3	73.6%		
TMT	3,365	146%	186.8	192%	38.5% cash	Q4 PAT declined by 77%
HTL	1,706.7	65.4%	135.3	116.6%	90% cash; 50% stock	
HHS	3,512.7	146.7%	481.2	254.2%	10% cash; 15% stock	VND 119 Bil PBT from the acquisition of Hoang Giang Service JSC in Q4/2015

Source: Financial Statement, BSC Research

Investment recommendation

Some policies adopted in Q1 including (1) The strategic planning and development of automotive industry was approved by the Prime Minister in Feb 2016, which emphasize on support the industry in term of credit, stimulus and market development, and (2) The draft excise tax as mentioned in the annual reports of the BSC

Positive 2016 business plans, although slow down from the phenomenal growth of 2015: 3 companies announced their business plans for 2016, including SVC, HHS, TMT. Excluding the abnormal profit of 2015, HHS plans to yield 10% growth in profit

	Rev 2016	% yoy	PAT 2016	% yoy	Dividend 2016
TMT	5803.8	75%	256.3	35%	44%
HHS	4,000	13%	398	-17.3%	15%
SVC	11,000	11%	160	-2%	14%

We maintain our **NEUTRAL** rating for the automotive industry. After the sharp increase in the end of 2015, auto stocks have fallen upon the lower than expected business results of Quarter 4, 2015, and the disappointing automobile consumption in the first 2 months of the year. Average P/E ratio decreased from 7.5 at the end of 2015 the level of 5.8x as of March 31st 2016, and P / B fell from 3.2x to 2.0x. We have updated our target price based on the business results in 2015, and the 2016 prospects for automobile consumption:

Sector	Ticker	Rev 2016 (Bil VND)	PAT 2016 (Bil VND)	EPS 2016	PE 2016	PB 2016	ROE 2016	Div yield 2015	Price 31/03/16	Target price	Link
Automobile	SVC	11,274	154.4	3,645	8.25	0.8	9.7%	14.0%	30,100	38,000	
	TMT	5,803	256.3	7,795	5.5	2.2	39.3%	44.0%	43,000	52,500	

Source: BSC Research

Insurance Sector [NEUTRAL]

Review 2016Q1

- Gross premium had strong growth in 2015 (+ 17.2% yoy), particularly in the retail segment: vehicle insurance (+ 24.6% yoy); health insurance (+ 27.8% yoy)
- Claim ratio increase by 3%, mainly due to payout of 2014 claim, which was provided in 2014.
- 2015 business results of listed companies had positive revenue growth of 24% and the average combined ratio fell by 0.15%.
- Positive 2016 outlook thanks to the improvement in deposit rates, growth in investment capital and increased insurance provisions

Non-life insurance sector had strong growth in 2015. According to the Ministry of Finance, the sector reached VND 32.038 billion in gross written premiums (+17.2% yoy), higher than the 12.4% average growth for the period 2005-2014. The non-life insurance recorded VND 18,078 billion of provision (+35.8% yoy), and VND 31,306 billion in financial investments (+5% yoy).

The growth of non-life insurance sector mainly came from the retail segment, with 24.6% yoy for motor vehicle insurance, and 27.8% yoy for health insurance. Besides the effort to expand the distribution network of insurance companies, market factors contributed to the good growth: (1) increased automobile consumption; (2) improvement in GDP per capita, (3) increase in insurance awareness.

Compensation ratio increased to 42.4%, from 39.4% of 2014, mainly from Property and Casualty insurance. Companies start to pay out claims related to the Binh Duong, Ha Tinh incident in 2014. Most of these costs have been recognized as provision in 2014, thus not affecting the 2015 business results.

Positive 2015 business results. Financial activities showed some abnormal performance as the result of the stock issuance of BIC and PTI, which increase the investment capital. Besides, PVI recorded 500 billion in profit from the sale of 26% of PVI Sun Life. Underwriting performance of leading enterprises has improved, demonstrated by the 0.15% decline in average combined ratio.

VND Bil	BVH (*)	PVI (*)	BMI	PTI	PGI	BIC
Gross written premium	5,223	3,146	2,822	2,501	2,231	1,546
% yoy	7.7%	32.7%	8.5%	64.1%	5.1%	26.8%
Claim ratio (1)	47.4%	-43.1%	-38.3%	-41.0%	-50.3%	-33.8%
+/- compared to 2014	+ 7.6%	+ 0.9%	+ 0.2%	- 2%	- 0.2%	+ 0.5%
Combined ratio (2)	99%	101%	98%	100%	99%	99%
+/- compared to 2014	- 1%	- 1.8%	+ 0.3%	+ 0.5%	+ 0.1%	+ 1%
Financial activities						
Investment capital	51,502	9,227	2,671	2,918	1,709	2,821
% yoy	28.6%	-9.0%	1.2%	121.6%	9.6%	76.3%
Gross margin	2,899	819	93	194	95	139
% yoy	0.8%	58.6%	35.7%	189.8%	2.4%	13.2%
ROI	5.6%	8.9%	3.5%	6.6%	5.6%	4.9%
+/- compared to 2014	- 1.6%	+ 3.8%	+ 0.9%	-1.6%	- 0.4%	- 2.8%
PBT 2015	368	247	168	205	115	157
% yoy	15.3%	10.8%	15.5%	142.8%	4.4%	13.9%

Dividend	10%	10% Cash, 10% stock	14%	10%
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¹ Claim ratio = Total claim expenditure (including provisions) / net insurance premium

² Combined ratio = (Total insurance expenditure + SG&A expense) / Total net revenue from insurance business

(*) For non-life insurance only

Positive outlook for quarter 2, 2016, mainly from (1) the deposit rate improved by 0.2 - 0.5%, expected to boosted up the investment profit by about 3-5%; (2) Investment capital will be recognized for the whole year of 2016, (3) Circular 22/2016 / TT-BTC of the Ministry of Finance to increase the compulsory insurance fee for motor vehicle owners by 10-20%, applied for 13 vehicle models with high accident rates, applicable from April 1st 2016.

Investment recommendation

We maintain our **NEUTRAL** rating for the insurance industry. We note that the insurance is a rare industry that will benefit from the rising interest rates. However, insurance stocks are currently trading at median P/E of 12.85 and P/B of 1.85, which is equivalent to the median valuation of the countries of the Asia - Pacific Street. We maintain our BUY recommendation for PTI and PGI as followed:

Sector		Rev2016	PAT2016	EPS 2016	P/E F	P/B F	ROE	Div yield 2015	Price 31 Mar 2016	Target price	Link
Insurance	PTI	2,913	141.7	1,762	12.8	1.05	7.1%	12%	22,600	24,900	link
	PGI	2,376	102.6	1,474	10.9	1.37	12.1%	14%- cash	16,000	18,600	link

Source: BSC Research

Plastic Sector [NEUTRAL]

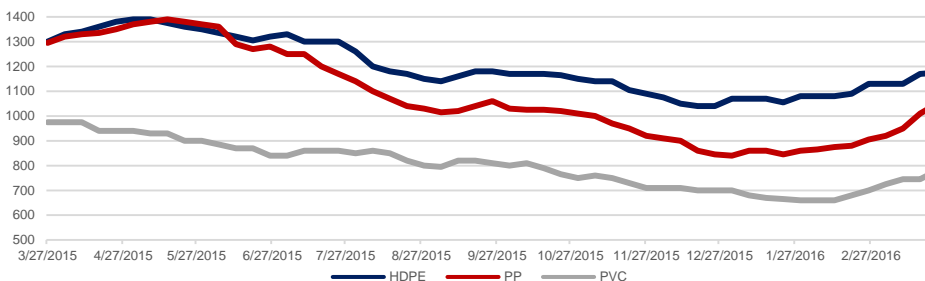
Review 2016Q1

- Plastic industry grew by 10.5% in 2015
- Recovery of plastic resin prices increase production expenses for plastics firms from 2016Q2
- M&A trend in plastics businesses.

Plastic industry grew by 10.5% in 2015, to VND 13.9 billion³. Domestic market witness rapid growth, (+15% in 9T2015). Exports to the United States (accounting for 15% of 2015 Vietnam export) go up 15%, while the two main export markets of Vietnam, namely, EU (representing 24% of the total exports) and Japan (22%) declined by 4% and by 1%, respectively.

Plastic resin prices increases. Plastic resins account for 70-80% of production cost of plastic firms. After sharply falling from September, 2014, plastic resin prices have bounced back since January, 2016. However, the price is still lower than the same period in 2015. HDPE increased by 10% compared to the end of 2015, to USD1,175/MT (lower 10% than the same period in 2015), PP rose by 25% to USD 1,050 / MT (lower 20% than the same period in 2015), and PVC up 11% to USD 780 USD/MT tons (lower 20% than the same period in 2015). Price increase will inflate production cost, therefore, impact negatively on business performance of majority companies in the 2016Q2 (these firms often maintain 1 quarter inventory turnover).

Plastic resin prices from March, 2015 to March, 2016



Sources: Bloomberg, BSC Research

Import duty of PP resin reduce. Circular No.16/2016/TT-BTC effected on 6th, March, 2016 reduce import duty of PP in dispersion to 1% and PP in primary which meet criterion of proportion, melting index, bearing strength, bending module to 0% from 3% mentioned in Circular No. 107/201/TT-BTC. This will reduce production costs for firms using PP as input such as VBC, TPC, HPB, HBD, VBC.

M & A trend in plastic industry. Thanks to a high growth rate of about 15-17% per year over the last 3 years, and approved FTAs as Vietnam-EU FTA, Vietnam-Korea FTA and TPP, Vietnam plastic industry attracted many foreign investors, especially partners from Thailand, Japan and Korea. Specifically, CSG

³ Vietnam Plastics Association estimate

Group (Thailand) owns 23.84% NTP, 20.4% BMP, holds a majority stake in four enterprises producing plastic household packaging is Vietnam-Thailand Plastchem joint venture, TPC Vina plastic and chemicals, Chemtech, Minh Thai plastic material. CSG bought 80% stake Batico (plastic packaging company). Saigon Plastic Packaging, Tan Tien Plastic Packaging Joint Stock Company were sold 100% for other Thailand firms. RISA Partners (Japan) offered to buy Dong A plastic company, jsc.

2015 performance. Total revenues of 8 listed companies was VND 14 trillion (+15% yoy) thanks to high demand. Profit after tax was VND 1.1 trillion (+ 28% yoy). Falling resin prices improved operating profit margin of many enterprises such as BMP (up from 20% to 24%), RDP (rose from 5% to 8%), DPC (increased from 1% to 3%), DNP (up from 8% to 9%, due to consolidation of water sector with higher margin). Meanwhile, the operating profit margin of other companies almost unchanged as the company reduced the price, increase discount to their customers.

2015 performance of listed plastic firms

Ticker	Products	2015 Rev	% yoy	2015 Gross margin	2015 Operating margin	2015 Net profit	% yoy
NTP	Plastic Pipe	3,556	19%	36%	12%	366	13%
BMP	Plastic Pipe	2,792	16%	32%	24%	500	33%
DNP	Plastic Pipe	904	52%	18%	9%	45	97%
DPC	Plastic Pipe	82	5%	16%	3%	2	118%
DAG	Plastic door, profile bar	1,254	13%	8%	6%	40	36%
AAA	Packaging	1,615	3%	12%	5%	40	-15%
RDP	Packaging	1,131	5%	13%	8%	60	163%
TPP	Packaging	872	30%	13%	4%	17	49%
SPP	Packaging	813	9%	13%	7%	10	21%
VBC	Packaging	663	9%	11%	6%	25	19%
Total		13,681	15%			1,106	28%

Sources: Financial statement of listed firms, BSC Research

Investment recommendation

We maintain our **Neutral** rating on plastic stocks. We note that M&A trend, opening room for foreign investors and divestment of SCIC will attract cash flow into the sector and the basis for the breakout of stock price. Profit margin of the plastic firms has improved, but need to monitor further. Resin prices shown signs of recovery since 2016Q1 (though these are still lower than the 2015 average price of plastic resin) will impact negatively on the business results in 2016Q2. We recommend buying on BMP, and tracking on NTP, AAA, RDP.

Sector	Code	Rev 2016	EAT 2016E	EPS 2016	P/E FW	P/B	ROE 2016	Dividend 2015	Price on 31/03/2015	Target price	Link
Plastic	BMP	3,368	626	12,585	11.52x	3.19x	29%	45% cash div	145.000	157,946	
	NTP	4,063	409	6,228	10.84x	2.43x	22%	30% cash div	67.500		Link
	AAA	2,046	72	1,360	12.35x	1.01x	8%	10% stock div 25% stock div	16,800		Link

Source: BSC Research

Steel Sector [NEUTRAL]

Review 2016Q1

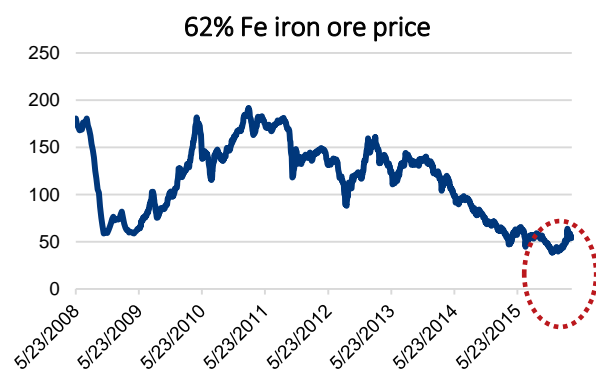
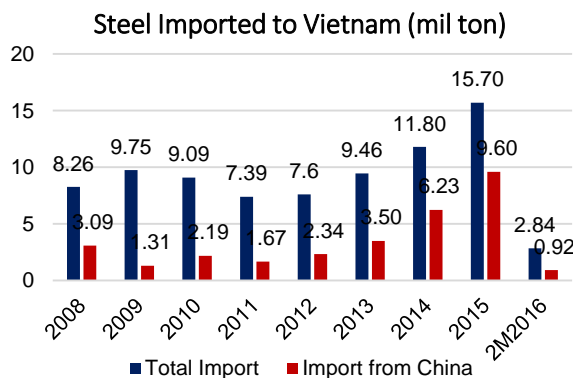
- Iron ore prices recovered in the short-term due to the increase in China's storage
- Steel billet and Construction steel were subject to safeguard policy
- The consumption output of steel grew sharply in Q1/2016

In Q1/2016, the domestic steel sector was supported by positive factors such as (1) The growth of raw steel price and (2) The safeguard policies of the government.

Raw steel price tends to recover - a positive signal in the short term. From 11 Dec 2015 to 01 Apr 2016, 62% Fe ore price increased by 43.08%, from the bottom price of 38.3 USD/ton to 54.8 USD/ton because Chinese steel factories increased material storage for production, supplying for the upcoming construction season. The recovery of raw material price is a positive signal for the steel industry because the output prices move in the same direction as the price of raw materials, inventory factors improve.

However, the Chinese economy had less positive movements, PMI maintained at low levels (48,4 and 48 respectively in the first 2 months of 2016), foreign exchange reserves fell by 3.84% from USD 3,330 billion (in Dec 2015) to USD 3,202 billion (In Feb 2016), etc., and there was an oversupply of iron ore in Australia and Brazil. Therefore, BSC supposes that the recovery of iron ore price is only in the short- term and may go back to former trend.

Vietnam steel sector officially protected. In view of steel billet and construction steel, Ministry of Industry and Trade promulgated Decision No. 862/QD-BCT on 07 Mar 2016 about application of temporary safeguard, with the tax rate for these items of 14.2% and 23.3% respectively. Regarding coated steel sheets, Ministry of Industry and Trade also promulgated Decision No. 818/QD-BCT on 03 Mar 2016 about the anti-dumping on coated steel sheet imports from China to Vietnam. We suppose that the increase in protective barrier of the Government will help improve the competing capability of domestic steel products compared to import product from China.



Source: General Department of Customs, Bloomberg, BSC Research

Steel consumption output fluctuated in Q1/2016 after information about imposition of safeguard tax.

According to VSA, the consumption of construction steel in March reached at 763,000 tons, the highest level of the steel industry (up 66% mom and up 15% yoy) due to storage psychology after publishing Decision about the temporary imposition of safeguard tax. The consumption of construction steel reached 1.82 million tons (up 40.6% yoy) in 3 months. In the first 2 months of 2016, the number of steel import from China grew highly at 922.6 thousand tons (up 37.5%), accounting for 32.49% of total steel imports.

Investment recommendation

Although the steel sector is benefited due to iron ore price and the protectionism policies of the Government, the short-term recovery trend of iron ore price and cheap finished products from China will continue to be the risks that investors should consider. BSC maintains the **NEUTRAL** view with the steel sector as in 2016 Sector outlook report. However, we are less pessimistic about the steel industry, and believe that, with protectionism policies, the recovery of steel price, the positive consumption of steel and attractive valuation levels, the leading steel stocks (HPG, HSG, NKG) are opportunities in Q2/2016. About steel trading companies, investment opportunities in the short-time will be accompanied with significant risks. In addition to HPG, HSG, NKG, we realized that in the production group, VGS is improving quite well.

HPG – Short-term buy– Target price of 32,000 VND/share ([link](#))

2016 Plan: Net revenue reached VND 28,000 billion and Profit after tax reached VND 3,298 billion (down 8.25% yoy), equivalent to 2016 EPS = 3,794 USD/share. On 31 Mar 2016, HPG shares were traded at VND 29,500, PE FW = 7,78x (fairly attractive due to a careful business plan).

In addition to the completion and putting into operation of Hoa Phat Steel Complex - Stages 3, raising steel production in 2016 from 1.60 to 1.65 million tons, HPG will put into operation 2 animal feed factories (total capacity of 600,000 tons/year). The proportion contributing by this segment to the group's revenue will be negligible until 2018. About room for foreigners, HPG will not loosen more room for foreign investors.

Business result in 2016Q1 was positive. Profit after tax reached VND 900 billion which sharply increased compared to VND 650.39 billion in the same period of 2015. If the situation continues to be positive, 2016 business result will exceed its objective (2016 target EAT is VND 3,200 billion). 2015 dividend is expected to be 15% in cash and 15% in share. Implementation time will be in 2016Q2.

HSG – Buy – Target price of 37,200 VND/share ([link](#))

According to the 2016 Sector outlook report, we forecasted the consolidated PAT of HGS in 2016 will reach VND 716.37 billion, 2016 EPS = VND 4,374 per share (took into account the case of 50% stock dividend in the near future). We believe that the business result of HSG will exceed the target and the forecasted figures above. On 31 Mar 2016, HSG's share was traded at VND 34,500, PE FW = 7,89x. PAT

6M2016 was about VND 437 billion, equal to 66.21% of the plan (Target PAT set out at VND 660 billion).

Dividend Plan:

- Cash dividends: Payment at a rate of 25%, the ex-rights date is on 14 Apr 2016 and payment date is on 28 Apr 2016.
- Stock dividend: a ratio of 50%, on or before 15 Jul 2016.

NKG – Buy – Target price of 16,200 VND/share ([link](#))

Updating the business result in 2016Q1- A good growth. The total revenue in 2016Q1 of NKG reached about VND 1.6 billion (up 36%), PAT in Q1/2016 reached about VND 50 billion (2.44 times compared to PAT in Q1/2015). Business result was positively improved because of the growth of domestic construction activities and the expansion of export market. The total consumption in Q1/2016 reached nearly 121 thousand tons (up 77%), in which the consumption of coated steel sheet and steel product reached correspondingly 89 thousand tons (up 70%) and 32 thousand tons (2 times compared to the same period in 2015).

The target output in 2016 is 500-550 thousand tons of coated steel sheet.

Code	Rev 2016 (VND bil)	PAT 2016 (VND bil)	EPS 2016	PE 2016	PB 2016	ROE 2016	Div 2016	yield	Price on 31/03/16	Target price	Link
HPG	28,000	3,200	3,794	7.78	1.50	19.32%		30%	29,500	32,000	link
HSG	15,200	716	4,374	7.89	1.71	21.71%		N/A	34,500	37,200	link
NKG	5,350	180	3,598	3.59	0.79	21.96%		N/A	12,900	16,200	link

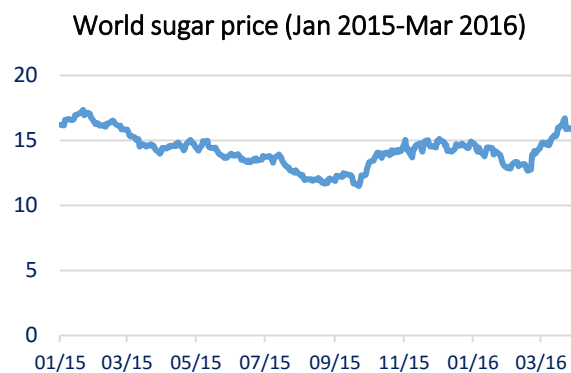
Source: BSC Research

Sugar Sector [NEUTRAL]

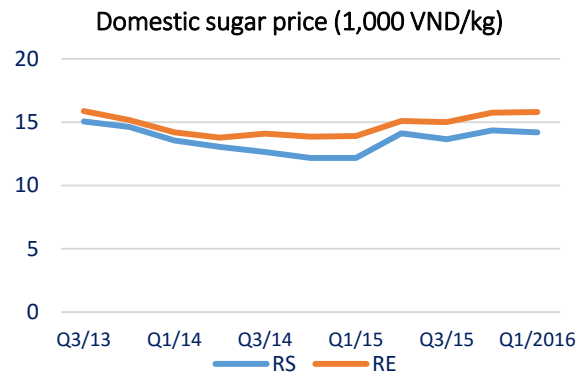
Review 2016Q1

- World sugar prices rebounded, reducing the pressure of smuggling sugar from Thailand, Laos,.. into Vietnam
- Domestic sugar prices rose slightly, reducing the damage to the sugar companies as sugar cane output declined:
- Business results of sugar firms improved thanks to positive changes in the sugar price in 9M of 2015/16 crop year.

World sugar prices rebounded, reducing the pressure of smuggling sugar from Thailand, Laos,.. into Vietnam ([link](#)): On 31 Mar 2016, world sugar was traded at USD cents 15.4 per pound, up 9.8% compared to prices on 31 Dec 2015. In Q1/2016, average world sugar prices was USD cent 14.3 per pound (-10.3% qoq). The cause of the rising in world sugar prices are (1) demand for sugar in Asia is growing strongly; while (2) the world's sugar supply fell because India's sugar production (2nd largest production countries in the world) was at a low level due to prolonged drought in the last 3 months; and sugar factories in Brazil are using sugar cane to produce ethanol (for mixing biodiesel) rather than produce sugar.



Source: Bloomberg, BSC Research



Source: Ministry of Finance, BSC Research

Domestic sugar prices rose slightly, reducing the damage to the sugar companies as sugar cane output declined: As of 15 Feb 2016, the average wholesale price of sugar reached VND 14,200 per kg with RS type, and VND 15,800 per kg with RE type, respectively -1.05% and +0.2% compared to Q4/2015, and increased by 20.3% and 15.4% respectively compared to the same period in 2015 due to the decline in sugarcane areas in 2015/16 crop. Since the beginning of crop to 15 Feb, there has been 6.54 million tons sugarcane being crushed (- 23.7% qoq), which produces 579.9 thousand tons of sugar, down 28.2% over same period. Sugar inventories was 213.3 thousand tons, down 32.4% yoy. Average prices of 10 CCS sugar cane from the beginning of year to 15 Feb was VND 820 per kg, down 1.7% qoq.

Business results:

In 6M of 2015/16 crop year, business results of sugar firms improved thanks to positive changes in the sugar price. Gross margin and EAT of sugar firms in 6M of 2015/16 crop increased significantly. With SBT and BHS, Net revenue and EAT increased sharply over the same period due to the merger with SEC and NHS, respectively, right before financial year 2015/16. For LSS, in Jan 2016, the company has acquired 56.61% chartered capital of Nong Cong Sugar to increase sugar cane areas for production, which may increase firm's sales and profits in the second half of 2015/16 fiscal year. For KTS, the sharp decline in output in Q3/2015 was offset by significant increase in selling price of 16% yoy, helping KTS's results to be positive.

In Q1/2016, the uptrend of domestic sugar prices continue to have positive impacts on earnings of the domestic sugar firms.

Ticker	Rev 6M 15/16	%yoy	Gross margin 6M 15/16	Gross margin 6M 14/15	EAT	%yoy	EPS trailing 12M	P/E	P/B	Business plan 2016		
										Div 2015	Rev 2016	EAT 2016
SBT	1747.6	+82.5%	16.1%	10.2%	169.56	+132.6%	1,558	18.6x	2.16x	8%-10%	3306	220 ⁽ⁱ⁾
BHS	2061.5	+53.0%	12.3%	9.8%	102.63	+182.7%	1,291	14.0x	1.14x	8-10%	3,125	205 ⁽ⁱ⁾
SLS	165.5	+51.3%	23.2%	0.97%	30.68	n/a *	11,598	5.9x	2.29x	n/a	n/a	n/a
LSS	684.75	-24.0%	14.4%	9.3%	27.2	+49.5%	540	18.9x	0.46x	8.5%	1710	78
KTS	90.0	-12.9%	12.0%	3.2%	7.0	n/a **	4,132	5.3x	0.87x	20% cash	262.3	15.1

* due to EAT = -1.67 bil VND; ** due to EAT = -0.92 bil VND; (i): EBT

KTS and SLS using fiscal year from 1 Jan to 31 Dec. Other firms using fiscal year from 1 Jul to 30 Jun

Source: Financial statement, BSC Research

Investment Recommendation

We expect that domestic sugar prices will be stable in the last 3 months of the crop, when this is the time of main production, sugar production increases to be stored and serve demand for the beginning of the next crop. We maintain the NEUTRAL view in the crop year 2015/16 and recommend TRACKING with 3 leading stocks as BHS, SBT, LSS as in the 2016 Sector Outlook.

For SLS, we recommended BUY with the target price of VND 64,705 per share. As of 31 March, SLS closed price was VND 68,500 per shares, which reached the target price, we will update SLS in the later reports.

Sector	Ticker	Rev 2016 (bil VND)	EAT 2016 (bil VND)	EPS 15/16	P/E F 2016	P/B F 2016	ROE 2016	Dividend 2015	Price, 31 Mar 2016	Target value
Sugar	BHS	4,858	162	1,251	15.59	1.23	7.90%	5% cash div	18,100	n/a
	SBT	3,090	233	1,255	19.20	1.71	8.90%	7% cash div	29,000	n/a
	LSS	1,697	34	506	17.79	0.41	2.30%	1.5% cash	10,200	n/a
	SLS	741	95	13,941	3.69	1.20	32.40%	65% cash	68,500	64,705

Source: Financial statement, BSC Research

Tires Sector [NEUTRAL]

Review 2016Q1

- Fierce competition, especially with rivals from China, output prices is falling.
- Rubber prices rebounded by 54% put downward pressure on profit margin of tire manufacturers.
- Less optimistic business plan for 2016, expected high dividend.

Output is expected to increase rapidly due to accelerated growth of sales of cars in 2015. Vietnam consumed 245 thousand of cars in 2015 (+55% yoy). On average, life cycle of each tire is about 8 month to 1 year. Therefore, automobile tires are expected to rise by 12% in 2016. Motorcycle tire segment growth slowed, expected to rise by 3% and bicycle tires is estimated to reduce by 2% in 2016.

Output prices continue to fall due to fierce competition. As mentioned in the report [Sector Outlook 2016](#), competitive is more intense, especially, with Chinese manufacturers. In addition, capacity expansion plans of many tire manufacturers in Vietnam raise competitive for domestic market. Therefore, output prices may continue to decline. From 3Q2015 to current, output price of DRC, CSM and SRC down by 8-10% on average.

Sharply recovery of rubber prices. Rubber price rebounded by 54% from the beginning of 2016, however, rubber price is still 34.7% lower than the same period last year. Rubber accounts for about 57% of the material cost of tire manufacturers. The increase in rubber price while decrease in output price cutback profit margin in next quarter.

2015 performance. Total revenue of 3 tire manufacturers was VND 7,914 billion (+ 7% yoy). Net income was VND 779 billion (+ 4% yoy). Excluding the revenue and profit from the transfer of real estate projects in 2Q2015 of CSM, total revenue reached VND 7,514 billion (+ 1% yoy), Net income reached VND 727 billion (-3% yoy). Gross profit margin of these firms decreased because these firms have no longer benefit from the reduction rubber prices and Radial output has not been at breakeven point. 2015 Radial output of DRC was 174 thousand tires, Radial gross profit margin is -5%. We note that DRC's gross margin fell because the company shorten the depreciation period for machinery and equipment used in Radial factory from 12 years to 7 years. This expand depreciation expense of DRC, however, bring a higher cash flow to invest in Radial Phase 2.

Code	Rev 2015 (VND Bil.)	% yoy	Gross margin 2015	Operating margin 2015	EAT 2015 (VND Bil)	% yoy	Noted
DRC	3,318	2%	24%	16%	415	18%	Shorten the depreciation period for machinery and equipment used in Radial factory from 12 years to 7 years. Excluding revenue and profit from transfer of real estate project, revenue rose by 2%, net profit down 28%.
CSM	3,636	14%	22%	10%	290	-12%	
SRC	960	-3%	19%	10%	74	8%	

Total	7,914	7%		779	4%
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2016 business plan, expected high dividend. 2016Q1 revenues of DRC was VND 783 billion (+ 2% yoy), profit before tax was VND 109 billion (-3% yoy). DRC set target of VND 3,778 billion of revenues (+ 14%), profit after tax is VND 502 billion (-6%). 2015 expected dividend of DRC is 30% in cash and 30% in stock. Profit before tax of CSM is planned at VND 400 billion (+ 8%), the 2015 dividend is expected at 35% in cash and 40% in stock. SRC aims to achieve net revenue of VND 1,005 billion (+ 5%), profit before tax of VND 96 billion (the same as 2015 profit before tax), equal to EPS of VND 3,713 per share, the dividend is expected to be 22% in 2015 (already advance payment 15% in cash in December, 2015). SRC plan to issue 40% bonus shares to existing investors.

Investment Recommendation

We maintain our **Neutral** view on tire stocks. Stock price increased positive during 2016Q1 thanks to positive news on dividend ratios and relatively attractive valuation compared to listed tires in Asia Pacific Emerging market (P/E median of 14.99x). 2016 business results is forecasted at the same as 2015. We note that Radial phase 2 of DRC will bring long term prospects for the company since 2017 by reduction of production cost per unit and improvement of profit margin.

Sector	Code	Rev 2016	EAT 2016E	EPS 2016	P/E FW	P/B	ROE 2016	Dividend 2015	Price on 31/03/2015	Target price	Link
Tires	DRC	3,704	419	4,274	10.41x	2.43x	22.48%	30% cash 10% stock	44.500		Link
	CSM	3,366	283	3,521	8.43x	1.63x	27.18%	40% cash 10% stock	29.700		

Source: BSC Research

Banking Sector [NEUTRAL]

Review 2016Q1

- Credit grew by 1.54% by 31st March, 2016, higher than the same period in 2015 (1.54%).
- Deposit interest rate rose by 0.2-0.5% on average.
- Draft amendments to Circular No. 36 put downward pressure on credit growth and bank earnings.

Loans and deposits. In 2015, credit grew at the fastest pace among 3 years, at 17.3%, reaching VND 4,657 billion. Deposit rose by 11.57% to VND 5,295 billion. 2015 loan to deposit ratio (LDR) were 87.96%. By 31st March, 2016, credit grew by 1.54%, higher than the same period in 2015 (+1.25%)⁴. LDR increased to 89.31% in 1M2016. The Circular No.36 regulate LDR to commercial banks is 80% and to State owned commercial banks is 90%. The Draft amendments to Circular No.36 open the maximum ratio to commercial banks owned at least 51% by SBV (including VCB, CTG, BID) to 90%. Therefore, some banks having high LDR such as CTG (108%), BID (96%), the EIB (84%), SHB (84%), etc, need to reduce loans or increased mobilization to meet the requirement.

Improved asset quality but higher provision expenses. As 31st December, 2015, the NPL ratio of the whole credit institutions decreased to 2.55%, equivalent to VND 119 trillion of NPL. By 2015, accumulated bad debt sold to VAMC was approximately VND 245 trillion. In which, VAMC withdrawn, sold VND 23 trillion (equal to 9% of NPLs sold, 10% of face value of special bonds). Therefore, NPL ratio including bad debt sold to VAMC is 7.32%. In addition, the low rate of interest receive to interest income of some banks as NVB, SHB raises concerns about the quality of debt. As mentioned in our [Sector Outlook 2016](#), provision expenses for loans continue to increase in 2016, excluding VCB and MBB, which are expected to be lower provision expenses since 2016.

Deposit interest rates increase. Since the first months of 2016, many banks have increased deposit interest rates on average of 0.2-0.5%, particularly for long-term deposits, the interest rate rose to 8 - 8.3%. Because bank promote deposit to meet high expected credit growth, ensure the LDR requested by SBV and comply with Draft amendments to Circular No. 36.

The Draft amendment to Circular No. 36/2016/TT-NHNN may put negatively influence on operation of banks in the short term, however, in long term, it stabilize banking system, create a healthy environment for Vietnam credit institution. The Draft increase risk ratio of receivables of real estate from 150% to 250%, tighten short-term funding to be used for medium and long term loans. Therefore, interest rate increase, the growth of credit and growth of banking income (which there are over 80% comes from interest income) may be lower. For the long term, the Draft will reduce liquidity risk, leading to bad debt reduction and macroeconomic stability.

⁴ General statistics office of Vietnam

2015 divergent business performance, high provision expenses. Total loans of 9 listed banks reached VND 2,202 trillion (+ 25% yoy). Some banks as STB, BID, SHB, NVB, CTG and VCB see high credit growth. In 2015, provision expense for credit losses increased and accounted for 45% of pre-provision profits of listed banks, reached VND 24 trillion. Provisioning expense erode most profits of the EIB (94% of the profit before provisions), NVB (89%). The total net profit of listed banks reached VND 22 trillion (+ 4% yoy). Some banks recorded high profit growth, they are NVB (+22%), BID (+20%) and VCB (+ 16%). Notably, net profit of STB dropped sharply (-48%) to VND 1.146 billion.

2016 business plan. VCB set loan growth target of 17% (equivalent to VND 453 trillion of loans), profit before tax target of VND 7,500 billion. The company strives to achieve VND 8.000 billion of profit before tax in 2016, equal to 2016 EPS of 1,936 VND per share. Provision expenses for credit losses is planned at maximum of VND 5.500 billion. VCB projects to pay 10% cash dividend and 35% bonus shares. ACB target to get credit growth of 18%, profit before tax of VND 1.503 billion (+ 14% yoy), equivalent to EPS of VND 1,272 per share.

2015 business performance of listed banks

	VCB	CTG	BID	MBB	ACB	STB	SHB	EIB	NVB
Size									
Charter capital (VND. Bil.)	26,650	37,234	34,187	16,000	9,377	18,852	9,486	12,355	3,010
Total assets (VND. Bil.)	674,395	779,483	850,670	221,042	201,457	292,542	204,765	125,829	48,380
Equity/ total assets	6.70%	8.36%	4.81%	10.22%	6.35%	7.72%	5.50%	11.22%	6.66%
Growth (ytd)									
Asset growth	17%	18%	31%	10%	12%	54%	21%	-22%	31%
Loans (VND bil.)	387,152	538,080	598,434	121,349	134,032	185,917	131,427	84,760	20,577
Loan growth	20%	22%	34%	21%	15%	45%	26%	-3%	24%
Customer deposit (VND bil.)	500,528	492,960	564,583	181,565	174,919	260,998	148,813	98,431	34,177
Customer deposit growth	19%	16%	28%	8%	13%	60%	21%	-3%	40%
Loan/ customer deposit	77%	109%	106%	67%	77%	71%	88%	86%	60%
Asset quality									
NPL ratio	1.84%	0.92%	1.68%	1.61%	1.32%	1.86%	1.72%	1.86%	2.13%
NPL ratio (including NPL sold to VAMC)*	3.42%	2.97%	5.21%	4.78%	3.24%	5.22%	6.07%	8.82%	5.94%
Provision for credit of losses of loans/ total loans	2.22%	0.85%	1.26%	1.63%	1.15%	1.23%	1.08%	1.03%	1.02%
Provision for credit of losses of loans / NPLs	120.63%	92.06%	74.77%	101.37%	87.02%	66.30%	62.82%	55.22%	47.68%
Interest and fee receivable/ interest income	95.97%	100.04%	98.41%	104.79%	103.24%	102.16%	86.02%	100.00%	65.26%
Performance									
Operating income before	12,896	12,024	13,625	5,323	2,199	3,602	1,869	1,523	111
% yoy	24%	7%	3%	3%	0.27%	-5%	14%	70%	88%
Provision expenses (VND Bil.)	6,068	4,679	5,676	2,102	884	2,132	842	1,434	99

% Operating income before provision expenses	47%	39%	42%	39%	40%	59%	45%	94%	89%
Net profit (VND Bil.)	5,314	5,698	5,822	2,496	1,028	1,146	812	62	10
% yoy	16.37%	-0.26%	18%	0.81%	8.03%	-48.05%	2.68%	11.38%	22.42%
NIM (TTM)	2.60%	2.78%	2.74%	3.88%	3.35%	3.34%	2.06%	2.62%	2.24%
ROA (TTM)	0.85%	0.79%	0.78%	1.18%	0.52%	0.48%	0.43%	0.04%	0.02%
ROE (TTM)	11.99%	10.23%	15.69%	12.75%	7.71%	5.64%	7.47%	0.44%	0.31%
EPS (VND/share) (TTM)	1,626	1,208	1,434	1,471	1,136	905	850	51	33
Book value (VND/share)	16,950	15,070	11,978	10,449	13,070	11,977	11,865	11,425	10,699
Valuation									
P/E	25.22	13.58	11.65	9.79	15.58	11.38	7.64	207.67	172.31
P/B	2.42	1.09	1.39	1.38	1.35	0.86	0.55	0.92	0.53

Sources: Financial statement of listed banks, BSC research

Investment Recommendation

We maintain our **NEUTRAL** rating on the banking sector. In short term, the growth rate of credit and growth of banks' earnings may slow down when the Draft amendments to Circular No. 36 is approved. Solving bad debts and stabilizing liquidity continue to be the most important objectives of banking system. Excluding VCB and MBB, other banks' provision expenses for credit losses of loans are estimated to continue to increase.

Sector	Code	Rev 2016E	EAT 2016E	EPS 2016	P/E FW	P/B	ROE 2016	Dividend 2015	Price on 31/03/2016	Target price	Link
Banking	MBB		3,093	1,855	7.87	1.38	13.20%	5% cash 3% stock	14,300	16,600	Link
	VCB		6,587	2,067	19.84	2.42	14.13%	10% cash	41.000	45.500	Link

Source: BSC Research

Pharmaceutical Sector [NEUTRAL]

Review 2016Q1

- Pharmaceutical import grew by 35%, pharmaceutical material import rose by 17% by 15th March, 2016.
- XIII National Assembly approved the Draft amendments to Pharmaceutical Law which prioritize domestic drug in bid auction.

Maintain rapidly pharmaceutical import growth. The total value of pharmaceutical imports reached USD 2,320 million in 2015, up 14% yoy. Meanwhile, the total value of pharmaceutical raw materials fell 4.8%, reaching only USD 338 million, after prolong growth from 2011-2014 (CAGR = 13.16%). By 15th March, 2016, the total value of imported pharmaceuticals was USD 475 million (+35% yoy), import of pharmaceutical raw materials was USD 65 million (+ 17% yoy).

XIII National Assembly approved the Draft amendments to Pharmaceutical Law which is expected to go into effect on 1st January, 2017. The Draft prioritizes domestic drugs in bid auction, priority purchase medicine, traditional drug which is produced from domestic medicines and comply with GACP. This will boost ETC distribution, reduce competition with foreign manufacturers, especially rivals from China, India. Some beneficiaries include IMP, DMC (Western drug- thuoc tay) and TRA (traditional drug- dong duoc).

2015 performance. Total revenues of all listed pharmaceutical companies saw virtually no change, reached VND 11,789 billion. Total net income was VND 1,297 billion (+15% yoy). TRA, DHT and DP3 recorded high growth rate of both revenue and profit in 2015. Thanks to efficiency of new sale policy, TRA performance has improved since 2015. While revenues of DHG down 8% because of low consumption and Circular No.200 effect. Excluding the impact of the Circular, revenue of DHG rose by 5%. Net profit of DHG increased by 10% due to 0% tax incentives of new Non-betalactam factories during 4 years (2015-2018). For DMC, although, revenue dropped by 17%, net profit expanded 8% because the company increase the proportion of self- produced goods with higher margin.

Code	2015 Revenue	% yoy	Gross margin 2015	2015 Net profit	% yoy	2016 revenue plan	2016 EBT plan
DHG	3,608	-8%	39%	589	10%	3,733	750
TRA	1,974	20%	46%	181	24%	2,100	210*
DMC	1,234	-17%	33%	143	8%	1,415	155*
IMP	964	7%	40%	92	8%	1,100	140**
DHT	940	15%	16%	37	40%	850	28
DCL	670	-6%	31%	61	91%	850	82
OPC	663	8%	46%	70	7%	680	95
DBT	552	6%	23%	22	95%	580	22.5
LDP	484	0%	13%	18	-5%	N/A	N/A
PMC	388	7%	43%	64	3%	N/A	N/A

DP3	212	15%	47%	16	39%	220	20
PPP	99	-8%	19%	5	-19%	N/A	N/A
Total	11,789	0%		1,297.18	15%		

Sources: BSC research, *: Net profit; **: Profit before tax and science & technology development fund

Investment Recommendation

We raise assessment from Underperform to **Neutral** for pharmaceutical stocks. The draft amendments to the Pharmaceutical Law prioritize domestic drug in bid auction, reduce risk arising from FTAs, TPP. In 2016Q1, some stock price increase impressively, namely, DHG (+ 28%), DMC (+ 70%), IMP (+ 28%) and TRA (+ 12%) thanks to strategy shareholder's information, while virtually no change in core business performance. Compared to listed pharmaceutical firms in other market in China, Taiwan, Indonesia, Malaysia, South Korea (P/E median is 25.54x and P/B is 2.91x), Vietnam firms are attractive valuation. The sector is defensive, high growth rate and suitable for long-term investment, especially in negative fluctuations of market.

Sector	Code	Rev 2016E	EAT 2016E	EPS 2016	P/E FW	P/B	ROE 2016	Dividend 2015	Price on 31/03/2016	Target price	Link
Pharmaceutical	DHG	3,530	658	6,812	12.33	2.92	22.00%	30% cash div.	84.000		
	IMP	999	104	3,103	15.24	1.51	12.00%	18% cash div.	47.300		
	TRA	2,100	210	7,829	13.92	3.05		30% cash div.	109.000		Link
	DMC	1,415	155	5,802	12.24	2.39		18% cash div.	71.000		

Source: BSC Research

Aquaculture Sector [NEGATIVE]

Review 2016Q1

- Aquaculture export was back to upward trend in first quarter of 2016, increasing about 1.7%yoy.
- 2015 Net income fell significantly by 32%yoy.
- The second quarter 2016 outlook will not be bright: low demand and material input is forecasted to down about 50% from May 2016.

Aquaculture export in first 3 months 2016 was back to uptrend, reaching USD 1.36 bil (+1.75yoy) thanks to 0.1-0.15 USD/kg increase in export price due to fees incurred in accordance with USDA farm bill policy, to be in effective on 1st Mar 2016. USA, Japan, China and Korea remains the largest export market for Vietnam aquaculture, accounted for 51.84%

2015 business performance. Most aquaculture companies witnessed significantly decrease in net income compared with the year of 2014 due to tough global aquaculture market: total revenue was VND 34,726 bil (+12%yoy), net income was VND 834 bil (fell by 32%yoy).

2015 business performance

Ticker	REV (bil)		Gross profit		NI (bil)		P/E	P/B	2016 business plan		
	2015	%yoy	2015	%yoy	2015	%yoy			DT	NI	Div
HVG	17,920	20.24%	1,234	5.20%	200	-56%	14.59	0.84	24,000	500	20%, cash or share
VHC	6,529	3.63%	794	-4%	320	-31%	7.97	1.22	N/A	N/A	N/A
FMC	2,876	-0.14%	271	19%	97	56%	5.78	1.5	3,375	110	20% cash
IDI	2,543	20.01%	362	40%	108	20%	6.71	0.69	N/A	N/A	N/A
ANV	2,494	-9.93%	383	-9%	4	-93%	109.9	0.39	N/A	N/A	N/A
ACL	1,137	33.14%	172	41%	30	150%	6.51	0.57	N/A	N/A	N/A
TS4	753	-0.13%	137	-14%	7	-61%	12.52	0.47	1,082	12	5% cash or share
ABT	474	5.80%	117	17%	68	-12%	8.4	1.39	N/A	N/A	N/A
Average							21.55	0.88	N/A	N/A	N/A

Source: Financial Statements

Material input is forecasted to down about 40% in comparison with this period in 2015. From May 2016 to Jan 2017, catfish factories will be in shortage of about 50% of input material. The production may be just enough to export to 3 main markets which are USA, EU and China. Reasons should be blamed for 3,771 ha of decrease in plant area as farmers did not plant for new season and planting area salinization. The export price has been risen about 30 cent/kg and is forecasted to be at 2.5-2.7USD per kg on average from June to September. Therefore, companies with their own planting area such as HVG and VHC will not be strongly affected by input price uptrend.

Increase non-tariff barriers because the Farm Bill will be put into effective from 1st Mar 2016 with 18 months of transition period. This program will be fully applied from 1st Sep 2017.

Number of Vietnamese aquaculture companies authorized to export to USA outnumbered its peers. As such, Vietnam had 23 factories, 19 for China, 7 for Thailand and 13 for Myanmar.

Investment recommendation

We are remaining assess **Negative** to Aquaculture sector due to: (1) low demand since EU and Japan economies are predicted to slow down. (2) Shortage in input material as a result of El Nino. (3) Increase in non-tariff barriers for aquaculture products exported to USA. In the short term, there may be some positive signs on the business results thanks to increase in export price. However, we reckon aquaculture is still facing tough period. With mid to long-term investment, we notice VHC thanks to its tax advantage and product quality.

Tickers	Ticker	REV 2016(bil)	NI 2016(bil)	EPS F 2016	P/E F 2016	P/B F 2016	ROE F 2016	DIV 2016	Price 31/03/2016	Target price
Aquaculture	HVG	23,994	162	870	15.17	1.10	7.3%	share: 10:2	10,500	14,080
	VHC	6,746	382	4,131	7.07	1.51	17%	Cash: 10%	27,500	35,000

Source: BSC Research

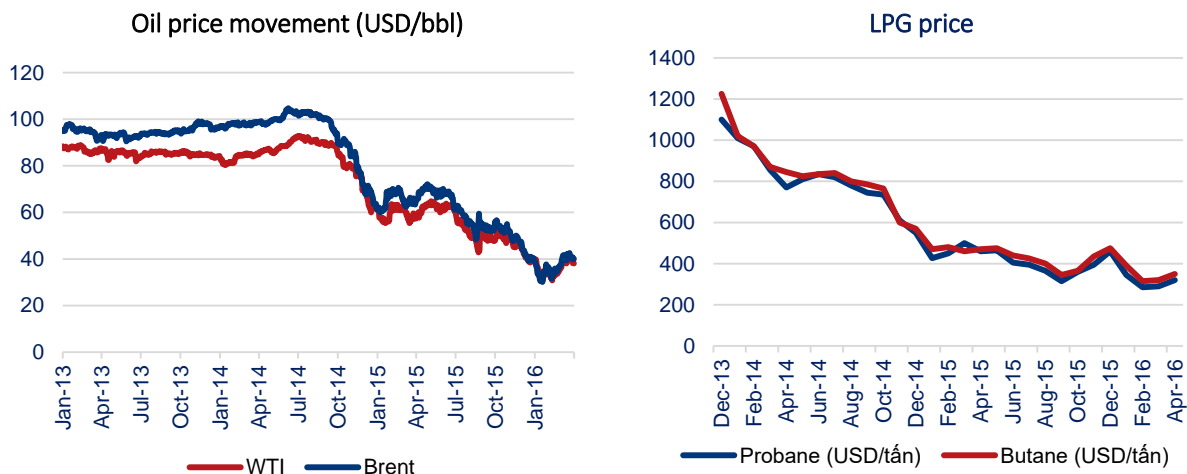
Oil & Gas Sector [NEGATIVE]

Review 2016Q1

- Oil price fluctuated strongly in the first 3 months
- LPG price decreased by 26%-30% yoy
- Crude oil output fell by 2%yoy while the gas output grew by 3%
- Launching Lô B – Ô Môn project
- Business results of the oil and gas businesses continued to decline

Oil price fluctuated in the first 3 months. In the first 20 days of year, oil price plunged from 40 USD/bbl to 31 USD/bbl, before quickly rebounded to the level of year-beginning. The drivers for the strongest recovery since 2015 are the commitments to freeze output of Saudi Arabia, Qatar, Venezuela and Russia, along with the plummet of number of US's oil-rig to its lowest level since 2009.

LPG price continued to fall. Affected by oil price movement, LPG price fell sharply in February, before recovering slightly. Overall, propane and butane decreased by 30% and 26% respectively in Q1/2016 compared to Dec, 2015



Source: Bloomberg, BSC Research

Crude oil output of PVN started to decline. In the first 2 months of year, the crude oil output was estimated at 3 million tons, down 2% yoy. Meanwhile, the output of natural gas exploitation reached 1.7 billion m3, up 3% yoy.

Launching Lô B- Ô Môn projects. On April 3rd 2016, Lô B- Ô Môn projects was lanced, including mine development project Lô B, 48/95 and 52/97, along with Lô B – Ô Môn gas pipeline. In particular, the total investment cost of Lô B project is \$6.8 billion for 20 years with a center technology rig, 46 exploration rigs, a house rig, a vessel with condensate and about 750 exploitation wells. The total investment cost of

Lô B - Ô Môn gas pipeline has been \$1.2 billion with 431km of pipeline to supply gas to PM3- Ca Mau pipeline and thermal power plant Ô Môn 1, 3 and 4 (a total capacity of 2160MW) and 2 gas turbine power plants with total capacity of 1500MW. These projects will be put into operation in Q2/2020. The deployment of Lô B – Ô Môn project will be a growth driver for a wide range of oil and gas enterprises such as PVS, PXS, PVD, PVC, PVT and GAS. However, these projects have just started and will not affect the business results in 2016 yet.

Business results of the oil and gas businesses continued to decline sharply. In 2015, oil price reduction led to the demand and the service service drop sharply, causing disappointing business results of the oil and gas businesses. This downtrend continued in Q1/2016, because the strong recovery of oil price didn't have immediate impact on supply and demand as well as oil service costs. In 2016, oil & gas companies build plans based on the average oil price of \$60 per barrel, but still expect a sharp drop in operating performance compared to 2015

	Rev 2015 (VND bil)	%y.o.y	PBT 2015 (VND bil)	%y.o.y	Plan Rev 2016 (VND bil)	Plan PAT 2016 (VND bil)	Dividend 2016 (%)
GAS	64,300	-12%	8,832	-39%	54,751	7,085	30
PVS	23,364	-26%	1,493	-18%	22,000	960	12
PVD	14,441	-31%	1,671	-31%	7,500	500	
PGS	5,950	-20%	164	-14%	6,220	116	
PGD	4,935	-29%	238	44%	5,155	110	10
PVC	3,670	-15%	105	-50%	3,000	83	14
PVG	2,737	-35%	24		2,950	12	
PGC	2,578	-15%	89	6%	2,439	120*	
PXS	1,758	5%	112	-10%	2,200	145*	13
PVB	968	-3%	125	-15%	246	5	0
CNG	950	-12%	119	5%	1,133	92	24

(*: Profit before tax)

Source: BSC Research

Investment recommendation

We maintain the **Negative** rating for oil and gas sector in the remaining quarters of 2016. According to our “Assessing the impact of the oil price decline” report, the impact of oil price on oil & gas business will lag, since fundamental elements will not immediately change upon fluctuation of oil price. The recovery of oil price in the first quarter is considered not stable because the supply control measures are only temporary, and 2016 oil price level is forecasted to be below the average level of 2015 and PVN's exploitation output will decline. We assess that business results of listed companies will be negatively affected when the output or profit margin drops. Accordingly, although the share price of oil and gas sector recovered well in Q1, we believe this is short-term opportunity and the oil & gas industry will need a longer time to accumulate, restructure and enhance business efficiency.

However, we note that some businesses can maintain positive business results such as PXS, CNG, PVG and PGS thanks to output growth. Besides, Lô B-Ô Môn project may benefit some oil companies.

PXS- BUY- Target price: 14,700 VND/share (+20%)

Along with downstream group of gas distribution (LPG and CNG), PXS is the only company that has growth in business plan compared to 2015. In 2016, the company will implement major contract packages including P3, P4 project; P7, P8, P9 project, White Lion project... Also, profit margin may remain stable due to the low input price and the reduction of shipping costs. 2016 Project will reach VND 2,200 billion revenue and VND 145 billion profit before tax, equivalent to 2016 EPS of VND 1,837 /share.

GAS- Tracking

GAS' growth driver comes from gas price policy change, which applies floor price for gas sold to power producers and will ensure a thin margin for the company. Also, according to the audit report of PV GAS parent company on Dec 1st 2015, PVN sent a letter No. 8465 / DKVN-DTPT to Ministry of Industry and Trade about redefining transportation fee of Phu My- Ho Chi Minh City gas pipeline for the period from Jan 1st 2012 (up from \$0.15 to \$0.52/mmbtu (excluding VAT) and inflation of 2%/year). Accordingly, PV Gas can receive cash from deferred charges on the gas amount consumed from Phu My-HCM City gas pipeline from Jan 1st 2012 to Dec 31st 2014, which is approximately \$60.64 million. If this policy is adopted, the retroactive deferred charges (mainly from EVN) will improve business results significantly.

Sector	Code	Rev 2016	PBT 2016E	EPS 2016	P/E FW	P/B	ROE 2016	Dividend 2015	Price on 31/03/2016	Target price	Link
	CNG	1,138	128	4,732	8.14	1.66	22.00%	30% cash	38,500	36,688	Link
	PGS	6,314	217	2,736	6.98	0.69	15.00%	25% cash & 31% share	19,100	20,142	Link
Oil & Gas	PVG	2,941	27	809	9.88	0.54	7.00%		8,000	9,533	Link
	PXS	2200	116	1837	6.64	0.91	15.00%	13% cash & 10 % share	12,200	14,700	

Source: BSC Research

Marine Transportation Sector [NEGATIVE]

Review 2016Q1

- BDI index stayed at low level, standing at 414 on 30th Mar 2016
- Tanker transportation is forecasted to be stable, whereas bulk transportation remains tough in the second quarter 2016

The BDI index was reaching lower low. BDI index on 30th Mar 2016 was 414, decreased by 13% compared with it in the first year and 31% yoy, resulted by Chinese slowdown economy and increase in fleets supply.

Cargo transported in 2015 slightly increased by 9.5%yoy, staying at 187.7 mil tons thanks to Vietnamese flags-on-board fleets were monopoly on transporting domestic bulk and container cargo. However, domestic marine transport still remained in tough situation as a result of low fees, demand and imbalance between the North and the South.

2015 business performances were diversified. Tanker transport companies witnessed stable business growth such as GSP, PVT, VIP thanks to Dung Quat refinery operating at full capacity in whole year instead of stopping for 2 months for regular maintenance as in 2014. Meanwhile, bulk transport companies such as VOS, HTV saw disappointed business results because of downtrend global bulk transport.

Ticker	Core business	REV		GPM		NI		P/E	P/B	2016 business plan		
		2015	%yoy	2015	2014	2015	%yoy			Rev	EBT	Div
PVT	Tanker shipping	5,720	9%	14%	10%	351	3%	7.51	0.78	N/A	N/A	N/A
SKG	Passenger shipping	305	36%	67%	56%	175	69%	14.59	5.03	N/A	N/A	N/A
GSP	LPG shipping	1,064	14%	12%	10%	66	53%	7.88	1.11	1,000	82	12%
VTO	Tanker shipping	1,332	-13%	15%	11%	56	7%	8.89	0.46	N/A	N/A	N/A
VIP	Tanker shipping	581	-16%	25%	22%	15	-93%	36.32	0.53	N/A	N/A	N/A
TCO	Bulk shipping	173	-4%	27%	24%	27	22%	6.27	0.86	220	28(LNST)	15%
PJT	Tanker shipping	373	1%	12%	10%	19	22%	6.33	0.91	N/A	N/A	N/A
TJC	Bulk shipping	198	-11%	11%	9%	11	-54%	8.10	0.69	N/A	N/A	N/A
VOS	Bulk shipping	1,675	-18%	4%	7%	(298)	N/A	N/A	0.39	N/A	N/A	N/A
Average				18%	15%			11.38	1.05	N/A	N/A	N/A

Source: Financial Statements, BSC Research

Increase demand for tanker shipping thanks to: (1) Nghi Son refinery increase its capacity 25% to 350,000 as Nam Con Son gas pipeline will be put into operation in 2016. (2) Increase in oil, gas output of Dung Quat refinery thanks to imported tax falling from 20% to 10%.

Bulk shipping companies changes their business orientation, increasing domestic shipping: VOS increased its domestic shipping share from 30% in 2015 to 40% in 2016, HAH raised its domestic marine transport

37%yoy. Reasons were blamed for increase in coal demand due to: (1) Thermal powers are forecasted to rise their capacities in order to offset power shortage coming from hydro powers. (2) the Thai Binh 2 thermal power is expected to be into operation in the end of second quarter 2016 with capacity of 6.7 bil kWh per year, coal demanded about 3 mil tons per year.

Investment recommendation

We are remaining **Negative** marine transportation since Chinese economy is forecasted to hardly recover in the last 3 quarters. However, we reckon that domestic tanker shipping will be stable in second quarter due to time charter contract characteristics with same transport fees staying the same to it in the end 2015. We recommend BUY with PVT and GSP since they are leaders in domestic tanker shipping, having stable revenue growth, and remain **Tracking** recommendation with SKG and VIP.

Ticker	REV 2016 (bil)	NI 2016 (bil)	EPS F 2016	P/E F 2016	P/B F 2016	ROE F 2016	Div 2015	Price 31/03/2016	Target price
PVT	5,789	424	1,657	6.15	0.69	9.1%	share: 10:1	10,400	12,271
GSP	1,132	71	1,922	7.3	1.12	20.01 %	Cash 12%	14,100	15,200
SKG	382	218	8,921	9.87	3.7	37.7%	share 5:1, cash 10%	106,000	N/A
VIP	N/A	N/A	N/A			N/A	cash: 5%	8,600	

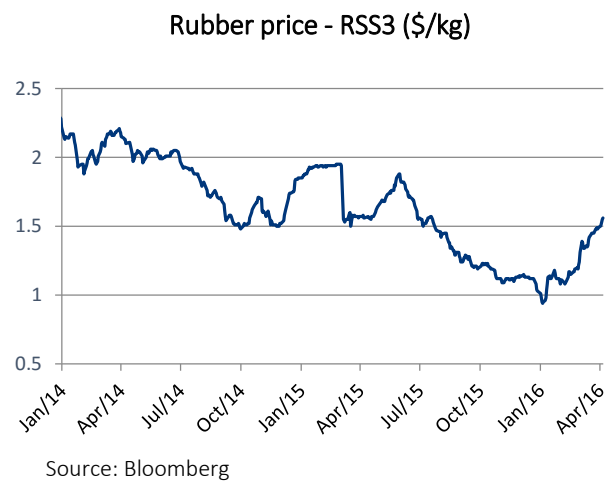
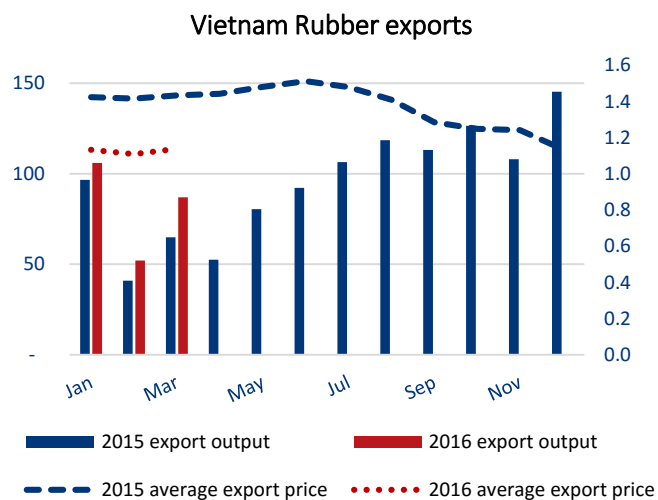
Source: Financial Statement, BSC Research

Natural Rubber Sector [NEGATIVE]

Review 2016Q1

- Vietnam rubber exports grew by 10% yoy in volume, but down 13.5% yoy in value
- Global rubber prices rebound by 54% from the year-beginning thanks to the regulation aimed to control supply
- Disappointing business results of listed companies: average revenue fell by 14%, and profit fell by 38%.
- 2016 business plan 2016 is very cautious with profit down 56% yoy plan.
- The price of rubber is expected to recover in the short term, but long-term outlook difficult

Rubber export increased in volume, yet decreased in value: According to preliminary statistics of the General Administration of Customs, natural rubber exports in the first quarter of 2016 reached 233 thousand tons (+ 19.2% yoy), equivalent to the value of \$263 million (-6.1% yoy). The average export price decreased by 21% yoy.



Rubber prices fell to 7-year low and rebounded thanks to supply measures. On Jan 7th 2016, rubber prices fell to \$ 0.94 / kg, before recovering by 54% to \$1.4/kg as of quarter end, thanks to: (1) Thailand government announced to support rubber price by directly purchasing 100,000 tonnes of rubber, with above-market prices and (2) the International Tripartite Rubber Committee (ITRC), including Thailand, Malaysia and Indonesia agreed to cut export volume from March to August 2016, as analyzed in [BSC's update report on rubber industry](#), (3) The recovery of oil price increased the production cost of synthetic rubber, which is replacement of natural rubber in many areas. However, we note that rubber price remained low, at with average price of Q1/2016 is 34.7% lower than of Q1/2015.

Disappointing business results from listed companies in 2015.

	Rev 2015 % yoy vnd Bil)		PAT 2015%yoy		Area (ha)	Productivity (kg/ha)	Div 2015	Notes
HRC	94.5	-41.5%	30.5	-45.7%	849	1,538	40% stock	VND 37 Bil of PBT from rubber tree liquidation.
TNC	83.4	30.6%	11.0	-37.3%	1,273	1,202	5% cash	Revenue from rubber production increased by 2% yoy. % yoy. VND 38.2 Bil from rubber tree liquidation
TRC	362.9	-27.7%	57.3	-58.9%	4,791	2,098	32.5% cash	Retirement allowance of VND 17 bil.
DPR	853.9	-9.1%	157.9	-26.2%	7,495	2,065	30% cash	High gross margin with high productivity and ideal tree age structure
PHR	1,228.6	-23.9%	215.0	-19.4%	9,450	2,070	35% cash	VND 99.5 of PBT Bil from rubber tree liquidation.

Source: Financial report, BSC Research

Rubber price is expected to further recover in the second quarter, since the supply measures are applied from March to May /2016. As of March 31st 2016, rubber prices is 3% lower than the 2015 average price, and 14% lower than the average price of second quarter 2015.

Export volume of Vietnam can be improved, resulting from the export cuts of large producers. However, we note the ability of traders already boosting exports before the ITRC regulations take effect, thereby reducing the demand for imported rubber in the second quarter.

Adverse weather conditions for planting rubber in Vietnam: End of the first quarter is the dry season, in which rubber trees are put to rest, which reduce the production output. Moreover, the severe drought in the South of Vietnam is expected to reduce productivity and output of the next quarter.

In the long term, rubber price still faces challenges from slowdown in demand from China. Automotive production in China grew by 5.1% yoy in the first 2 month of 2016, lower than the 7.8% figure forecasted by the China Automobile Association, and significantly lower than the CAGR growth of 20% in the period 2005-2015

Cautious 2016 business plans:

	TRC	DPR	PHR
PBT	37.6	70 - 90 tỷ	99 tỷ
%yoy	-42.6%	-65%	-62.1%
Dividend	10%	20%	10%

Investment recommendation

We maintain our **Underperform** ratings for rubber sector Q2/2016. A number of factors supporting rubber prices include: (1) ITRC policies to regulate supply, (2) adverse weather reduced yields and production of rubber as mentioned in BSC's El-nino report, and (3) recovery of oil prices will improve demand for natural rubber. However, the sector still has long-term challenge of the slowdown in China demand for rubber. We note that if rubber prices continue the uptrend in quarter 2, some stocks can yield short-term opportunities, focusing on businesses with high yield and large areas such as the DPR, TRC, PHR. At March 31st 2016, the rubber stocks are trading at P/E median of 11x, approximately equal the region figure of 10.95x, but P/B is only 0.61x, lower than 0.82 of region.

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