



VIETNAM DAILY NEWS

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Market Analysis

1. Stock market slips to another low

The VN-Index dropped 1.51 percent to 895.97 points Wednesday, its lowest point since January 9 last year.

247 stocks fell and 109 rose on the Ho Chi Minh Stock Exchange (HoSE), Vietnam's main bourse on which VN-Index is based.

Order matched transactions fell to VND2.6 trillion (\$112.31 million) from VND3 trillion the previous session (\$129.59 million), equivalent to an average trading day on the stock market last month.

The VN30-Index for the bourse's 30 biggest market caps fell 0.94 percent, with 22 losing and 6 gaining. Six stocks fell more than 2 percent this session, none of them belonging to the same sector.

ROS of real estate developer FLC Faros topped losses once again with 3.8 percent. The blue chip has been one of the most volatile VN30 stocks in recent times, swinging from floor to ceiling prices for most sessions in the past month.

It was followed by BID of BDIV, one of Vietnam's three biggest state-owned lenders by assets, and GAS of state-owned energy giant PetroVietnam Gas, both of which shed 3.7 percent.

Next in line were VNM of Vietnam's biggest dairy firm Vinamilk, down 2.8 percent, VHM of real estate developer Vinhomes, 2.6 percent, and BVH of insurance giant Bao Viet Group, 2.5 percent.

Other notable losing blue-chips belonged to VCB of Vietcombank and CTG of VietinBank, the remaining two of Vietnam's three major state-owned banks, down 1.4 percent and 1.1 percent respectively.

VIC of private conglomerate Vingroup, the stock market's biggest capped share, slipped one percent, while MSN of food conglomerate Masan Group and VJC of budget carrier VietJet Air dropped 1.7 percent and 1.6 percent respectively.

In the opposite direction, POW of Vietnam's second biggest electricity generator PetroVietnam Power led gains with 2.5 percent, followed by FPT of IT services Giant FPT, up 1.9 percent.

The next three gaining tickers all belonged to private mid-sized banks, namely TCB of Techcombank, up 0.7 percent, STB of Sacombank, 0.4 percent, and EIB of Eximbank, 0.3 percent.

Meanwhile, the HNX-Index for stocks on Hanoi Stock Exchange, Vietnam's second main bourse for small and midcap stocks, edged down 0.05 percent, while the UPCoM-Index for unlisted public companies shed 0.34 percent.

Foreign investors were net sellers for the twelfth consecutive session on all three bourses, with a net sell value of VND250 billion (\$10.8 million). Selling pressure was mostly focused on VNM of Vinamilk and VCB of Vietcombank.

Macro & Policies

2. Hitting local business, coronavirus leaves urban employees in the woods

It is Monday, but Ly Thi Sinh is not at work as usual. In her shared studio apartment in Saigon's District 9, she is busy phoning acquaintances in search of work.

Employed by a textile firm, she was asked to take four days off amid sluggish sales and dwindling material supply from China.

"I have to find an alternative to survive in the city," Sinh said, adding she is considering working by the hour.

From northern Thai Nguyen Province, Sinh pays VND2 million (\$86) in rent, which she hopes to postpone this month.

She is among a plethora of urbanites suffering the effects of the coronavirus, which is hitting businesses hard. The Ministry of Planning and Investment estimates almost 900 local companies have ceased operations or scaled down business because of the epidemic.

In Hanoi, some hotels are letting staff go or cutting salaries as the virus slashes both tourist and revenue numbers.

Nguyen Van Hai, a night guard at a local hostel on Hang Ma Street, is one such victim. He lost his job at the end of February after the owner decided to secure his own premises.

"They have to tighten their belt and asked me if I could come back in 2-3 months when business is better," Hai said, adding he understands the owner's decision, though he would have preferred more time to make preparations.

The financial burden is heaviest on those existing on the margins of society with few safety nets.

Selling banh mi on To Hien Thanh Street in Saigon's District 11, 47-year-old Nguyen Thi Cham has experienced "the worst time."

"I used to sell over one hundred sandwiches a day, but now the number dropped to less than 30," she noted.

During the past four weeks, with schools and university's closed, Cham's regular flow of student clients have simply dried up. To adapt, the Mekong Delta native only operates her stall 7 hours a day, from 6 a.m. to 1 p.m. "I close in the afternoon because there are no more customers."

The working class community members face social stigma from employers and colleagues if hailing from epidemic affected areas.

Visiting his hometown in Tam Canh Commune of Binh Xuyen District, northern Vinh Phuc Province, bordering locked down Son Loi Commune, Nguyen Thanh Dung was prevented from returning to work after the Tet break (from January 23-29).

"People were so scared of me, I was asked to stay at home so everyone could relax and focus on work," Dung recalled, adding he received no compensation while in isolation.

The 39-year-old eventually returned to work in Hanoi's Gia Lam District, having lost around VND4 million (\$172.3) after two weeks at home.

"I did not send money to my mom last month and hope this month will be better," he commented.

Life goes on

Though Covid-19 is currently under control in Vietnam, it still poses a severe threat to international supply chains and domestic enterprises.

According to economist Le Dang Doanh, the epidemic has hit all of Vietnam's three biggest businesses partners, including China, South Korea and Japan.

Having little savings and salaries, many workers try to overcome the situation by tightening their belt and finding grueling jobs.

Releasing her company's struggles could affect her wallet, Sinh started cutting down on spending. "I buy less meat, and have leftovers for breakfast," Sinh noted, saying she usually ate lunch at work, which is provided for free.

Dung adopted a similar routine, even skipping on breakfast.

While some try their best to avoid crowds or contact with strangers, others have little choice but to hit the streets in search of work because, as Hai stated, "it is still better than earning nothing."

He is now applying to work as a motorbike taxi rider.

Meanwhile, Cham checks her phone each morning to see whether any acquaintances want her to clean their house in the evening.

"I have to live 'off the land' until the epidemic is over. At least there are jobs in Saigon," she said with a sigh.

Vietnam has recorded a total of 16 Covid-19 patients, all of whom have recovered and been discharged from hospital. The country has reported no new infections since February 13.

Meanwhile, the lives of millions of urban workers and migrants have been disrupted for one month due to the lack of income and security.

"This epidemic leaves a worker like me with nothing but an empty wallet, but life goes on and we have to survive and overcome," said Sinh after an old friend asked to meet her at coffee shop, which she declined due to strict budgeting.

3. Automakers hit a bump as coronavirus breaks supply chain

Hung, an automaker in Hanoi's neighboring province of Hung Yen, typically sells 1,000 trucks a month, but the figure has dropped by half since the outbreak.

He said the sales plunge was caused mainly by difficulties in importing materials and parts from China.

His factory has enough materials to operate for another month, production lines will have to be shut down after if the situation does not improve, he said.

A plan to launch a new truck model in the second quarter could be delayed indefinitely if current shortages persist, he added.

Vietnam imported almost \$4 billion worth of car parts last year, mostly from South Korea (29 percent), Japan and China (both 18 percent).

As truck manufacturers import over 70 percent of parts from China, they face more challenges in sourcing as border trade activities have been limited since the outbreak.

The Ministry of Industry and Trade has forecast that most automakers will face partial shortages starting the end of this month.

Truong Thanh Hoai, head of the Department of Industry, said that sourcing from alternative markets would be a challenge as Vietnamese manufacturers are familiar with the technical standards of Chinese parts.

Other markets like South Korea and Japan are also struggling with the outbreak, and Indian traders have being very careful, taking precautions over fears of coronavirus contagion, he added.

The CEO of a truck manufacturer in Ho Chi Minh City said that he has been unable to import parts from China since the outbreak, and might have to suspend a plan to launch three new models this year.

His factory now has a month's inventory left before operations will have to cease.

"I think Chinese factories will not resume operation for at least two more months and it will take them another month to produce enough parts to meet orders."

The difficulties of Vietnamese auto manufacturers, which go in tandem with those of global auto firms, reflect the damage the outbreak has inflicted on Vietnam's manufacturing industry, which accounts for 20 percent of GDP.

Industrial production growth could fall 2.3 percentage points this year due to limited imports of parts from China, knocking 0.5 percentage points off GDP growth, according to a forecast by management fund VinaCapital.

Officials have proposed that the government conducts trade negotiations with provinces in China to resume trade with protective measures to contain the spread of the virus.

But for the long term, there needs to be more tax incentives for locally-produced cars to ensure sustainability of the industry, they say.

Vietnam's car sales last year rose 12 percent from 2018 to 322,322 units, according to the Vietnam Automobile Manufacturers Association.

4. Vietnam's rice exports in spotlight despite decrease in acreage

According to a report from the Ministry of Agriculture and Rural Development in February, Vietnam's rice exports reached 890,000 tonnes in February, up 27 per cent against 2019. This resulted in an export revenue of \$410 million, up 32.6 per cent compared to the corresponding period last year. This is positive, despite the export revenue of other agricultural produce such as fish, cashew, pepper, and other vegetables experienced a marked drop.

The export price of rice ranks second-highest among rice exporting countries, only behind that in Thailand. For example, the price of 5 per cent broken rice of Vietnam is around \$380 per tonne, a 10 per cent increase compared to the \$345 at the end of January. This is a peak price since 2019. Generally, the export price of rice ascended steeply by \$40 per tonne and accounted for 10 per cent of total exports in 2019.

It is believed that the surge in the export price of rice in February is due to major imports from the Philippines. This country has bought rice from Vietnam to meet the consumption demand because of reduction of agricultural land and growing population.

Up to now, the two largest export markets for Vietnamese rice were the Philippines and Malaysia. In 2019, the top five rice export markets for Vietnam were the Philippines, Côte d'Ivoire, China, Malaysia, and Ghana.

According to Do Ha Nam, chairman of the Vietnam Food Association, domestic rice exports were not affected much by the COVID-19 because Vietnam has discovered new markets to ensure stability.

Despite the rise in export revenue, Vietnamese rice farmers have had to deal with natural catastrophes like prolonged rains, hail, and sleet in the north, as well as droughts and saline intrusion in the Mekong Delta region.

During the early harvest, according to statistics from the General Statistics Office of Vietnam, rice was cultivated on a total area of 2.67 million hectares, accounting for 98.3 per cent of last year. Precisely, that numbers in the north and the south were over 760,000 and more than 1.9 million ha, respectively, accounting for 103.6 and 96.3 per cent of the figures from last year.

In particular, the Mekong Delta contributes about 1.54 million ha, which is 3.3 per cent less than last year. In the north, especially in the Mekong Delta, the cultivation area declined by 53,400ha compared to the same time last year.

Generally, the Mekong Delta, the Central Highlands, and the southern provinces have ended the early rice harvest season with bumper crops. The harvest in the north was also better than last year.

5. Food processors thinking outside the box for sales

With a processing factory in the Mekong Delta province of Long An stuck with a large amount of dragon fruit due to the current worldwide health crisis, global fruit and vegetable producer Lavifood has come up with brand new products made from this kind of fruit. As a result, the company bought a huge amount of dragon fruit to both support farmers and start their new project.

“We have made 100 per cent dragon juice with a lifespan of nine months, soft dried dragon fruit for six months, and also frozen packaged products,” Dinh Hung Dung, deputy general director of Lavifood said.

According to Dung, with these new products, the company can use all of the fruit before their expiry dates. “Part of these products will be shipped to China via sea, which is convenient for both China and Vietnam. From now on, we will only export by sea, not by road,” Dung added.

Along with Lavifood's move, many other enterprises have also found different ways to diversify their products while supporting farmers.

Self-proclaimed ‘king of bread’ Kao Sieu Luc, owner of ABC Bakery, also thought of using dragon fruit in his products. He replaced 60 per cent of water with pureed dragon fruit, which means that he uses 1.4kg of the fruit for every 5 kg of wheat.

“At the early stage we bought a tonne of dragon fruit, then pureed and froze them for future use. If the product is popular, we will need 200kg of dragon fruit per day,” Luc said.

After big success with the dragon bread and long lines of people waiting to purchase some, Luc has also introduced varieties with durian filling in the middle.

“We aim to export this kind of bread after serving the domestic market. In addition, we will introduce dragon moon cake this autumn. We have also thought of using typical Vietnamese products like taro, watermelon, and avocado to bake cakes,” he added.

Also wishing to support farmers, Huynh Kim Chi's Vikybomi Corporation, a producer of prepared mix in Ho Chi Minh City, has finished products made from wheat, dragon fruit, and watermelon such as bread and fresh noodles.

“We are a material provider, so we will not sell the products directly to consumers but transfer the formulas of these products to manufacturers for free, helping consume more agricultural products,” Chi said.

According to Chi, her corporation may create more new items from agricultural products for export.

Meanwhile, Le Duy Toan, director of Duy Anh Food Ltd., Co., said that his company had also successfully made watermelon vermicelli and dragon fruit rice crepes, which were immediately welcomed by Japanese and South Korean customers.

“In these two markets, people often use the rice crepes to roll barbecue or wrap sushi. We have just exported the first watermelon vermicelli patch to South Korea, while one customer from Japan has ordered 3.5 tonnes. We are in the process of signing an order of around three tonnes of watermelon noodles and dragon fruit rice paper for the Australian market,” Toan said.

According to Toan, the company will continue creating similar products, while continuing to promote these new ones. “Noodles and rice paper made from dragon fruit and watermelon will be our major products. We are consuming 1-1.2 tonnes of watermelon and 300kg of dragon fruit a day. We hope to increase the amount to four tonnes of watermelon and one tonne of dragon fruit,” he added.

With experience in using sweet potatoes, beetroots, and spinach to produce vermicelli, pho, and rice paper, Toan said, “Creativity in processing agricultural products to increase their value is essential because Vietnam has strong advantages in agriculture while consumers are very fond of new products.”

Lauding the initiatives of enterprises, Minister of Agricultural and Rural Development Nguyen Xuan Cuong said that these were practical means to help the agricultural sector to sustainably develop in the future. “Focusing on deep processing is

necessary to help the agricultural sector reach the target of \$43 billion in 2020. Processing enterprises must closely connect with material areas to reduce the volume of exported fresh products,” Minister Cuong said.

6. Vietnam turns to India for raw materials supply?

According to local publication Vietnamplus, secretary of the Municipal Party Committee, Vuong Dinh Hue, said the two sides should strengthen their partnership while speaking at a reception hosted for Indian Ambassador to Vietnam, Pranay Verma.

He added that he expects India to import textile and garments from Hanoi.

Factory shutdowns across China have resulted in a delay in raw materials reaching several markets.

Cambodian officials have warned 200 garment factories will see production slow due to a lack of raw materials.

Last month, executives in China said while factories were restarting operations they are struggling to get back on track with quarantined workers, travel restrictions and material delays disrupting production and causing ongoing uncertainty.

Corporate News

7. Sotrans approves full takeover by ITL Corporation

↑ 2.94%

If the transaction is carried out according to plan, ITL will make a complete takeover of Sotrans. As of present, ITL is holding over 41 million shares or 41.78 per cent of Sotrans' charter capital.

Under the proposal, Sotrans has approved ITL to increase its ownership to 100 per cent of the total voting shares of STG without making a mandatory public offering in line with Vietnamese regulations.

Accordingly, ITL will purchase STG stakes from existing shareholders or increase its ownership in companies holding a stake in STG.

According to its 2019 financial statement, Sotrans has generated over VND1.8 trillion (\$78.26 million) in revenue and VND122.6 billion (\$5.33 million) in after-tax profit, down 22.2 per cent against 2018.

Sotrans' returns on asset and returns on equity are lower than other transport and logistics firms like Gemadept, Viettel Post, and Transimex.

Beside ITL, Vietnam Electrical Equipment JSC (GELEX) is another major stakeholder holding a 54.78 per cent stake in Sotrans. By owning a controlling stake in the company, GELEX has extended its reach to the logistics industry beyond its core electricity business.

In 2016-2017, Gelex and ITL have been vying for the acquisition of Sotrans, following State Capital Investment Corporation's (SCIC) move to offload its entire 47.8 per cent at Sotrans in 2015. With Sotrans' latest proposal, ITL is expected to become the winner of the race.

Chief operating officer of ITL, Amanda Rasmussen, told VIR that the firm will invest an additional \$70 million in 2020. "The investment will further strengthen our position as a leading player in Vietnam and Indochina through further mergers and acquisitions and asset development."

ITL is also aiming to become the national champion – the leading logistics company of Vietnam and the region – as well as a \$500 million company in the next two years.

8. HDG: Ha Do Thuan Nam increases its charter capital

↑ 0.00%

According to the Board resolution dated March 03, 2020, the Board of Directors of Ha Do Group Joint Stock Company approved to increase the charter capital of Ha Do Thuan Nam Wind Power Co., Ltd. as follows:

- Current charter capital: VND10 billion

- Increase amount: VND455 billion

- Form of capital increase: the owner will contribute more capital

- Purpose of capital contribution: to invest in 7A Thuan Nam Wind Power Project in Ninh Thuan province.

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