



VIETNAM DAILY NEWS

June 17th, 2019



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Market Analysis

1. Vietnamese securities catch the eye of South Korean investors

In March Korean Investment Management bought a 5.08 per cent stake in Viet Capital Securities Joint Stock Company.

Maritime Securities Company was renamed KB Securities Vietnam Company after KB Securities Co. Ltd spent US\$33 million to purchase a 99.4 per cent stake of MSI.

Nam An Securities Company was renamed Shinhan Securities Vietnam Company after it was taken over by a South Korean company, Shinhan Investment Corporation, after acquiring 14 million shares in 2015.

Recently South Korea's Hanwha Investment and Securities Company completed the acquisition of HFT Securities Company.

Market observers said South Korean investment in Vietnamese securities companies is likely to continue.

Vu Thi Chan Phuong, vice chairman of the State Securities Commission (SSC), attributed the South Korean interest to Viet Nam's investment promotion programmes in many international markets including South Korea in recent times.

The SSC organised promotions in Japan in 2014, the US in 2015, Japan again in 2017, and South Korea last year.

These events saw bilateral and multilateral meetings between Vietnamese securities companies and prospective investors.

Industry insiders said since the Vietnamese securities market was still in an early stage of development, foreign investors see great potential in it.

The great prospects for the country's economy together with its stability, relentless professional improvement in the securities market and the Government's open policy had also made Viet

Nam an attractive destination to foreign investors, they said.

Its favourable geographical location and competitive labour costs were also advantages it had over other countries.

The large direct investment from South Korea was also thought to be a factor attracting portfolio investment from that country.

According to the Foreign Investment Promotion Department, the country has ongoing FDI projects worth \$350.5 billion and South Korea accounts for \$64.8 billion or 18.5 per cent.

Viet Nam's comprehensive entry into the global market would help its securities market reach international standards, thus ensuring it is transparent and efficient and becomes a channel to mobilise long- and medium-term funds, experts said.

Not only securities ...

The HCM City Stock Exchange (HOSE) announced recently that SK Investment Vina II, a subsidiary of SK Group, has completed the purchase of 205.7 million shares of real estate-retail-technology-auto conglomerate Vingroup.

With a 6.15 per cent stake, the Korean company has become a significant shareholder in the VND32 trillion group.

SK earlier invested \$470 million to buy a 9.45 per cent stake in consumer giant Masan Group.

A company spokesperson revealed that SK was also interested in the equitisation of State-owned enterprises and wanted to participate in the restructuring of a state-owned company, making it a parent company with a number of subsidiaries in Viet Nam.

... Not only South Korean investors

Investors from many other countries and territories are also pushing investments in Viet Nam.

Japan's Mitsui recently agreed to buy a 35.1 stake in Minh Phu Seafood Joint Stock Company, which accounts for 20 per cent of the country's shrimp export.

In 2013 Mitsui had bought stakes in Minh Phu Hau Giang Seafood Joint Stock Company, a subsidiary of Minh Phu.

Hau Giang Pharmaceutical Joint Stock Company (DHG) is now a subsidiary of Japan's Taisho Pharmaceutical Co Ltd after the latter increased its stake in it to 50.78 per cent in April.

The Japanese company had first bought 24.4 million shares for \$100 million in 2016 before gradually increasing its stake, culminating in the purchase of 20.6 million shares in April.

DHG is the largest Vietnamese pharmaceutical firm by market capitalisation and revenue. Based on its share price of VND114,300 last Friday, its market value is nearly VND14.8 trillion (\$635.2 million).

Analysts said more and more foreign investors were choosing to enter the Vietnamese market through the acquisition route instead of direct investment unlike before.

The Association of Foreign Invested Enterprises said acquisitions were worth more than FDI in the first five months of this year.

Experts said the trade diversion created by the escalating US-China trade war was one of the main reasons for both FDI and acquisitions to rise in recent times.

The CEO of HSBC Vietnam, Pham Hong Hai, said due to the trade tension, multinationals were diversifying their supply chain strategies with a mixture of local sourcing, offshoring and reshoring.

In the past decade Southeast Asia including Viet Nam has been perceived as a strong production option for multinationals given its role within existing supply chains, growing consumer base, and strong trade and investment ties.

Macro & Policies

2. No higher capital level for projects needing NA approval

Up to 90.7% of National Assembly (NA) deputies passed the revised Law on Public Investment during their ongoing seventh session in Hanoi today, June 13. Under the current regulations, State-funded projects that cost VND10 trillion or above must be presented to the NA for approval.

According to Chairman of the NA's Committee on Finance and Budget Nguyen Duc Hai, the deputies agreed to maintain the current criteria on project classification, which define that a major national project is one that costs VND10 trillion (US\$427 million) or higher. The rule means the NA has the power to approve huge projects.

Earlier, in a draft law presented to legislators at the sixth session in late 2018, the Government had proposed that the level be raised to VND35 trillion so that it could directly plan and execute projects with lower investment capital. The Government had explained that the large amount of work involved would reduce the productivity of the legislature as there are only two sessions each year.

At the ongoing sitting, the Government proposed the level be revised up to VND20 trillion to speed up work on big projects, but the proposal was met with opposition from lawmakers. During their discussions, many deputies said they were in charge of supervising large-scale projects.

In addition, deputies rejected the proposal that the portfolio of the medium-term public investment plan should be subject to Government approval. According to a report from the NA Standing Committee, neither of the two solutions presented by the Government, mandated to either the Government or the NA Standing Committee, had received a majority of votes.

The Government had previously proposed a draft law on public investment that would give it the authority to approve medium-term public investment projects. It said the bill aims to reduce the NA's workload.

The NA deputies adopted the revised Law on Tax Management today, with 91.32% of votes.

3. Pepper prices bounce back

The pepper farmed in the Central Highlands and southeastern provinces is priced at VND44,500 to VND45,000 per kilogram, VND1,000-VND2,000 per kilogram higher than earlier this month, representatives of some enterprises said.

The price spike was ascribed to increasing demand from the global market and a fall in India's pepper supply.

Economic experts said that as supply will continue to surpass demand in the global market over the long term, pepper prices have yet to bounce back well. However, the fall in the pepper price is expected to slow down.

In the first five months of the year, Vietnam's pepper exports amounted to 144,000 tons worth

US\$372 million, up 33% in volume and down 2% in value, year-on-year. The average price of pepper exports fell by 26%, year-on-year, to some US\$2,600 per ton.

Vietnam's pepper output rose during the five-month period to 250,000 tons, according to the Department of Crop Production, under the Ministry of Agriculture and Rural Development.

The pepper price is forecast to see a downward trend this year as the supply is expected to increase an estimated 8%-10%, whereas the global demand is predicted to edge up a mere 2%.

To boost the volume of pepper exports and gain a firm foothold in the global market, Vietnam's

pepper exporters and producers need to improve

the quality of their pepper.

4. Vinfast car factory put into operation

As the most crucial facility in the carmaker's automobile and electric motorbike manufacturing complex, the plant began construction on September 2, 2017, covering over 500,000 square meters of land, with an annual capacity of 250,000 automobiles during the first phase and up to 500,000 units during the second phase. It can churn out 38 cars per hour.

Besides leading the regional market in terms of scale and modernity, VinFast is also the first local car plant to have a production process that is completely synchronized, closed and almost fully automatic with six workshops for stamping, welding, painting, engine production and assembly.

These workshops were connected to various robots and smart manufacturing monitors to maximize productivity.

VinFast is the only local carmaker that can make major car parts, such as engines.

Besides this, the plant has set three world records, including reaching completion three months ahead of schedule. It took the plant 21 months to complete construction work and install a production chain for mass production. Also, it rolled out sample cars 11 months after the plant was built. Further, VinFast commercial cars were launched on the market in less than two years.

The local carmaker has now set a new record as it has received 10,000 purchase orders from customers one year prior to the official launch of its cars.

After the ceremony to launch the plant today, VinFast will hand over the first cars to customers two months earlier than scheduled. Its Fadil cars will be delivered to customers starting June 17, while its Lux A 2.0 and Lux SA 2.0 models are slated for handover by end-July.

5. Work on \$50m gypsum factory starts in Ba Ria-Vung Tau

Financed by Yoshino Gypsum Co from Japan, the factory covers nearly 6.3ha in Phu My 3 Industrial Zone. The factory's operations will be divided into two phases. In the first stage, it will produce 150,000 tonnes of gypsum boards each year. In the second phase it will churn out 30,000 tonnes of gypsum joint compound per year.

The factory is slated for completion in late 2020, applying advanced Japanese technologies to produce gypsum products for the Vietnamese market, the investor said.

In his speech at the groundbreaking ceremony, Vice Chairman of the provincial People's Committee Nguyen Thanh Long said he believed

that the factory will help improve local production technology and generate jobs for local people.

The factory will also provide gypsum products that meet Japanese standards of quality for the construction material market in Viet Nam, he said.

According to the vice chairman, his province will continue improving its business environment and better facilitate businesses.

Japan is one of Ba Ria-Vung Tau's top sources of foreign direct investment and the province is striving to attract more Japanese capital in a series of sectors including logistics, manufacturing and processing, electricity, electronics, plastics, chemicals and petrochemicals, local authorities have said.

Statistics from the provincial Department of Planning and Investment revealed that Japanese investors had invested \$2.6 billion in 33 projects in the province, putting the country fifth among all countries and territories investing in the locality.

With productive operations, Japanese firms have generated jobs for more than 3,700 local people. In 2018 alone, they contributed \$37 million to the State budget.

6. Vietnam to tender \$5bn motorway project in August

The 654km Eastern North-South Expressway will be opened to bids in August 2019, reports market intelligence group InfraPPP.

The government plans to split the scheme into 11 sub-projects, of which three will be state-funded and eight will be offered on a public-private partnership basis, with the winning consortiums operating the assets for a fixed period after completion.

The government is expecting to invest about \$2.4bn in the scheme, said InfraPPP.

Work on clearing sites for the route has started, and road construction is expected to begin in April 2020.

Work will be open to international bidders. So far, interest has been shown by 24 Vietnamese companies, as well as six Chinese, two Japanese, one French and one South Korean.

7. Vietnam must remove regulatory challenges to encourage wind energy

According to the latest GWEC report entitled South East Asia Market Update - Insights on Vietnam, by the end of 2018, the total capacity of wind power projects in the country had reached 228MW. This was an insignificant number compared to other developed markets.

The Government, meanwhile, set an ambitious goal to raise the capacity to 800MW by 2020, and then to 2GW by 2025 and 6GW in 2030.

According to Benoit Nguyen, head of the Renewables Advisory Section of Singapore-based DNV GL's Clean Technology Centre, Vietnam and other Southeast Asian countries have great fundamentals to develop renewable energy with average wind speeds between 6.5 and 7.5m/s.

The feed-in-tariff (FIT) for wind energy is also favourable at US8.5 cents per kWh for onshore plants and 9.8 cents for offshore plants in order to promote investment and ease risks, specifically power purchase agreement bankability

The price range is exclusively set for projects coming into operation before November 2021, and the rates for later projects remain unknown.

Tax-free policies which apply to imported facilities and corporate incomes have become Vietnam's competitive advantage to attract investment.

Meanwhile, arbitration law, curtailment, termination and government guarantees are among the biggest risk factors for international investors in the emerging market.

Regulatory risks involving land lease contracts, pricing, capacity-building, labour, insurance and environmental impact assessments also create barriers for the development of wind power in Vietnam.

Liming Qiao, Asia Director of GWEC, recommended formalising power purchase agreements and simplifying the project approval procedure to encourage investors to join the field.

According to Bloomberg New Energy Finance, several factors have helped to reduce investment cost while increasing project efficiency.

Turbine prices have dropped about 45 per cent over the past seven years. Operation and maintenance expenses are also on the decline.

The GWEC's report states that Vietnam has the potential to be a wind power leader in the region, as long as any issues and challenges can be overcome by stakeholders.

In late May, at a seminar held in HCM City, experts warned Vietnam could experience a power shortage in the near future due to surging demand and challenges in development.

There has been little investment in wind power projects. Solar power is on the rise but is highly dependent on the weather.

8. New steel projects bewilder producers

A series of local steel producers have submitted a petition for urgent review to the Government Office and related ministries on the new cold-rolled stainless steel project in Vietnam. This project is invested by Foshan Union Stainless Co., Ltd. and Zhejiang Yongjin Metal Technology Co., Ltd. (Yongjin Metal) in Tien Giang, laying out a blueprint for a facility with an annual capacity of 250,000 tonnes of cold-rolled stainless steel.

The document noted that this is an example of the company going around one province's refusal to get an investment certificate in another in Vietnam. According to the petition, China-based Yongjin Metal applied for an investment certificate in Dong Nai to build a stainless steel project in April 2017 and August 2018, but it was rejected due to the local authorities' growing concern of oversupply and environmental pollution.

“However, only eight months after receiving the Dong Nai decision refusing to issue an investment certificate on August 23, 2017, Yongjin Metal received the permit for this project in another province. Stainless steel producers are surprised and confounded by this,” the petition stated.

Nghiem Xuan Da, chairman of the Vietnam Steel Association (VSA), suggested that, “The authorities of the provincial industrial zones should consult the central authorities as well as the relevant associations when licensing new investment projects in order to avoid supply--

demand imbalances as well as trade disputes between nations. It is imperative to consider many factors when adopting a new steel project.”

Dr. Phan Huu Thang, former director of the Foreign Investment Agency under the Ministry of Planning and Investment, said that a database on foreign direct investment (FDI) is being built and information flows will not be completely smooth until the system is completed.

The total designed capacity of the domestic cold-rolled steel industry reached more than 700,000 tonnes, so local producers now can only run at about half of their designed capacity, according to the petition. The local demand for stainless steel will continue to be met with an oversupply of 229,000 tonnes up until 2021, according to global market analysis by CRU Group calculated on the assumption of 8.4 per cent positive average growth per year.

According to the VSA, it is hard to export cold-rolled stainless steel as there are many large manufacturers in Southeast Asia and the regional supply exceeds the demand. It is also difficult to export steel to the US and EU markets which apply anti-dumping policies to steel products.

“The domestic stainless steel market has been hit hard by the influx of Chinese products. If more new investors are involved, it will be only a matter of time until the market collapses,” said a steel expert, adding that continuing to attract

investment into cold-rolled stainless steel will create fierce competition among producers and reduce their investment efficiency.

China, the world's largest steel producer, has experienced years of plunging prices and factory shutdowns due to oversupply. The Chinese government has shut down steel plants with the total capacity of over 90 million tonnes over the past five years and plans to reduce steel output by 100 million tonnes to 150 million tonnes by 2020 to ease the supply and demand imbalance. Thus, Chinese steel producers are moving to set up operations abroad, including in Vietnam, and have even agreed to sell their output at a loss to win more orders and cover their fixed operating costs.

The concerns have not stopped here, as many countries are using anti-dumping measures against Chinese steel products as well as goods of covered-up Chinese origin.

Tightening new projects

The VSA suggested that international investors should not be invited to produce normal steel products that are in oversupply in the country. Instead, they should be encouraged to invest in the production of alloys and high-quality steel.

Besides, with the government's reluctance to trade off environmental integrity for economic growth, many provinces should be cautious about steel projects, with some even rejecting new steel investment proposals.

"If Vietnam is as determined to protect the environment as it claims, clean projects will come. After tightening the licensing, the quantity may be less, but the quality will be better," economist Pham Chi Lan said.

In the same way, Tran Vietnam Ngai, chairman of the Vietnam Energy Association stressed that the steel industry is a particularly energy-intensive sector. Thus, any new steel projects must avoid having significant negative impacts on the national power grid.

Besides, to curb the influx of cheaper imports and help local producers, a number of markets have

slapped high anti-dumping duties on stainless steel from China, including India, Brazil, Thailand, the EU, and the US.

The VSA warned foreign investors against investing in factories in Vietnam with the targets of avoiding Vietnam's anti-dumping taxes and avoiding anti-dumping export duties.

Lessons from the past

Reminding of past issues when Vietnam witnessed the rampant development of power-hungry steel plants, Pham Chi Cuong, former chairman of the VSA, warned that, "The lessons are relevant to this day, especially as the Ministry of Industry and Trade (MoIT) is no longer responsible for planning in industries like steel."

In 2010, the Vietnamese steel sector witnessed a grievous surplus due to its failure to conform with the planning, with over 30 steel projects licensed beyond the official master plans for the industry. Together, these projects added 60 million tonnes of extra annual capacity to the industry and are a direct result of inadequate regulation and lax local authorities' management.

Before, in 2007 and 2008 alone, dozens of billion-dollar steel projects, both domestic and foreign, were licensed. These included the \$1 billion Tycoon-E. United Dung Quat steel complex in the central province of Quang Ngai with the annual capacity of three million tonnes in its first phase, the \$4 billion Van Phong steel complex in the central province of Khanh Hoa.

The MoIT's inspection later found that of the 65 steel projects with an annual capacity of 100,000 tonnes or higher each, only 17 were included in the planning and 16 were approved by the ministry while the remaining 32 projects were licensed by provinces outside of the planning, with as many as 24 licensed ultra vires.

The southern province of Ba Ria-Vung Tau had the most steel projects across the country with the total annual capacity of 3.75 million tonnes of refined steel and over 10 million tonnes of rolled steel. Half of these projects were outside the planning. Others with unplanned projects

included the northern port city of Haiphong with five projects, the central province of Thanh Hoa and the northern province of Hai Duong with four each, the central province of Ha Tinh with three, and the northern provinces of Quang Ninh and Ha Nam with one project each already in operation.

This unchecked licensing fiesta has led to the crippling surplus where supply exceeds demand by 50 per cent. Since then the surplus has become worse despite an annual 10 per cent growth in the domestic demand.

Corporate News

9. C32: Notice of transaction of internal person and related person (DHA)

↑ 0.72%

File Attachment

Notice of transaction of internal person and related person (DHA) of Construction Investment Corporation 3-2 as follows:

[20190614_C32-190614-Notice-of-transaction-of-internal-person-and-related-person-DHA.pdf](#)

10. BWE: BOD resolution on the business result in 5 months of 2019

↓ -1.33%

The Board resolution dated June 12, 2019, Binh Duong Water Environment Joint Stock Company approved the business result in first 5 months of 2019 as follows:

- Total revenue: 974 billion dongs
- Total expenses: 797 billion dongs
- Profit before tax: 177 billion dongs.

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