VIETNAM DAILY NEWS

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JAPAN SECURITIES INC.

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Market Analysis

1. Shares end the week on negative note

The VN-Index failed to maintain its rally on Friday as selling pressure hit many large-caps during the last trading session of the week.

The VN-Index on the Ho Chi Minh Stock Exchange (HOSE) lost 0.21 per cent to end Friday at 966.18 points.

Nearly 219.2 million shares worth almost VND4.2 trillion (US$181.3 million) were traded on the southern market.

The benchmark index had risen 0.66 per cent to end Thursday at 968.17 points.

Market breadth was negative with 174 shares dropping and 146 rising.

The large-cap VN30-Index lost by 0.48 per cent to stand at 880.55 points.

In the morning, VN-Index gained positively thanks to the support from banking stocks such as Bank for Investment and Development of Viet Nam (BID), Vietcombank (VCB) and Vietinbank (CTG).

However, the index could not maintain the upward trend at the end of the session due to the selling forces that hit some individual stocks like Vinhomes (VHM), Vinamilk (VNM), Hoa Phat Group (HPG), Kido Group and Novaland.

According to BIDV Securities Co (BSC), although there has been support from positive macro information as the US and China are closing in on the first phase of an agreement to resolve their tariff dispute, domestic pressure from strong net-sold by foreign investors last week still prevented VN-Index from a recover.

"The market next week is forecast to fluctuate when many events will take place such as the maturity of futures contracts or portfolio restructuring activities of ETFs," said Tran Xuan Bach, senior analyst at the Bao Viet Securities Company (BVSC).

The VN-Index is likely to continue to fluctuate in the area of 955-971 points next week. It still needs to surpass the resistance area of 970-971 points in order to complete the small bottom pattern and enter the recovery span with higher confidence, he said.

"However, we also note that the market will have adverse movements in the last sessions of the week and may retest the support areas of 951-955 points again," Bach said.

On a sector basis, eleven out of the 25 sectors saw share prices decreasing, including insurance, securities, retail, healthcare agriculture and construction materials.

On the opposite side, 13 sectors saw share prices climbing, including real estate, mining, banking, wholesale, seafood production, information and technology and logistics.

On the Ha Noi Stock Exchange (HNX), the HNX-Index was up 0.22 per cent to end Friday at 102.94 points.

More than 38.7 million shares were traded on the northern bourse, worth VND371 billion.

The northern market index was up 0.32 per cent to end Thursday at 102.71 points.

Macro & Policies

2. Vietnam trade to climb to record high despite global woes

It had reached $473.73 billion in the first 11 months, Deputy Minister of Industry and Trade Do Thang Hai said at a press briefing on Thursday. Exports were worth $241.42 billion, a 7.8 percent rise, while imports rose 7.4 percent to $232.31 billion.

The share of exports by domestic firms rose by 1.79 percentage points year-on-year to 30.95 percent. Their export growth was 18.1 percent, almost five times the 3.8 percent achieved by foreign companies, Hai said.

Exports to Mexico and Canada rose by 29.5 percent and 27.2 percent respectively thanks to the Comprehensive and Progressive Agreement for Trans-Pacific Partnership (CPTPP), he added.

Nguyen Cam Trang, deputy head of the trade ministry's import-export department, said there would be a trade surplus for the fourth straight year.

Vietnam had a surplus of $7.2 billion in 2018, the highest in a decade.

3. Agri-trade to blossom through EVFTA

With years of experience in exporting produce to the EU, Phan Van Thuong, director of G.O.C Food Processing Export JSC, a private company located in the northern province of Bac Giang, said that his company is investing a large amount of money in expanding its operations. Over the years, the company's export turnover of foods like pineapples, baby cucumbers, and asparagus to the EU has seen rapid growth.

"Our company once had to refuse an order of 35 containers to Germany, and was able to accept 20 instead, because we didn't have enough material," Thuong said.

According to him, since the EU-Vietnam Free Trade Agreement (EVFTA) was signed in late June, some EU companies have contacted his company seeking co-operation. "They're interested in typical Vietnamese products," he said.

In another case, at the Nafoods factory in the Mekong Delta province of Long An, hundreds of workers are getting ready for the expansion of the site and processing facilities. This chain represents part of an $8 million investment made by the International Finance Corporation (IFC). In 2019, Nafoods Group built a plant in the Central Highlands region for packing fresh fruit. With the IFC's support, the company has also developed a new field of fruit tree seedlings, thereby ensuring productivity and quality.

This development will ensure 150 extra full-time jobs in Nafoods factories, and the supply chain will be swelled by the addition of 11,500 more farmers.

Nguyen Manh Hung, chairman of Nafoods Group said, "We are trying to increase the value of our products by applying safe and sustainable agricultural practices and improving production facilities, so that our products can meet the requirements of high value export markets, including the EU."

Meanwhile, Nguyen Ngoc Luan, director of Lam San Agricultural Cooperative in the southern province of Dong Nai, is also preparing a budget for his co-operative's expansion. "Every year we export 1,000 tonnes of pepper to Europe," said Luan. "This year the amount has increased 1.5 times and the price is 20 per cent higher than other markets. We need more material planting areas and processing machines."

The domestic pepper sector is also in an upbeat mood. Nguyen Nam Hai, chairman of the Vietnam Pepper Association, said that Vietnam's pepper export turnover to the EU is about 40,000 tonnes per year, meeting 53 per cent of the market demand. "As well as pepper, many other Vietnamese agricultural products are gaining a foothold in EU countries," he said.

Data from the Ministry of Agriculture and Rural Development (MARD) shows that the EU is currently one of Vietnam's three largest agricultural produce import markets. In the first 11 months of 2019, exports to the region account for over 12 per cent of Vietnam's entire agricultural exports.

However, Vietnam's agricultural export market share to the EU accounts for only 2 per cent of the bloc's total imports, while the EU is the world's second-largest import market, with an annual total import value of about $2.3 trillion. Therefore the potential for Vietnam's agricultural products exported to this market is still huge.

According to Tran Tuan Anh, Minister of Trade and Industry, the EVFTA, expected to take effect in 2020, represents a big opportunity for Vietnam's agriculture industry. "The EVFTA could help Vietnam's export turnover to the EU increase by up to 45 per cent by 2030," he said.

However, Do Ha Nam, vice chairman of the Vietnam Coffee and Cocoa Association warned that there are challenges ahead for the Vietnamese coffee industry in particular, especially in terms of food safety and quality. "We must strictly implement regulations on technical barriers as well as food hygiene," he stated.

Meanwhile, Le Thanh Hoa, deputy director of the MARD's Agro-Processing and Market Development Department, said that the EU has set a maximum residue limit for food products. "For fresh fruit and vegetables, businesses must strictly comply with maximum residue limit regulations and prevent bacterial contamination, which are prerequisites for entering the EU market," said Hoa.

Thuong from G.O.C Food Processing Export said that the EU has a long list of banned chemicals, which is a further barrier for Vietnamese agricultural products. "However, the Vietnamese agricultural sector must change to satisfy the requirements of the import market in the context of international integration."

According to Thuong, his company has worked with some more material areas, supporting them and ensuring that the farming process is able to produce goods meeting EU requirements.

4. Tax authorities clamping down on foreign evaders

Hanoi Tax Department and its peer in Ho Chi Minh City revealed last week that thousands of foreign-invested enterprises (FIEs) are failing to keep up with regulatory demands. The published list of groups is part of Vietnamese authorities stepping up investigations into the tax affairs of such enterprises, which account for a growing share of suspected underpayment by large businesses.

The Hanoi tax authorities say they are closely co-operating with the media to ensure offending companies are known to the public.

"Multinational corporations might use various schemes to avoid paying taxes in Vietnam, where they make vast revenues. But it is intrinsically difficult to detect tax avoidance or evasion," economist Nguyen Tri Hieu told VIR.

World Economic Forum research shows $420 billion in corporate profits shift out of 79 countries annually, as seen in the cases of some high-profile names operating in Vietnam such as Adidas and Coca-Cola.

Adidas, whose subsidiary was set up in Vietnam in 2009, officially registered its business in the country as a wholesaler, but it was found to have expense items like a retailer.

The existence of intermediary costs, such as 8.25 per cent of transaction value in commission to Adidas International Trading B.V, increases the import costs of Adidas products.

Experts have expressed concern that Adidas may be avoiding a huge number of tax bills by the price charged on transactions between different parts of the same company, to keep its profit out of the Vietnamese tax net.

Identifying exactly where profits are generated is complex, and has become only more so as supply chains become more global. Notwithstanding, some FIEs have mostly preferred to stay quiet on the latest episode of tax obligations.

The Singaporean arm of Sumitomo Mitsui Trust Bank Ltd., which also operates in Hanoi, is alleged to owe around VND141.5 million ($6,150). South Korean manufacturer Hanla Level Co., Ltd. also failed to pay VND572 million ($24,850) in tax obligations, as cited by Hanoi Tax Department.

Previously, Vietnam's General Department of Taxation (GDT) had to force Thai giant Central Group to pay VND2 trillion ($87 million) in taxes for BigC, a supermarket operating in Vietnam for a decade. Central Group acquired BigC in 2016 in a move to increase its global footprint.

According to the Ministry of Finance, just over half of a total of operating 16,000 FIEs in Vietnam report losses. However, it may be seen as ironic that despite misfortune in the local market, many have ramped up business expansion, such as beverage icons Coca-Cola and PepsiCo.

The heightened scrutiny of multinationals is partly a response to public backlash against tax avoidance, highlighted recently by the tax departments of both Hanoi and Ho Chi Minh City.

Fresh statistics from the OECD reveal that the revenue loss associated with tax issues was equal to 1 per cent of Vietnam's GDP, roughly over $2.15 billion.

With tax-related rules yet to be agreed, local authorities are trialling ways to prevent multinationals from structuring affairs in order to divert profits to low tax jurisdictions, particularly in companies with little physical presence.

“The government will definitely carry out the post-test system that could total up the number of transactions of any platform, soon because of its huge advantage for flourishing the digital economy,” Nguyen The Trung, deputy head of Technology Solutions and Security for Local E-government, told VIR.

Warrick Cleine, chairman and CEO of KPMG Vietnam and Cambodia, pointed out the tax-related obstacles that FIEs struggle to adapt to when doing business in Vietnam.

“First, continual tax reform puts foreign investors in uncertainty. Second, compliance procedures can be quite time consuming and require resources and cost. Last but not least, it is how FIEs react when a tax dispute arises,” said Cleine.

“Digitalisation makes it hard to determine the location of the businesses' activity, while globalisation has made it easy for them to establish operations in jurisdictions with low tax rates,” said Nguyen Van Phung, director of the GDT's Large Enterprise Tax Management Department.

Some market watchdogs noted that frontier and emerging markets, including Vietnam, would gain taxing rights over multinational corporations. However, it remains difficult to reach an intergovernmental approach for taxation. In fact, some countries have decided to go it alone in this bid, such as France's plan of a 3 per cent charge on turnover to businesses with revenues of more than $845 million globally.

Kieu Anh Vu, founder and director at KAVLawyers said, “A slew of FIEs here work in import and export, so they are familiar with tax issues in this regard. It is necessary to issue a regime that enhances collaboration with overseas authorities to put tax-debt cases under review. Vietnamese regulators should act boldly to combat illegal tax roadblocks. New tax treaties could effectively allocate more profit to Vietnam.”

Johan Langerock of Oxfam Tax Policies suggested Vietnam should eliminate tax incentives to build a fairer market. “The burgeoning tax deficits are large enough to give Vietnamese regulators an incentive to clamp down on avoidance,” he said. “FIEs, on the other hand, would find it harder to shift profits to low tax rate locations.”

The full list of offending FIEs will be published by vir.com.vn imminently.

5. Minister seeks industrial parks for Japanese investors

Minister Dung was speaking at a high-level meeting of a joint committee to evaluate the final results of the seventh phase of the Vietnam-Japan Joint Initiative, held in Hanoi on December 12.

Investment in industrial parks with adequate infrastructure, which are dedicated to Japanese firms, will help lower their operational costs and make it easier for them to utilize high-quality human resources and input materials, he stated.

He advised Japanese firms not to invest in every field, which could lead to wasted time and increase their costs without producing satisfactory results.

The seventh phase of the Vietnam-Japan Joint Initiative started on August 2018 and finished this month. According to the joint committee, all 52 categories in the action plan for this phase have been well executed or are still in progress.

Among them, eight categories are behind schedule as they involve regulations affecting foreign investors, as stipulated in the Investment Law, the Enterprise Law, the Land Law and other laws on investment and business.

Also, the reforms of State-owned enterprises and of the stock market and the completion of regulations on the construction of gas pipelines in urban and suburban areas are creating delays.

One of the main reasons for delays is that Japanese officials need more time to provide documentation and collect enough information for Vietnamese agencies.

The two sides agreed in principle to start the eighth phase of the Vietnam-Japan Joint Initiative.

This phase targets macro issues associated with major feasible policy recommendations, helping improve Vietnam's investment environment and attract more Japanese investors to the country.

PM praises contributions by Japan-Vietnam Economic Committee

The impressive results of cooperation in trade and investment between Vietnam and Japan in recent years saw many contributions from the Japan-Vietnam Economic Committee, under the Japan Business Federation (Keidanren), stated Prime Minister Nguyen Xuan Phuc at a meeting with a Keidanren delegation in Hanoi on December 12.

PM Phuc also hailed the role of the co-chairmen in the Vietnam-Japan Joint Initiative, which addressed many issues, reported the Vietnam News Agency.

The PM hoped Japanese investors would rise to the top in Vietnam and that bilateral cooperation within the framework of the initiative would be raised to new heights by addressing recommendations made by Japanese investors and improving State management.

He added that the Government continues to offer support to Japanese investors, pointing out that the Vietnamese Ministry of Planning and Investment will collaborate with Vietnamese ministries and agencies and the Japanese side to execute the initiative in the next phase.

The co-chairmen said the two countries have actively carried out cooperative activities, notably the establishment of the Japanese Consulate General in the central coastal city of Danang in January 2020.

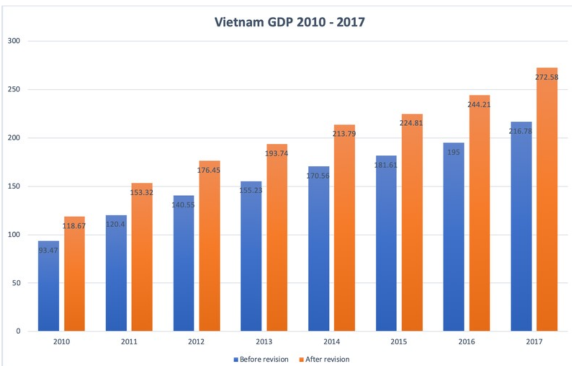
They stated that Vietnam has seen strong economic development with sociopolitical stability and has a large and young population.

The country also serves as a gateway for the Association of Southeast Asian Nations and plays an important role in the production and value chains of Japanese firms. The investment environment in Vietnam has been significantly improved, they added.

The co-chairmen suggested the Vietnamese Government consider the priority order of projects based on its public debt ceiling to cooperate with Japanese partners in infrastructure development in Vietnam.

6. Vietnam 2017 GDP expands US$56 billion after revision

Vietnam's GDP in 2017 is estimated at VND6,294 trillion (US$272.77 billion) after revision, representing an increase of VND1,300 trillion (US$56.34 billion) against the previous figure of VND5,006 trillion (US$216.95 billion), according to the General Statistics Office (GSO).



Data: GSO. Chart: Hai Yen (Unit: billion USD).

This would result in revised GDP per capita of US$2,985, higher than the preceding number of US$2,343, stated the GSO in a statement announcing the result of GDP revision in the 2010 – 2017 period held Friday.

As a result, Vietnam's GDP grew an average of 25.4% annually in 2010 – 2017, in which 2011 recorded the highest growth rate of 27.3% and 2015 grew the lowest rate of 23.8%.

Among economic sectors, services posted the highest growth rates after revision with an additional increase of VND316 – 615 trillion (US$13.68 – 26.61 billion) per year, equivalent to growth rates of 29.8 – 39.6%. It is followed by industrial and construction sector with an additional VND211 – 555 trillion (US$9.14 – 24.04 billion) or 27.6 – 36.6%, and the agro – fishery – forestry sector with VND25 – 46 trillion (US$1.08 – 2 billion), or 5.4 – 6.2%.

According to the GSO, after revision, “the GDP structure now better reflects the shift of the economy.” The agro – fishery – forestry expanded an average of 14.7% in the 2010 – 2017 period, down 2.7 percentage points from previous figures; the construction and industrial sector saw increases of 33 – 34.8%, up 1.8 percentage points; and the services rose by 39.2 – 41.2%, up two percentage points.

Notably, there were no major changes to the annual growth rates of GDP compared to the previously announced rates. The rates were revised up by 0.13 – 0.48 percentage points, with 2016 seeing the highest increase of 0.48 percentage points.

As such, **GDP growth rates from 2011 to 2017 are 6.41%; 5.50%; 5.55%; 6.42%; 6.99%; 6.69%; and 6,94%, respectively.**

Due to a change in the size of the economy, in addition to higher GDP per capita, other key economic indicators in 2017 are now adjusted accordingly. For example, the ratio of public debt to GDP as of the end of 2017 has been revised dow to 48.8%, fiscal deficit to 2.8%, and the ratio of state budget expenditure to GDP to 21.5%, among others.

Why revision now?

The GSO pointed to five reasons that lead to different GDP results, in which new data emerged from the general survey is considered to have the biggest impact, leading to an average increase of VND589 trillion (US$25.51 billion) in GDP annually, accounting for 63% of the incremental level.

The second reason is new data from administrative documents that led to an average increase of VND305 trillion (US$13.21 billion) in GDP annually, or 32.6% of the increased level.

The GSO said a revision of the GDP is aimed to better reflect the economic performance and efficiency of economic policies.

Policy makers would take these new data as basis for drafting Vietnam's socio-economic development 2021 – 2030 and 2021 – 2025, stated the GSO.

The GSO reiterated its previous statement that revising GDP is a common practice globally, and countries such as the US, Canada, Germany, Russia, Italy, Indonesia, among others, have made similar moves since 2010.

China revised its GDP growth in 2004, 2008, 2013 and 2015, with the two latest revisions having added US$305 and US$141 billion to the existing statistics.

In the 2013 – 2014 period, after being revised, Russia's GDP expanded an extra 24.3%, the economies of Rumania and Croatia enlarged 28.4%, Germany's 3%, Italy's 7% after their respective GDP calculation was reviewed.

In July 2013, the US revised its GDP growth of the previous year and added US$506 billion to its economy.

GSO Head Nguyen Bich Lam previously said this was not the first time the GSO revises the GDP calculation. His agency in 2013 revised the GDP in the 2008 – 2012 period. Six years ago, the revision only focused on certain sectors such as banking, finance, insurance and real estate, Lam stated, noting this time the GSO would include all economic groups in the economy, except the illegal and shadow economies, due to the lack of data.

Corporate News

7. Novaland honoured as year's top developer at Dot Property Southeast Awards

↓ -1.79%

At a ceremony in Bangkok last night, it also won the award for the Best Entertainment and Tourism Complex for its NovaWorld Phan Thiet.

Now in its fourth year, the Dot Property Southeast Asia Awards rewards the best in regional real estate, honouring the leading developers, projects and companies that contribute to the sector.

In July, at the Dot Property Viet Nam awards, Novaland had won the Best Developer Vietnam award.

In the 27 years since it was established Novaland Group has become one of the biggest and most prestigious developers in the country with over 40 projects ranging from housing to hospitality.

Novaland has now set its sights on become a leading conglomerate straddling property, finance, tourism destination creation, and transportation infrastructure.

It has 4,900ha of land and plans to develop three main segments -- housing in HCM City, satellite urban areas in HCM City's neibouring provinces and hospitality.

Besides high-end and luxury housing projects in Districts 1 and 2 in HCM City, Novaland is developing its first ecological urban area in Dong Nai Province, Aqua City.

In the hospitality segment, the group is developing a clutch of major projects like NovaWorld Phan Thiet and NovaHills Mui Ne Resort & and Villas in Binh Thuan, NovaWorld Ho Tram in Ba Ria-Vung Tau and NovaBeach Cam Ranh Resort Villas in Khanh Hoa Province.

It was recently named one of the 10 winners of the 2019 Viet Nam Listed Company Awards for annual reports. It was for the third consecutive year it won the award.

This year it was also named one of the five listed companies with the best sustainable development report.

Bui Xuan Huy, CEO of Novaland Group, said: "The recent awards are good news for our group at the year-end, marking a successful 2019. It proves the strong efforts made by the group and staffs.

"2019 is a milestone in our strategy of widening business with many new projects, including in hospitality. We, of course, face many challenges, but we consider challenges a chance for us to expand and achieve success."

NovaWorld Phan Thiet attracted many prospective foreign buyers at the 2019 Dot Property Southeast Asia Awards.

It spreads over nearly 1,000ha in Phan Thiet City in the south-central province of Binh Thuan, which is famous for its beautiful beaches and sunny weather all year long.

NovaWorld Phan Thiet is a tourism complex that meets international standards. It also has second homes and shophouses facing the ocean meaning the project is highly likely to fetch buyers huge profits.

It has over 200 amenities and facilities including a 250ha sports centre with a 36-hole golf course designed by Greg Norman. The course has everything required to host international golf tournaments.

Other amenities include a conference centre, an outdoor theatre, a 30-ha park, a hospital, a beauty centre, and a home for retired people.

Dot Property Southeast Asia Awards 2019 instituted by the Dot Property Group, are the biggest and most prestigious in Southeast Asia in the realty sector.

They honour the best property developers, projects and brokerages companies for their contributions to the regional real-estate market.

The Dot Property Southeast Asia Awards also honour new companies with initiatives to develop the market.

8. Need for strategy adjustment as Vinamilk loses momentum

↓ -1.01%

Vinamilk's expansion strategy seems questionable and might result in a decrease of shareholders' trust

Cao Minh Duc, a manager working at an international consultancy, told VIR that he had second thoughts about Vinamilk shares, one of the blue-chips in the domestic market since the year-end stocks sell-off saddled major indexes. “Though I'm fairly bullish, I'm not sure I can ride out the bumps,” said Duc. “I think there's more volatility coming.”

Vinamilk, founded back in 1976, has struggled to reclaim its high after a drop of 2.63 per cent on its shares last week, despite the fact that the company posted a rebounded business result, a trend mirrored in the VN-Index. The group witnessed a slight increase of 6.4 per cent on-year with net revenue of VND42 trillion ($1.83 billion) and net profit after tax of VND8.38 trillion ($364.36 million).

Market share expanded at around 2.2 per cent on-year, while yogurt and liquid milk hiked by more than 2 per cent and 1 per cent respectively, according to Bao Viet Securities research.

The VN-Index fell 5.88 points or 0.61 per cent to 953.43 points as of December 4, its lowest point since July. Foreign investors were aggressively selling in this session, offloading a net VND230 billion ($10 million) worth of shares.

Daisuke Imaichi, manager and department head of Japanese Corporate Department No.2 at Mizuho Bank, believes that Vinamilk's stock price has been slightly overvalued in the last 12 months.

“Despite upbeat revenue, the earnings per share of the company's stock are falling,” Imaichi explained to VIR. “Generally, shareholders might be keen on undervalued companies or viable stocks rather than overvalued ones. In the end, underperforming in business investment will result in a selling spree from international investors.”

Phan Dung Khanh, investment director of Maybank Kim Eng Securities added, “The bad news revolving around Vinamilk's ingredients has in fact been threatening to reveal itself for a while. But its shares downtrend is more associated with dwindling optimism about the lacklustre economic outlook, which pushed the VN-index to another day of losses.”

The ingredients hiccup came to light recently when a Facebook account posted images thought to be of customs data of the company's raw materials imports, most of which is skimmed milk powder. The account questioned the quality of Vinamilk's “fresh milk”, accusing the group of selling products that actually contain reconstituted milk which consists of about 20 per cent fresh milk, while the remainder is milk powder, butter, and additives.

The strain of the share trend has been reflected in a number of companies, with some high-profile victims of the recent malaise including Masan Group and Vinhomes.

Researchers at MB Securities say that both frontier and emerging markets are suffering from overseas capital outflow, and Vietnam is not immune from the trend despite its better performance.

Meanwhile, Pham Ngoc Ha, portfolio manager at Bao Viet Securities said, "Uncertainties relating to trade friction and global macro-economic headwinds could also be the reasons as investors would like to go back to their safe havens, such as gold or bonds."

Other investors say they are maintaining some exposure to the stocks in the sector because of their defensive nature.

"We won't know whether the domestic equity market will create new highs or new lows. The key question to ponder is whether Vinamilk's global expansion accelerates its growth. This actually sends them to a riskier position, at least in a near-term outlook," said Nguyen Thi Ngan Tuyen, head of Retail Research at Maybank Kim Eng.

On the bright side, Ha of Bao Viet Securities predicted that in the coming months there will be a relatively modest inflow into exchange-traded funds, adding to the positive trend of overseas buying.

Quiet foreign shareholders

The huge stir around the origin of Vinamilk's products and its slumping price is not good news for its investors, in which foreign shares occupy 60 per cent. However, as of now most of them have kept silent on the matter.

Thai-based F&N Group, via its two subsidiaries F&N Dairy Investment and F&NBev Manufacturing, respectively holds 17.31 and 2.7 per cent in shares, enabling F&N to become Vinamilk's largest shareholder.

The Thai investor has previously registered on numerous occasions to purchase more stocks aiming to raise its ownership at the local dairy giant but most of them failed. In July, F&N chairman Charoen Sirivadhanabhakdi once again registered to acquire 14.7 million stocks but his desire to expand the company's presence in Vinamilk was again not approved.

Due to the mechanism of securities-based lending, the Thai investor has to continuously register for the purchase of stocks to keep the price stable. It consequently leads to "unappropriated happenings in the market" repeating all year round, Sirivadhanabhakdi explained. However, as Vinamilk's stock price has been dropping, partially contributed to its notorious reconstituted milk scandal and the foreign net selling trend, the F&N's wish to maintain the stock price may not live up its expectation.

Meanwhile, one of the overseas stockholders of Vinamilk, Arisaig Asia Consumer Fund, refused to comment on the company's plummeting shares. Arisaig Asia currently holds about 28.8 million stocks in the company, equaling the takeover rate of 1.65 per cent in Vinamilk's shareholders.

Grow and conquer

Vinamilk's fresh data has shown positive signals, with a growth rate at 8.2 per cent on-year, and with revenues of overseas subsidiaries also increasing positively by 12.4 per cent on-year. But instead of valuing Vinamilk as a nimble upstart with a seemingly limitless potential for global expansion, financiers are increasingly pricing in slowing growth and rising expenses.

Thao Dang, analyst at Viet Dragon Securities, cautioned that the company's globalisation strategy would also bring greater risks.

"Geographical uncertainties are important factors to consider when it comes to exports, as seen in the Middle East. Social unrest in the long run is going to impact Vinamilk to some extent," Dang wrote in a report.

Last year, the group's overseas operations were hit by a halt in its exports to the Middle East, which accounts for 85 per cent of its export revenue, due to geopolitical conflict in the region.

Vinamilk's public relations director Do Thanh Tuan previously said that they had to push domestic sales to make up for the slump in overseas ones. Traditional dairy has faced intense competition in recent years as alternatives like almond milk and soy milk have gained popularity. Although Vinamilk has ramped up its efforts to promote the business by launching 17 new products as of October – ranging from nut milk and chocolate-flavoured drinks to fruit juices – success cannot be guaranteed.

The competition is getting intense, as the thirst for plant-based milk has prompted large food groups to try to cash in, with PepsiCo, Coca-Cola, and TH Group launching specific lines to consumers.

Some market watchers also questioned the company's ambitions for robust rising sales if commodity prices soar. Truong Sy Phu, analyst at Bao Viet Securities, wrote in a November report that the weather in New Zealand, which is one of the main sources for Vinamilk's raw materials, has not shown much improvement, thereby affecting production volume.

“Profit growth in 2020 for this biggest local dairy production will slow down due to higher input prices,” Phu highlighted. “A push by grocers and food retailers into their own private label milk brands has also added to pricing pressure on milk.”

In October, Vinamilk announced that it would begin exporting to China, tapping into the world's second-biggest dairy market for growth. But experts' view on Vinamilk's future in the Chinese market is rather gloomy, partially due to fierce competition and a higher commodity price.

“Due to the diverse product portfolio, it will take more time for the company to finish issuing export product codes,” Phu of Bao Viet Securities highlighted.

“Time will tell how far Vinamilk could go, but globalisation is not always a good option,” added Khanh of Maybank Kim Eng.

Statistics from Bloomberg Intelligence revealed China's $60 billion-a-year dairy industry is forecast to grow at mid-single-digits for the next three to five years.

“China is a very big market with a lot of potential,” said Vinamilk's international business director Vo Trung Hieu in its annual shareholder meeting in April. “However, it is also a very challenging market as most of the world's big players are already there while its local companies are also big and competitive.”

Vinamilk and other Vietnamese companies looking to win Chinese customers' hearts will face tough competition from strong domestic players, such as China Modern Dairy or China Mengiu Dairy. Notwithstanding, even the Chinese dairy market faces headwinds, with sales of infant formula of some dairy companies set to record flat results this year before declining in 2020 due to a falling domestic birth rate, according to Goldman Sachs analysts.

“China also has a lot of non-tariff barriers that makes it hard for foreign companies to crack its market,” Vinamilk's Hieu admitted.

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