

3 Oct 2023

# Hoa Sen Group (HSG)

## Coated steel made a big return

Vietnam Steel Association (VSA) released some worthy headlines on the August sales of the company. Here are some key issues worthy of note.

### Coated steel export drove sale increase

- Total Aug steel sales volume posted 134,778 tonnes, surged by 32.7% yoy and increased by 4.9% mom.
- Steel coat volume made up 81.8% of the May total sales volume at 110,250 tonnes, +9.6% mom and +47.3% yoy.
- The coated steel export volume (65,173 tonnes) surged by 174.7% yoy and increased by 26.3% mom.
- Domestic volume of steel coat recorded 45,077 tonnes (-10.5% mom, -11.9% yoy) and steel pipes volume posted 24,076 tonnes (-10% mom and -6.8% yoy).

### FY11M23 performance down as FY2022 high base

- The FY11M23 (Oct 2023-Feb 2023) total sale decreased 23.9% yoy to 1,271,570 tonnes as steel pipes volume declined 14.1% yoy to 262,904 tonnes and steel coat fell 26.0% yoy to 1,008,666 tonnes.
- The total FY11M23 export volume (accounted for 44.7% of total sales: 568,531 tonnes) fell 32.2% yoy while the local sales volume (703,039 tonnes) also declined by 15.4% yoy.

### Rating and recommendation

- We reaffirm HOLD rating in view of multiple sector bottlenecks on unfavorable selling prices, harsh competitiveness, and weak global and local demand as we examined [in the in-depth flat steel report](#). Earnings are under review.

12M rating **HOLD (Maintain)**

12M TP **NA**

Up/Downside

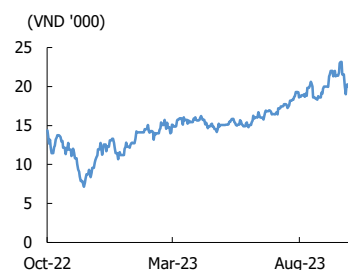
#### Stock Data

|                                    |              |
|------------------------------------|--------------|
| VNIndex (02 Oct, pt)               | 1,155        |
| Stock price (02 Oct, VND)          | 20,100       |
| Market cap (USD mn)                | 475          |
| Shares outstanding (mn)            | 616          |
| 52-Week high/low (VND)             | 23,150/7,136 |
| 6M avg. daily turnover (USD mn)    | 10.67        |
| Free float / Foreign ownership (%) | 64.6/20.9    |
| Major shareholders (%)             |              |
| Le Phuoc Vu                        | 17.2         |

#### Performance

|                          | 1M  | 6M   | 12M  |
|--------------------------|-----|------|------|
| Absolute (%)             | 0.5 | 19.5 | 40.3 |
| Relative to VNIndex (%p) | 6.0 | 14.0 | 34.7 |

#### Stock price trend



Source: Bloomberg

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**Table 1. Sales volume growth**

(Tonnes)

|                           | Monthly        |                |               |              | Accumulated      |                  |               |
|---------------------------|----------------|----------------|---------------|--------------|------------------|------------------|---------------|
|                           | 8-2022         | 8-2023         | MoM (%)       | YoY (%)      | 11MFY2022        | 11MFY2023        | YoY (%)       |
| <b>Steel Pipes</b>        | <b>26,731</b>  | <b>24,528</b>  | <b>(11.9)</b> | <b>(8.2)</b> | <b>306,185</b>   | <b>262,904</b>   | <b>(14.1)</b> |
| Export                    | 903            | 452            | (57.8)        | (49.9)       | 20,212           | 8,561            | (57.6)        |
| Domestic                  | 25,828         | 24,076         | (10.0)        | (6.8)        | 285,973          | 254,343          | (11.1)        |
| <b>Steel Coat</b>         | <b>74,870</b>  | <b>110,250</b> | <b>9.6</b>    | <b>47.3</b>  | <b>1,363,920</b> | <b>1,008,666</b> | <b>(26.0)</b> |
| Export                    | 23,723         | 65,173         | 26.3          | 174.7        | 818,445          | 559,970          | (31.6)        |
| Domestic                  | 51,147         | 45,077         | (8.0)         | (11.9)       | 545,475          | 448,696          | (17.7)        |
| <b>Total Steel Volume</b> | <b>101,601</b> | <b>134,778</b> | <b>4.9</b>    | <b>32.7</b>  | <b>1,670,105</b> | <b>1,271,570</b> | <b>(23.9)</b> |
| Export                    | 24,626         | 65,625         | 24.6          | 166.5        | 838,657          | 568,531          | (32.2)        |
| Domestic                  | 76,975         | 69,153         | (8.7)         | (10.2)       | 831,448          | 703,039          | (15.4)        |

Source: VSA, KIS

**Table 2. Production volume growth**

(Tonnes)

|                        | Monthly |         |         |         | Accumulated |           |         |
|------------------------|---------|---------|---------|---------|-------------|-----------|---------|
|                        | 8-2022  | 8-2023  | MoM (%) | YoY (%) | 11MFY2022   | 11MFY2023 | YoY (%) |
| <b>Steel Pipes</b>     |         |         |         |         |             |           |         |
| Production             | 20,587  | 24,947  | (2.9)   | 21.2    | 255,050     | 226,351   | (11.3)  |
| Inventories            | 35,389  | 40,924  | 40.5    | 15.6    |             |           |         |
| <b>Steel Coat</b>      |         |         |         |         |             |           |         |
| Production             | 65,935  | 130,082 | 1.3     | 97.3    | 1,341,614   | 1,107,056 | (17.5)  |
| Inventories            | 51,592  | 106,696 | 12.0    | 106.8   |             |           |         |
| <b>Roll Steel Coil</b> |         |         |         |         |             |           |         |
| Production             | 73,825  | 139,153 | 3.4     | 88.5    | 1,183,170   | 1,168,956 | (1.2)   |
| Inventories            | 21,674  | 17,116  | (6.1)   | (21.0)  |             |           |         |
| <b>Total</b>           |         |         |         |         |             |           |         |
| Production             | 160,347 | 294,182 | 1.9     | 83.5    | 2,779,834   | 2,502,363 | (10.0)  |
| Inventories            | 108,655 | 164,736 | 15.5    | 51.6    |             |           |         |

Source: VSA, KIS,

**Company overview & Glossary**

Founded in 2001, HSG is a leading manufacturer of galvanized steel sheets (capacity of 2.9Mn tonnes per year capacity) in Vietnam. Other products include steel pipes (capacity 990,000 tonnes per year) and plastic pipes. HSG also has its own retail distribution network with 536 branches.

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Prepared by: Research Department

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