



# VIETNAM DAILY NEWS



JAPAN SECURITIES INC.

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## Market Analysis

### 1. Vietnam shares ease off two days of losses

On the Hochiminh Stock Exchange, 178 stocks gained and 113 others fell. The VN-Index of this southern bourse advanced 0.25% against the day earlier at 986.91 points. There were 165.3 million shares worth VND3.3 trillion traded, down over 23% in both volume and value against Wednesday. Block deals amounted to 33.32 million shares valued at more than VND685 billion.

Lender EIB closed up a slight 0.29% at VND17,450 per share, with 6.28 million shares changing hands, while food firm GTN closed unchanged at VND16,500 with matching volume of 11.34 million shares.

Other bank stocks also drove up the southern bourse. Lender VCB improved 0.7% at VND67,700, with trading volume totaling 948,960 shares, while its fellow HDB rose 3.4% at VND29,200. CTG increased 0.9% at VND22,000 and MBB edged up 0.7% at VND22,650.

Housing developer VHM and retailer VRE got back to their reference prices at the end of the day while property group VIC inched up slightly.

Brewery firm SAB added 1.2% at VND249,820 while tech firm FPT continued its upward spiral and closed at VND47,800, up 1.3% with 1.76 million shares transacted.

Having announced its 2019 plan with a profit growth forecast of 23% and a sale of an extra 55.7 million shares to the current shareholders and over two million employee stock ownership plan shares, jewelry firm PNJ ended up 2% at the highest daily level of VND101,000. Its matching volume amounted to 508,480 shares, the highest in 20 sessions.

Entertainment firm YEG jumped a hefty 6.92% to VND117,500, the second straight day of hitting the upper limit, after Yeah1 was given a two-week content storage right on YouTube. Its 148,000 shares were matched.

Meanwhile, construction firm ROS bucked the trend, closing down 0.6% at VND31,500. However, ROS was the most actively traded stock on the southern bourse with volume reaching 7.6 million shares.

Shares on the Hanoi exchange rallied. The HNX-Index of the Hanoi Stock Exchange added 0.12 points, or 0.11% at 107.42 points, with 29.17 million shares worth VND371.8 billion transacted at the end of the day, down 25.21% and 39.25% against the session earlier. Block deals reached some VND30 billion.

Lender ACB rose a slight 0.3% on the northern bourse at VND30,200 per share.

Industrial firm VCS drew investor attention today, surging 7.5% at VND69,000, with 475,700 shares changing hands. The VCS stock upsurge was attributed to its positive business results which have been publicized.

Among the HNX30 stocks, insurer PVI advanced 2.9% at VND39,000, with matching volume reaching 292,615 shares.

Leading the northern bourse by liquidity, SHB closed at its reference price of VND7,600, with matching volume totaling 4.88 million shares, followed by petroleum technical service firm PVS with volume of 3.42 million shares.

## 2. Banks raise deposit rates but keep loan rates unchanged

According to the General Statistics Office, the banking system reported credit growth of 1.9% as of March 20, lower than 2.23% in the same period last year.

Banks issue certificates of deposit

Most banks have continued revising up deposit rates, especially for long tenors, to improve their liquidity.

HDBank has launched a promotional program in which higher interest rates are offered to customers depending on their age. Its highest deposit rate is 7.8% per year.

Meanwhile, other banks are offering high interest rates for long-term certificates of deposit (CD). Saigon-Hanoi Bank has issued VND10 trillion worth of deposit certificates for individual and corporate clients, with rates of up to 8.9% per year. According to a bank official, the CD issue will help it mobilize more medium- to long-term capital.

Maritime Bank has also introduced a kind of CD with interest rates up to 30% higher than normal deposit rates. Currently, the lender applies deposit rates of 6.8%, 7.3% and 7.7% per year for terms of six, 12 and 18 months, respectively.

Since early this year, BIDV, LienVietPostBank and SeABank have also offered certificates of deposit with attractive interest rates. With these products, banks will be able to have more medium and long-term capital to meet the requirements of the State Bank of Vietnam and can calculate capital costs easily to fix rates for corporate borrowers, according to financial experts.

Nguyen Dinh Thang, chairman of LienVietPostBank, said that depositors often choose short tenors, while enterprises always

have strong demand for medium and long-term capital. Therefore, issuing certificates of deposit helps banks mobilize stable medium and long-term capital, thus lowering rates for corporate loans.

Le Dat Chi, a lecturer at the University of Economics HCMC, said that those enterprises taking out medium or long-term loans are subject to floating rates, which are revised every three to six months. If banks mobilize 12-36 month capital by issuing CDs, they could fix rates for enterprises for longer term, thus helping companies devise a longer-term business plan.

Lending rates stay unchanged

Although many lenders have issued CDs, the deposit growth rate in the banking system was just 1.72% in the first quarter of 2019, lower than last year's 2.2%, the General Statistics Office pointed out.

Despite higher rates for depositors, many bankers predicted, lending rates would remain unchanged due to the competition in the banking market. Besides this, banks are required to stabilize lending rates to support businesses.

According to an official of an HCMC-based bank, higher capital costs may have a bearing on lending rates.

However, banks may not raise their rates as borrowers may switch to other banks with lower rates. Moreover, some banks have cut operational costs to make their lending rates stable.

Pham Manh Thang, deputy general director of Vietcombank, said the bank deployed plans to improve its credit quality in 2018. Therefore, given its low ratio of bad debt, Vietcombank could cut lending rates for corporate clients

## Macro & Policies

### 3. Green turnaround in Vietnam's cement production

INSEE Vietnam has earned a reputation for delivering commercially superior solutions to customers far and wide, carried out through - installing state-of-the-art equipment and implementing processes which ensure the most - efficient and green manufacturing, while the utmost attention is being paid to environmental protection.

As scientists and politicians debate the facts surrounding climate change, global warming, and dwindling natural resources, eco-friendly practices not only draw favourable public sentiment and increasingly supportive government policies, but a lower carbon footprint results in cost savings and increasing profitability.

This green fashion focuses on creating profit while minimising negative environmental effects, or in some cases generating positive ones. Continuously pioneering the production of construction material and waste management in the south of the country, INSEE Vietnam has strived to account for being environmentally-friendly when designing its operating procedures, and the cement production process is no different.

#### Cement manufacturing process

Cement is produced from raw materials like limestone, clay, and sand. These raw materials are quarried, crushed, finely ground, and blended to the correct chemical composition. Small quantities of iron ore, alumina, and other minerals may be added to adjust the raw material composition.

Typically, the fine raw material is fed into a large rotary kiln where it is heated to about 1,450 degrees Celsius (°C). The high temperature causes the raw materials to react and form a hard-nodular material called clinker. The clinker is then cooled and ground with gypsum and other additives to produce cement.

Cement production requires the grinding of three separate types of materials during the process -

the raw material, coal, and cement. After the kiln, mills are the second-highest energy consumers at the plant. At INSEE, we are proud to operate vertical roller mills (VRM), which require higher competent maintenance from mill operators, from material preparation to quality control, but are worth it.

According to data from INSEE Vietnam's Hon Chong Cement Plant and Thi Vai Grinding Terminal, VRM finish-grinding consumes about 20 per cent less energy than semi-finish grinding with a roller press and ball mill.

INSEE's 20 years of experience in mastering and continually upgrading the VRM operation is a truly marvellous achievement. Many generations of engineers and operators at the plant have worked tirelessly side-by-side to keep VRM operations at above 50 per cent efficiency.

#### Waste-heat recovery power plant

New state-of-the-art suspension process kilns include multi-stage pre-heaters and pre-calciners to pre-process raw materials before they enter the kiln and an air-quench system to cool the clinker product. Kiln exhaust streams, from the clinker cooler and the kiln pre-heater system, contain thermal energy that can be converted into power. Typically, the clinker coolers release large amounts of heated air at 250-340°C directly into the atmosphere. At the kiln charging side, the 300-400°C kiln gas coming off the pre-heaters is used to dry material in the raw mill and/or the coal mill, and is then sent to bag filter houses to remove dust before finally being vented into the atmosphere.

If the raw mill is down, the exhaust gas is cooled with a water spray or cold air before it entered the dust collectors. Maximising overall kiln process efficiency is paramount for efficient plant operation, while remaining waste heat from the pre-heater exhausts and clinker coolers can be -

recovered and used to generate power to offset a portion of power purchased from the grid.

It offers enormous benefits for the economy, society and environment, meeting 25 per cent of the plant's electricity demand, equivalent to - electricity for 18,000 households in one year.

#### 4. South Korean M&A part of wider plan

Conglomerate SK Group has unveiled plans to acquire a \$1 billion stake in Vietnamese real estate-retail-tech giant Vingroup, with the transaction set to be carried out as early as next month. Vingroup recently sought a shareholder vote on a plan to raise at least VND25 trillion (\$1.09 billion) through a private placement to five foreign investors.

Last September, SK Group also scooped up a 9.5 per cent stake in Vietnamese consumer giant Masan Group Corporation for about \$470 million. SK Group is one of the largest conglomerates in South Korea, with a successful track record of building leading domestic and global businesses both organically and through acquisitions. The group is keen on growing its footprint in the Southeast Asian region and sees Vietnam, the region's fastest-growing economy, as a strategic base.

Woncheol Park, representative director of SK Southeast Asia Investment said, "Vietnam is an important foundation for our Southeast Asian strategy. We believe the partnership model is crucial to succeed in this region."

Another South Korean giant, Hanwha Asset Management, paid \$400 million for 84 million preferential shares in Vingroup last August. The sale came after Hanwha's unsuccessful attempt to join the public debut of Vinhomes, the property arm of Vingroup, back in May.

Jiun Park, deputy director of the Global M&A Centre at the Korea Trade - Investment Promotion Agency (KOTRA), said that South Korean investors are becoming more active in Vietnam's merger and acquisition (M&A) market, with deals worth

Relieving pressure on the national grid and generating around six megawatts of power, this system enables INSEE Vietnam to indirectly eliminate approximately 25,000 tonnes of carbon dioxide per year, equivalent to 9,300 tonnes of coal per year.

\$200 million being clinched in the first half of 2018. They have also extended their reach to regional markets like Myanmar, Laos, and Cambodia. There are immense opportunities for partnerships between the two sides, especially as South Korean companies are seeking opportunities to expand in the region.

Meanwhile, Kim Hyeong Soo, managing director of the Korea Venture Capital Association, told VIR that Vietnam's M&A market is becoming increasingly more mature in light of the government's efforts and the blooming market. Thus, Vietnam has caught the eyes of South Korean investors over the past few years, which has resulted in a significant rise in the number and value of M&A deals by South Korean buyers.

According to the KOTRA, capital flow from South Korea to Vietnam has changed a great deal over recent years. South Korean companies have mainly invested in the field of manufacturing. However, as Vietnam's economy has been developing, these companies have created interest and are enlarging their investments in various fields such as distribution, healthcare, education, services, and smart city construction. Many investments have been implemented not only by large companies but also small- and medium-sized enterprises (SMEs).

Park from the KOTRA said that many South Korean SMEs have enquired about the process of conducting M&As in Vietnam and called this "a third wave of investment."

A characteristic of this third wave is the strategic alliances between South Korean and Vietnamese companies. The South Korean partner can provide



modern technology, while the Vietnamese side can help with brand presence, market share, and product distribution.

Another wave of South Korean investment is likely to be seen in the fields of banking, finance, and fintech. Lotte Card spent nearly \$75 million securing 100 per cent of Techcombank Finance a year ago, and became the first South Korean credit card company to enter the local finance market. Shinhan Card, in early 2018, also acquired Prudential Finance for over \$150 million. Meanwhile, Mirae Asset Life scooped up a 50 per cent stake in Prevoir Vietnam Life Insurance in 2017 for \$52.6 million.

Jacob Won, founding partner at Locus Capital from South Korea, told VIR that most large-scale South

Korean companies continued showing strong interest in Vietnam.

The reasons for such strong interest include the country's overall economic growth potential and geographic proximity to South Korea. Vietnamese consumers are also partial to this nation and its products.

However, Won pointed out that it has been difficult to find a suitable acquisition target as most of the available companies are quite small for South Korean companies to consider. In addition, these companies generally look for opportunities to acquire a controlling stake from day one, while Vietnamese owners are reluctant to give up management control and only look for growth capital.

## 5. Hyundai and Kia vehicles may pose fire hazard in Vietnam

The US National Highway Traffic Safety Administration (NHTSA) has just opened an investigation into about three million cars, including Kia Optima and Sorento vehicles manufactured in 2011-2014, Kia Soul vehicles manufactured in 2010-2015, and Hyundai Sonata and Santa Fe vehicles manufactured in 2011-2014.

The investigation was opened due to the recommendation of the Centre for Auto Safety (CAS). Accordingly, the CAS has conducted a research on fire hazard at cars manufactured since 2007 and received reports of about 3,000 fires and 100 injuries related to the cars.

In addition to CAS' recommendations, the NHTSA also collected information from other car makers, customer claims, and other sources. Since 2015, more than 2.3 million Hyundai and Kia vehicles

have been recalled for potential fire hazard. The amount includes 570,000 Sonata and Santa Fe vehicles, and nearly 620,000 vehicles of Optima, Sorento, and Sportage. All vehicle models are running with the Theta II 2.4 petrol engine.

The representative of Hyundai said that the firm will fully co-operate with the NHTSA during the investigation.

It is not the first time Korean car manufacturers are investigated by US authorities. In late 2018 the US authorities began a criminal investigation against both Kia and Hyundai to clarify whether their recalls were related to fire hazard.

In Vietnam, the Theta II 2.4 engines are equipped on Hyundai Santa Fe 2019 and Kia Optima vehicles.

## 6. Cyberspace protection in VN needs closer collaboration

According to VNCERT, in Vietnam, GandCrab 5.2 is mostly distributed to victims via a fake email of the Ministry of Public Security with the subject 'Goi trong Cong an Nhan dan Viet Nam', attached

with a 'documents.rar' file. When email readers decompress and open the file, the ransomware is activated and then begins to encode all data on the infected computer. A new file is created to request

the victim to pay a ransom of around \$400 - \$1,000 by digital currency so that their data can be decoded.

As said by Mr. Nguyen Minh Duc, Director of CyRadar Information Security, the latest kinds of ransomware have become more and more complex and dangerous.

Statistics from Bkav Cyber Security Company show that last year, the total cost from damaged by computer virus reached an unbelievable amount of VND14,900 billion (approx. \$642.3 million), an increase of 21 percent compared to 2017 and an equivalence to 0.26 percent Vietnamese GDP.

Noticeably, in 2018, more than 60 percent organizations and companies in Vietnam were infected with ransomware, meaning a grave data loss and serious work deficiency. This signals the nation did not pay sufficient attention to cyber security.

The National Cyber Security Center (NCSC) under the Authority of Information Security (a member of the Ministry of Information and

Communications) shared that in the first 2 months of 2019, there were over 210 attacks to install malware onto various information systems in Vietnam.

Kaspersky Security Network also classified Vietnam as one of the top three nations to receive the most cyber attacks in 2018. It, therefore, insisted on the necessity for domestic organizations to cooperate with each other to protect the cyber space.

In particular, in January, NCSC signed a Memorandum of Understanding with Kaspersky Lab to deliver practical solutions to address domestic cyber security challenges and enhance the cyberspace protection capability of the Vietnamese government.

Similarly, in 2018, Kaspersky Lab also signed a Memorandum of Understanding with the Vietnam Government Information Security Commission (VGISC) and the Authority of Information Security to develop specific solutions and services aiming at national cyberspace security, in both individual and organizational scales.

## 7. Sugar industry seeks support amid low prices, poor consumption

The Vietnam Sugarcane and Sugar Association on March 3 had a meeting with the Minister of Agriculture and Rural Development to propose solutions to resolve the situation and support sugar refineries.

Report by the association said that there were up to 36 sugar refineries across the nation with total capacity of around 150,000 tons of sugarcane per day, 12.7 times higher compared to that in 1995. The sugarcane growing areas were also 10 times higher compared to 1995 with total current area of around 300,000 hectares. Sugar industry produces about 1.5 million tons of sugar annually, worth roughly VND300 trillion.

Although sugar is among products in the price stabilization program, according to the association, the 2018-2019 sugarcane crop was

the third consecutive year that the sugar industry experienced negative impacts caused by unfavorable weather, low prices and weak consumption, especially, many sugar refineries posted poor business results and suffered losses.

Statistics by March 15 showed that all sugar refineries have entered production of the 2018-2019 crop, processing nearly 8 million tons of sugarcanes, making 750,000 tons of sugar of all kinds.

Around 14 million tons of sugarcanes estimated to be processed this crop with 1.3 million tons of sugar, less than the previous crop but same as the 2015-2016 and 2016-2017 crops.

Production of sugar in 2019-2020 crop is expected to continue to drop. Accordingly, sugarcane growing area will reduce to 220,000

hectares with sugarcane yield of 13 million tons and sugar production at 1.25 million tons.

Explaining about slow consumption of sugar, the association said that sugar inventory of last crop was fairly high. Meanwhile, imports of syrup

continuously increased from 46,000 tons in 2014 to 140,000 tons in 2018, three times higher. Therefore, the prices of sugar were currently at low level. The price of refined sugar was at VND10,500 per kilogram.

## 8. Wakening up potentials of solar power

This is the foundation for the province to promote attraction of investments into projects that play the key role in local socio-economic development.

Since the end of last year, Hung Hai Company has begun construction of the power grid and the Loc Ninh – Binh Long 2 220KV electrical substation to connect solar electricity plants in Loc Ninh District to the national power grid with total length of power lines of nearly 30 kilometers, running through five communes of Loc Ninh District with total investment of more than VND1.2 trillion.

This is an urgent item for transmitting and connecting to national power grid when solar power plants are put in use. Currently, Hung Hai Company and other investors are speeding up construction progress of the project.

According to Mr. Nguyen Trung Hieu, deputy director of Hung Hai Company, his company and other investors have invested more than VND7 trillion into the solar power project in the border district of Loc Ninh with three stages of investment. They have been speeding up completion of legal procedure in order to start construction. The project is expected to contribute to state budget around VND800 billion annually, and provide jobs to around 1,000 local laborers once it comes into operation.

Binh Phuoc Province has high potential for solar electricity, especially at Loc Ninh District where the intensity of the solar radiation is higher than other places in the regions at 5.14 kWh per square meter per day so it is suitable for developing renewable energy.

According to the plan to develop solar power to 2030, Binh Phuoc Province is expected to generate 4,775 MWp. Total area planned for developing solar power plants is about 5,000 hectares, located in Loc Ninh District. The province is calling for potential investors to survey and preparing supplementary documents for each project in the province.

Up to now, the PM has approved six solar power projects with total capacity of 850MWp for Binh Phuoc Province and another 30 solar power projects with total capacity of 2,255 MWp are being assessed by the Ministry of Industry and Trade before presenting for the PM's approval.

Mr. Nguyen Anh Hoang, director of the Department of Industry and Trade of Binh Phuoc Province, said that with the current progress of the two approved solar power projects, around first 600 MWp of solar energy will be completed to connect to national power grid and start commercial operation by June this year.

The current largest difficult is that investing in solar power is costly, it requires investors to be financially healthy. Investment progress registered by most investors mostly falls on the period of 2018 and 2019, so they are under great time pressure and policy of power buying price. Many projects have not implemented investment timely yet. In addition, connection and transmission lines in Loc Ninh District have not met the requirements for power transmission



## Corporate News

### 9. Trillions of dongs of Vietinbank stuck in Vinachem projects

↑ 0.92%

Vinachem's latest report provided information about the four projects under Vinachem's management that are part of the 12 notorious loss-making projects of the MoIT. Accordingly, only a single one of the four projects under the company has managed to turn a profit last year. The three others are still making losses.

Specifically, DAP-Vinachem JSC in Haiphong gained VND196 billion (\$8.5 million) of profit in 2018, up VND182 billion (\$7.9 million) on-year. Of the remaining three projects, DAP2-Vinachem JSC (Lao Cai) lost VND246 billion (\$10.7 million), Ha Bac Nitrogen Fertiliser Plant VND340 billion (\$14.8 million), and Ninh Binh Nitrogenous Fertiliser Plant VND926 billion (\$40.26 million).

Of these, Ninh Binh Nitrogenous Fertiliser Plant is facing the greatest difficulties, which Vinachem chairman Nguyen Phu Cuong said the plant has been reopened but has been performing poorly. "This plant cannot produce because it cannot borrow from any bank. It is maintained from the advance payments provided by customers," said Cuong. "If the project dies, Vinachem will lose its VND6 trillion (\$260.9 million) it contributed to the VND13 trillion (\$565.2 million) charter capital."

Meanwhile, Ha Bac Nitrogen Fertiliser Plant, which is listed on the Hanoi Stock Exchange (HNX), has accumulated losses of VND2.65 trillion (\$115.2 million), according to its 2018 financial

statement, almost equivalent to the company's charter capital of VND2.722 trillion (\$118.35 million), and short-term liabilities have exceeded total short-term assets by VND2.022 trillion (\$87.9 million). Thereby, it seems uncertain that the plant can remain in operation.

For DAP2-Vinachem JSC, Vinachem had to make a provision of VND802.5 billion (\$34.9 million), equivalent to 53.05 per cent of the subsidiary's charter capital.

Numerous banks involved

As of the end of 2018, the two biggest lenders of Ha Bac Nitrogen Fertiliser Plant were Vietnam Development Bank (VDB) with the loan of around VND3.995 trillion (\$173.7 million), and VietinBank's Bac Giang branch with VND3.678 trillion (\$160 million).

They are the two biggest lenders of DAP2-Vinachem JSC (Lao Cai) too. VDB's Lao Cai branch and VietinBank's Hanoi branch provided credit loan of VND1.735 trillion (\$75.4 million) and VND1.1 trillion (\$47.8 million), respectively. Additionally, VietinBank's VND462.7 billion (\$20.1 million) has been stuck in Ninh Binh Nitrogenous Fertiliser Plant.

In case these companies are unprofitable and cannot pay their loans, the lenders will have to record them as bad debts, which will significantly impact their business operations.

### 10.DIG: BOD resolution on the transfer of shares

↑ 1.65%

The Board resolution dated April 02, 2019, Development Investment Construction Joint Stock

Corporation issue a resolution to approve the transfer of 8,479,982 shares in DIC Building Materials Joint Stock Company with the transfer price of VND11,000/share.

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