



VIETNAM DAILY NEWS

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Table of content

Table of content

- 1. VN-Index freefalls on fresh Covid-19 concerns**
- 2. Vietnam businesses reimpose Covid-19 safety measures**
- 3. MPI Minister: local groups to set sight on overseas M&A**
- 4. Vietnam among most price sensitive ASEAN markets**
- 5. Most enterprises applying CSI have sustainable governance: survey**
- 6. R&D spending key to join global supply chain: executives**
- 7. Viet Nam imposes tariffs on foreign plastic film**
- 8. VPB: Moody's maintains VPBank's credit ratings at "stable"**
- 9. MSN: Masan fails to buy out Vinacafe**

Market Analysis

1. VN-Index freefalls on fresh Covid-19 concerns

The VN-Index tumbled 5.31 percent to 785.17 points Monday, its biggest single-day loss since March 23.

The benchmark index also fell to a two-month low, undoing all its gains since May 6. According to analysts, fear of the resurgence of the Covid-19 epidemic has pushed local investors into mass selloffs.

The central city of Da Nang has confirmed three Covid-19 community transmitted infections over the weekend, and a fourth was recorded in nearby Quang Ngai Province. Authorities are still searching for the source of infection.

With renewed local transmission of Covid-19, Vietnam has returned to pandemic prevention protocols on aircraft, trains, ships and buses, including sanitizers, masks and health declaration procedures.

Foreign investors, however, seemed to be bottom-fishing for the second session in a row by net buying VND292 billion (\$12.71 million) worth of stocks on HoSE.

The Ho Chi Minh Stock Exchange (HoSE), on which the VN-Index is based, on Monday was bleeding red, with 377 tickers losing and only 33 gaining.

Total trading volume fell slightly over the previous session, to VND7.02 trillion (\$305.55 million) but remained far above the average daily trading level of VND4.3 trillion (\$187.16 million) from the beginning of July until last Thursday, when Vietnam was still free of confirmed intra-community Covid-19 infections.

The VN30-Index for the stock market's largest caps plummeted 5.48 percent, with all of its tickers in the red, 17 of them hitting their floor prices. The floor price of stocks on the VN30 are equivalent to

downward movements of between 6.6 percent and 7 percent, depending on the ticker.

Most banking stocks hit their floor prices including the state-owned MBB of Military Bank, BID of BIDV, and CTG of VietinBank; and the private HDB of HDBank, STB of Sacombank, TCB of Techcombank and VPB of VPBank.

VCB of state-owned Vietcombank and EIB of private Eximbank did not hit their minimum prices, slumping 4.9 percent and 2.4 percent respectively.

In the financial sector, BVH of insurance giant Bao Viet Group and SSI of top brokerage Saigon Securities also slid to their floor prices.

The other tickers that did the same were PNJ of jewelry retailer Phu Nhuan Jewelry, CTD of construction giant Cotecons, SBT of agri-firm TTC-Sugar, and VNM of dairy giant Vinamilk.

Stocks related to private conglomerate Vingroup, HoSE's biggest cap, where some of the better performers, none of them reaching their floor prices. VIC of parent corporation Vingroup shed 3.4 percent, VRE of its retail arm 4.1 percent, and VHM of real estate arm Vinhomes 6.7 percent.

NVL of real estate developer Novaland was the best performing blue chip, edging down only 0.2 percent.

Meanwhile, the HNX-Index for stocks on the Hanoi Stock Exchange, home to mid and small caps, plummeted 6.84 percent; and the UPCoM-Index for stocks on the Unlisted Public Companies Market fell 3.82 percent.

Buying pressure from foreign investors this session was focused mostly on VCB of Vietcombank and VHM of Vinhomes.

Macro & Policies

2. Vietnam businesses reimpose Covid-19 safety measures

Oanh, employed at a tech company in Hanoi, on Monday was asked to complete a health declaration via a smartphone app and began practicing two-meter social distancing at work.

Her company has suspended all planned business trips to Da Nang, where the three latest Covid-19 cases were confirmed, with those returning from the city requested to isolate themselves at home for two weeks.

"Everyone is carefully complying with safety measures, most being familiar with the drill. Containing the disease is now of the highest priority," she maintained.

Businesses across the country are also reimplementing safety regulations to protect their employees after Vietnam recorded four new Covid-19 cases with no trace of transmission, ending over three months without community infection.

Hanoi-based textile company Vinatex has asked all its employees to wear masks and wash their hands before starting work or going for lunch, requiring each to remain one meter apart at all times.

The company also advised staff not to travel to the central region during this time.

Power utility Vietnam Electricity (EVN) has also imposed similar regulations, tasking employees to

undergo temperature checks at the beginning of each day while rolling out more online meetings.

Conglomerate Masan, operator of convenience store chains VinMart and VinMart+, has asked its employees to wear masks during work hours and provides hand sanitizer at all outlets.

Ride-hailing firm Grab requires its staff to complete daily health declarations, with either customers and drivers allowed to cancel a trip if one or the other is not wearing a mask.

Golden Gate, which operates 22 restaurant chains including Gogi and Kichi-Kichi, said it is prepared to close its outlets in Da Nang City if authorities require.

It has also begun implementing safety measures across outlets in Hanoi and Ho Chi Minh City, including checking customer temperatures and asking them to wash their hands. Cooking equipment and eating utensils are also routinely cleaned in boiled water.

Vietnam has recorded 420 Covid-19 cases so far, with 55 remaining active. Da Nang, where three Covid-19 infections were confirmed over the weekend, will enter at least 14 days of social distancing starting Tuesday to curb the spread of the novel coronavirus, Prime Minister Nguyen Xuan Phuc announced at a governmental meeting Monday.

3. MPI Minister: local groups to set sight on overseas M&A

"While a lot of promising corporations across the globe are reporting losses due to COVID-19, why don't Vietnamese ones do some shopping and acquire a part or whole of these corporations?" asked Minister of Planning and Investment Nguyen Chi Dung local enterprises at the conference on supporting Vietnamese enterprises to develop sustainable value chains yesterday (July 24).

The minister said that the Vietnamese government is targeting to lure foreign direct investment (FDI)

selectively to boost technology transfer to Vietnam's businesses and to add more local firms to international supply chains. This will include more incentives for investment projects aligning with this policy direction.

"The amended Law on Investment, which has recently been approved by the National Assembly, provides some outstanding incentives for investors, which will serve as the foundation for the Ministry of Planning and Investment (MPI) to deal with big

corporations over the world. We should highlight the benefits or stimuli on offer for investors to mobilise FDI," said Minister Dung.

According to the minister, Resolution No.50-NQ/TW of the Politburo (in 2019) on perfecting institutions and policies and improving the quality and effectiveness of foreign investment cooperation to 2030, as well as Industry 4.0 will be a good chance for local businesses to embark on digital transformation. All these require them to move soon and move fast.

However, Minister Dung also highlighted that in addition to the domestic market, local businesses should set their sights on overseas markets. "Vietnam is integrating ever more deeply into the

global economy, joining value and production chains, so businesses should think further and create a clear vision to seize profitable opportunities overseas," he said.

In the context of the global health crisis, the minister sees good chances for local firms. "COVID-19 poses Vietnamese businesses remarkable difficulties and challenges. This is also a test of their 'health', as well as a chance to restructure their operations," he confirmed, adding that a lot of groups over the world are also restructuring their value chains.

"For whom do free trade agreements open such a huge market? If local firms do not grow, both the domestic market and the ones opened by FTAs will be taken by foreign businesses," said Minister Dung.

4. Vietnam among most price sensitive ASEAN markets

Up to 56 percent of sales in the country is associated with some type of price promotion, a study by market research company Nielsen finds.

The price elasticity of products in Vietnam is -2 percent, meaning that when a company raises a product's price by 1 percent, their revenue will fall 2 percent as shoppers buy less.

This shows Vietnamese are more sensitive to price changes than other Asian markets such as Malaysia, where the elasticity is -1.9 percent, Singapore (-1.7 percent) and Thailand (-1.6 percent).

However, for every \$1 spent on promotions, manufacturers are only gaining 29 cents extra in sales, lower than the global average of 50 cents, the study estimates.

"As many people have been negatively affected by the (Covid-19) pandemic, having the right price and promotion strategy is extremely important. There are many businesses that have wasted too much on promotion, and it's time to leverage the opportunity of saving money," said Richard Thomas, sales effectiveness director of Nielsen Vietnam.

5. Most enterprises applying CSI have sustainable governance: survey

This is one of the conclusions in a survey on implementation of CSI indicators conducted by the Viet Nam Business Council for Sustainable Development (VBCSD).

According to the survey, up to 70-90 per cent of enterprises applying CSI have drastic changes in governance to move towards a transparent and sustainable business model with responsibility for the community and environment.

In addition, Pham Quang Vinh, general secretary of the Viet Nam Chamber of Commerce and Industry

(VCCI) and VBCSD general secretary, said this survey has shown the implementation of CSI has had a positive impact on business results.

Those enterprises applying CSI have achieved better production and business results, higher labour productivity and higher competitiveness. They have increased market shares more quickly than businesses without CSI.

Besides that, they have had more investment in product research and development activities as well as advertising activities.

Especially, the survey also found that the use of CSI has had an important contribution to building businesses' effective and sustainable development strategies, reported *Dau tu chung khoan* (Securities investment) newspaper.

CSI includes sustainable governance indicators, information transparency, economic indicators (revenue, profit), social responsibility indicators (employee policy, community impact) and environmental indicators.

Phan Thi Thanh Xuan, vice chairwoman and general secretary of the Viet Nam Leather and Footwear Association, said that leather and footwear enterprises faced many difficulties and had to cut labour due to the impact of the COVID-19 pandemic. The disease had negative impacts on supply chains

from China and consumption chains to major export markets such as the US and EU.

Therefore, Xuan said, to overcome these challenges, CSI is an effective tool to help businesses in stable production and sustainable development in the future.

She said it should be more widely applied and the Governmental agencies should use it as a business evaluation tool, leading to reducing many administrative procedures. This tool would also make business auditing activities more convenient.

According to the representative of Deloitte Vietnam, it is necessary to promote local businesses to use CSI and sustainability reports and also to disseminate this set of indicators and this report to the Government and management agencies.

6. R&D spending key to join global supply chain: executives

The Japanese electronic device producer Canon has a total of 340 part suppliers worldwide and 147 of the total are located in Viet Nam. However, only 20 companies are Vietnamese-originated and that number has remained still for several years.

“The localisation rate of Canon Vietnam products is 65 per cent but it mainly comes from Viet Nam-based foreign direct investment (FDI) suppliers and from our processing factories,” Dao Thi Thu Huyen, senior manager at Canon Vietnam, told a conference on sustainable development for Vietnamese small- and medium-sized enterprises (SMEs).

In the company's portfolio, 59 spareparts should be produced by local suppliers including complicated, metal components, she said. “But most locally-owned companies focus only on printing, packaging, and plastic and palette production.”

That is the problem with local suppliers that international companies like Canon have to face when setting up their businesses in Viet Nam.

Presenting at the event were Panasonic Vietnam and Samsung Vietnam. Among hundreds of local companies present at the event, only two produce electronic parts for those foreign corporations.

“Local companies are not willing or not mentally strong enough to meet the requirements of the global supply chain,” Huyen said.

It was difficult for local suppliers to meet technical standards set by foreign companies, Nguyen Anh Tuan, head of strategy development at Samsung Vietnam, said.

“It is even harder to ask them to upgrade production technology and the factory as they have scarce capital,” he said. “Only 0.2-0.3 per cent of their total revenues is spent on research and development (R&D).”

Meanwhile, other issues that Vietnamese also faced included labour treatment, on-time salary payment, environmental protection, and credit risk management, he warned.

Huyen and Tuan urged local firms to think beyond the existing foreign companies like Canon and Samsung as there are others with demand for entering Viet Nam.

Domestic suppliers needed to keep progressing, update production methods and explore new business segments that very few companies had

found to make their businesses more competitive, they said.

“Confidence is all that matters,” Panasonic Vietnam's global procurement head Hoang Thu Thuy said.

“Vietnamese suppliers should be disciplined and they should be committed to the agreements and strive hard to beat the expectation in the short term,” she said.

According to Tran Duy Nhat, CEO of JAT Autoparts and Industry Equipment Production JSC, locally-owned suppliers lack fundamental technologies and raw materials to meet the demand of customers.

They needed technical assistance from both Government and partners to improve product quality and reach international markets' standards, he said.

“Being a knot of the global value chain, SMEs will see product quality increase, selling price will go up too and they will find the way to resolve financial issues,” Nhat said.

Vietnamese companies were currently weak and limited in terms of production capacity and price competitiveness when joining the global value chain, Nguyen Chi Dung, Minister of Planning and Investment, said.

“Large-cap companies and international corporations have their own ecosystem with high standards, so it is hard for domestic firms to enter those systems,” he said.

Local SMEs were unwilling to take risks to further develop because the quality of corporate governance, technology and personnel was limited, he said.

“Local firms are barely capable of capital accumulation, so they hardly spend any of the profits on re-investment into R&D to expand production and product quality.”

Government, ministries and government agencies must assist them to join global value chains while foreign direct investment (FDI) companies should make some room in the market to allow local firms to compete, minister Dung urged.

Local companies should hasten their digital transformation and digitalisation to raise productivity, production quantity and product quality while corporate and human resource management were also important, he said.

As the world was struggling with the COVID-19 pandemic, Vietnamese firms should look beyond their traditional markets and explore new territories as international corporations were seeking new resources that meet their requirements, Dung said.

7. Viet Nam imposes tariffs on foreign plastic film

From July 23, several products with BOPP film from those countries will be taxed from 9.05 per cent to 23.71 per cent in the local market.

After requests from the domestic industry in April 2019, the MoIT started investigating the products from August last year. The investigation was carried out in accordance with the provisions of the World Trade Organization, the Law on Foreign Trade Administration and related regulations.

On March 18 this year the ministry issued a decision to apply provisional antidumping duties.

According to the MoIT's surveys and assessments, due to the cheap products from abroad, the local BOPP film industry has been suffering significant losses in recent years with severe declines in sales volume, revenues, profits, market share and production capacity. The investigation found the dumping margin of imported goods is determined to be from 9.05 per cent to 23.71 per cent.

As a result, the ministry issued a decision to apply official anti-dumping duties to minimise the damage to the manufacturing industry.

The MoIT said it set official anti-dumping duty rates basically lower than the preliminary tariffs

previously applied in March to balance the interests of the local manufacturing industry and benefits of consumers and industries using BOPP film products.

It also excluded some special BOPP film products from the list of anti-dumping measures as local manufacturers do not yet produce them.

The anti-dumping measures will be effective for five years.

Corporate News

8. VPB: Moody's maintains VPBank's credit ratings at "stable"

↓ -6.84%

Accordingly, Moody's confirmed VPBank's outlook at 'stable' including counterparty risk assessment at Ba3 and long-term local currency deposit at B1.

Due to the impact of the COVID-19 pandemic, which led to the global economic recession, in the first half of 2020, Viet Nam's economy recorded a GDP growth of 1.81 per cent - the lowest increase over the past decade. In this context, Moody's maintained its credit rating with VPBank, showing that the bank has good financial capacity, with risks less than initial concerns when the disease broke out.

In confirming VP Bank's B1 Baseline Credit Assessment (BCA), Moody's acknowledges the bank's above-industry average profitability and strong capitalisation. In addition, Moody's stated that the risks that may occur to the consumer finance segment due to impacts of COVID-19 were well controlled by VPBank by optimising the balance sheet, ensuring safety ratios and good liquidity assets. It can be said that the decision to maintain the credit rating with VPBank reflected the efforts of maintaining a solid foundation to ensure the bank's sustainable and efficient growth.

By the end of the second quarter of the year, VPBank's consolidated operating income reached VND18.8 trillion (US\$810.6 million), an increase of 12 per cent over the same period last year. The bank's consolidated before-tax profit was recorded at nearly VND6.6 trillion, equivalent to 64 per cent of the whole year's plan. In parallel with maintaining revenue and profit growth, risk

control activities have been implemented well by the bank.

VPBank's consolidated bad debt ratio by the end of June stood at 2.71 per cent. The parent bank's bad debt ratio dropped to 2.07 per cent. VPBank has also been one of the banks with the highest capital adequacy ratio (CAR) in the market. By the end of June 2020, VPBank's CAR was above 11 per cent based on Basel II standards, much higher than the 8 per cent required by the State Bank of Viet Nam.

The bank's caution in preventing risks was also reflected in the increase of provision fund expenses. In the first half of this year, VPBank's provision expenses - excluding the provision for Viet Nam Asset Management Company (VAMC) - in 2019 increased by 8.6 per cent and 30.4 per cent at individual banks. High provision expenses showed that VPBank has always been cautious and has sufficient financial resources to prevent risks that may arise when the economy is in an unpredictable stage.

At the same time, VPBank still consolidates its position as one of the banks with the highest return on equity (ROE) and return on assets (ROA). These ratios as at the end of June were 23.5 per cent and 2.7 per cent respectively.

With the success of cautious steps in the right direction with the recognition of international organisations including Moody's, VPBank continues to consolidate a solid foundation for future development goals.

9. MSN: Masan fails to buy out Vinacafe

↓ -4.81%

Its subsidiary Masan Beverage Company Limited could only purchase a 0.3 per cent stake in the coffee producer via order matching between June 17 and July 16, against a plan to purchase 1.51 per cent to fully own the company.

Masan Beverage owns 98.79 percent of Vinacafe, in which it has been buying stakes since 2011.

The most recent transaction occurred in February 2018 when it bought nearly eight million shares for

VND1.6 trillion (\$69 million) to increase its holding to 98.49 percent.

Ticker VCF of Vinacafe on Friday closed at VND208,000 (\$9), up 16.8 percent from the start of the year.

The company, established in 1968 and among the most popular instant coffee brands in Vietnam, targets net revenues and net profits this year of VND3.3 trillion (\$142 million) and VND780 billion (\$33 million), respectively.

Research Team:

Tsugami Shoji *Researcher*

jsi@japan-sec.vn

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Japan Securities Incorporated – JSI

Address: 14F, TNR Tower, 54A Nguyen Chi Thanh, Lang Thuong, Dong Da, Hanoi

Tel: (024) 3791 1818

Fax: (024) 3791 5805

Email: info@japan-sec.vn

Website: www.japan-sec.vn