



VIETNAM DAILY NEWS

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Market Analysis

1. Blue chips the drag as VN-Index edges down

The VN-Index fell 0.09 percent to 889.32 points Wednesday, with blue chips dragging the market into the red.

The index plummeted within the first 15 minutes of trading, when At-The-Open orders are executed, to as low as 883 points. It remained at that level for most of the trading session, until buying pressure towards the end saw it recover to near its opening level.

The Ho Chi Minh Stock Exchange (HoSE), on which the VN-Index is based, saw 185 stocks lose and 202 gain. Total trading volume was VND6 trillion (\$258.06 million), higher than last month's average of VND5 trillion per session.

The VN30-Index for the market's 30 biggest capped stocks slid 0.38 percent, with 20 tickers losing and 8 gaining.

Private banking stocks were some of the worst performers. EIB of Eximbank and TCB of Techcombank topped losses with 1.8 percent and 1.4 percent respectively, followed by HDB of HDBank, down 1 percent, and VPB of VPBank, down 0.2 percent.

Among losing state-owned banks, CTG of VietinBank shed 1 percent, VCB of Vietcombank, 0.4 percent, BID of BIDV, 0.1 percent, and MBB of mid-sized Military Bank, 0.3 percent.

STB of private Sacombank was the only banking ticker in the green, rising 0.4 percent.

Oil and gas stocks also fell this session. PLX of petroleum distributor Petrolimex was down 0.6

percent, POW of electricity generator PetroVietnam Power, 0.5 percent, and GAS of energy giant PetroVietnam Gas, 0.4 percent.

Other major losers included real estate developers ROS of FLC Faros, TCH of Hoang Huy Group, and KDH of Khang Dien House, down 0.9 percent, 0.7 percent and 0.6 percent, respectively.

VIC of private conglomerate Vingroup, HoSE's biggest cap, kept its opening price, while VHM of its real estate arm Vinhomes added 0.1 percent, and VRE of retail arm Vincom Retail rose 0.4 percent.

REE of appliances maker Refrigerated Electrical Engineering, which led gains, rose 1.2 percent, and was the only ticker in the VN30 to have gained above 0.4 percent this session.

Other notable gainers included MSN of food conglomerate Masan Group, up 0.4 percent, and SSI of top brokerage Saigon Securities Inc., and MWG of electronics retailer Mobile World, both up 0.3 percent.

Meanwhile, the HNX-Index for the Hanoi Stock Exchange, home to mid- and small-capped stocks, went up 0.9 percent, and the UPCoM-Index for the Unlisted Public Companies Market added 0.03 percent.

Foreign investors were net sellers to the tune of VND172 billion on all three bourses, with buying pressure mostly on HPG of leading steelmaker Hoa Phat Group and VNM of dairy giant Vinamilk, down 0.6 percent and 0.3 percent respectively.

Macro & Policies

2. Public-private project operators struggle to recoup investment

PhuHa Bot Co. Ltd., which operates the Van Lang Bridge between Hanoi and its northwestern neighbor, Phu Tho Province, collects only 20-30 percent of the targeted toll daily.

Luu Phu Khanh, deputy CEO of the company, said at a forum on Tuesday this is because vehicles prefer to use another bridge nearby that does not collect toll from cars with nine seats or less.

This was not factored in before construction, he said.

"Even if we continue to collect tolls for the next 100 years, we won't be able to recoup our investment."

He wanted the government to buy back a share of the project or provide the company with financial support.

Others expressed similar concerns at the forum.

Bach Dang Bridge in the northern province of Quang Ninh collects only 30 percent of the targeted toll since traffic is 40 percent less than estimated.

Van Thanh Tam, deputy CEO of Bach Dang Bot Jsc, said the company is struggling to repay loan interest and has asked the government to do it.

The company also offered to sell the bridge back to the province, but has not got approval.

Changes in policies have also caused problems for operators.

Phan Van Thang, deputy chairman of Deo Ca Group Jsc, which operates the Deo Ca Tunnel connecting the central provinces of Khanh Hoa and Phu Yen, said the government had approved seven toll booths originally, but later reduced it to five, hitting revenues.

Besides it agreed to contribute VND5 trillion (\$215 million) to the project, but has so far paid only 77 percent, leading to higher loan interest and delaying break-even, he said.

Other operators are concerned that their bank loans will turn into bad debts.

Dinh Van Tiep, CEO of Phuong Nam Investment Jsc, said as traffic declines because of the pandemic and the government refuses to allow toll hikes, his company might not be able to pay its loans.

It operates a section of the national highway in the southern province of Binh Thuan. Tolls on the section were supposed to have been increased, but the government has not approved them, Tiep said.

The highway has been in use for nearly six years and is in need of maintenance, but that would not be possible if the company could not borrow from banks, he added.

Some public-private partnership (PPP) transport projects, especially those built on a build-operate-transfer (BOT) basis, have acquired a bad reputation in recent years, with people living near some of them complaining bitterly that they have to pay to travel around in their neighborhood since toll booths have been set up there.

This has caused more hurdles for other PPP projects, further affecting their capability to borrow from banks, Tran Van The, deputy chairman of the Vietnam Association of Road Traffic Investors, said.

Some banks have simply stopped lending to BOT projects, he pointed out.

As of April 22 this year 58 out of 60 BOT projects had failed to meet their revenue forecasts, with 17 making less than half the target, according to the Ministry of Transport.

"If we want to attract private companies to infrastructure development, we need policies to ensure they can recoup their investment," The said.

He said the government should allow operators to issue bonds guaranteed by it so that they could manage without bank loans.

Other experts hoped that the new PPP Law, which will come into effect next year, addresses these issues through a mechanism for sharing financial

risk between the government and private companies.

3. Seaports to foster south-central region economic development

Lưu Xuân Vinh, Chairman of the Ninh Thuận Province People's Committee, said the VNĐ1.463 trillion (US\$63.1 million), 108ha Cà Ná Sea Port Complex, whose construction began last month in Thuận Nam District, would play an important role for the locality and region, fostering economic development and attracting investment.

In phase 1, it was designed to handle 3.3 million tonnes of cargo a year. It would have two wharves capable of berthing ships of up to 70,000-100,000 DWT and another with 20,000DWT capacity.

One of the two former wharves would be completed by the end of 2022 and the other in October 2025.

The smaller wharf was scheduled to be completed in August 2026.

"The port will [help] merchandise exports, contribute to attracting investment and serve the needs of production and processing projects in industrial parks and industrial clusters in Ninh Thuận Province and the south-central and Tây Nguyên (Central Highlands) regions," Vinh said.

"It will play an important role in supporting the transport of equipment for renewable energy projects such as wind and solar power projects in the province."

Neighbouring Bình Thuận Province plans to build the Sơn Mỹ international port in the commune of the same name in Hàm Tân District.

It will have a specialised wharf for liquefied natural gas (LNG) that can handle ships of up to 100,000DWT, an international passenger wharf that can berth ships of up to 225,000 GRT and a general berth capable of handling ships of up to 50,000 DWT.

Bình Thuận Province also plans to build a specialised LNG port with a capacity of up to

170,000 DWT in Tân Thành Commune, Hàm Thuận Nam District, to serve the gas-fired power plant in Mũi Kê Gà.

Among the south-central provinces, Khánh Hòa has the largest number of ports: 16.

Hoàng Đình Phi, head of the management board of the province's Văn Phong Economic Zone, said Nam Văn Phong Port in Ninh Hòa town opened recently to serve the south-central and Central Highlands regions.

It can dock ships of up to 70,000DWT now and 100,000DWT in the near future.

Meanwhile, Bắc Văn Phong Port is under construction in Đầm Môn, Vạn Ninh District. One wharf that can handle ships of up to 50,000 DWT has been completed.

Mai Đình Vũ, chairman of Văn Phong Port Company Limited, said though the port had yet to be completed, it had already received many foreign ships. With a rising number of cargo vessels of 50,000-70,000DWT registering to enter the port his company was seeking to increase the capacity of the remaining two wharves to improve the port's efficiency.

According to the Ministry of Transport, the south-central region will have five key ports.

Quy Nhơn Port in Bình Định Province is a major national port with 18-20 million tonnes of goods passing through it annually. Vũng Rô Port in Phú Yên handles 5.8 - 6.3 million tonnes a year. Ninh Thuận Port has a cargo throughput of 15.8 -17.5 million tonnes.

Khánh Hòa Port handles 15.9 - 18.6 million tonnes of goods a year.

4. Vietnam is expected to become second most robust M&A market globally after US

Accordingly, Vietnam's M&A Investment Score is expected to reach 94.6 points in 2021, trailing behind the US (112.5 points) and even exceeding major economies like China and India.

Euromonitor International's Financial and Investment Services practice developed the M&A Investment Index, reflecting the expected level of investment, activity, and attractiveness of the global M&A market amid macroeconomic and financial shocks. The model covers a total of 314,002 M&A deals from 50 countries and over 150 industries worldwide between 2015 and 2020.

Between 2015 and 2019, China and the US were the two most dynamic M&A markets accounting for 38 per cent of global transactions. However, with the political landscape affecting the global economy, countries are diversifying their supply and value chain strategies away from China to Southeast Asia.

The region's low borrowing costs and depressed asset values will present acquisition opportunities

for businesses from the US and Western Europe. "Countries such as India, the Philippines, and Vietnam are forecast to grow rapidly at a total of 26 per cent in industries including interactive media services, distribution networks, and sustainable alternatives in packaged food," comments Joao Luiz Paschoal, consulting practice manager for investor services at Euromonitor International.

China, on the other hand, will shift its manufacturing capabilities to focus on its domestic market, especially in engineering and industrial machinery. Its M&A activity index is expected to grow by only 5.4 per cent, the lowest in the last five years.

The US will aim to counter China's past influence in the Western Hemisphere by focusing on Latin America, with industries such as renewable energy, e-commerce, and education leading the way. Fuelled by countries like Brazil, Mexico, and Peru, the region is set to achieve 13.7 per cent growth, the highest globally.

5. Vietnam government to fully integrate e-payment on public portals before Sept 15

The Vietnamese government aims to fully integrate the online payment function on the national public services portal by September 15, aiming to ensure convenience for the people and businesses in realizing public services, according to Mai Tien Dung, minister of the Government Office.

Since its launch on December 9, 2019, the portal has seen over 61 millions of visits and over 16.5 million applications under processing, said Mr. Dung at a meeting on September 9.

Meanwhile, the portal started providing online payment function since March. As of September 7, over 11,000 online payment transactions have been made, in which around 4,000 transactions were recorded in July and August with an average transaction value of VND5 billion (US\$215,400) per month.

This showed a major improvement in the payment services, as well as huge efforts from the State Bank of Vietnam (SBV) and other commercial banks in supporting the people and businesses, stated Mr. Dung.

According to Mr. Dung, the government targets to provide at least 30% of online public services at advanced stages of 3 and 4 out of the 4-scale level in 2020, therefore, the issue of online payment is essential.

Ngo Hai Phan, head of the Government Office's Administrative Procedure Control Agency, informed 45 out of 63 provinces and cities, seven ministries and state-run Vietnam Electricity (EVN) have completed connecting their respective online payment processors into the national public services portal.

Meanwhile, four banks, including Vietcombank, Vietinbank, Agribank and BIDV, and four intermediary payment service providers (VNPTPay, Ngan Luong, Momo, Payoo) have also completed the integration process to ensure smooth operation of the payment system via accounts from 38 out of 46 operational banks in Vietnam.

Currently, the portal offers online payments for (i) fees and financial obligations related to administrative procedures; (ii) payment of social

and health insurance premiums; (iii) payment of administrative fines for non-compliance with road traffic regulations; (iv) payment of taxes; (v) payment of the electricity bill.

Statistics revealed 56% of users in the portal used the online services function in the portal to pay social and health insurance premiums; while 23.6% used it for paying administrative fees and 18% accessing it for paying fines.

6. SBV to soon complete legal framework for wider Fintech application

SBV Governor Le Minh Hung made that statement at a videoconference on investment opportunities in Viet Nam in the post-COVID-19 period.

Fintech, or financial technology, means the use of technology to deliver financial services and products to consumers.

The rapid rise of the Fintech market in Viet Nam is made possible in no small part by the Vietnamese government's remarkable efforts in tailoring regulations to increase banking penetration from 59% to 70% in 2017, and to shift to a non-cash payment economy with a target cash to total liquidity ratio of less than 10% by 2020.

Other favorable conditions that are spurring the development of the Fintech market in Viet Nam are its vibrant e-commerce sector, which had 35.4 million users with an average spending of US\$62 in 2017, and which is predicted to reach 42 million users with an average e-commerce spending of US\$96 by 2021.

According to Pham Xuan Hoe, deputy director of the Banking Strategy Institute, Viet Nam's Fintech market will be worth US\$9 billion in 2020, making it ASEAN's fourth-largest market.

2019 saw several Fintech developments taking place in Viet Nam with the government showing its commitment to developing a favorable environment and regulatory landscape for the country's Fintech industry to thrive.

VN still lacks legal framework to regulate operation of Fintech companies

Speaking at the conference, SBV Governor Le Minh Hung said that the emergence and rapid development of Fintech has brought about various challenges to regulators relating to risks concerning anti-money laundering and terrorism financing (AML/CFT) and information security.

The current task set out for financial management agencies around the world is to support the innovation in the banking – financial sector and to maintain the stability and safety of the financial markets and at the same time, support economic growth.

Just like other regulators, the SBV and relevant agencies in Viet Nam are also facing new challenges regarding state management with the wake of Fintech companies operating in various areas, including peer-to-peer lending, new payment models, cross-border remittances and user information sharing via open application programming interfaces.

Currently, as most of these operations have not been properly regulated by an appropriate legal framework, the risks, once arising, will not be fully controlled.

SBV Governor Hung highlighted the importance of establishing a regulatory sandbox applied to these totally new and unregulated services.

Currently, the SBV is taking lead in working with relevant ministries to develop a draft Decree on Fintech regulatory sandbox in the banking sector for submission to the Prime Minister, Hung added.

7. Vietnam's foreign reserves set new record

At the end of 2019, the nation's foreign reserves stood at US\$80 billion. The State Bank of Vietnam bought an additional US\$12 billion between January and August to set the new record.

According to the General Department of Vietnam Customs, the country had a trade surplus of around US\$2.5 billion last month, taking the total in the January-August period to US\$10.9 billion.

Experts from SSI Research in a report said that the strong foreign currency supply enabled the central bank to make huge purchases in August.

“Foreign currency supply and demand is convenient now and the greenback is under devaluation pressure in the world market. Therefore, the dollar price may continue moving sideways in the coming time,” they said.

Commenting on the information, experts said the central bank should reduce further purchases of the dollar, as the level is higher than the minimum level required, at around three months of import.

Economist Nguyen Duc Thanh, former director of the Institute for Economic and Policy Research, said Vietnam's foreign reserves have swelled sharply this year. According to a report of the central bank, the trade surplus amounted to around US\$11 billion in eight months, mostly because imports shrank faster than exports.

Therefore, the central bank has repeatedly purchased foreign currencies, leading to the nation's

foreign reserves soaring rapidly. The move is necessary as otherwise the Vietnamese dong will become steadier against other currencies, Thanh was quoted as saying by motthegioi.vn website.

The dong appreciation may cause disadvantages to Vietnamese exporters. Besides this, the nation has seen the dollarization mitigated in recent years thanks to the Government's policies of exchange rate stabilization and zero interest rate for foreign-currency bank deposits. Therefore, regarding foreign exchange policies, the nation should continue maintaining exchange rate stability, without the need for the dong appreciation.

Vietnam may face the risk of being accused of currency manipulation by the United States given the soaring foreign currency reserves. However, the country needs to raise foreign reserves further to around six months of import.

In the current context, the specific target for the next 12 to 18 months should be US\$150 billion. The local economy is poised to grow further, leading to a larger export-import scale and higher foreign reserves, he said.

Given the economic recovery after the Covid-19 pandemic, the nation may see the U.S. dollar demand bouncing back rapidly. At that time, foreign reserves are needed to intervene in the market, Thanh said.

The expert concluded by saying the rising foreign reserves reflect the developments of the economy and the viewpoint of the central bank. It is necessary to balance the purchases to avoid inflation.

Corporate News

8. KDC: KIDO dismisses four deputy general directors

↑ 2.29%

Local food corporate KIDO Group has just dismissed several of its deputy general directors, including Nguyen Thi Hanh, Tran Quoc Viet, Nguyen Xuan Luan, and Wong Kelly Yin Hon. The decision officially took effect from September 4, 2020.

Previously, its subsidiary focusing on cooking oil Tuong An Vegetable Oil JSC also decided to replace its key leadership reflected by accepting Ha Binh Son's resignation from the position of general director and Nguyen Thi Hanh from the management board, and Tuong An as legal representative. The decision came into force on September 1, 2020.

Accordingly, the company will vote on Tran Le Quyen replacing Nguyen Thi Hanh as chairman of the Management Board and legal representative in

the 2017-2022 period. At the same time, Tuong An will assign deputy general director Bui Thanh Tung as general director from September 1.

The exchanges in top leadership took place as its parent company KIDO is coming closer to the merger of Kido Foods, Tuong An, and Vocarimex – a vegetable oil company to optimise resources.

The plan of merging with Kido Foods was officially approved at the latest shareholders' meeting while there have yet to be a specific scheme for Tuong An because 36 per cent of the shares at Vocarimex (holding 26.6 per cent of Tuong An's shares) belong to the local government.

Therefore, KIDO is looking to acquire the state's shares at Vocarimex to drive home the merger with Tuong An and Vocarimex.

9. FMC: BOD resolution on holding EGM 2020

↑ 0.92%

The Board resolution dated September 08, 2020, the Board of Directors of Sao Ta Foods Joint Stock Company approved to hold the 2020 Extraordinary General Meeting of Shareholders as follows:

- Record date: September 30, 2020

- Meeting date: expected in October 18, 2020
- Meeting venue: Km 2132 Highway 1A, ward 2, Soc Trang.

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