



# TEXTILE & APPAREL INDUSTRY REPORT

## OPPORTUNITIES FOR BREAKTHROUGH

*"...With internal advantages and expectations from Free Trade Agreements, Vietnam textile and apparel industry is now having opportunities for overall changes of deep development and expansion"*

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## Abbreviations

TCM	Thanh Cong Textile Garment - Investment - Trading Joint Stock Company
GMC	Saigon Garment Manufacturing Trading JSC
EVE	Everpia Vietnam JSC
GIL	Binh Thanh Import - Export - Production and Trade Joint Stock Company
TNG	TNG Investment and Trading JSC
KMR	Mirae Joint Stock Company
NPS	Phu Thinh - Nha Be Textile Joint Stock Company
VITAS	Vietnam Textile and Apparel Association
VCOSA	Viet Nam Cotton & Spinning Association
MARD	Ministry of Agriculture & Rural Development
FDI	Foreign Direct Investment
TPP	Trans-Pacific Strategic Economic Partnership Agreement
FTA	Free Trade Agreement
MUTRAP	European Trade Policy and Investment Support Project

**HIGHLIGHTS**

The current global apparel market is estimated at US\$1,100bn with trade value of US\$700bn. **EU is the largest consumer market, reaching US\$350bn per annum, whilst China is the largest exporter with US\$288bn.** Leading countries such as U.S, EU and Japan focus solely on highest-value stages of textile and apparel value chain, that are designing, marketing and distribution. Meanwhile, manufacturing activities are concentrated in China, India and other developing countries such as Bangladesh, Vietnam, Pakistan, Indonesia, etc. The connection between manufacturers and the end-users created by traders from Hong Kong, South Korea and Taiwan is a unique trait of global textile and apparel sector.

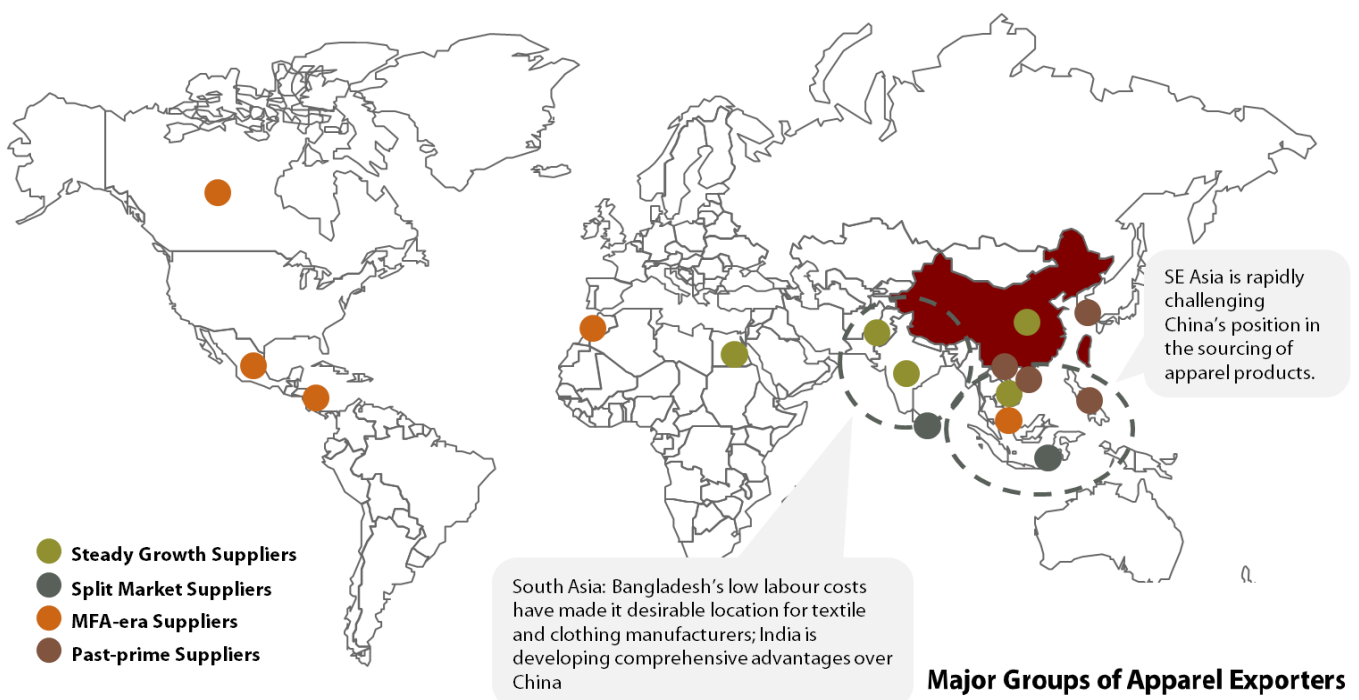
**Global textile and apparel sector** is forecast to develop with following trends.

- Growing at a CAGR of 5% per year and reaching US\$2,100bn by 2025.
- The growth rate of the developed countries will slow down and the big emerging economies like China, India will be the key driver of growth.
- Processing activities for export will switch partly from China to other countries. Bangladesh and Vietnam are 2 first destinations of this shift.
- Global textile and apparel value chain attracts investment worth US\$350bn over the period of 2012-2025.

With an average growth rate of 14.5% per year for the period of 2008-2013, **Vietnam is one of the fastest growing countries of global textile and apparel sector.** In 2013, the textile and apparel industry was ranked 2nd among Vietnamese largest export industries with US\$17.9bn. Vietnamese textile and apparel industry however **has not yet added high value** to global textile and apparel value chain as processing for export is mainly based on CMT method. Additionally, undeveloped ancillary industry is one of the major challenges of Vietnam in exploiting benefits from the **Free Trade Agreements like the TPP, EU-Vietnam FTA that are expected to be adopted** in coming time.

**Vietnam textile and apparel sector** is forecast to develop with following trends.

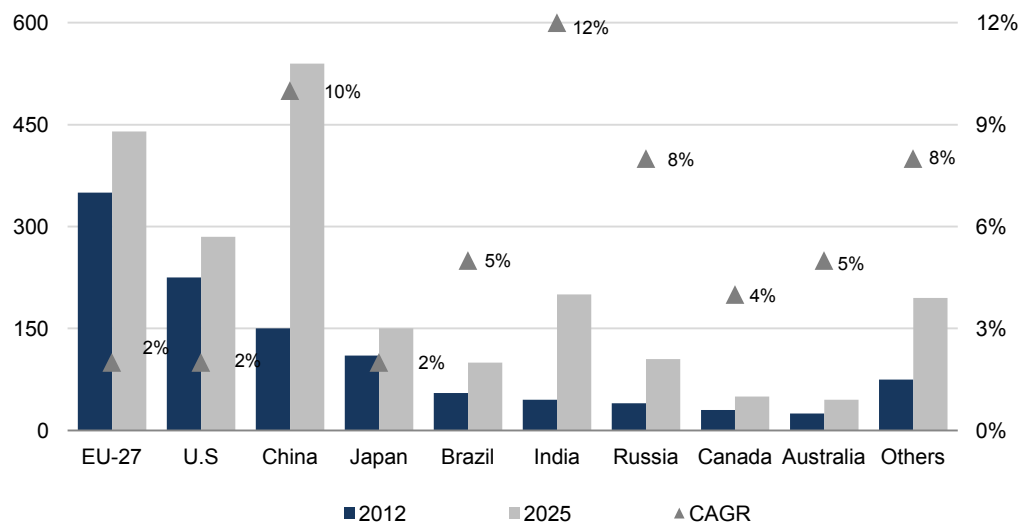
- Growing at a CAGR of 9.8% per year and achieve export value of US\$55bn by 2025 if TPP is adopted
- Shifting the import of raw materials from China, Taiwan, and South Korea to TPP member countries.
- Starting the implementation of higher export-processing methods, namely FOB, ODM and OBM.
- Attracting large investment in ancillary industry and FDI inflows from neighboring countries to exploit the benefits from TPP and EU-Vietnam FTA.



# I. GLOBAL TEXTILE AND APPAREL INDUSTRY

## 1. OVERVIEW OF GLOBAL TEXTILE AND APPAREL INDUSTRY

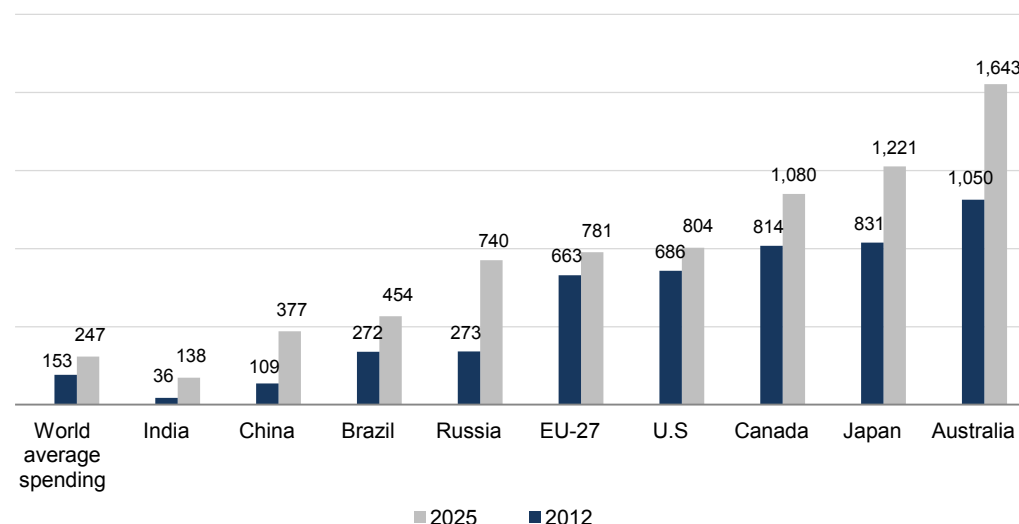
### Scale of global apparel industry (US\$ billion)



Source: Global Competitiveness, Wazir Advisors

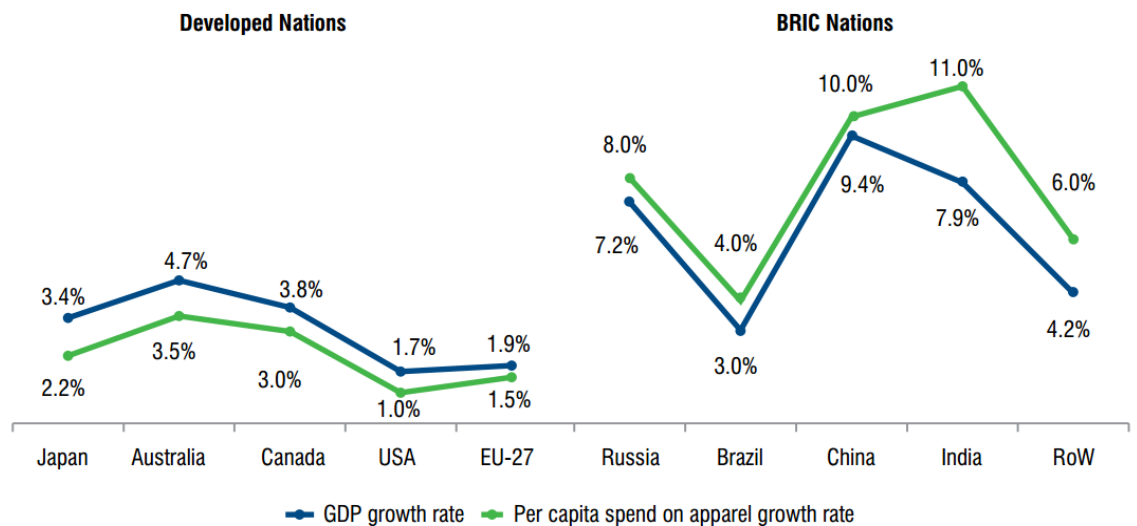
Scale of the world apparel market in 2012 reached US\$1,105bn, accounting for 1.8% of global GDP. It is forecast to reach US\$2,110bn by 2025, equivalent to CAGR at about 5% per year for the period of 2012-2025. 4 main consumer markets are the EU-27, U.S, China and Japan; with a population of only about one third of the global population, these markets account for over 75% of global apparel value. EU-27 is currently the largest market with a value of US\$350bn per year. However, China is forecast to become the largest market by 2025 with a value of US\$540bn, equivalent to CAGR of 10% per year for the period of 2012-2025. Brazil, India, Russia, Canada and Australia are also the largest markets on the list. Indian market is forecast to have the highest growth rate with CAGR of 12% per year and value of US\$200bn by 2025, thus, India will surpass Japan and Brazil to become the country with the 4th largest scale in the world. Other countries account for about 44% of the world population but only about 7% of global apparel market.

### Apparel spending per capita (US\$/person)



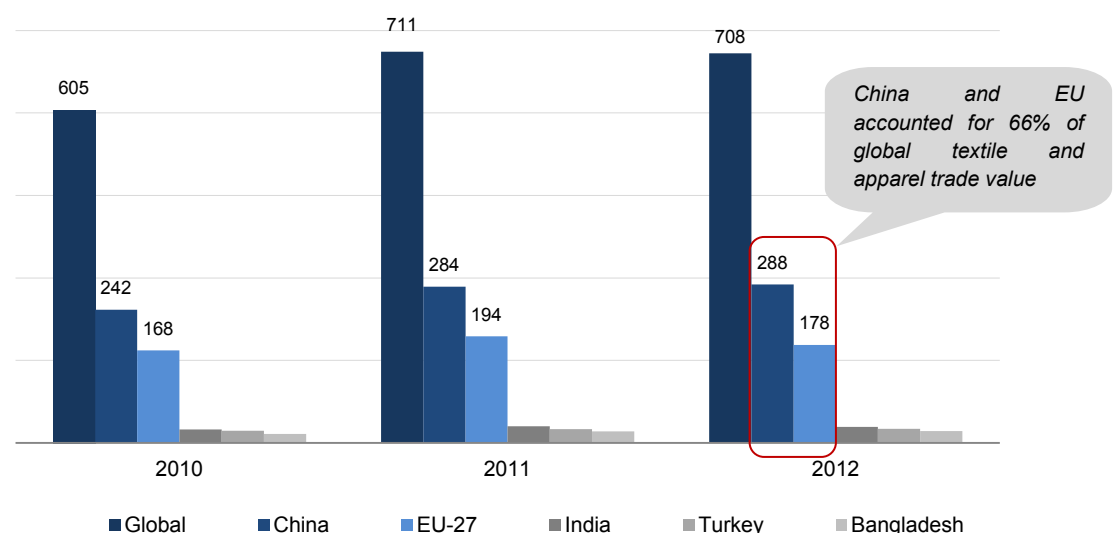
Source: Wazir Advisors, compiled by FPTS

Apparel spending per capita in the world in 2012 reached US\$153 and is forecast to increase to US\$247 in 2025. There is a big difference in apparel spending per capita between developed countries and developing countries. Australia has the highest apparel spending per capita with US\$1,050 per year, while India is the country with the lowest apparel spending per capita among major emerging economies; only about 3% of Australia's and 23.5% of the average apparel spending of the world. Australia is forecast to remain the highest apparel spending per capita in the world by 2025.

**Annualized GDP and PCA growth rates in major markets 2012-2025**


Source: Wazir Advisors

For countries with developed economies, the growth rate of apparel spending per capita is lower than the growth rate of GDP; which is in contrary to the situation of big emerging economies. Although the apparel spending per capita of India is predicted to have the highest growth rate, it is still only about 40% of China's and 8.0% of Australia's apparel spending.

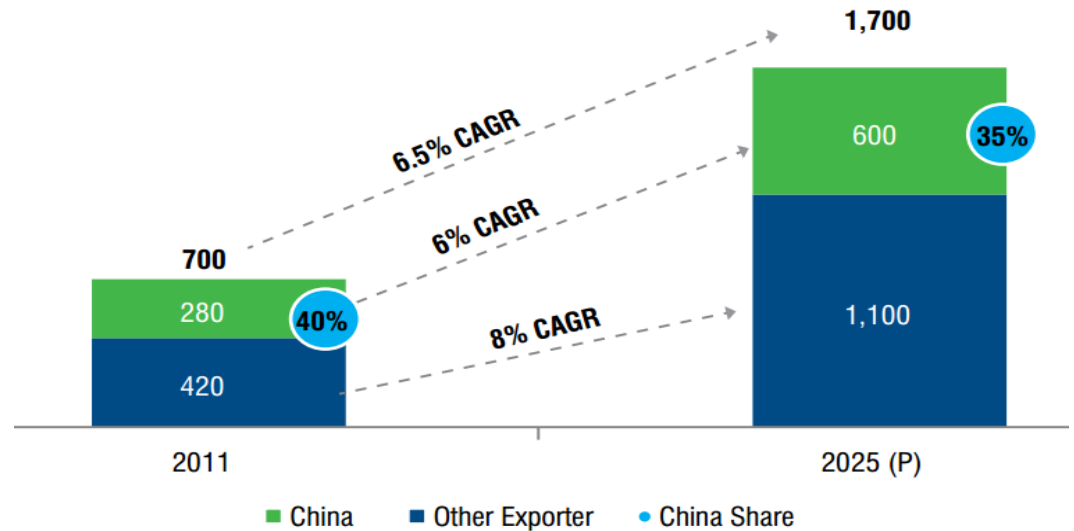
**The value of global textile and apparel export (US\$ billion)**


Source: Wazir Advisors

Global textile and apparel trade value in 2012 reached US\$708bn. In particular, the export value of textile products reached US\$286bn; the export value of garment products reached US\$423bn. China is the largest exporter of both textile and apparel products in the world,

accounting for about 40% of the global textile and apparel trade value. 10 countries and regions with the world's largest textile and apparel exports are China, EU-27, India, Turkey, Bangladesh, Vietnam, United States, South Korea, Pakistan and Indonesia. Bangladesh is the country with export value equivalent to Vietnam's value. In 2012, textile and apparel export of Bangladesh reached US\$21.6bn.

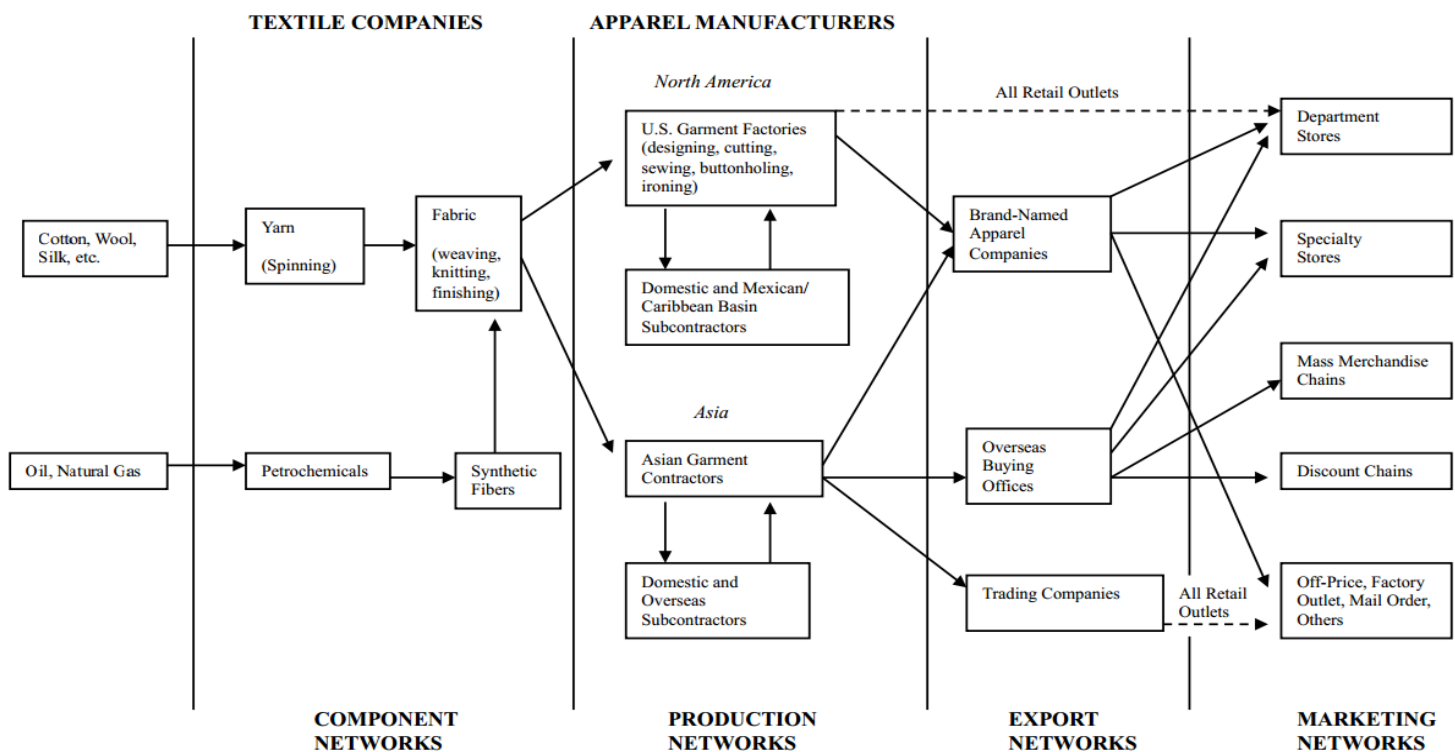
**Forecast for the global textile and apparel trade until 2025 (US\$ billion)**



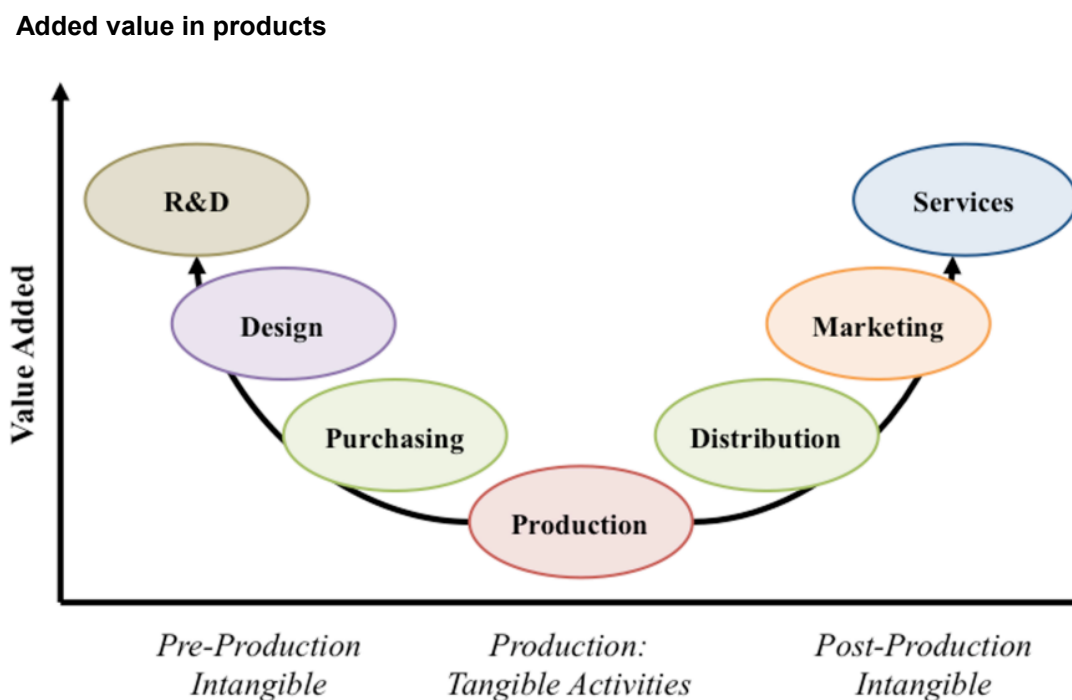
Source: Wazir Advisors

Global textile and apparel trade value is forecast to increase from US\$708bn in 2012 to US\$1,700bn in 2025 with CAGR of 6.5% per year. Percentage of Chinese trade value over the total global textile and apparel trade value is expected to decline from current portion of 40% to 35% by 2025. The decline in China's market share in total global textile and apparel trade will create opportunities for the production of other countries. According to the report "The global sourcing map" in 10/2013 of McKinsey, shift in production from China will start first in Bangladesh and Vietnam.

**2. GLOBAL TEXTILE AND APPAREL VALUE CHAIN**



Source: Gereffi & Memedovic, 2013



*Source: Frederick, 2010*

Textile and apparel value chain is affected by purchasers; creating finished products must go through many stages and production activities are often carried out in many countries. In particular, well-known manufacturers, big wholesalers and retailers play key roles in establishing production networks and shaping mass consumption through a series of strong brands and outsourcing activities to satisfy this demand. Global textile and apparel value chain is divided into 5 basic stages: 1) Supply of raw materials, including natural cotton, thread, etc; 2) Production of intermediate goods; products of this stage are fibers, fabrics provided by weaving, knitting and dyeing companies; 3) Design and manufacture finished products implemented by garment companies; 4) Export by commercial intermediaries; 5) Marketing and distribution.

**Cotton as input material (million tons)**

Production		Export		Import	
<b>Total</b>	<b>25.2</b>	<b>Total</b>	<b>8.4</b>	<b>Total</b>	<b>8.4</b>
China	7	U.S	2.4	China	4
India	6.3	India	1.7	Bangladesh	0.7
U.S	2.8	Australia	0.9	Turkey	0.5
Pakistan	2.1	Brazil	0.8	Indonesia	0.4
Brazil	1.6	Africa	0.8	Vietnam	0.4
Australia	1	Uzbekistan	0.6	Thailand	0.3
Uzbekistan	0.9	Argentina	0.3	Korea	0.3
Others	3.3	Others	0.9	Others	1.8

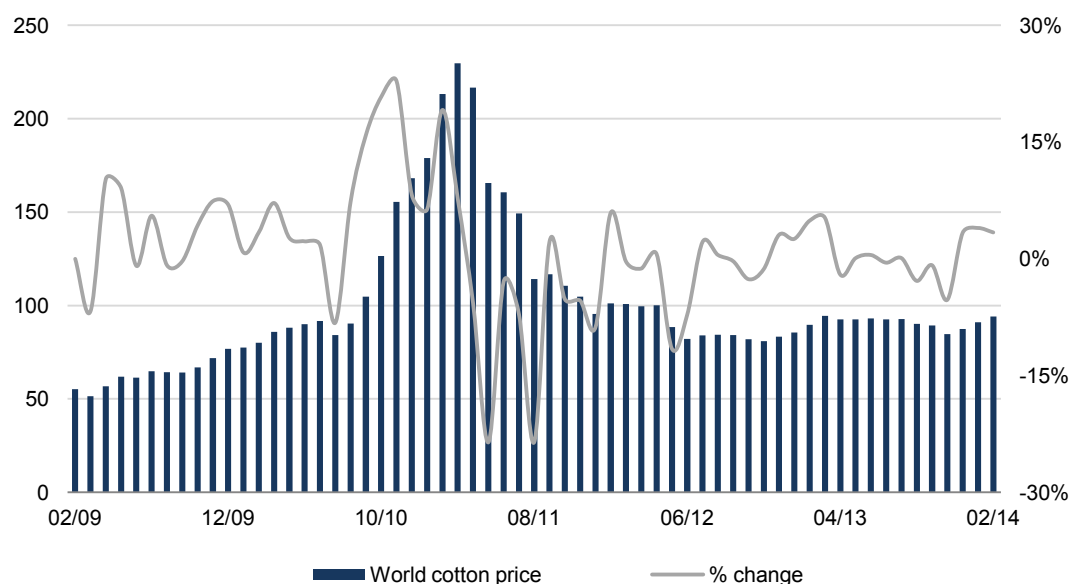
*Source: USDA, Bloomberg*

Cotton is grown in over 80 countries and regions with cultivated area of 33 million hectares and the global average yield is about 764 kg/ha. The current output is about 25.2 million tons. Asia is home to the highest output, reaching 17 million tons, accounting for 67.5% of

global production; in which, China, India and Pakistan reaches 7 million tons, 6.3 million tons, and 2.2 million tons respectively. Along with Asian regions, major countries and regions in producing cotton include the United States (2.8 million tons) and Brazil (1.6 million tons). The total annual volume of cotton import and export in the world reaches 8.4 million tons on average. Specifically, the main exporting countries include the United States (2.4 million tons), India (1.7 million tons) and Australia (0.9 million tons). The main importing countries include China (4.0 million tons), Bangladesh (0.7 million tons) and Turkey (0.5 million tons).

Total global production of chemical and natural fiber reaches 48 million tons, in which, China reaches 29 million tons. Total global spindles are 250 million; including 120 million in China, 50 million in India, 12 million in Pakistan and 10 million in Turkey.

### World cotton price movement (cents/pound)



Source: *Indexmundi*

World cotton price has fluctuated wildly in recent years. Cotton price rose from 55.2 cents/pound at the time of 02/2009 and peaked at 229.7 cents/pound at the time of 03/2011 due to the unfavorable climate in 2011, resulting in a significant reduction in the output of leading cotton producing countries such as India, USA, and Pakistan; and due to Chinese government's policies on limiting export of cotton. Cotton price then fell sharply and currently stands at 88 cents/pound. According to the forecast of World Bank, cotton price will increase slightly in the coming years with an annual growth rate of about 1.0-2.0% due to the increasing demand.

### Production of raw and ancillary materials

This is an important session in supporting the development of apparel sector and also a land and capital-intensive stage. For garment products, the value of the raw and ancillary materials accounts for a large proportion of about 60-70% total cost and determines product quality. Raw and ancillary material in the apparel industry is often divided into two parts: main materials and ancillary materials.

Main materials are fabrics of all types, the key elements to create garment. Total current global production of fabrics is 170 billion meters; in which, China produces 86 billion meters, India produces 50 billion meters, Turkey and Pakistan respectively produces 10 billion and 8 billion meters.



Ancillary materials play role in connecting materials, creating aesthetic appearance for apparel products, including two main types - thread and shaping materials. Shaping materials contribute to the shape of garments such as zippers, buttons, elastic cord, etc.

### Designing and sewing

**Designing.** This is the stage with high profit margin in the value chain and a knowledge-intensive stage. After shifting production to developing countries, developed countries in the apparel industry only focus on the research and design of new products to create famous brands in order to achieve the highest profit margin. There is a very fierce competition among brands in beautiful and creative designs. The key factor to penetrate market and become viable in this chain is that businesses are required to have designers with capability to follow fashion trend and tastes of buyers in the world.

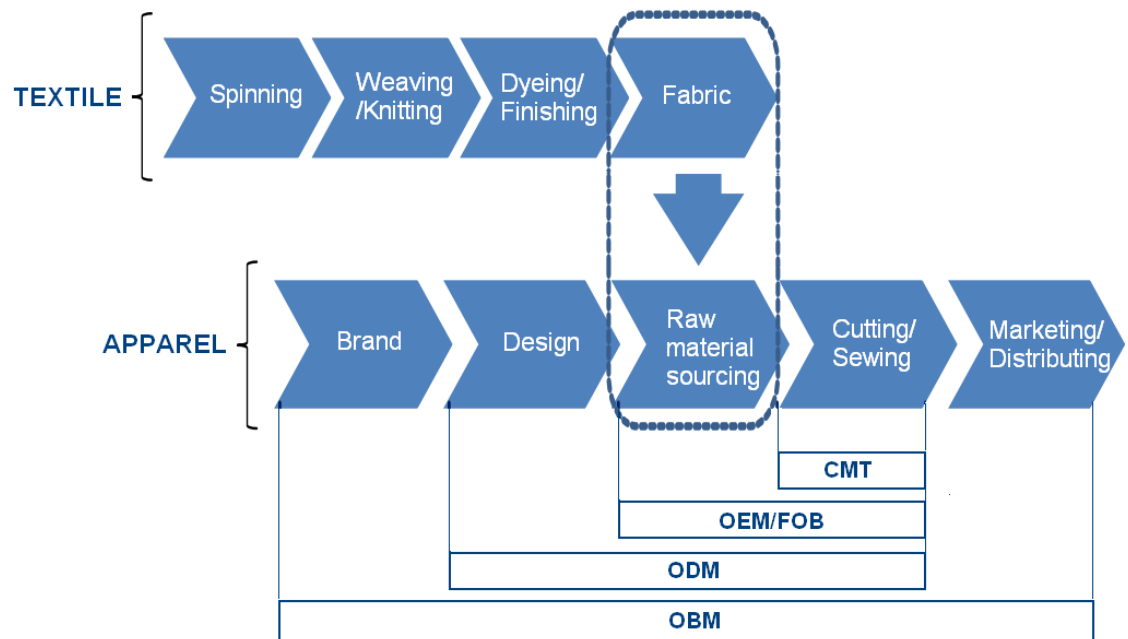
**Sewing.** This stage is the most labor-intensive but has the lowest rate of return. Sewing is the stage that newcomers to the industry often choose to enter first because this state does not require high investment in technology and is labor-intensive. The countries with developed apparel industry, having participated in global value chain for a long time, no longer perform steps in this stage and only sign outsourcing contracts with new countries joining the industry such as Bangladesh, Vietnam and Pakistan that have cheap labor sources and underdeveloped production of input materials. This is a common feature of production stage in the apparel industry in the world. For enterprises engaged in processing, value-added rate earned in the apparel segment will also vary depending on the export mode of CMT or FOB.

### Export

This is a knowledge-intensive stage, including garment companies with brand reputation, buying offices, and trading companies of other countries. One of the most notable characteristics of the textile chain decided by the purchasers is the creation of large traders who do not make any specific manufacturing activities. These companies act as intermediaries to connect the supply chain between apparel manufacturers, subcontractors and retailers throughout the world. Traders as intermediaries play key roles and hold substantial value of the global apparel chain although they never own any manufacturing plants. Currently, traders, buyers in Hong Kong, Taiwan and South Korea, which are considered the "big three" in the world apparel supply chain, hold the majority of the nodal points of the network.

### Commercialization

This stage includes network of marketing and distribution of products; this is also a knowledge-intensive stage. The well-reputable retailers around the world are holding this stage and gain huge profit every year. Distributors are usually designers, because they fully and well understand the needs and conditions to satisfy the tastes of customers. This is the phase with the highest rate of return, because the big companies in the world hold this chain and often creates barriers of entry for new countries to join the value chain so it is very difficult to penetrate this stage. Companies in this stage do not directly produce products, only perform activities to distribute products to final consumers but they play an important role in shaping and impacting the world textile and apparel chain since they understand the needs of the consumer, provide fashion trends for the product designers and hold global sales and distribution system.

**3. MAIN MODES OF PRODUCTION**


Source: Compiled by FPTS

The outsourcing apparel businesses for garment export often apply 4 methods of export, that are, CMT, FOB, ODM and OBM.

**CMT (Cut - Make - Trim)**

This is the easiest export method of apparel industry and brings the lowest added value. When cooperation under this method, purchasers offer entire input to outsourcing businesses for production including raw materials, transportation, design and specific requirements; manufacturers only carry out stages of cutting, sewing and finishing products. Businesses following export method of CMT only need the basic understanding of design patterns and the ability to produce finished product.

**OEM/FOB (Original Equipment Manufacturing)**

FOB export method creates higher value compared to CMT; which is the production method of "buying raw materials, selling products". Businesses are actively involved in the production process on FOB, from acquisition of raw materials to production of final products. Unlike CMT, exporters using FOB actively buy necessary material inputs instead of being supplied directly from their buyers. The activities under the FOB have significantly changed based on forms of the actual contractual relations between suppliers and foreign buyers and are divided into 2 types.

**FOB level I.** Businesses following this method will purchase inputs from a group of suppliers specified by buyers. This method requires garment enterprises to bear the financial responsibility for the procurement and transportation of materials.

**FOB level II.** Businesses following this method will receive product designs from foreign buyers and take full responsibility for sources of raw materials, production, and transportation of raw materials and finished goods to ports specified by buyers. The bottom line is that businesses must find the material suppliers with capability of providing special materials, and having confidence in the quality and delivery time. Risks from this method are higher but manufacturing companies also receive higher added value.

### **ODM (Original Design Manufacturing)**

This method of production for export includes the design and production process of purchasing fabric and materials, cutting, sewing, finishing, packaging and shipping products. The ability to design reflects the higher level of knowledge of the providers and therefore will bring higher added value for products. ODM businesses create designs, finish products and sell them to buyers, which are most of the owners of major brands in the world.

### **OBM (Original Brand Manufacturing)**

This method of production is improved based on method of OEM, but the manufacturers are responsible for their own designs, and sign domestic and foreign goods' supply contracts for their own brands. Manufacturers in developing economies following OBM method mainly distribute products in their domestic market and markets of neighboring countries.

## **4. APPAREL MACHINERY INDUSTRY**

After the elimination of textile and apparel quotas, the global apparel industry is growing at high speed. The manufacturing centers of textile and apparel machinery such as China, Germany, Italy, Switzerland and India are competing fiercely for invention and procurement of best technologies of textile and garment machinery. Global Industry Analysts Inc. (GIA) predicts that global textile and apparel machinery market will reach US\$22bn in 2017.

### **China uses high-tech equipment**

China is still the largest machinery manufacturer in the global textile and apparel sector. Many countries in Asia are making the adjustment of product structure, so the demand for textile and apparel machinery with complete and advanced technology is increased. Chinese industry has a clear cost advantage against other powerhouses of apparel trade such as India, Pakistan, Bangladesh and Turkey, especially for cotton spinning equipment, polyester devices, printing and dyeing equipment.

China now provides textile and apparel machinery and equipment for 80% of domestic demand. It is not only an exporter, but is also the potential importer of textile and apparel machinery. Potential import markets for machinery such as Jiangsu Province, Zhejiang Province and Guangdong Province account for approximately 71% of total imports of textile and apparel machinery in the country. Many leading manufacturers of machinery and equipment in the world choose China to establish and expand production facilities. China focuses more on techniques and use of automation technology in textile and apparel manufacturing, so demand for machinery and equipment will increase.

### **India expects technology improvements**

Textile and apparel machinery industry in India has more than 50 years of development and is constantly growing. India has about 750 units manufacturing machinery and equipment, which has more than 250 manufacturing units with complete production, and the rest with production of parts and accessories. Textile and apparel machinery manufacturing sector currently meet 45-50% of the overall needs of domestic demand, the main constituents are cotton rolling, spinning, weaving and processing. India manufactures fittings, chassis parts and consumables very well but there are still sectors that need further development as manufacturing textile machinery (shuttle looms) and a number of hi-tech processing machines.

Imports of textile and apparel machinery in India increased from US\$0.92bn in the period of 2010-2011 to US\$1.38bn in the period of 2011-2012. Export turnover in the period of 2011-2012 is estimated at US\$147m compared with US\$168m achieved in the period of 2010-2011.

#### **Machinery industry of Italy with high growth rate**

Italy is one of the major manufacturers of textile and apparel machinery and equipment with 300 machinery manufacturers reaching US\$3.41bn per year, with export value is up to 80% of total revenue. Quality of Italian technology is proved by the large number of countries purchasing machinery of Italy, around 130 countries worldwide.

#### **Spain increases the production capacity**

Textile and apparel machinery industry of Spain is growing rapidly, in which there are most of small to medium-sized companies with a workforce of fewer than 50 employees. These companies are subject to stiff competition among the world's leading manufacturers to achieve international standards in terms of price, design, quality and service. The textile machine parts, needles, sewing machines, accessories and gyroscopes are the various components integrated in textile and apparel machinery sector. Dyeing and finishing products are the leading sectors in the country, followed by the spinning machinery. Machinery exports account for 70% of total production of machinery in textile and apparel sector in Spain.

#### **Germany provides reliable technology**

Germany has fallen out of the leading position of manufacturers of textile and apparel machinery but still ranks 5th in export value globally. Asia is the largest import market of German textile and apparel machinery with 40%. India is the largest customer in Asia in the past year; the second most popular market is the United States. Sewing machines of Germany is characterized by high quality and is manufactured for specific requirements from each customer.

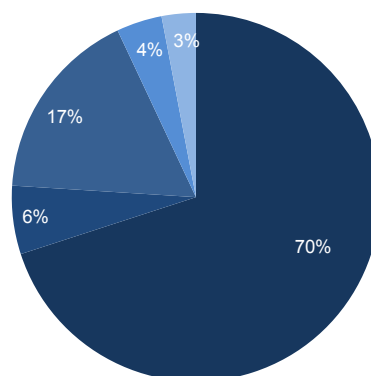
## II. VIETNAM TEXTILE AND APPAREL INDUSTRY

### 1. OVERVIEW OF VIETNAM'S TEXTILE AND APPAREL INDUSTRY

Indicators	Unit	Value
Number of companies	Companies	6,000
Enterprise scale	People	SMEs of 200-500+ account for a large proportion
Company structure based on ownership		Private (84%), FDI (15%), State-owned (1%).
Company structure based on operation		Sewing (70%), spinning (6%), weaving/knitting (17%), dyeing (4%), ancillary industries (3%)
Geographical allocation of company		North (30%), Central and plateau (8%), South (62%).
Number of employees	People	2.5 million
Average income per worker	VND	4.5 million
Number of working days per week	Day	6
Number of hours worked per week	Hour	48
Number of shifts per day	Shift	2
Value of textile export in 2013 (excluding fiber)	US\$	17.9 billion
Value of textile and apparel imports in 2013	US\$	13.5 billion
Main export markets		United States, EU, Japan, South Korea
Main import markets		China, South Korea, Taiwan
Major export products		Jackets, shirts, pants
Method of production		CMT (85%); others (15%)
Lead time	Day	90 – 100

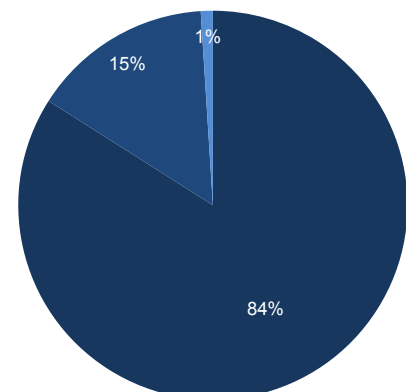
Along with phones and mobile devices, textile and apparel is the major export sector of Vietnam in recent years. In 2013, Vietnam apparel products are exported to over 180 countries and territories with the export turnover of US\$17.9bn; accounting for 13.6% of total export turnover of Vietnam and 10.5% of the national GDP. Annual growth rate of apparel industry in the 2008-2013 period reaches 14.5%, which makes Vietnam become one of the fastest growing countries in textile and apparel export.

**Company structure by activities**



■ Sewing                      ■ Spinning  
■ Weaving                      ■ Dyeing  
■ Ancillary industry

**Company structure by ownership**



■ Private enterprises  
■ FDI  
■ State-owned

Source: Ministry of Foreign Affairs of the Netherlands

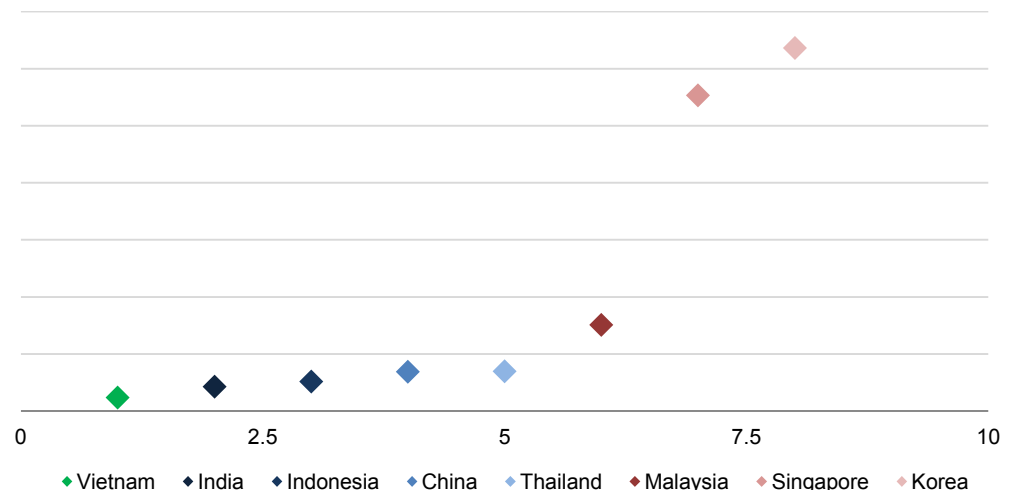
Currently there are about 6,000 textile and apparel enterprises in the country; attracting more than 2.5 million workers, accounts for about 25% labor in the industrial sector in Vietnam. According to VITAS, every US\$1,0bn of garment export could create jobs for 150-200 thousand employees, of which there are 100 thousand employees in the apparel businesses and 50-100 thousand employees in the other supporting businesses. The majority of enterprises in the private sector (84%) are concentrated in the South East (60%) and the Red River Delta. Garment enterprises account for about 70% of the total number of businesses in the industry with main export method of CMT (85%).

#### Development goals and orientation of textile and apparel industry

Indicators	Unit	Year 2015	Year 2020
1. Revenue	US\$ billion	18-21	27-30
2. Export turnover	US\$ billion	18	25
3. Labor	1,000 People	3,500	4,500
4. Major products			
- Cotton Fiber	Tons	40,000	60,000
- Fibers, synthetic fibers	Tons	210,000	300,000
- Fiber of all types	Tons	500,000	650,000
- Fabrics of all types	Billion m <sup>2</sup>	1.5	2.0
- Sewing products	Billion products	2.85	4.0
5. The rate of localization	%	60	70

Source: Decision 36/2008/QĐ-TTg

#### Labor productivity index of manufacturing sector



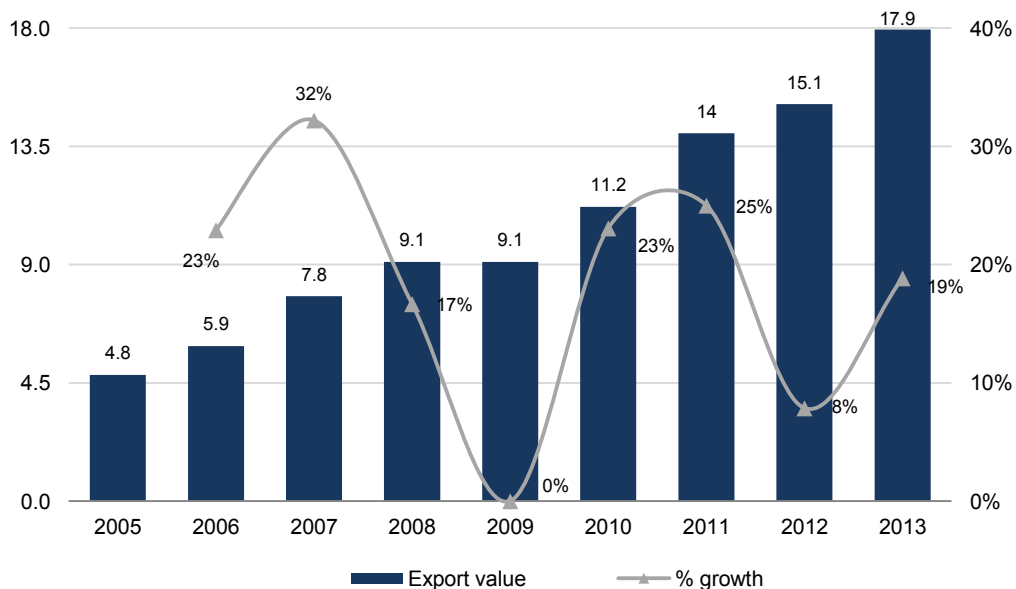
Source: UNIDO China statistical yearbook

Compared with other countries, labor productivity of manufacturing sector in Vietnam is very low. Labor productivity index of manufacturing sector in Vietnam is only 2.4; while other big apparel manufacturing countries such as China and Indonesia have index of 6.9 and 5.2. This is one of the biggest weaknesses of the textile and apparel industry in particular and the labor-intensive manufacturing industries of Vietnam in general.

2. EXPORT AND IMPORT

EXPORT

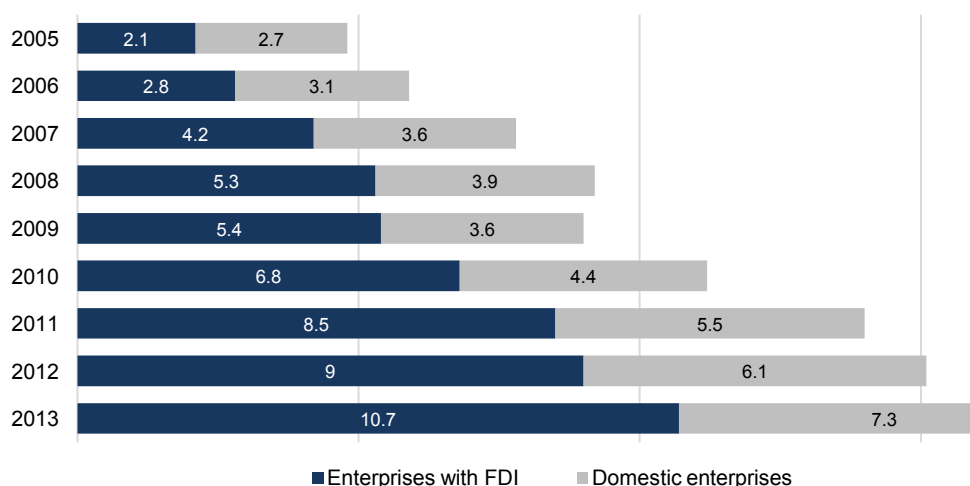
The export value of Vietnam's garment (US\$ billion)



Source: Bloomberg

Textile and apparel export turnover of Vietnam increased gradually over the years, currently stands as the 2nd largest export sector. Apparel exports of Vietnam reached US\$17.9bn in 2013, increasing by 18.5% over the same period; accounting for 13.6% of total export turnover in Vietnam. If fiber export value of US\$2.15bn is included; total export value of garment and fiber in 2013 reached US\$20.1bn; US\$1.15bn lower than the highest export turnover of phones and mobile devices sector.

Export value of FDI and domestic enterprises (US\$ billion)

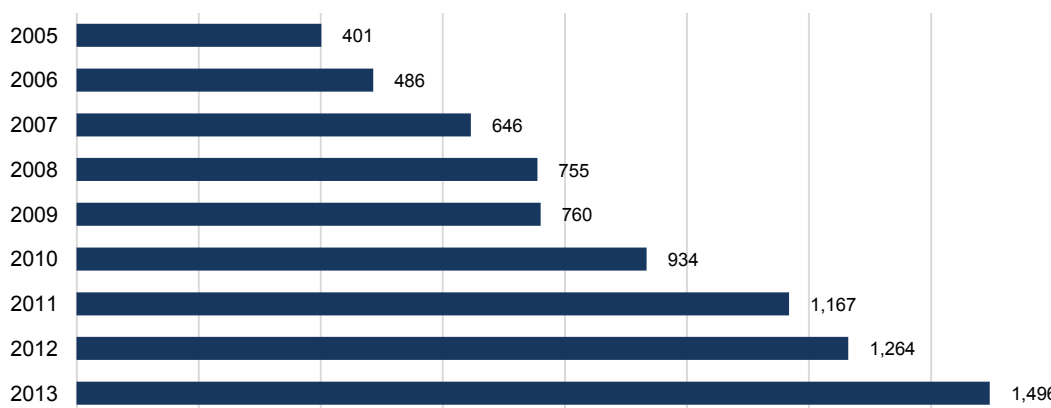


Source: General Statistics Office

Exports value of foreign direct investment (FDI) enterprises has a higher turnover than that of domestic enterprises. In 2005, export of apparel of FDI enterprises reached only US\$2.14bn, accounting for 44% of the total apparel export in the country. Export of this product group of FDI enterprises continuously increase and have exceeded export of

domestic enterprises since 2007. In 2013, export turnover of FDI enterprises reached US\$10.7bn, increasing by 18.5% compared with the same period and accounting for 59.4% of total apparel export turnover. The export value of domestic enterprises stood at US\$7.3bn; US\$3.4bn lower than that of FDI enterprises.

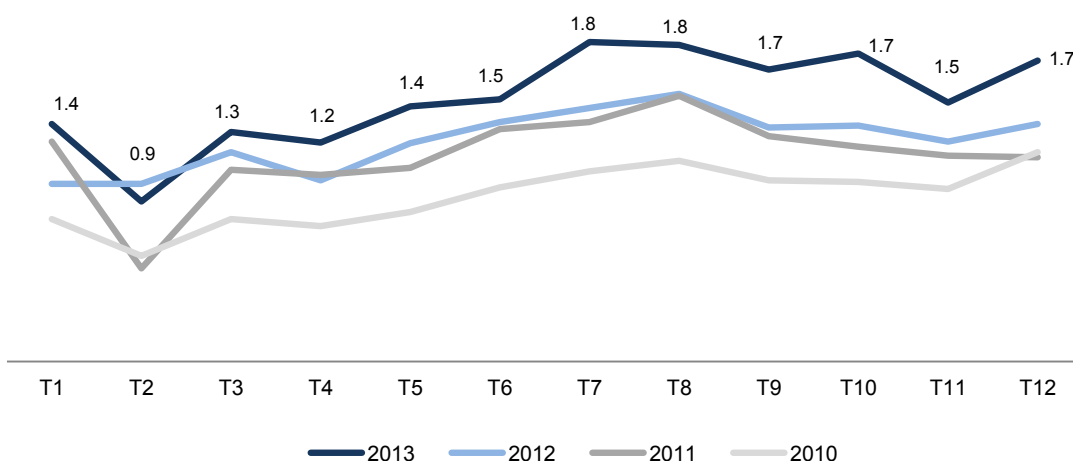
### Average export turnover of apparel per month (US\$ million)



Source: VITAS

Average monthly turnover of apparel export has increased continuously over the years. Specifically, in 2005 the average turnover was only US\$401m/month and in 2013 it reached US\$1.5bn/month. Notably, the monthly average turnover in 2013 increased by US\$232m compared with that in 2012, this is the record increase of Vietnam apparel export.

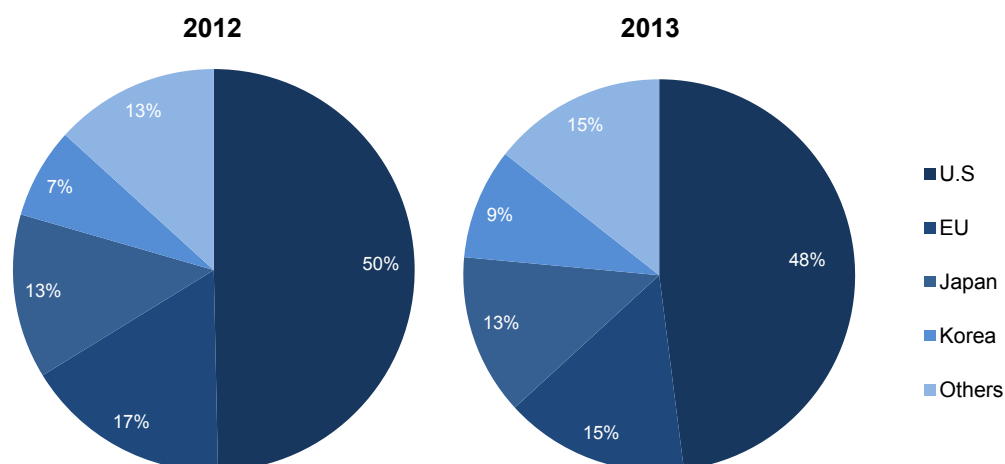
### Monthly export value (US\$ billion)



Source: VITAS

As seasonal feature, apparel export often achieves low value in the first months of the year, grows in May and peaks in August each year, then decreases slightly in the last months. In July 2013, export turnover reached US\$1.82bn - a record level of Vietnam apparel export. In the first 2 months of year 2014, export turnover reached US\$3.2bn; increasing by 30.1% over the same period in year 2013. This is a sign for the remarkable growth of export turnover in 2014.



**Export structure in major markets**


Source: Bloomberg

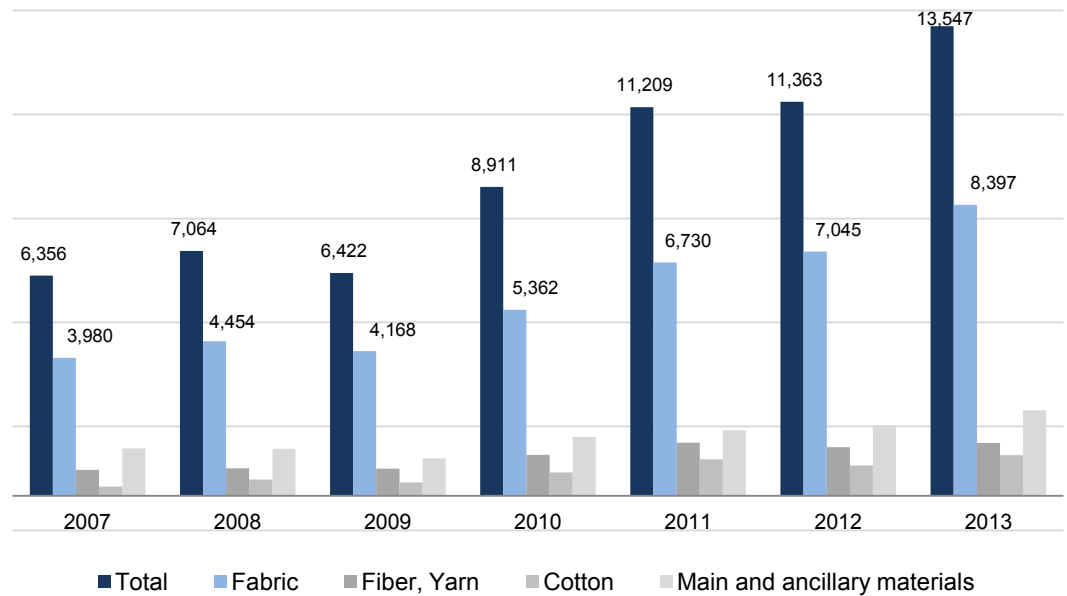
U.S, EU, Japan and South Korea are 4 biggest partners of Vietnam in apparel import. In 2013, total apparel export turnover to these four markets reached US\$15.3bn, accounting for 85.5% of total apparel export value. In particular, exports to the U.S. market have continuously increased over the years and reached US\$8.6bn in 2013; accounting for 48% of total apparel export value of Vietnam. Simultaneously, among products that Vietnam exports to the U.S. market, apparel products account for biggest proportion of total export with 38%.

**Categories of apparel products for export**

Categories	2013 (US\$ mil)	2013/2012 (%)	Proportion (%)
Jacket	3,877	19.6	21.60
T-shirt	3,758	23.7	20.94
Trouser	3,011	25.8	16.78
Dress shirt	1,016	14.6	5.66
Others	6,285	3.2	35.02

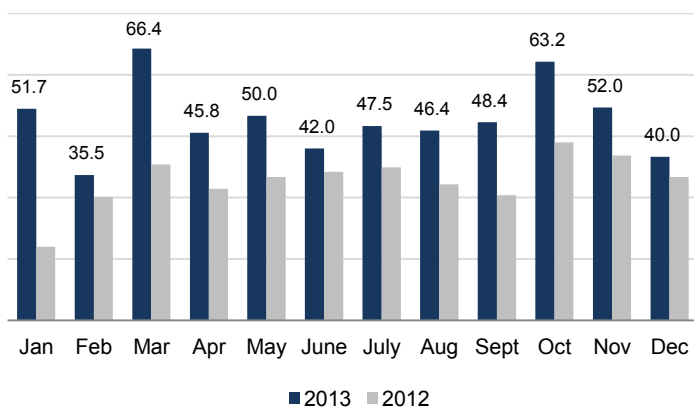
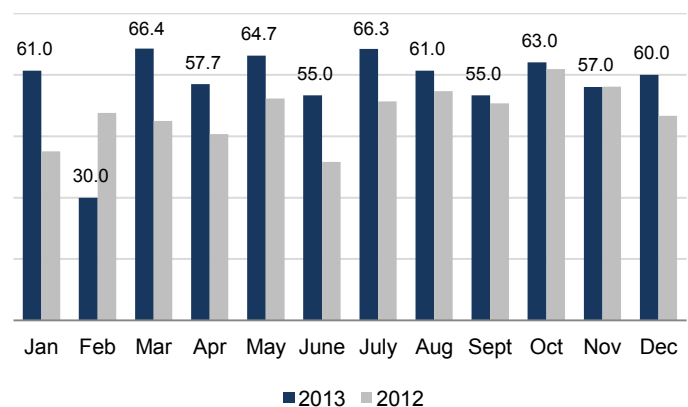
Source: VITAS

Exporting Vietnam apparel products to the world are mainly Jacket, T-shirt, trouser and dress shirt. Jacket export value in 2013 reached US\$3.88bn, increasing by 19.6% compared with the same period and accounting for 21.6% of total export value of apparel. With impressive growth in 2013, T-shirt and trouser have growth rate of 23.7% and 25.8% respectively over the same period.

**IMPORT**
**The value of textile and apparel import (US\$ million)**


Source: VITAS

The import value of textile and apparel industry has increased continuously over the years with CAGR of 20.5% per year in the period of 2009-2013 (CAGR of apparel export value in the same period was 18.4%/year). Textile and apparel import in 2013 reached US\$13,547m, increasing by 19.2% over the same period; accounting for 10.25% of Vietnam total import value in 2013. The import value used for export in 2013 reached US\$10,432m, thus reaching 48.1%. In the structure of import, cloth accounts for major proportion. Fabric import reached US\$8,397m in 2013, accounting for 62% of total textile and apparel import of Vietnam.

**Cotton import by month (thousand tons)**

**Fiber import by month (thousand tons)**


Source: VITAS

**Cotton import**

Cotton import in 2013 reached 589 thousand tons, equivalent to US\$1,171m, increasing by 39% in quantity and 33.6% in value compared with that in 2012. It is estimated that the country's cotton import in Q1/2014 reached 170 thousand tons, an increase of 10.7% over the same period of 2013.

The average import price of cotton in 2013 decreased by 3.9% compared to the same period last year, to US\$2,018 per ton. The world import price of cotton is predicted to rise slightly in 2014 due to increasing demand from fiber manufacturers.

Cotton is mainly imported from the United States, accounting for 39.3% of total cotton import, followed by India and Australia. Notably, cotton import from Brazil and Pakistan in 2013 largely decreased from 43.4% to 63.6% in quantity over the same period.

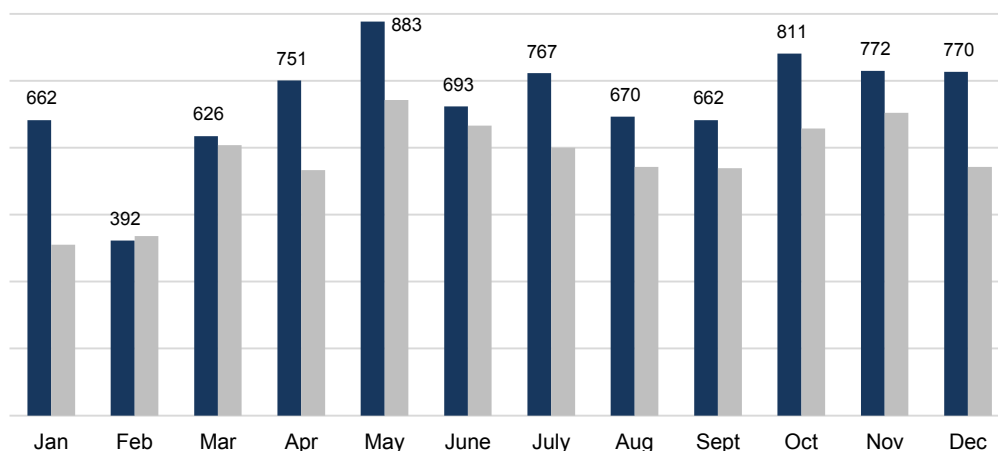
### Fiber import

Import of natural fiber and yarn in 2013 reached 696 thousand tons, equivalent to US\$1.520m; increasing by 7.7% in quantity and 8.0% in value compared with that in 2012. Import of natural fiber in 2013 reached 316.3 thousand tons, an increase of 4.5% over the same period. Imported fiber in Q1/2014 is estimated to reach 173 thousand tons, increasing by 10% compared to the same period in 2013.

Yarn import price in 2013 increased slightly by 0.4% compared to the same period in 2012, rising to US\$2,188 per ton, while fiber price decreased by 3.1%, reducing to US\$1,758 per ton.

Yarn is mainly imported from Taiwan and China, accounting for about 32% and 30.8% of total yarn import value, followed by Thailand and South Korea. Fiber is mainly imported from Taiwan and Thailand, respectively accounting for 40.6% and 21.9% of total fiber import.

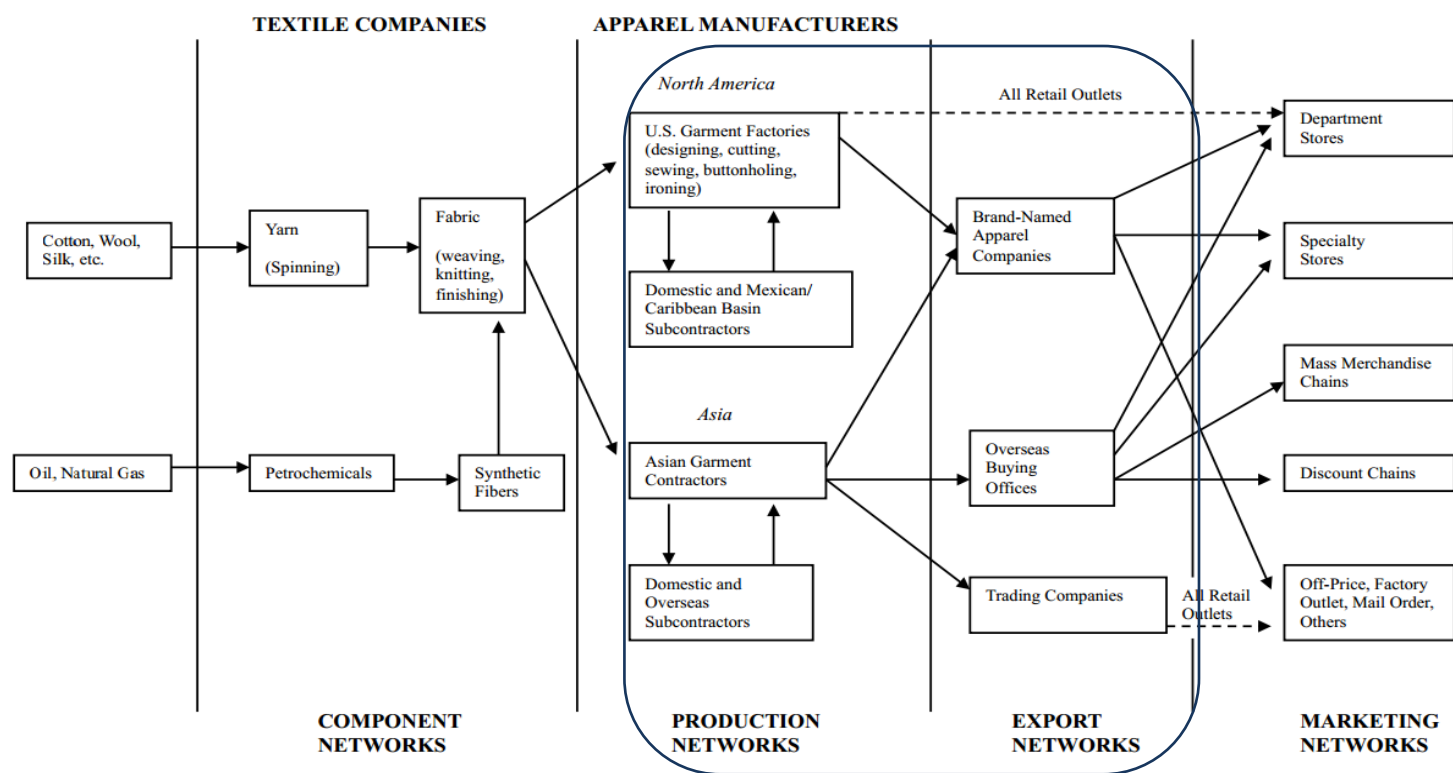
### Monthly fabric import (US\$ million)



Source: VITAS

Fabric import in 2013 reached US\$8,397m, increasing by 19.3% compared with that in 2012. Fabric import in the first 2 months of 2014 reached US\$1,281m, increasing by 26.7% compared to the same period in 2013. Import of fabric materials in Q1/2014 reached US\$1.9bn; increasing by 17.7% over the same period in 2013, prices of some types of cloth will rise slightly in Q1/2014. Fabrics are mainly imported from China, South Korea and Taiwan; accounting for about 46.1%, 20.3% and 14.9% of total imported fabric respectively.

Import of other materials in 2013 is estimated to reach US\$2.48bn, increasing by 19% over the same period. Vietnam still has to import a large volume of fabrics, textile materials. Localization ratio of textile and apparel is trying to be enhanced to 40%. In 2013, Textile and Garment Group (VINATEX) has implemented 42 projects with a total investment of VND6,360bn which largely focused on spinning and weaving projects (12 spinning projects and 9 weaving projects). The goal is to reach about 25 thousand spindles by 2017.

**3. VALUE CHAIN OF VIETNAM'S TEXTILE AND APPAREL INDUSTRY**


Source: Gereffi & Memedovic, 2013

**Supply of cotton, fiber and yarn**
**Cotton plant development program in Vietnam for period of 2015-2020**

Indicators	Unit	Year 2015	Year 2020
Crop area	Ha	30,000	76,000
Irrigated area	Ha	9,000	40,000
Average yield	Tons/ha	1.5	2
Average yield of irrigated cotton	Tons/ha	2	2.5
Production of cotton fiber	Tons	20,000	60,000
Quantity	1.000 packs	91.86	275.57

Source: Department of Trade Promotion

Currently there are about 10 thousand hectares of cotton planted with annual production satisfying only 2% of production needs throughout the country. The main reason for the underdevelopment of the cotton and fiber industry in Vietnam is that our country does not have a natural competitive advantage and have not focused on investing in the cultivation of cotton and production of fiber. Cotton industry is land-intensive, growing cotton plant is affected greatly by climate, leading to low and scattered crop area of cotton. Moreover, intensive farming of farmers is not good without irrigation system for support, growing conditions depend mainly on nature, harvesting and production of cotton is by hand, resulting in low quality of cotton, so the price are not competitive compared to other countries in North America and Africa. Average cotton yield of our country currently stands at 1.28 tons/ha.

The country uses about 600 thousand tons of natural cotton, 400 thousand tons of all fiber types per year. However, Vietnam has to import 589 thousand tons of cotton, accounting for 99% of the total demand for cotton; domestic production of cotton can only meet 2%, equivalent to 12 thousand tons. Regarding fiber of all types, 220 thousand tons are imported, accounting for 54% of total fiber demand.

### Statistics on Vietnam spinning industry

Items	Year 2010	Year 2011	Year 2012
Number of spindles	3,650,000	4,500,000	5,100,000
Number of rotor	103,348	103,348	103,348
Production of yarn from cotton and polyester/ rayon (tons)	514,000	620,000	680,000
Export of Yarn (tons)	336,000	384,000	415,000
Fabric production (billion m <sup>2</sup> )	1.0	1.0	1.0
The amount of imported fabric (billion m <sup>2</sup> )	-	-	6.0

*Source: Vietnam Cotton and Spinning Association (VCOSA)*

Favorable development of fiber industry in recent years is explained through two main reasons. First, the fiber industry has been promoting the competitive advantage of lower input costs, in particular, labor costs and land lease fees compared to other countries. The second reason is due to the rapid increasing needs of world market in recent years. However, the majority of domestic fiber production is exported while domestic textile enterprises have to import fiber from abroad due to imbalance between supply and demand in terms of quantity and quality of fiber. Our country currently exports over 61% fibers, mainly concentrated in markets such as China, Turkey, South Korea, Indonesia and Thailand. Fiber products of our country have not been diversified in types and quality of fiber products is not high, and they are just concentrated in low-end and mid-end market segment, thus it does not meet the business needs of high quality textile, which requires many different types of fiber materials with all kinds of special inputs, modern production equipment.

In 2012, there were 100 spinning mills with a total capacity of 680 thousand tons of artificial cotton fiber (equivalent to 5.1 million spindles) throughout the country. However, the quality of most of them cannot be guaranteed, thus they are used primarily for export, manufacturing towel or byproducts. Thus, our country's textile industry is still dependent on imported sources of fiber. In 2013, our country imported 380 thousand tons of fiber to serve the needs of production.

### Activities of weaving, dyeing and finishing

The role of weaving industry to the apparel industry in particular and the overall textile and apparel industry is very important because fabric is an important factor determining the cost and quality of the final garments. Despite significant role in the provision of local raw materials for the textile industry, but in reality, Vietnam weaving industry has not developed as expected.

Besides factor that quality cannot be guaranteed, the weaving production cannot meet the needs of the textile industry. In 2012, the textile industry needs to use about 7.0 billion meters of fabrics while total fabrics produced in the country are only about 1.0 billion meter, Vietnam has to import 6.0 billion meters of fabrics, equivalent to 86% of total demand.

Vietnam is capable of dyeing and finishing 80,000 tons of knitted fabrics and 700 million meters of woven fabrics each year. However, only about 20-25% of the woven fabrics are sufficient to produce finished products for export, while most of knitted fabrics are not eligible for export and are used only for the domestic market.

3 main causes to the weakness of the weaving industry in the textile value chain of Vietnam are: 1) The contradictions between state policy in encouraging investment in the textile and dyeing industry and policy in limiting environmental pollution caused by all industries; 2) Small-scale textile enterprises, the lack of human resource for good management; obsolete technology; 3) Lack of textile and apparel industry clusters to support development.

#### Export, distribution and marketing activities

Export activities of Vietnam's apparel businesses currently depend on foreign traders. Traders play a very important role as intermediaries in the supply chain of the Vietnam garment products in the world. Traders are generally from Hong Kong, Taiwan and South Korea. The retail businesses are mainly from EU, Japan and the United States, and own international top brands, supermarkets, wholesale stores and retail stores. Large retail businesses rely on traders to develop their supply network in Vietnam in order to reduce transaction cost. The foreign apparel enterprises often contact directly with traders in Hong Kong, Taiwan or South Korea. Therefore, Vietnam's businesses (especially small businesses) depend heavily on small traders in the region. In other words, Vietnam's apparel enterprises still lack connection with end-users, only perform outsourcing contracts for regional manufacturers.

Marketing and distribution activities are weak stages of Vietnam textile and apparel industry. This is mainly due to our implementation of outsourcing orders based on CMT and FOB I method, thus, Vietnam does not have much products under its own brand to reach out to retailers in the world.

#### 4. MICHAEL PORTER ANALYSIS MODEL

Factor	Item	Importance level			Assessment
		Low	Middle	High	
Entry barriers	Economies of scale			x	Most of businesses in Vietnam textile and apparel industry are apparel enterprises, increasing scale not only reduce fixed costs but also variable costs since the company can purchase raw materials at lower prices (large order) and reduce labor costs.
	Restrictive government policies	x			Vietnamese government is encouraging investment in the textile industry; however, policy barriers to large dyeing enterprises are environmental issues.
	Access to the inputs			x	High access to the inputs due to system of large suppliers and traders.
	Access to distribution channels, customers			x	High access to distribution channels, customers due to a large number of traders. It is important for businesses to have adequate internal resources to meet the requirements of product orders.
	Capital requirements		x		Main activities of Vietnam's apparel companies are manufacturing and processing based on outsourcing contracts, thus, required investment in fixed assets is relatively large.

Technical and technology requirements	x	Technology requirements for sewing activities are not as high as weaving and dyeing activities. However, garment enterprises account for 70% of enterprises in the industry.
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**Conclusion:** For Vietnam's textile and apparel industry, entry barriers are not high due to government policies to encourage the development of this industry and moderate requirements of technology, capital, etc. In addition, access to inputs and distribution channels are also relatively easy. This explains why there are now approximately 6,000 businesses operating in the textile and apparel industry throughout the country.

<b>Bargaining power of suppliers</b>	Concentration of suppliers	x	The number of material suppliers is large; the concentration level is not high.
	The difference of suppliers	x	The difference of suppliers is not much.
	Impact of inputs on cost or product differentiation	x	The cost of raw materials accounting for about 60-70% of the cost of goods sold and materials greatly affect product differentiation.
	Costs of switching suppliers	x	Large number and broad information on many suppliers lead to low costs of switching suppliers.
	The existence of alternative suppliers	x	The number of alternative suppliers in major countries such as China, Taiwan, South Korea, etc. is large but the number of suppliers in Vietnam market is not much since ancillary industry has not developed adequately.
Risks of enhancing combination of suppliers	x	As the number of suppliers is large and level of monopoly is not high, risks of enhancing combination of suppliers are not high.	

**Conclusion:** Large number of suppliers, moderate difference and low costs of switching suppliers lead to low bargaining power of suppliers. Currently, the main suppliers for Vietnam's textile and apparel enterprises are companies in China, South Korea and Taiwan. To be eligible for incentives from the TPP and EU-Vietnam FTA, manufacturers have to switch from suppliers in those countries to that in Vietnam or TPP countries. This will be a great challenge since ancillary industry in these regions has not developed to be commensurate with the demand.

<b>Bargaining power of buyers</b>	Number of buyers	x	The number of buyers having demand for orders is large in Vietnam.
	Information obtained by buyers	x	Information obtained by buyers about enterprises in the industry is not much since business information system has not provided adequate details.
	Sensitivity to price	x	Besides cost issue, other issues related to product quality, manufacturing processes, safety, regulatory compliance, etc. are also equally important to buyers.
	Product, service differentiation	x	The difference among these products is moderate since manufacturers have different service and production processes, depending on ability and experience.
	Concentration level of customers in the industry	x	Concentration level of customers in the industry is low, etc.
	Availability of substitute goods	x	The availability of substitute goods is relatively high, but not much information is provided.

**Conclusion:** Bargaining power of buyers is not too high due to high demand and low production capacity of enterprises. In particular, the peak period of Q2 and Q3 each year, these businesses typically operate at maximum capacity. With the increasing trend of Chinese labor costs and expectations from trade agreements, Vietnam's apparel industry will continue to enhance its role in the global chain.

<b>Substitute products</b>	Costs of changing products	x	Costs of changing products are low.
	Correlation of price and quality of substitute products	x	Garment products are very diverse with many different prices and quality. Therefore, buyers can easily find substitute products with correlation of price and quality.
	Trend to use substitute products of customers	x	The trend to use substitute products of customers is high, corresponding to changes in age, income, trends, etc.

**Conclusion:** The ability to convert substitute product line is high (for example from jeans to khaki, from t-shirts to shirts, from this brand to other brands, etc.). This is the result of low costs of changing products, the diversity of price and product quality and changes in fashion trends over time.

<b>Competitive rivalry</b>	Barriers to exit the industry	x	High barriers to exit the industry are due to the unique characteristics of machinery, equipment and policies for employees.
	Concentration level of the industry	x	The concentration level of industry is low; This is also characteristic of the apparel industry in Vietnam. The number of enterprises in the industry is large and no businesses with extraordinary scale compared to other businesses.
	Added value	x	Added value of the industry currently is low due to main activities of CMT.
	Growth status of the industry	x	With expectations from the free trade agreements and the advantages of human resources, Vietnam is one of the countries with highest growth rate of the textile and apparel industry in the world.
	Excess capacity	x	Currently, the majority of textile and apparel enterprises are operating at maximum capacity due to the positive situation of orders.
	Difference among products	x	The difference among these products is moderate since manufacturers have different service and production processes, depending on ability and experience.
	Screening status in the industry	x	Screening status in the industry is increasingly high due to the pressure on input costs and increasing demands for products and services.
The ability to impose price	x	The ability that producers impose prices is low since this industry is scattered and differentiated level is not too large.	

**Conclusion:** Although demand in the industry is high, the competition in the industry is high as well. The competition is not only for large customers, but also in market of inputs and labor. Currently, the ancillary industry of Vietnam only meets the small demand for inputs, so the business is subject to intense competition for access to raw material quality, reasonable price. Besides, labor is one of the most important elements of the manufacturing process. Labor in the textile and apparel industry are mainly women with few years working in the industry. Enterprises have to be in fierce competition to attract and retain employees, especially employees with experience and skills.



**5. SWOT ANALYSIS OF VIETNAM TEXTILE AND APPAREL INDUSTRY**

Strengths	Weaknesses
<ul style="list-style-type: none"> <li>• Vietnam is highly appreciated for political stability and social safety, attractive market for traders and foreign investors.</li> <li>• Government has priorities and measures to encourage investment in the textile and apparel industry as tax incentives for the import of raw materials for the purpose of producing garments for re-export in 3-4 months, corporate income tax exemptions, etc.</li> <li>• The number of people in working age in Vietnam is large, while the textile and apparel industry is labor-intensive. Therefore, this is one of the competitive advantages of Vietnam's apparel industry.</li> <li>• Labor costs for textile and apparel industry are low in Vietnam, while skills are highly appreciated.</li> <li>• Vietnam's apparel products have been accepted by tough markets like the U.S., EU, and Japan.</li> <li>• Vietnam is an important exporter and manufacturer in 2 major markets, that are, the United States and EU.</li> <li>• Building close relationships with many importers, large consumption corporations around the world.</li> </ul>	<ul style="list-style-type: none"> <li>• Garments for export are mainly produced by the method of processing, design is an underdeveloped stage, and the rate of producing based on FOB is low.</li> <li>• Products are also common, not diverse yet. It is still not able for production of a large number of items for export with high technical quality requirements.</li> <li>• Textile and ancillary industry development is not commensurate with the apparel industry, thus, insufficient source of raw materials are qualified to be supplied for the apparel industry, so added value is not so high.</li> <li>• Most textile and apparel enterprises of small and medium scale, and low ability to raise capital limit their ability to innovate technology and equipment. Small scale makes businesses unable to achieve economies of scale, and supply products to only a certain number of markets.</li> <li>• Management skills and technical production are poor, labor productivity is not high.</li> <li>• No strategic training for human resources for high quality textile and apparel production team and design team to increase the ability to compete with other countries.</li> <li>• Marketing capability is limited; the majority of apparel enterprises have not built their own brand on the international market.</li> </ul>
Opportunities	Challenges
<ul style="list-style-type: none"> <li>• Garment production tends to shift to the developing countries in which Vietnam is one of the most attractive destinations, thereby creating new opportunities and resources for the apparel enterprises in access to capital, advanced and modern equipment, and production technology, advanced management experience, skilled workers from developed countries.</li> <li>• Vietnam's deeper integration into the economy over the region and the world facilitates better access to markets for apparel.</li> <li>• Vietnam's commitment to economic reform and development has created attractiveness</li> </ul>	<ul style="list-style-type: none"> <li>• The starting point of Vietnam textile and apparel industry is low, ancillary industry has not really developed, raw materials are mainly imported, rate of processing is high, etc. which are big challenges to global economic integration.</li> <li>• The policy environment is not favorable. The legal documents of Vietnam is still in the process of being complete, while capacity of staff who establish and enforce policy, as well as capacity of staff involved in trade promotion is weak.</li> <li>• Major markets use many barriers of technology, sanitation, safety, environment, social responsibility, anti-subsidies to protect domestic production. Many Vietnamese enterprises of small and medium scale have insufficient</li> </ul>

to investors, and open new markets and new partnerships.

- The domestic market with a population of 91.5 million people and improved living standards creates a great opportunity for textile and apparel businesses.
- Foreign Direct Investment in Vietnam textile and apparel industry continued to increase, especially in the recent period when expectations of TPP and EU-Vietnam FTA increased. Enterprises with FDI often have advanced level of technology; high technical skills will help improve the competitiveness of Vietnam.
- resources to pursue anti-dumping lawsuits, resulting in losses in the trade disputes. Trade barriers as above have been applied in a more flexible and more sophisticated way, especially in the context of the financial crisis and global economic downturn.
- Despite the Government's policy to encourage investment in the ancillary industry, local units tend not to attract investment in the dyeing and weaving industry because of environmental issues.
- FDI creates significant competition among local businesses in orders, material inputs, labor, etc.

## 6. FREE TRADE AGREEMENTS

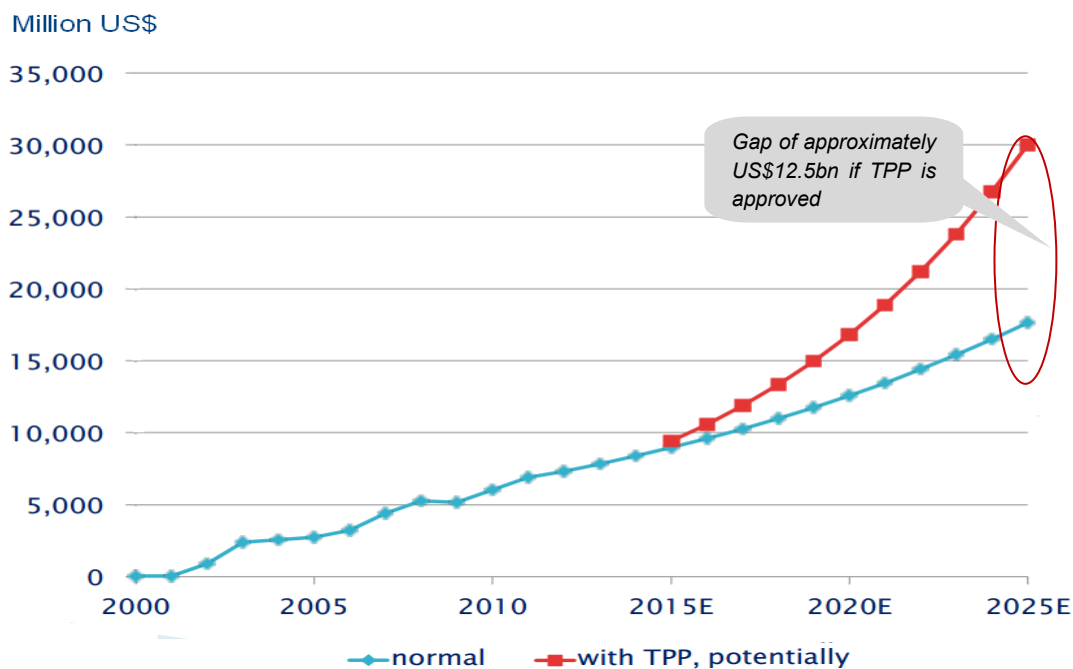
### Trans-Pacific Strategic Economic Partnership Agreement (TPP)

TPP is a free trade agreement with the aim of integrating the economies of the Asia - Pacific region. Agreement currently includes 12 member countries: Vietnam, the United States, Canada, Mexico, Peru, Chile, Brunei, Singapore, Malaysia, Australia, New Zealand and Japan. GDP scale of TPP is estimated at US\$26,000bn, accounting for approximate 40% of global GDP. There is a population of around 792 million people and trade ratio is around one third of global trade. Up to the present time, TPP has undergone 20 rounds of formal negotiations, 4 Ministerial Sessions and many interim sessions, bilateral meetings and visits.

TPP is considered a free trade agreement (FTA) of new generation. Traditional FTAs include mainly areas of trade in goods and services (+ investment, + intellectual property). TPP includes commercial activities (goods and services) and non-commercial activities (labor, environment, state-owned enterprises, etc.). In addition, TPP has higher commitment to cut nearly 100% tariffs.

Currently countries such as Chile, Brunei, Singapore, Malaysia, Australia, New Zealand and Japan signed FTA with Vietnam, so the impact of TPP on the open market between Vietnam and these countries is not significant. Meanwhile, the United States is the largest export market of Vietnam, so TPP is expected to be a major impact on Vietnam's exports to this market.

Vietnam currently exports about 1,000 lines of apparel products into the United States with an average tax rate of 17-18%. TPP is expected to cut the tariffs gradually to 0%. According to the Vietnam Textile and Apparel Association (VITAS), with prospects of TPP, Vietnam's apparel export to the United States could grow 12-13%/year and could reach US\$30bn in 2025, thus, export scale of the whole industry in 2025 will reach about US\$55bn. Besides, if TPP could boost investment in materials as expected, indicators of trade surplus, added value and the rate of industry localization will be increased. It is expected that the industry will soon finish achieving a localization rate of 60% in 2015 and 70% in 2020.

**Vietnam's garment export to U.S. market**


Source: VITAS

However, in order to enjoy tax rate of 0%, textile and apparel enterprises have to meet the requirements of "yarn forward", which means that stages of spinning, weaving - dyeing - finishing and sewing have to be done at TPP member countries. This has caused many obstacles for Vietnam's apparel industry as ancillary industry in Vietnam is not strong enough. Consequently, our country depends heavily on the supply of raw materials from foreign countries, accounting for nearly 88% of total demand. Most of the countries that Vietnam imported raw materials from are not TPP countries.

**EU - Vietnam FTA**

The EU is one of the most important trade partners of Vietnam. Exports to the EU reached US\$24.3bn in 2013; accounting for 19.2% of total export of the country, the EU then became the largest export market of Vietnam. 5 leading products export to the EU is Vietnam's footwear, garments, coffee, seafood and furniture. Merchandise exports from Vietnam to EU are subject to average tariffs of 4.6%.

According to European Trade Policy and Investment Support Project (MUTRAP), EU-Vietnam FTA will help increase EU investment in the service industry in Vietnam, increase export of Vietnam to EU and create the opportunity to upgrade the technical level of Vietnam through the import of strategic goods with lower prices. In addition, trade liberalization would help increase national income (greater revenues from imports than from funding sources of tax deductions), maintain trade balance.

The simulation results of MUTRAP show that Vietnam will significantly increase national income in period from implementation stage to year 2025 (estimated change in GDP is 2-2.5%). Vietnam's export turnover to the EU is expected to grow 75% by 2020 in the absence of EU - Vietnam FTA and grow by 110% if EU - Vietnam FTA is adopted.

EU - Vietnam FTA will help reduce existing tariffs that EU imposes on Vietnam garment products from 11.6% to 0%. Specifically, five popular garment products for exports will benefit, that are, male and female suits, male and female jackets, and knitwear. At the same time, the value of apparel export from Vietnam to EU has average growth of 6%/year when the FTA is expected to be signed by the end of 2014 and take effect in 2015.

## 7. LEGALITY, POLICIES RELATING TO THE INDUSTRY

**1. In 02/2013, the Prime Minister approved the plan of restructuring Vietnam Textile and Garment Group (VINATEX) for the period of 2013-2015.** The goal is to ensure that VINATEX will focus on the main manufacturing and trading sector. On this basis, supply chain of fiber - weaving - dyeing - sewing is formed to enhance added value, business efficiency and competitiveness of VINATEX, contributing to social - economic development. Simultaneously, the Prime Minister requested the parent company to urgently carry out initial public offering in 2014. Accordingly, after the restructuring, there are four businesses that the parent company holds 100% chartered capital; 6 businesses with more than 50-65% chartered capital and 20 businesses with less than 50% of the chartered capital. In the period of 2013 - 2015, the parent company - the Group has to disinvest 100% capital at 37 enterprises such as Binh Thang Investment and Development Company; Textile-Garment Financial Joint Stock Company; Trung Vuong University and a number of joint-stock commercial banks, etc. Simultaneously, the Ministry of Trade and Industry has to make specific routes and plans to complete the divestment by 2015.

**2. In 02/2014, the Prime Minister signed Decision No. 288/QD-TTg about funding the training of human resources for Vietnam's garment production for Vietnam Textile and Garment Group.** Accordingly, VND65.6bn will be funded from the State budget in 2014 to support the training of human resources for Vietnam Textile and Apparel.

**3. In 03/2013, Circular No. 30/2013/TTBTC was issued to instruct refunding tax on environmental protection plastic bags for packaging goods available 02/NQ-CP Resolution No. 07/01/2013 of the Government.** This Circular is applied to organizations, households and individuals who produce or import to receive refund for tax paid on environmental protection and fines for late payment, if any. Stop collecting tax if the taxpayer has declared but not yet paid, and fines for late payment from 01/01/2012 to 11/14/2012 for all plastic bags for packaging of pre-packaged goods.

**4. Ministry of Finance issued Circular No. 38/2013/TT-BTC in effect since 19/05/2013 to amend the preferential import duty rate for some goods of group 39.03, 54.02, 59.02, 72.17 in preferential import and export tariffs.** Accordingly, synthetic filaments unpackaged from elastic plastic (code 5402.44.00) and high carbon steel wire with coated wicopper alloy used for pneumatic inflatable rubber tire types (code 7217.30.31) have the tax of 3%. For polystyrene expander in the form of granules (code 3903.11.10); type of high impact polystyrene (code 3903.19.21), other types (code 3903.19.29) tax rate increase from 3% to 5%. Tax rate for fabric made from Nylon-6 fibers used for tires (code 5902.10.91) increases from 5% to 7%; tax rate other types of fabric from polyester (code 5902.20.99) increases from 0% to 3%.

**5. Labor Code (amended) has been effective since 01/05/2013.** Some notable new points of the Labor Code are separate provisions for female workers to promote gender equality in recruitment, use, training, working time, rest periods, wages and other policies; and increasing maternity leave period up to 6 months, however, female workers can return to work after the leave for at least 4 months.

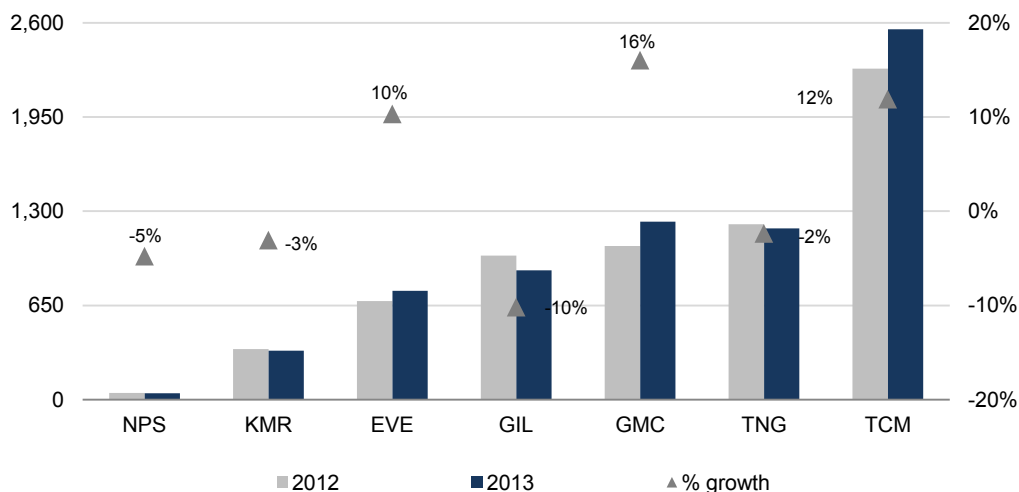
**6. Since 01/07/2013, law on personal income tax is officially in effect,** raising the family allowances for taxpayers to VND9.0m and for a dependent to VND3.6m.

**7. In 19/06/2013, the National Assembly passed the Law on amending and supplementing a number of articles of the Law on Corporate Income Tax.** Accordingly, the provisions of law since 01/01/2014 impose ordinary tax rate of 22%; businesses with total revenue of less than VND20bn are applied the general tax rate of 20% since 01/07/2013. Since 01/01/2016, the general tax rate is 20% and the preferential tax rate of 20% will be reduced to 17%.

### III. TEXTILE AND APPAREL ENTERPRISES

#### 1. BUSINESS PERFORMANCE OF LISTED TEXTILE AND APPAREL BUSINESSES

##### Net revenue (VND billion)



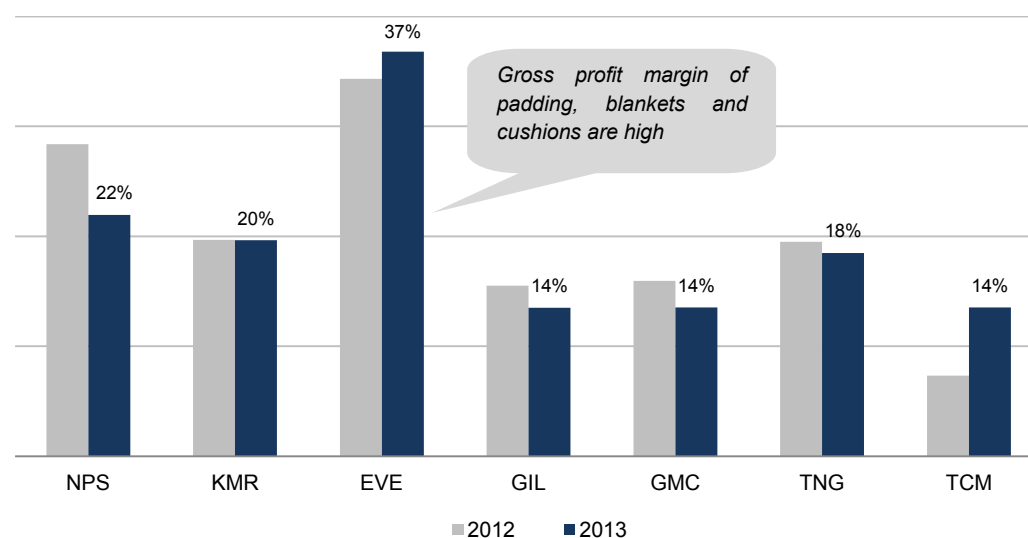
Source: Compiled by FPTS

Among listed textile and apparel businesses, TCM is the enterprise with largest scale reflected by revenue in 2013 reaching VND2.554bn, increasing by 12% over the same period.

GMC is the enterprises with the largest revenue growth rate of 16% in 2013 since orders in the year are positive; so GMC becomes the 2nd largest enterprise in the textile and apparel industry with VND1,229bn revenue.

EVE also achieved impressive growth rate of 10% in revenue in 2013; reaching VND751bn. Revenue increased primarily due to growth of padding sector since orders in the year are positive. Revenue of padding sector reached VND227bn, increasing by 51.3% over the same period.

##### Gross profit margin



Source: Compiled by FPTS

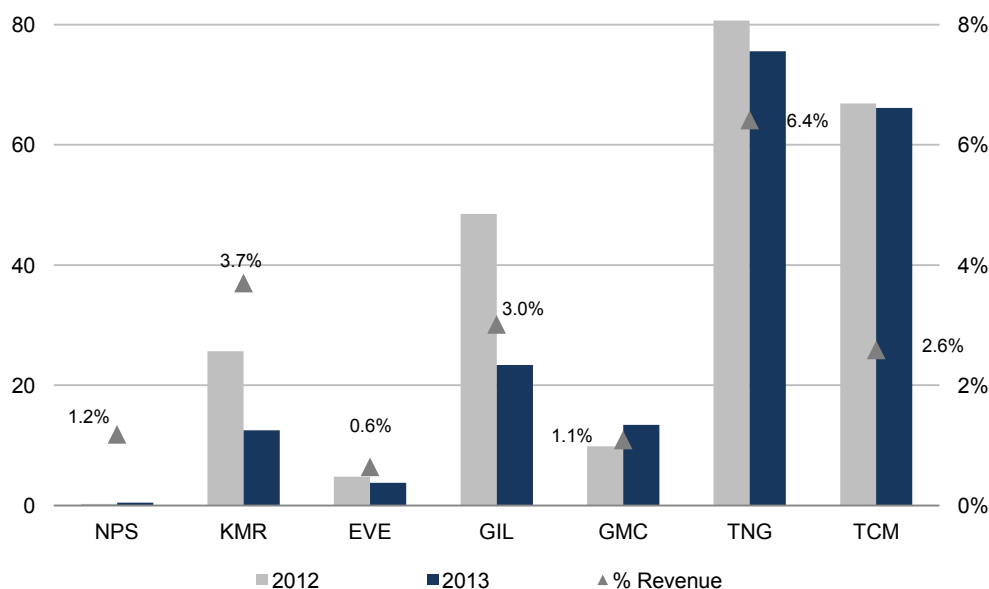
EVE is the business with the highest gross margin, mainly because characteristics of product lines of cushions, blankets and padding have higher profit margin than product lines of clothing. In 2013, profit margins continued to improve and reached 36.8% due to the padding items with high profit margins (41%) accounting for a larger proportion of total revenue over the same period.

Gross profit margin of TNG was relatively volatile in the period 2009-2013 and currently reaches 19.5%; higher than other businesses of outsourcing production of clothing items.

TCM is the business with significant improvement in gross profit margin improved in 2013. This is mainly because in 2012, the company used the amount of high-priced cotton bought through contracts after year 2011; the gross profit margin was only 7.3%. Until Q1/2013, the company used all of its inventory cotton of year 2011 and cotton market prices significantly reduced, so gross profit margin increased to 13.5% in 2013.

GMC has a decrease in gross profit margin in 2013 primarily due to recent operation of Blue Sai Gon Garment Limited (the subsidiary); loss was recorded in 2011, while total depreciation expense also increased during the year.

#### Financial expenses (VND billion)



Source: Compiled by FPTS

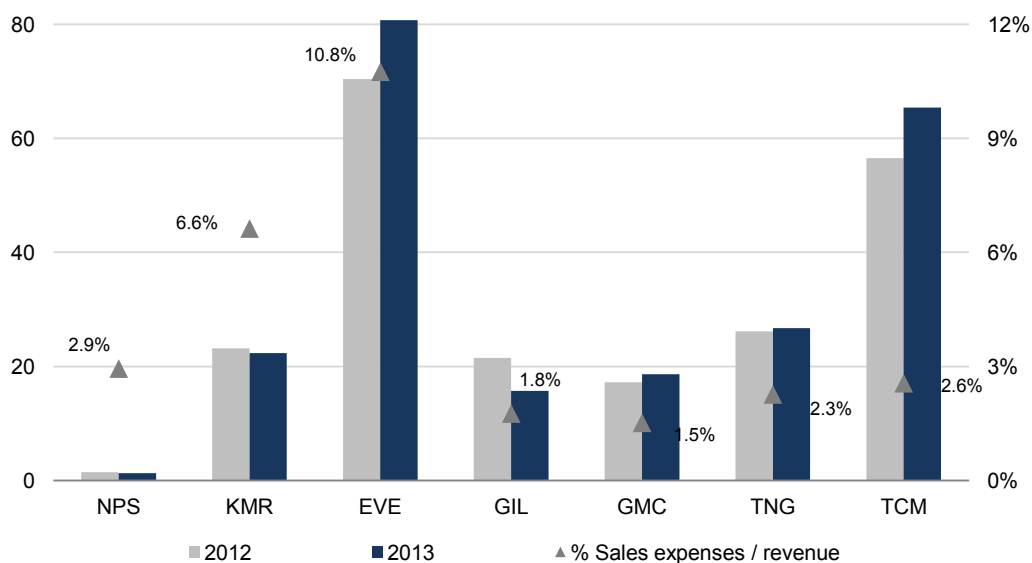
Financial expenses in 2013 of most of the textile and apparel enterprises decreased over the same period due to the reduction in interest rate for loan.

TNG is the business with highest financial expense and highest proportion of financial expense over revenue since the company uses high financial leverage. In 2013, financial expense of TNG was VND75.7bn, proportion of financial expense over revenue was 6.4%; very high compared to the average of industry at 2.7%.

In 2013, financial expense of TCM were VND66.2bn; decreasing slightly over the same period. Although short-term liabilities and long-term liabilities of TCM were greater than those of TNG (VND661bn and VND264bn compared with VND471bn and VND185bn, interest expenses of TCM are smaller than those of TNG (VND44.4bn compared to VND72bn) mainly due to TCM's loans in US\$ with low interest rate of about 3.5%-4%/year while TNG applied for bank loan in US\$ and VND with higher interest rates.

EVE is business with lowest proportion of financial expense over revenue. In 2013, financial expense was VND4.8bn and the proportion of financial expense over revenue was very low, at 0.6%, mainly due to almost no liabilities.

### Sales expenses (VND billion)



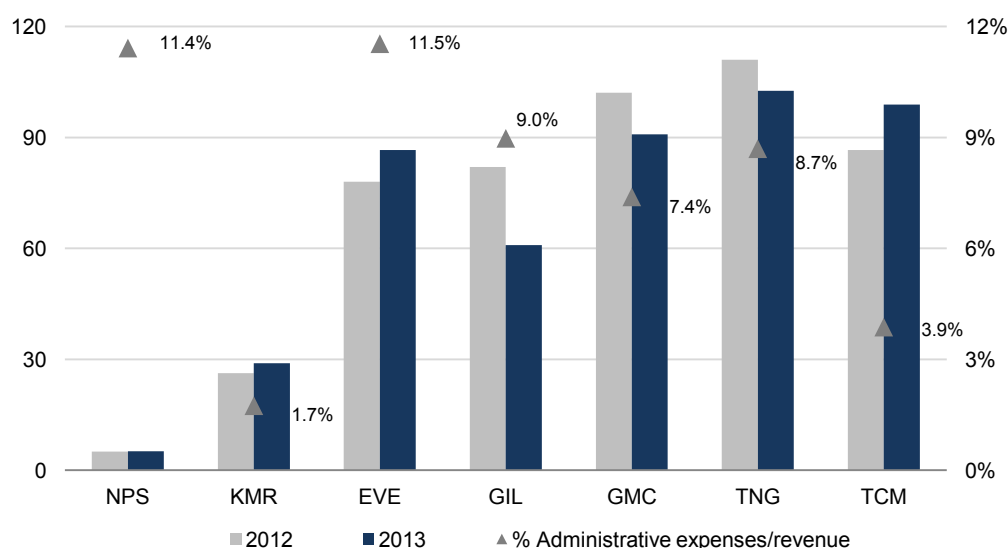
Source: Compiled by FPT S

EVE is the business with high sales expense and highest proportion of sales expense over revenue. In 2013, sales expense was VND80.7bn; increasing by VND10.3bn compared with the same period due to the increasing competition in the industry, leading to high advertising costs and managing large distribution system.

In 2013, TCM's sales expense was VND65.4bn; increasing by VND9.0bn over the same period, corresponding to the revenue growth of the company.

GMC is the business with the lowest proportion of sales expense over revenue at 1.5% since the company's major customers are loyal customers with many orders currently, thus, costs of finding new customers are not high.

### Administrative expenses (VND billion)



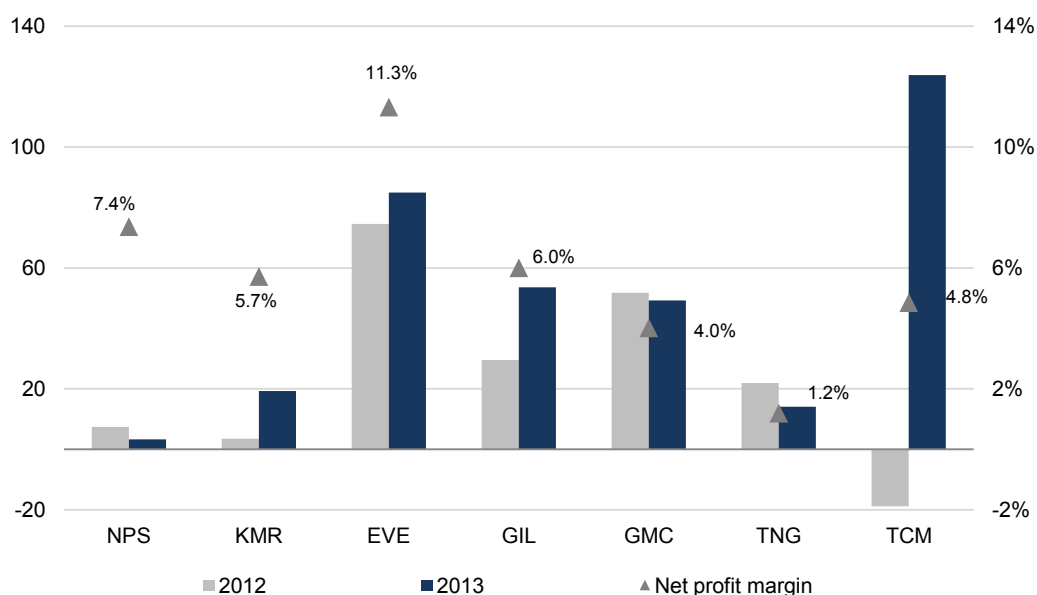
Source: Compiled by FPT S

TNG is the business with highest administrative expense. In 2013, despite a reduction of VND8.5bn compared with the same period, administrative expense of VND102.6bn are still high. Proportion of administrative expense was 8.7%; which is also high compared with other businesses of outsourcing production of clothing such as TCM, GMC.

EVE is the business with highest proportion of administrative expense over revenue of 11.5%. This is partly explained by that senior managers are foreigners, so salary for this management level is relatively high.

TCM has low proportion of administrative expense at 3.9%. This shows the effectiveness of management and cost savings for the company.

### Net profit (VND billion)



Source: Compiled by FPTS

With favorable export situation, the profit after tax of the majority of enterprises in 2013 increased over the same period.

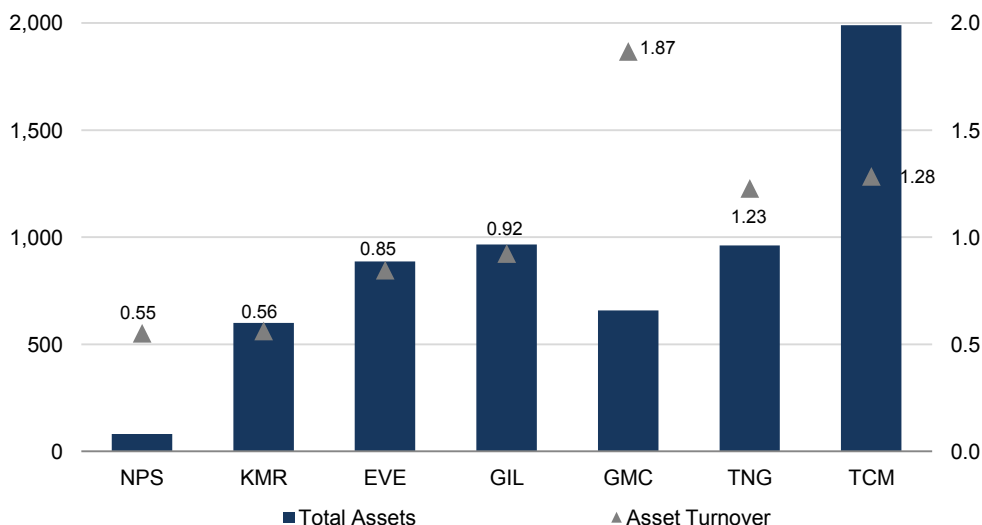
TCM is the business with the most impressive increase; from VND-19bn in 2012 to VND124bn in 2013 due to positive export market and decrease in raw cotton input price. TCM is also the business with highest profitable after tax among the listed companies.

EVE is the business with highest net profit margin of 11.3% due to high gross profit margins of cushions, blankets and padding and low financial expense. In 2013, the company achieved net profit of VND85bn, increasing by VND10bn over the same period, corresponding to growth in revenue and gross profit.

Profit after tax of GIL increased from VND29.6bn in 2012 to VND53.6bn in 2013, equivalent to growth rate of 81.1%. Changes in profit are mainly due to other income of VND84.5bn resulting from transferring office buildings for lease at 24C, Phan Dang Luu with value of VND146bn.

Despite higher gross profit margin than most businesses of outsourcing production of clothing items, TNG is the business with the lowest net profit margin of 1.2% in 2013. This is mainly due to much higher financial expense and administrative expense of the company than others in the industry.

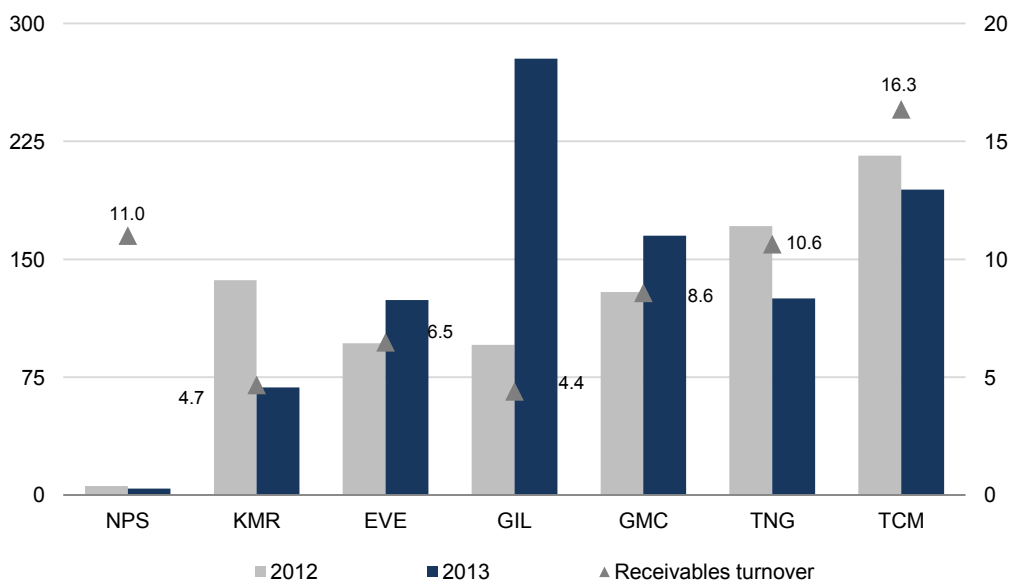


**2. FINANCIAL SITUATION OF LISTED TEXTILE AND APPAREL BUSINESSES**
**Total assets (VND billion)**


Source: Compiled by FPT S

TCM is the business with highest value of total assets. As at 31/12/2013, the value of the company's total assets reached VND1,989bn, more than double compared to GIL, the business with 2nd highest value of total assets of VND966bn. Turnover of total assets reached 1.28; only lower than GMC.

GMC is the business with highest turnover of total assets. In 2013, turnover of total assets of the company reached 1.87 reflecting GMC's efficient use of assets. However, compared with other companies, the value of fixed assets of GMC is low and the company is operating at maximum capacity. Therefore, if the orders and the size increase, it will cost GMC large expenditures for investment in upgrading and expanding fixed assets.

**Value of receivables (VND billion)**


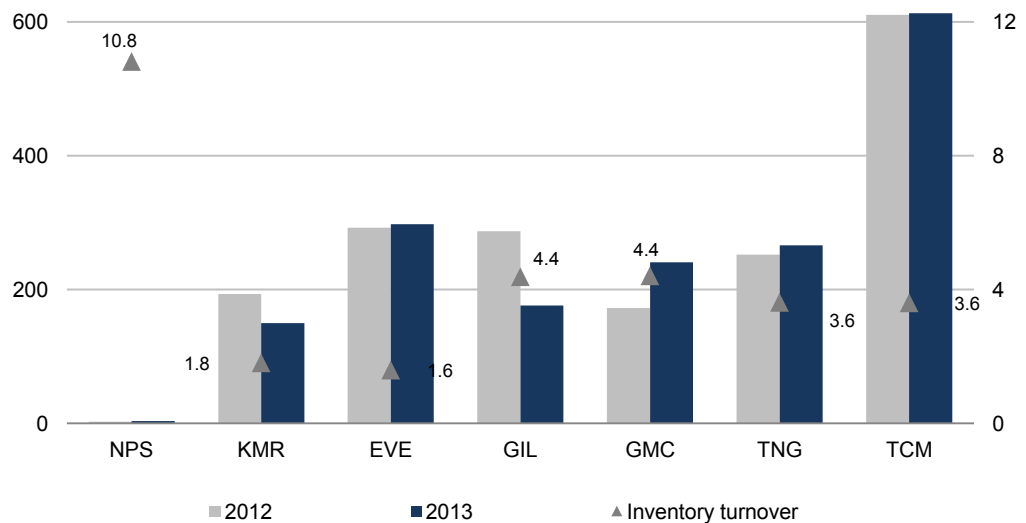
Source: Compiled by FPT S

GIL's value of receivables increased sharply from VND96bn as at 01/01/2013 to VND278bn as at 31/12/2013 mainly due to the receivables from transferring office buildings for lease with value of VND146bn.

KMR's value of receivables in 2013 fell sharply as the company collected receivables of VND20.6bn from Mirae Fiber Tech Company.

TCM is the business with highest receivables turnover with 16.3 rounds, equivalent to the number of days for receivables is 23 days. This shows the efficiency of the recovery and limits the amount of misappropriated funds from customers.

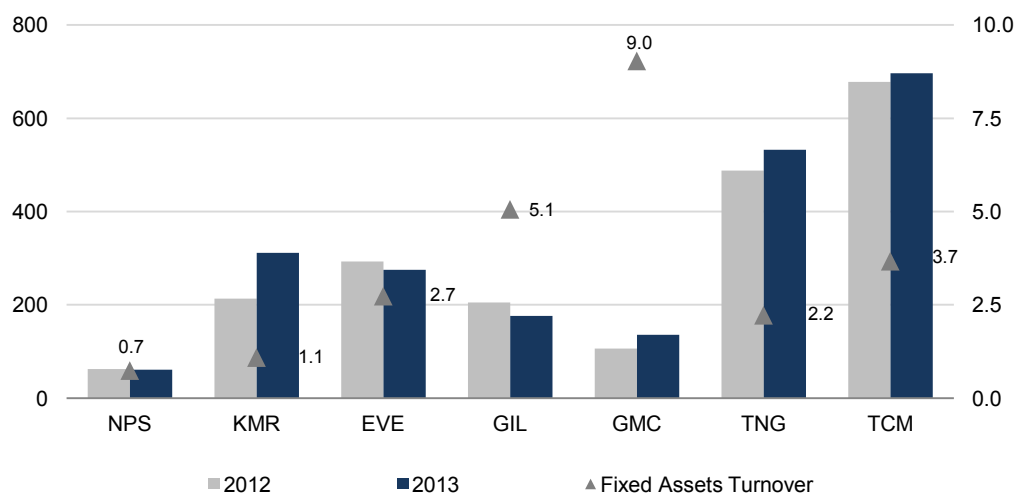
### Inventory value (VND billion)



Source: Compiled by FPT S

Most businesses had increase in inventories at the end of 2013 due to positive orders for year 2014. TCM is the business with largest inventory corresponding to the size of the company. Enterprises producing cushions, blankets and padding as EVE, KMR have lower inventory turnover than companies producing clothing items. EVE is the business with lowest inventory turnover of 1.6 cycles / year, corresponding to the number of days for inventory is 229 days.

### Value of fixed assets (VND billion)



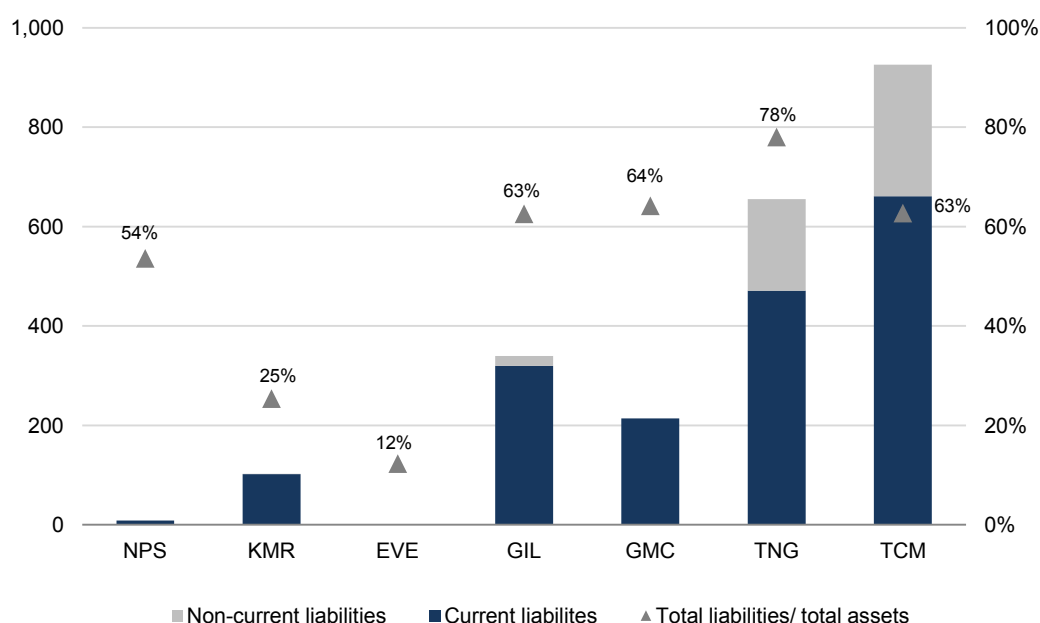
Source: Compiled by FPT S

KMR is the business with largest increase of VND98.2bn fixed assets in 2013; and becomes the business with the 3rd largest value of fixed assets after TNG and TCM.

GMC is the business with the 3rd largest revenue but the value of fixed assets is less than most of other businesses. Therefore, the fixed asset turnover of GMC is higher than other businesses in the industry.

TNG is the business with significant investment in fixed assets. The average growth rate of fixed assets during 2008-2013 is 126%/year. As at 31/12/2013, the company's value of fixed assets reached VND532bn, increasing by VND44bn compared with the beginning of the year.

### Structure of liabilities (VND billion)

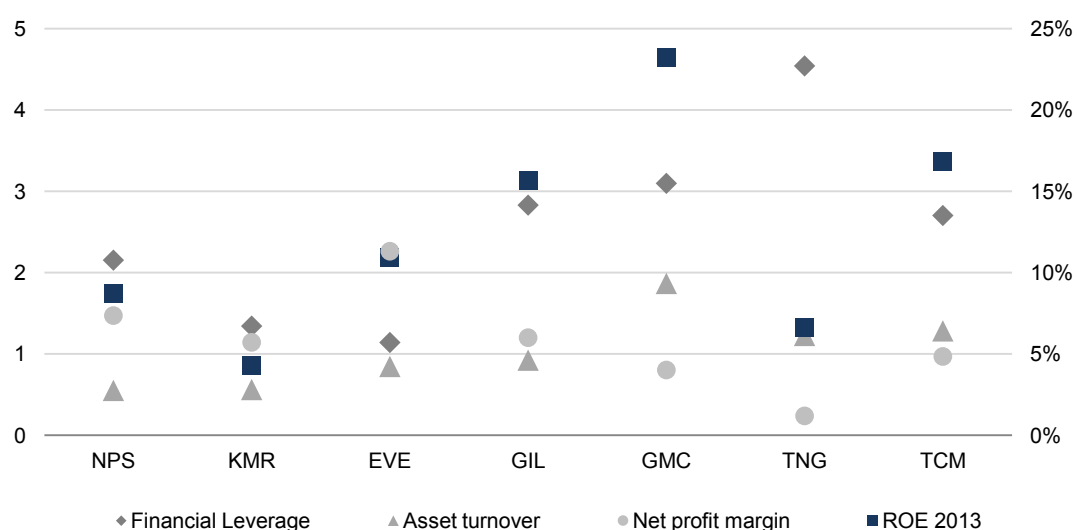


Source: Compiled by FPT S

TCM is the business with highest liabilities. As at 31/12/2013, short-term liabilities and long-term liabilities are respectively VND661bn and VND264bn. Most of TCM's liabilities are in dollars with low interest rate of 3.5-4%/year.

TNG is the business with the highest proportion of total liabilities over total assets at 77%. Due to high financial leverage, financial expense of TNG is also high compared with other businesses in the industry, which greatly affects the profitability of the company.

Enterprises producing blankets, cushions and padding have much lower proportion of total liabilities over total assets than clothing manufacturing businesses. In particular, total liabilities of EVE as at 31/12/2013 were VND1.3bn.

**DuPont analysis**


Source: Compiled by FPTS

ROE of businesses have large differences due to differences in all indicators of financial leverage, total asset turnover and net profit margin. Enterprises with highest ROE and lowest ROE are GMC and KMR with 23.2% and 4.3% respectively.

GMC's ROE is high mainly due to high financial leverage of 3.1x (only lower than TNG) and asset turnover is also the highest at 1.87x; mainly due to small value of investment in fixed assets.

TCM's ROE reached 16.8%, only lower than the GMC. Financial leverage and net profit margin reached the average level of the industry but high asset turnover helped TCM have 2nd highest ROE in the listed companies.

Although TNG used highest financial leverage of 4.54x, net profit margin was only 1.2%, so ROE was 6.6%; which is low compared to other businesses.

Although EVE achieves the highest net profit margin of 11.3%, due to using low financial leverage of only 1.14x, ROE was only 10.9%; average level compared with other businesses.

Indicators of financial leverage and total assets turnover of KMR are very low; respectively 1.34x and 0.56x, resulting in lowest ROE of 4.3%.

**Cash flow (VND billion)**

Cash flow	NPS		KMR		EVE		GIL		GMC		TNG		TCM	
	2012	2013	2012	2013	2012	2013	2012	2013	2012	2013	2012	2013	2012	2013
Operating	-2.8	2.2	50.3	65.3	187	61.7	-137.2	-52	21.1	4.3	-65.8	123.6	100.9	181.3
Investing	-0.9	-0.6	-40	-41.3	-157	-52.9	-28.3	122.4	-31.3	-54.8	-90.5	-96.4	-23.6	-66.8
Financing	-3.1		-4.6	-13.2	-42.1	-64.8	101.8	-169.2	23.8	72.2	110	-28.6	-81.2	-87.1
Net cash flow	-6.8	1.6	5.8	10.9	-56	-12.1	-63.7	-98.8	13.6	21.9	-46.2	-1.4	-3.8	27.5
Cash at the end of period	2.2	3.9	9.1	20.4	107.3	51.4	202.8	103.9	30.7	52.4	13.6	12.2	90.6	118.1

Most of companies have improved cash flow from operating activities in 2013. In particular, TNG had the most impressive increase from VND-65.8bn in 2012 to VND123.6bn in 2013 mainly because the company has made the recovery of receivables from customers. TCM increased by VND80.4bn as a result of pre-tax profit moving from VND-24.4bn in 2012 to VND134.5bn in 2013. EVE is the business with significant decrease in cash flow from operating activities mainly due to increase in the value of inventories and account receivable in 2013.

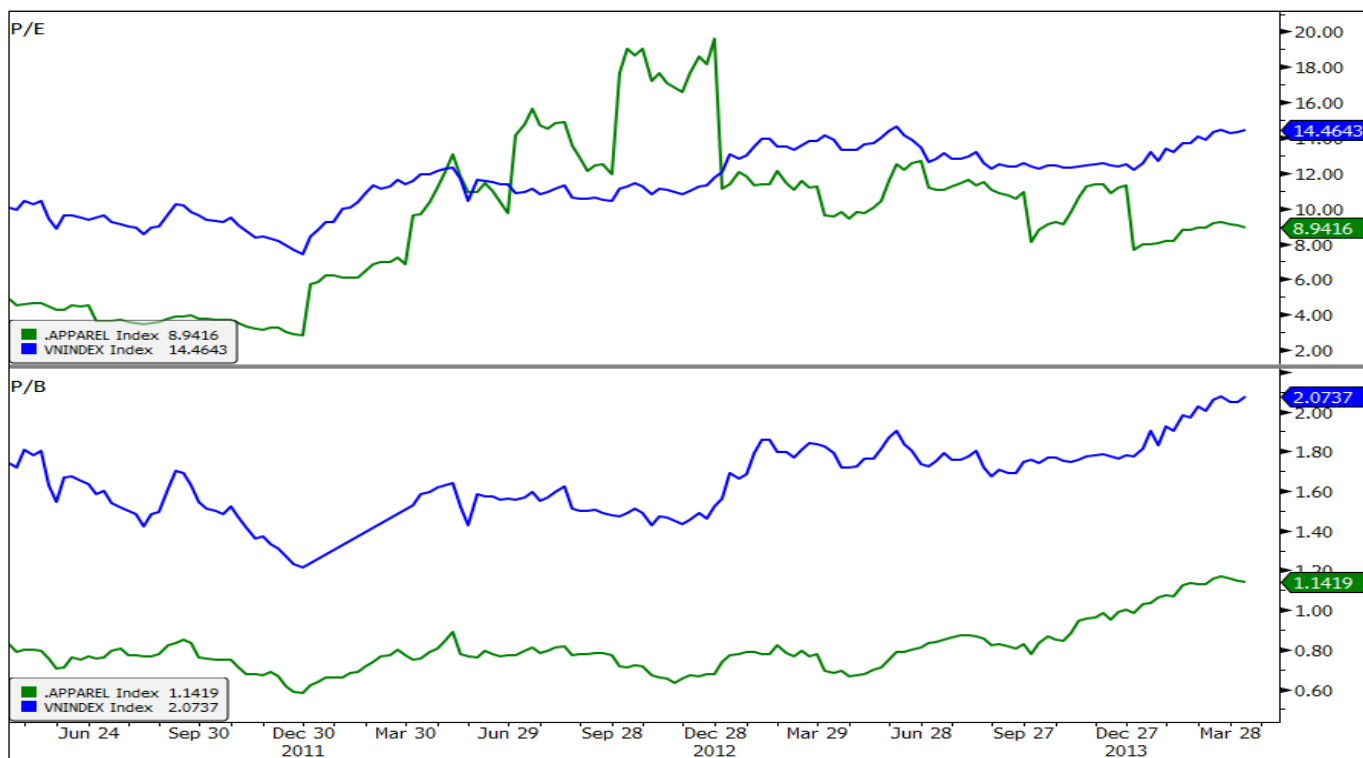
TNG is the business with largest cash outflow of VND96.4bn in investing activities in 2013. In particular, the company has used VND109.7bn for acquisition and construction of fixed assets. In 2013, GIL is the only company with positive cash flow of VND122.4bn from investing activities; primarily from collection of debts from other businesses. TCM also has a significant investment of VND68.8bn in the procurement and construction of fixed assets in 2013.

GIL's cash flow from financing activities was VND-169.2bn in 2013; mainly because the company repaid bank loans. Meanwhile, GMC continued to have positive cash flow from financing activities by borrowing VND75.8bn in 2013.

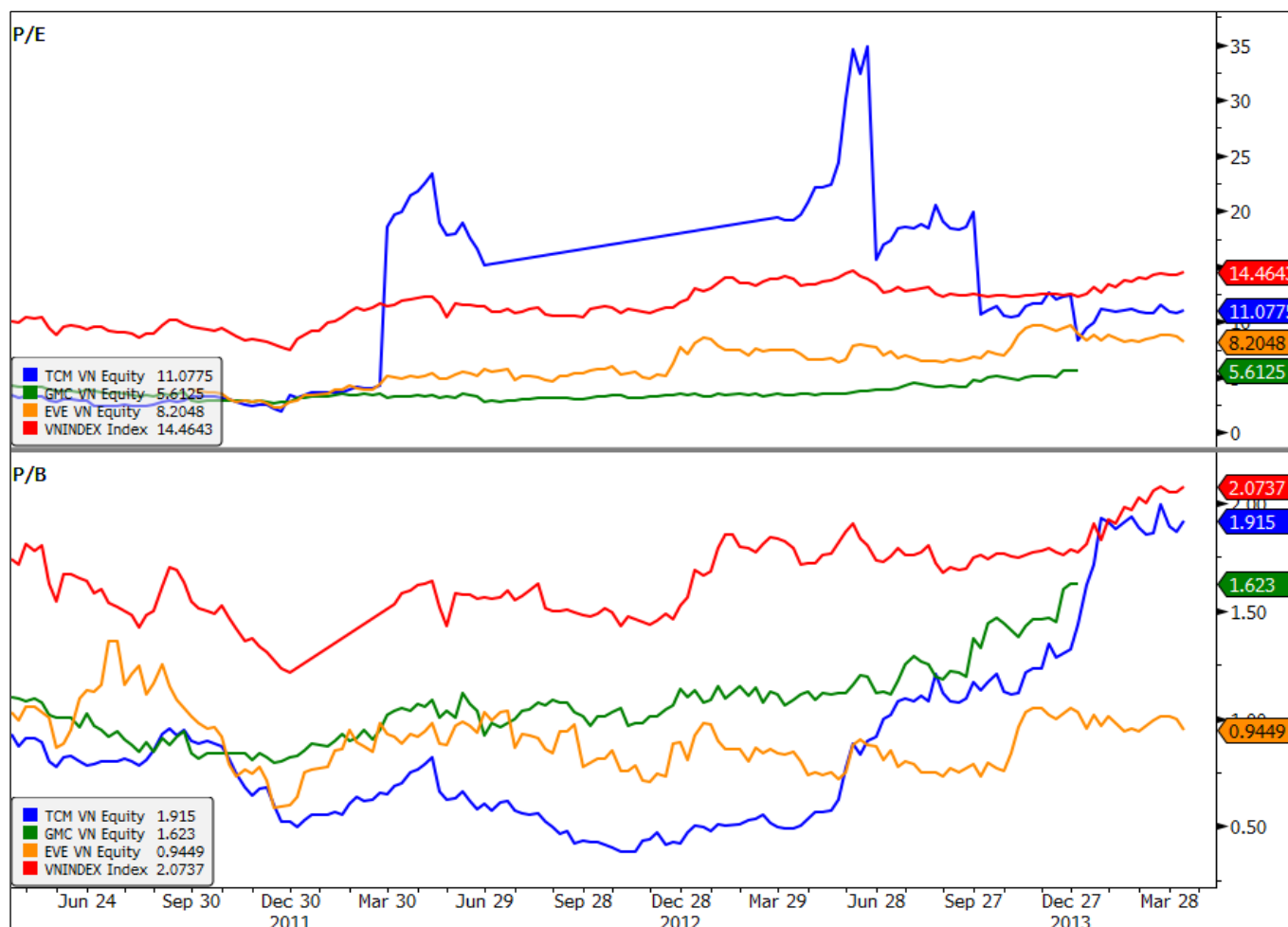
As at 31/12/2013, TCM is the business with greatest amount of cash and cash equivalents, equal to VND118.1bn, accounting for 5.9% of the total assets of the company. GIL is the business with the highest proportion of cash over total assets and net revenue, equivalent to 10.8% and 11.6%. TNG is the company with 2nd largest revenue, the amount of cash is very low, only VND12.2bn. The proportion of cash and cash equivalents over total assets turnover and over revenue is very low with 1.3% and 1.0%. These are signals of risks for liquidity and capital requirements of production and business.

### 3. RECOMMENDATIONS OF TYPICAL LISTED BUSINESSES

#### P/E, P/B of Textile & Apparel Industry and VNIndex



Source: Bloomberg

**P/E, P/B TCM, GMC, EVE and VNIndex**


Source: Bloomberg

Ticker	Price	Market Cap (VND billion)	Dividend yield (%)		EPS (VND/share)		PER		Recommendation	Price in 2014
			2013	2014E	2013	2014E	2013	2014E		
	15/04	15/04	2013	2014E	2013	2014E	2013	2014E		
<b>TCM</b>	29,000	1,438	4.87%	4.92%	2,515	3,218	8.2x	9.5x	Hold	30,500
<b>GMC</b>	32,600	349	7.04%	6.25%	5,361	5,670	5.6x	7.1x	Buy	40,000
<b>EVE</b>	27,500	756	5.56%	4.52%	3,227	3,377	9.0x	9.8x	Buy	33,200

**TCM - Hold, target price of VND30,500**

In 2014, forecast revenue is VND2,810bn; net profit reached VND158bn, equivalent to forward EPS of VND3,218 per share in 2014. We evaluate positive situation and recommend the investors to HOLD TCM shares in the medium and long term with a target price of VND30,500 supported by the following factors:

- Cotton prices in 2014 are expected to decline (since Chinese government reduces cotton inventory) to help increase the company's gross profit margin.
- Expectations from policy opening foreign room FOL since current foreign investors hold 49% of shares outstanding.
- Expectations from benefits from the reduced tax rate of 0% on the U.S. market when TPP is in effect.

- Ambitious plans for revenue of VND2,823bn and after-tax profit of VND164.4bn in 2014 based on the positive situation of orders.
- Positive business performance in Q1/2014 with VND37bn of profit after tax, increasing by 64% over the same period; completing 22.5% of the plan for the year.
- Implementation plans to expand the factory in Vinh Long Province during period of 2014-2017 with a total investment of US\$30m. The new plant will contribute to increase production capacity to meet growing demand and reduce costs for companies.

#### **GMC - Buy, target price of VND40,000**

GMC is a company with stable performance and low risk by focusing on core competencies of apparel activities. Revenue increased steadily over the period 2009-2013 with CAGR of 34.5%. Forecast net profit of VND60bn in 2014, equivalent to EPS forward 2014 of VND5,670 per share. In 2014, the business activities of the company are assessed to continue to be positive supported by the following factors:

- Increasing demand, current GMC's plants are operating at maximum capacity.
- Full of orders for year 2014.
- Gradually shift to ODM method with higher added value than FOB method. In 2014, the company has had first ODM orders with a value of US\$2.0m.
- Vietnam-EU FTA is expected to sign in 2014 and takes effect in 2015, which will reduce the tax rate on the market to 0%. The EU is the main export market of the company, accounting for 53% of total export earnings.

#### **EVE - Buy, target price of VND33,200**

EVE is one of the largest companies in production and trading of cushions, blankets and padding in Vietnam. The company achieved average revenue growth rate of 19.3%/year in the 2008-2013 period and low financial risks due to no loans. In 2014, forecast revenue and profit after tax are respectively VND93bn and VND924bn. We appreciate positive situation of EVE stocks and recommend BUYING with a target price of VND33,200 supported by the following factors:

- Continuing to take advantage of the brand strength and distribution channels to achieve sales goals.
- The new product lines such as furniture under brand name of Everon Furniture, luxurious mattresses, towels imported from South Korea, etc. are expected to bring VND21bn in revenue in 2014.
- Expectations from indirect benefits of TPP as the demand for padding increases.
- Expectations from policy on increasing foreign ownership limit FOL since current foreign investors hold 49% of shares outstanding.

**4. UNLISTED TEXTILE AND APPAREL BUSINESSES**

Items	Viet Tien	Phong Phu	Nha Be	Hoa Tho	Viet Thang	The Ky Fiber	Hue Textile Garment	Dong Nai	Phong Phu Home Textile
<b>Revenue</b>	<b>4,831</b>	<b>4,295</b>	<b>2,802</b>	<b>2,454</b>	<b>1,510</b>	<b>1,453</b>	<b>1,306</b>	<b>983</b>	<b>849</b>
COGS	4,159	3,720	2,291	2,217	1,356	1,276	1,152	899	708
<b>Gross profit</b>	<b>672</b>	<b>575</b>	<b>511</b>	<b>237</b>	<b>154</b>	<b>177</b>	<b>154</b>	<b>84</b>	<b>142</b>
Financial income	29	48	27	9	7	7	5	16	5
Financial expense	18	217	63	34	17	21	22	12	20
<i>In which: Interest expense</i>	8	178	-	23	5	14	-	7	13
Sales expense	226	101	200	71	7	34	42	19	39
Administrative expense	210	194	193	86	40	34	54	39	42
<b>Operating profit/(loss)</b>	<b>247</b>	<b>110</b>	<b>82</b>	<b>56</b>	<b>123</b>	<b>95</b>	<b>40</b>	<b>31</b>	<b>46</b>
Gain/(loss) from subsidiaries	53	171	16	(3)	-	-	-	2	-
Other gain/(loss)	11	(0)	13	1	2	(0)	1	6	(5)
<b>EBT</b>	<b>312</b>	<b>281</b>	<b>12</b>	<b>53</b>	<b>100</b>	<b>95</b>	<b>41</b>	<b>39</b>	<b>41</b>
Corporate income tax - current	64	38	25	5	22	21	10	12	11
Corporate income tax - deferred	-	(2)	(2)	-	-	(0)	-	(3)	-
<b>Net profit/(loss)</b>	<b>248</b>	<b>245</b>	<b>88</b>	<b>48</b>	<b>77</b>	<b>74</b>	<b>31</b>	<b>30</b>	<b>30</b>
Minority interest	11	18	13	2	-	-	-	(0)	-
<b>Profit/(loss) of shareholder of parent company</b>	<b>237</b>	<b>227</b>	<b>76</b>	<b>46</b>	<b>77</b>	<b>74</b>	<b>31</b>	<b>30</b>	<b>30</b>
<b>Revenue</b>	<b>100%</b>	<b>100%</b>	<b>100%</b>	<b>100%</b>	<b>100%</b>	<b>100%</b>	<b>100%</b>	<b>100%</b>	<b>100%</b>
COGS	86.1%	86.6%	81.8%	90.3%	89.8%	87.8%	88.2%	91.4%	83.3%
<b>Gross profit</b>	<b>10.2%</b>	<b>13.4%</b>	<b>18.2%</b>	<b>9.7%</b>	<b>10.2%</b>	<b>12.2%</b>	<b>11.8%</b>	<b>8.6%</b>	<b>16.7%</b>
Financial income	0.5%	1.1%	0.9%	0.4%	0.5%	0.5%	0.4%	1.6%	0.6%
Financial expense	1.1%	5.0%	2.3%	1.4%	1.1%	1.4%	1.7%	1.2%	2.4%
<i>In which: Interest expense</i>	0.3%	4.2%	0.0%	0.9%	0.3%	1.0%	0.0%	0.7%	1.5%
Sales expense	0.5%	2.4%	7.1%	2.9%	0.5%	2.4%	3.2%	1.9%	4.6%
Administrative expense	2.6%	4.5%	6.9%	3.5%	2.6%	2.3%	4.2%	4.0%	5.0%
Operating profit/(loss)	8.1%	2.6%	2.9%	2.3%	8.1%	6.6%	3.1%	3.1%	5.4%
Profit/(loss) from subsidiaries	0.0%	4.0%	0.6%	-0.1%	0.0%	0.0%	0.0%	0.2%	0.0%
Other gain/(loss)	0.1%	0.0%	0.5%	0.0%	0.1%	0.0%	0.0%	0.7%	-0.6%
<b>EBT</b>	<b>6.6%</b>	<b>6.5%</b>	<b>0.4%</b>	<b>2.2%</b>	<b>6.6%</b>	<b>6.6%</b>	<b>3.1%</b>	<b>4.0%</b>	<b>4.8%</b>
Corporate income tax - current	1.5%	0.9%	0.9%	0.2%	1.5%	1.4%	0.7%	1.3%	1.3%
Corporate income tax - deferred	0.0%	0.0%	-0.1%	0.0%	0.0%	0.0%	0.0%	-0.3%	0.0%
<b>Net profit/(loss)</b>	<b>5.1%</b>	<b>5.7%</b>	<b>3.1%</b>	<b>2.0%</b>	<b>5.1%</b>	<b>5.1%</b>	<b>2.4%</b>	<b>3.0%</b>	<b>3.5%</b>
Minority interest	0.0%	0.4%	0.4%	0.1%	0.0%	0.0%	0.0%	0.0%	0.0%
<b>Profit/(loss) of shareholder of parent company</b>	<b>5.1%</b>	<b>5.3%</b>	<b>2.7%</b>	<b>1.9%</b>	<b>5.1%</b>	<b>5.1%</b>	<b>2.4%</b>	<b>3.0%</b>	<b>3.5%</b>
ROA	10.1%	5.4%	4.7%	5.0%	9.8%	7.3%	6.1%	6.5%	6.3%
ROE	37.0%	20.7%	34.2%	20.2%	17.9%	14.8%	28.2%	28.7%	21.3%
EPS	8,468	3,459	4,149	3,072	3,873	2,359	6,176	5,006	3,765



Items	Viet Tien	Phong Phu	Nha Be	Hoa Tho	Viet Thang	The Ky Fiber	Hue Textile Garment	Dong Nai	Phong Phu Home Textile
<b>Short-term asset</b>	<b>1,899</b>	<b>2,296</b>	<b>1,271</b>	<b>558</b>	<b>489</b>	<b>404</b>	<b>314</b>	<b>293</b>	<b>353</b>
Cash and cash equivalent	324	76	171	19	49	76	26	88	12
Account receivables	788	973	452	188	174	103	153	102	143
Net inventory	510	829	598	325	232	210	125	97	149
<b>Long-term asset</b>	<b>557</b>	<b>2,240</b>	<b>606</b>	<b>417</b>	<b>302</b>	<b>621</b>	<b>196</b>	<b>161</b>	<b>124</b>
Fixed asset	271	1,213	396	385	210	578	175	125	94
<b>Total asset</b>	<b>2,457</b>	<b>4,536</b>	<b>1,877</b>	<b>975</b>	<b>791</b>	<b>1,025</b>	<b>510</b>	<b>454</b>	<b>478</b>
<b>Liabilities</b>	<b>1,732</b>	<b>3,090</b>	<b>1,548</b>	<b>718</b>	<b>358</b>	<b>522</b>	<b>400</b>	<b>344</b>	<b>336</b>
<b>Short-term liabilities</b>	<b>1,553</b>	<b>2,123</b>	<b>1,489</b>	<b>563</b>	<b>358</b>	<b>306</b>	<b>306</b>	<b>332</b>	<b>313</b>
Short-term loans	114	1,510	932	362	186	71	163	177	195
<b>Long-term liabilities</b>	<b>178</b>	<b>966</b>	<b>59</b>	<b>155</b>	<b>-</b>	<b>216</b>	<b>94</b>	<b>12</b>	<b>23</b>
Long-term loans	146	932	54	155	-	216	94	12	23
<b>Owner equity</b>	<b>670</b>	<b>1,183</b>	<b>257</b>	<b>239</b>	<b>434</b>	<b>503</b>	<b>110</b>	<b>103</b>	<b>141</b>
Chartered capital	280	656	182	150	200	315	50	60	80
Undistributed profit/(loss)	142	279	37	45	178	198	35	10	17
<b>Total liabilities</b>	<b>2,457</b>	<b>4,536</b>	<b>1,877</b>	<b>975</b>	<b>791</b>	<b>1,025</b>	<b>510</b>	<b>454</b>	<b>478</b>
Short-term asset/total asset	77%	51%	68%	57%	62%	39%	62%	64%	74%
Long-term asset/total asset	23%	49%	32%	43%	38%	61%	38%	36%	26%
Total liabilities/total asset	70%	68%	82%	74%	45%	51%	78%	76%	70%
Owner's equity/total asset	27%	26%	14%	24%	55%	49%	22%	23%	30%
Long-term liabilities/total liabilities	90%	69%	96%	78%	100%	59%	76%	96%	93%
Total asset/total revenue	51%	106%	67%	40%	52%	71%	39%	46%	56%
Owner's equity/total revenue	14%	28%	9%	10%	29%	35%	8%	10%	17%
Liabilities/owner's equity	259%	261%	602%	301%	82%	104%	365%	334%	238%
Loans/owner's equity	39%	207%	383%	217%	43%	57%	235%	184%	154%
Total asset turnover	2.0	0.9	1.5	2.5	1.9	1.4	2.6	2.2	1.8
Inventory turnover (days)	45	81	95	53	62	60	40	39	77
Account receivables turnover (days)	44	64	51	27	36	24	41	32	57
Current ratio	1.2	1.1	0.9	1.0	1.4	1.3	1.0	0.9	1.1
Quick ratio	0.9	0.7	0.5	0.4	0.7	0.6	0.6	0.6	0.6

**APPENDIX**
**Market and export of Vietnam apparel products in 2013**

Market	2013 (US\$ million)	Compared to 2012 (%)	Proportion of export (%)
USA	8,612	15.46	47.98
EU	2,729	11.82	15.21
<i>Germany</i>	652	16.74	3.63
<i>Spain</i>	535	30.66	2.98
<i>England</i>	471	4.36	2.63
<i>Netherlands</i>	254	2.97	1.41
<i>France</i>	179	2.56	1.00
<i>Belgium</i>	158	6.55	0.88
<i>Italia</i>	151	9.60	0.84
<i>Denmark</i>	91	-20.09	0.51
<i>Sweden</i>	73	38.87	0.40
<i>Poland</i>	33	50.64	0.18
<i>Czech Rep.</i>	27	-18.29	0.15
<i>Austria</i>	27	-2.64	0.15
<i>Slovakia</i>	13	-7.14	0.07
<i>Finland</i>	12	62.19	0.07
<i>Hungary</i>	9	41.41	0.05
<i>Greece</i>	8	-3.23	0.05
Japan	2,383	20.66	13.27
Korea	1,641	53.49	9.14
ASEAN	420	21.27	2.34
<i>Cambodia</i>	141	30.37	0.78
<i>Indonesia</i>	89	15.79	0.49
<i>Malaysia</i>	52	18.67	0.29
<i>Thailand</i>	46	-1.09	0.26
<i>Singapore</i>	41	22.86	0.23
<i>Philippines</i>	31	20.12	0.17
<i>Myanmar</i>	13	133.16	0.07
<i>Laos</i>	8	11.26	0.04
Canada	391	24.21	2.18
China	355	43.67	1.98
Taiwan	201	-12.42	1.12
Hong Kong	136	31.12	0.76
Russia	134	9.72	0.75

Source: VITAS

**Categories and export of Vietnam apparel products in 2013**

Categories	2013 (US\$ million)	Compared to 2012 (%)	Proportion of export (%)
Jacket	3,877	19.61	21.60
T-Shirts	3,758	23.73	20.94
Pants	3,011	25.78	16.78
Shirts	1,016	14.62	5.66
Skirts	988	12.45	5.50
Kids Clothing	890	29.53	4.96
Underwear	664	14.63	3.70
Cloth	658	-0.94	3.67
Shorts	645	33.57	3.59
Shirt	604	7.04	3.36
Curtain	218	118.00	1.21
Suit	197	8.25	1.10
Gloves	182	6.57	1.01
Safety Clothing	173	-3.57	0.96
Cotton Towels	155	8.91	0.86
Nightwear	134	6.24	0.75
Swimwear	121	23.07	0.67
Garments	112	-23.30	0.63
Sweaters	102	27.93	0.57
Kimono	86	-2.08	0.48
Jeans	67	-41.21	0.37
Vest top	55	50.28	0.31
Socks	36	19.44	0.20
Sewing accessories	35	-7.45	0.19
Islamic clothing	34	78.67	0.19
Medical clothing	29	-13.15	0.16
Towels	22	23.86	0.12
Raincoat	22	7.67	0.12
Sweatshirts	13	-16.70	0.07
Towels	11	25.65	0.06
Aprons	9	24.69	0.05
Clothing for festival	8	-12.17	0.05
Cravat	5	-6.26	0.03
Jackets	5	-12.16	0.03
HQ Clothing	3	-1.04	0.02
Tablecloth	2	13.47	0.01

Source: VITAS

**Some typical export businesses in 2013**

<b>Business</b>	<b>2013 (US\$ million)</b>	<b>Compared to 2012 (%)</b>	<b>Proportion (%)</b>
Viet Tien Textile Joint Stock Company	334	23.7	18.4%
Tinh Loi Textile Limited Company	267	47.69	14.7%
HANSAE Vietnam Co., Ltd.	227	-3.64	12.5%
Hanesbrands Vietnam Co., Ltd, Hue Branch	209	11.6	11.5%
Eins Vina Co., Ltd	197	5.73	10.8%
SAKURAI Vietnam Company Limited	182	42.37	10.0%
Garco 10 Corporation - JSC	173	4.99	9.5%
10/10 Textile Joint Stock Company	168	95.82	9.3%
HANSAE TN Co., Ltd	152	31.58	8.4%
Duc Giang Corporation - JSC	148	20.32	8.1%
HANSOLL VINA Co. Ltd, (HSV.)	147	-22.23	8.1%
Song Hong Textile JSC	131	21.14	7.2%
Phong Phu International JSC	125	25.15	6.9%
POONG IN VINA Co., Ltd	122	2.57	6.7%
Quang Viet Garment Co., Ltd	117	-4.02	6.4%
Chutex International Co., Ltd.	116	9.2	6.4%
HAI VINA Co., Ltd.	115	23.33	6.3%
Panko Vina Co., Ltd.	113	64.73	6.2%
SHINSUNG Vietnam Co., Ltd.	109	2.2	6.0%
Hoa Sen Textile & Garments Co., Ltd.	108	37.06	5.9%
Hung Long Garment and Services JSC	108	53.12	5.9%
Youngone Nam Dinh Co., Ltd.	106	11.29	5.8%
Hoa Tho Textile and Garment Joint Stock Corporation	106	27.67	5.8%
Eclat Vietnam Textile Co., Ltd	104	53.9	5.7%
Vinh Hung Joint Venture Co., Ltd.	103	22	5.7%
YAKJIN Vietnam Co., Ltd.	101	15.75	5.6%
Nam Yang Song May Co., Ltd	97	34.04	5.3%
Sai Gon 3 Garment JSC	92	0.83	5.1%
VINA KOREA Co., Ltd.	91	1.25	5.1%
Hanesbrands Vietnam Co., Ltd.	90	31.66	5.0%
Unico Global VN Co., Ltd.	86	56.85	4.7%
Esquel Garment Manufacturing Co., Ltd. (Vietnam)	85	18.02	4.7%
Bac Giang Garment Joint Stock Company	84	22.43	4.6%
KL Texwell Vina Co., Ltd.	83	16.45	4.6%
ESPRINTA Co., Ltd. (Vietnam)	82	12.89	4.5%
Fashion Garments 2 Co., Ltd.	80	24.51	4.4%

*Source: VITAS*

**Typical textile and apparel businesses in 2013**
**A. MOST TYPICAL**

1	Garment sector	Viet Tien Textile Joint Stock Company
2.	Weaving sector	Dong Xuan Knitting Company Limited

**B. TOP 10 TYPICAL OUTSTANDING ENTERPRISES IN THE GARMENT SECTOR**

1	Viet Tien Textile Joint Stock Company	The most typical enterprise in garment sector in 2013, the most prominent enterprises in textile industry for 10 consecutive years from 2004 to 2013
2	Nha Be Garment Corporation - JSC	
3	May 10 Corporation - JSC	
4	Dong Tien Joint Stock Company	
5	Dong Nai Garment Corporation - JSC	
6	Tien Tien Textile Joint Stock Company	
7	Hoa Tho Textile JSC	
8	Song Hong Textile JSC	
9.	Phong Phu International JSC	
10j	TNG Investment and Trading JSC	

**C. TOP 5 TYPICAL OUTSTANDING ENTERPRISES IN WEAVING SECTOR**

1	Dong Xuan Knitting Company Limited	Top 5 outstanding enterprises in Vietnam weaving sector
2	Phong Phu JSC	
3	Corporation 28 Limited Company	
4	Thanh Cong Textile - Investment Trading JSC	
5	Hue Textile Garment Joint Stock Company	

Source: VITAS

**Cotton production in Vietnam (crop year 2010/11 – crop year 2013/14)**

Item	2011/12	2012/13	2012/13 compared with 2011/12 (%)	2013/14 Forecast
Cotton area (thousand ha)	10.6	9.84	-7.0	9.84
Yield (tons/ ha)	1.34	1.28	-4.5	1.28
Cotton seed output (thousand tons)	14.2	12.58	-11.4	12.58
Growth rate (%)	36.5	36.5		36.5
Production of cotton yarn (TMT)	5.18	4.59	-11.4	4.59
Production (thousand packs, 218kg/pack)	24	21	-11.4	21

Source: Ministry of Agriculture and Rural Development, Vietnam General Statistics Office, the USDA forecast

**Statistics on production, supply and demand of cotton in Vietnam**

Item	2011/2012 (Starting time: 08/2011)		2012/2013 (Starting time: 08/2012)		2013/2014 (Starting time 08/2013)
	USDA Data	Adjusted data	USDA Data	Adjusted data	Adjusted data
Planted area (thousand ha)	0	11	0	10	10
Harvested area (thousand ha)	10	11	10	10	10
Number of initial reserves (thousand packs)	341	341	339	309	388
Production (thousand packs)	23	24	23	21	21
Imports (thousand packs)	1,625	1,624	2,150	1,858	1,914
Imports from the United States (thousand packs)	0	521	0		
Total supply (thousands packs)	1,989	1,989	2,512	2,188	2,323
Exports (thousand packs)	0	0	0	0	0
Use (thousand packs)	1,650	1,680	2,100	1,800	1,908
Total domestic consumption (thousand packs)	1,650	1,680	2,100	1,800	1,908
Inventory (thousand packs)	339	309	412	388	415
Total quantity for distribution (thousand packs)	1,989	1,989	2,512	2,188	2,322
Yield	501	475	501	457	457

Source: FAS, official figures forecast by USDA

**Vietnam cotton production by region, period of 2010-2012**

Region	2010			2011			2012 *		
	Area <i>thousand ha</i>	Yield <i>tons/ha</i>	Production <i>thousand tons</i>	Area <i>thousand ha</i>	Yield <i>tons / ha</i>	Production <i>thousand tons</i>	Area <i>thousand ha</i>	Yield <i>tons / ha</i>	Production <i>thousand tons</i>
Northeast	0.82	1.2	0.98	0.90	1.24	1.12	0.80	1.30	1.04
Northwest	1.80	1.2	2.16	1.90	1.16	2.20	1.80	0.80	1.44
North Central	0.12	1.1	0.13	0.12	1.20	0.14	0.12	0.80	0.10
South Central	0.80	1.6.	1.28	1.70	1.63	2.77	1.40	1.40	1.96
Highlands	3.90	1.34	5.23	4.12	1.35	5.56	3.90	1.40	5.46
Southeast	2.40	1.3	3.12	1.85	1.3	2.41	1.80	1.40	2.52
Mekong Delta	0	0	0	0	0	0	0.02	3.00	0.06
Total	9.8	1.31	12.90	10.6	1.34	14.20	9.84	1.28	12.58

Source: Ministry of Agriculture and Rural Development, GSO

**RECOMMEND EXPLANATION**

This recommendation based on the difference between targeted value and market value of each stocks in order to provide appropriate information for investors in 12-month investment period from recommend day.

The expected at 18% is estimated based on 12-month government bond rate in addition to market risk premium in Vietnam.

Recommendation	Explanation
<b>12 months period</b>	
<b>Buy</b>	If targeted price is <b>higher</b> than market price 18%
<b>Add</b>	If targeted price is <b>higher</b> than market price about 7%-18%
<b>Monitor</b>	If targeted price compared to market price is <b>within</b> -7%-7%
<b>Reduce</b>	If targeted price is <b>lower</b> than market price from -7% to -18%
<b>Sell</b>	If targeted price is <b>lower</b> than market price -18%

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