

Recommendations

Target price	N/A
Close price	34,400
Upside	N/A

Market Statistics

Floating Shares (million shares)	44.2
Market Cap (VND Bill.)	1498
52-week highest price	37,300
10-day average volume (shares)	26,398

Major Shareholders (%)

VIETNAM NATL CHEMICA	65
VIETNAM INVESTMENT L	7.5
VIETNAM IN PROPERTY	7.5
VIETNAM ENTERPRISE L	4.3
HUU THO NGUYEN	0.13

Price movement

	1M	3M	1Y
CSV	-7%	5%	26%
VN-Index	13%	23%	45%

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Company overviews: CSV manufactures more than 40 types of chemical products. In which, main products include NaOH (capacity of 30k tons annual), liquid Cl₂ and HCl (capacity of 126k tons annual).

Recent report: [link](#)

On 05, Dec, 2017, CSV shares were trading at VND 34,400/share, equivalent to P/E FW of 7.28x.

Business results in 9M2017. Accumulated 9M2017, the company's total revenue and NPAT were VND 1,067 billion (-11% YoY) and VND 178 billion (+ 38% YoY) respectively. (1) Profit margin from finished products increased sharply from 24% in 9M2016 to 28% in 9M2017 thanks to an 11% increase in the price of Natri Hydroxide (NaOH). (2) Management expense decreased by 54% to VND 37 billion as the company no longer had to allocate goodwill (VND 14 billion in 9M2016) and reversed provision expenses of VND 451 million (In 9M2016, the company made 26 billion dongs as provision expenses). We note that CSV is planning to divest from Vietnam Phosphorus JSC. This is the only subsidiary of CSV. Therefore, the analysis following would focus on the production and business activities of the parent company.

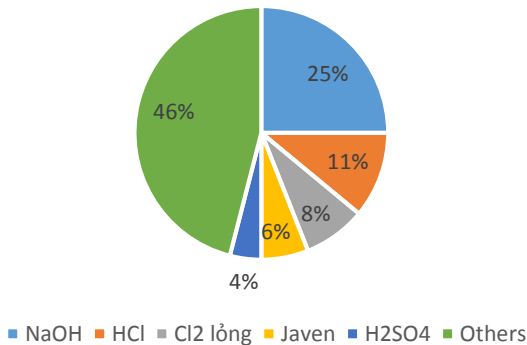
Parent company profit plan. CSV estimates pretax profit of the parent company is about VND 270-280 billion in 2017 and VND 280-290 billion in 2018. Then, 2018 EPS 2018 will be 4,725 VND/share. The increase of NPAT in 2018 is due to the reduction of management expenses and other income from the recovery of bad debts and a decrease of about VND 10 billion in depreciation. By 2018, electricity costs will increase by about 6%, which will increase the cost of the business.

Stable output. The company currently produces more than 40 types of products, in which the main products include NaOH, HCl, liquid Cl₂, H₂SO₄, Natri Silicate, and Yellow Phosphorus (produced by its subsidiary). CSV owns three production plants located in Bien Hoa Industrial Zone 1, which is under the moving direction of Dong Nai province. Therefore, the company does not raise capacity. Current capacity of NaOH 100% production is 30,000 tons per year, HCl 32% is 126 thousand tons per year. Consumption of NaOH 32% in 9M2017 increased by 2% YoY, reaching 82 thousand tons, liquid Cl₂ increased by 11% to 4.7 thousand tons, 32% HCl decreased by 7% to 43 thousand tons.

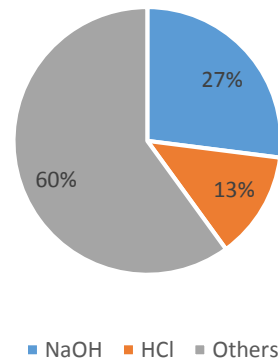
Price and demand of NaOH continue to increase. Due to the high demand of NaOH, the price of Natri Hydroxide increased by 11% in 9M2017, to VND3.4 million/tonne. CSV expects to increase selling prices in the near future. Cl₂ and HCl are concurrent

outputs with the production of NaOH. The increase in NaOH production capacity should take into account following factors: (1) relocation of the plants; (2) balance with the demand of Cl₂, HCl; (3) investment license under sector planning. In the short run, CSV could invest more in electrolytic tanks, optimizing capacity (estimated to increase to 40,000 tons of NaOH 100% per year).

Net revenue structure of parent company



Pre-tax profit structure of parent company



Source: CSV

Expansion of production capacity along with the relocation of the plant. At present, CSV has basically completed the procedures of leasing land and infrastructure and applied for permission to relocate the factory to Nhon Trach 6 Industrial Park. The construction time is expected to be 2 years from the completion date. At the same time, the company will expand its capacity of producing NaOH, with an additional capacity of 20-30 thousand tons per year (referring to 100% NaOH) in the first phase (estimated investment capital is VND 1200 billion, financed by 70% of loans). The advantage of CSV is that the current plant is fully depreciated, and additional investment will generate long-term growth for the company. However, it may reduce margins.

Divestment plan of Vietnam Phosphorus JSC. CSV plans to withdraw all of 65.05% at Vietnam Phosphorus JSC, which can be done through auction.

Vinachem plans to divest from CSV. Vinachem holds 65% of CSV and plans to divest its capital at CSV, which could fall to 51%.

Dividend. In 2017, the company plans to pay 20% dividend (higher than the target of 14%).

Technical analysis:

Technical perspective:

- Current trend: Short-term accumulation
- MACD Indicator: Convergence

RSI Indicator: Medium

Comment: CSV is forming a short-term bottom and showing signs of rising with high liquidity session. At present, the price of CSV is below the moving average lines and touching Bolinger's lower band. With the recovery of RSI and convergence of MACD, BSC believes that the short-term accumulation of CSV is coming to an end.

Recommendation: Buy BMP with price less than 35, take profit at 42 and cutloss at 32.

Technical chart



Sources: Amibroker, BSC

Disclosure

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