VIETNAM DAILY NEWS

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Market Analysis

1. Shares gain on growth of banking stocks

Vietnamese stock markets had a good start on Monday, largely led by gains in financial shares and heavy-weight stocks.

The benchmark VN-Index on the Ho Chi Minh Stock Exchange gained 0.78 per cent to end the trading session at 907.94 points.

The index had climbed a total of 1.35 per cent last week to 900.95 points, meeting its new three-month high since June 10.

More than 403.4 million shares were traded on the southern market, worth VND7.7 trillion (US$330.7 million).

Market breadth was positive with 220 gainers and 184 decliners.

According to Thanh Cong Securities Company, the VN-Index may move towards the resistance zone of 920-930 points in the last trading week of September with support from good fundamental large-cap stocks.

The company recommended that investors maintain the holding rate in their portfolio at 50-60 per cent for the medium and long-term.

BIDV Securities Co said market liquidity remained at a stable level and the market breadth was positive, showing that investor sentiment is fairly optimistic on the market outlook.

"According to our assessment, the VN-Index is likely to have positive momentum in the upcoming sessions," the company said.

The VN30-Index, which tracks the performance of the 30 largest stocks by market capitalisation and liquidity on HoSE, increased 1.22 per cent to close Monday at 851.54 points.

Many pillar stocks outperformed and supported the market, including dairy firm Vinamilk, rising 2.9 per cent, Mobile World Group, up 4.1 per cent, Vingroup (VIC), growing 2.1 per cent and Vincom Retail (VRE), gaining 1.6 per cent.

Financial stocks also surged and attracted cash flow with notable gainers of Vietcombank (VCB), Techcombank (TCB), VPBank (VPB), HDBank (HDB), Sacombank (SBT) and SSI Securities Incorporation (SSI).

On a sector basis, 16 out of 25 sectors indices gained ground on Monday, including retail, food and beverage, wholesale, insurance, real estate, securities, information and technology, banking, rubber production, construction and construction materials.

On the opposite side, decliners were mining, agriculture, healthcare, seafood production and logistics.

The minor HNX-Index on the Ha Noi Stock Exchange rose 1.07 per cent to end Monday at 130.58 points.

More than 84.7 million shares were traded on the northern exchange, worth VND1.3 trillion.

Foreign investors net bought VND99.26 billion on HOSE. They were net sellers on the HNX with a value of VND3.14 billion.

Macro & Policies

2. Hanoi proposes to build $2.8 bln metro line

This is one of eight metro projects approved by Prime Minister Nguyen Xuan Phuc with a vision toward 2030 to improve the city's public transportation system and ease traffic congestion in the capital, home to 7.5 million people.

Metro line No. 5 will connect Van Cao Street in downtown Ba Dinh District and the suburban area of Hoa Lac in western Thach That District, home to Hoa Lac Hi-tech Park, Hanoi Metropolitan Railway Management Board (MRB) stated.

There will be 21 stations, six underground and 15 elevated. After passing underground through Van Cao, Lieu Giai, Nguyen Chi Thanh, Tran Duy Hung and Ring Road 3, it would run along the elevated section from Thang Long Boulevard.

Hanoi authorities expect to deploy 25 to 40 trains of four to six carriages each. These could run at speeds of 120 kph above ground and 90 kph underground.

Construction on the metro line is scheduled to start in 2022, and the line be put into operation in 2026.

Hanoi plans to build eight urban railway lines with a combined length of 305 km, including three monorail segments, to reduce frequent traffic congestion.

However, only the Cat Linh-Ha Dong line and Nhon-Hanoi Railway Station are near complete. The Cat Linh–Ha Dong route is in the final stage of safety evaluation, though a deadline for commercial operation has not been set, with test runs for the second metro line scheduled for the end of the year.

However, travel restrictions caused by the Covid-19 pandemic have hindered foreign experts from entering Vietnam, affecting the progress of both metro line projects.

3. Funding, policy difficulties hassle independent power producers

Construction of the $1-billion An Khanh-Bac Giang Thermal Power project in the northern Bac Giang Province has stalled for over a year after the investor, An Khanh-Bac Giang Thermal Power Jsc, had difficulty securing credit.

Ngo Quoc Hoi, its CEO, said since regulations prevent banks from lending over 15 percent of their equity to a single customer, his company has to apply to several local banks or foreign lenders, which is not an easy task.

Adding to the challenge is the fact the government does not guarantee a certain minimum power purchase, which leads to more difficulties for the producer to get bank loans.

Hoi said: "Our request for funding has been rejected by over 20 international credit organizations. They all wanted to know how we would repay the loan if [national utility] EVN did not buy the power we produce."

Banks want EVN to commit to buying 90 percent of output for 10 years, but it has not agreed with this demand.

Hoi said there should be a guarantee policy so that EVN buys electricity produced by private plants.

His project is one of seven approved private power projects with a total capacity of nearly 2,000 MW that have been delayed for years as a result.

Some of them were scheduled to be commissioned last year or this year, but have been delayed to 2021-2023 or indefinitely, according to a report by the Vietnam Energy Association.

Energy expert Nguyen Thanh Son said one of the reasons for these issues is that the so-called independent power producers in Vietnam are not really independent.

Independent projects are supposed to have their own grid and serve a specific area, but in Vietnam they are dependent on the national grid managed by EVN, he said.

Duong Quang Thanh, EVN chairman, said since last year over 100 solar power projects have begun production without requiring government-guaranteed loans thanks to the attractive feed-in tariff from the government.

The same mechanism could be used to resolve the issues faced by independent thermal and hydropower producers, he suggested.

A government plan to establish a competitive power distribution market in 2022 could also benefit them since then EVN would be just one of several distributors selling directly to customers, he added.

The competitive market means customers and power producers could settle on a price without government intervention. Currently EVN decides electricity prices.

Independent producers account for 16,400 MW, or 28.3 percent of the country's installed capacity, according to the National Steering Committee for Electricity Development.

Of this, 44 percent is from renewables while hydropower and thermal power account for the rest, it added.

4. Vietnam's human capital index improves

A new report by the World Bank Group pointed out that between 2010 and 2020, the Human Capital Index for Vietnam increased from 0.66 to 0.69.

This means a child born in Vietnam today will be 69 percent as productive when they grow up as they could have been if they enjoyed complete education and full health.

The score is well above the world's average of 0.56. It is higher than the average for East Asia and Pacific region, as well as for lower-middle-income countries.

An above average score has enabled Vietnam to reach 38th position among 174 economies in the 2020 Human Capital Index.

The index's components include the probability of survival to age five, expected years of school, harmonised test scores, learning-adjusted years of school, adult survival rate and healthy growth (not stunted rate).

A breakdown of the index shows 98 out of 100 children born in Vietnam survive to age five; a Vietnamese boy or girl attending school at the age of 4 can complete 12.9 years of school, or high school, by the age of 18; and 76 percent of children are not stunted.

Vietnamese students received 519 points in Harmonized Test Scores (HTS), a level similar to countries like Sweden, the Netherlands, and New Zealand. HTS measures how much children learn in school based on countries' relative performance on international student achievement tests, where 625 represents advanced attainment and 300 represents minimum attainment.

Furthermore, 87 percent of 15-year-olds will likely live until the age of 60 in Vietnam.

According to the report, Vietnam's Human Capital Index continues to be higher than the average for countries of the same income level despite the level of public spending on health, education and social assistance being lower than that of its peers.

In Southeast Asia, Vietnam ranked above Brunei (56th), Malaysia (62nd), Thailand (63rd), Indonesia (96th), the Philippines (103rd), Cambodia (118th), Myanmar (120th), Laos (126th) and Timor-Leste (128th).

The World Bank Group's 2020 Human Capital Index (HCI) includes health and education data for 174 countries – covering 98 percent of the world's population – up to March 2020, providing a pre-pandemic baseline on the health and education of children.

The HCI, first launched in 2018, measures the amount of human capital a child born today can expect to attain by age 18.

It conveys the productivity of the next generation of workers compared to a benchmark of complete education and full health.

5. Non-alcoholic drinks fetch higher revenues

Suntory PepsiCo, a venture between the U.S.'s PepsiCo and Japan's Suntory Holdings Ltd, continued to lead the market with revenues of VND18.3 trillion ($793 million), up 14 percent year-on-year.

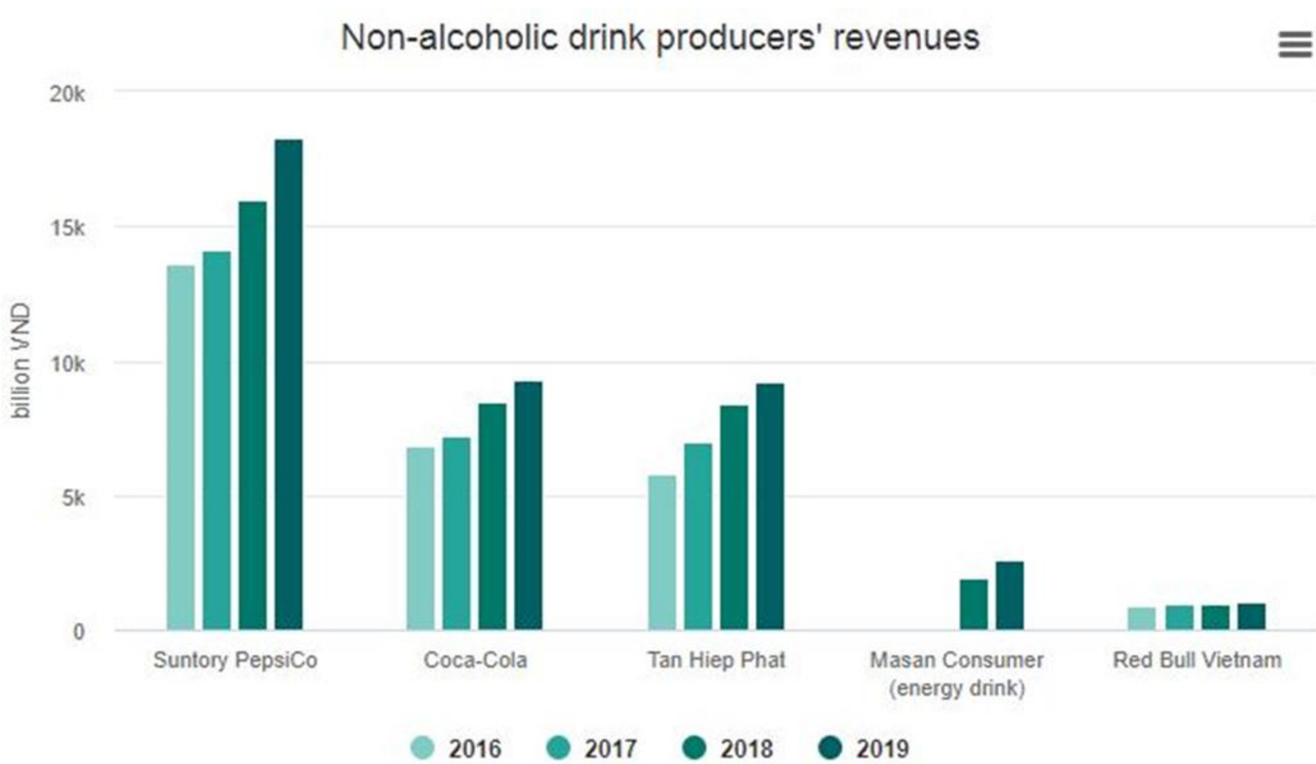
The company offers a variety of products including soft drinks, water, energy drink and Oolong tea.

Coca-Cola followed with VND9.3 trillion, its product range also comprising soft drinks, water and energy drink.

The fourth and fifth places were taken by Vietnamese firm Masan Consumer and Thai company Red Bull, both having recorded growth in recent years.

Masan Consumer, which introduced its energy drink Compact in 2018, saw revenues rise 32 percent to VND2.6 trillion last year.

Its leaders had earlier expressed confidence that local players still have the potential to win a greater market share from foreign companies thanks to better understanding of local consumers' preferences.

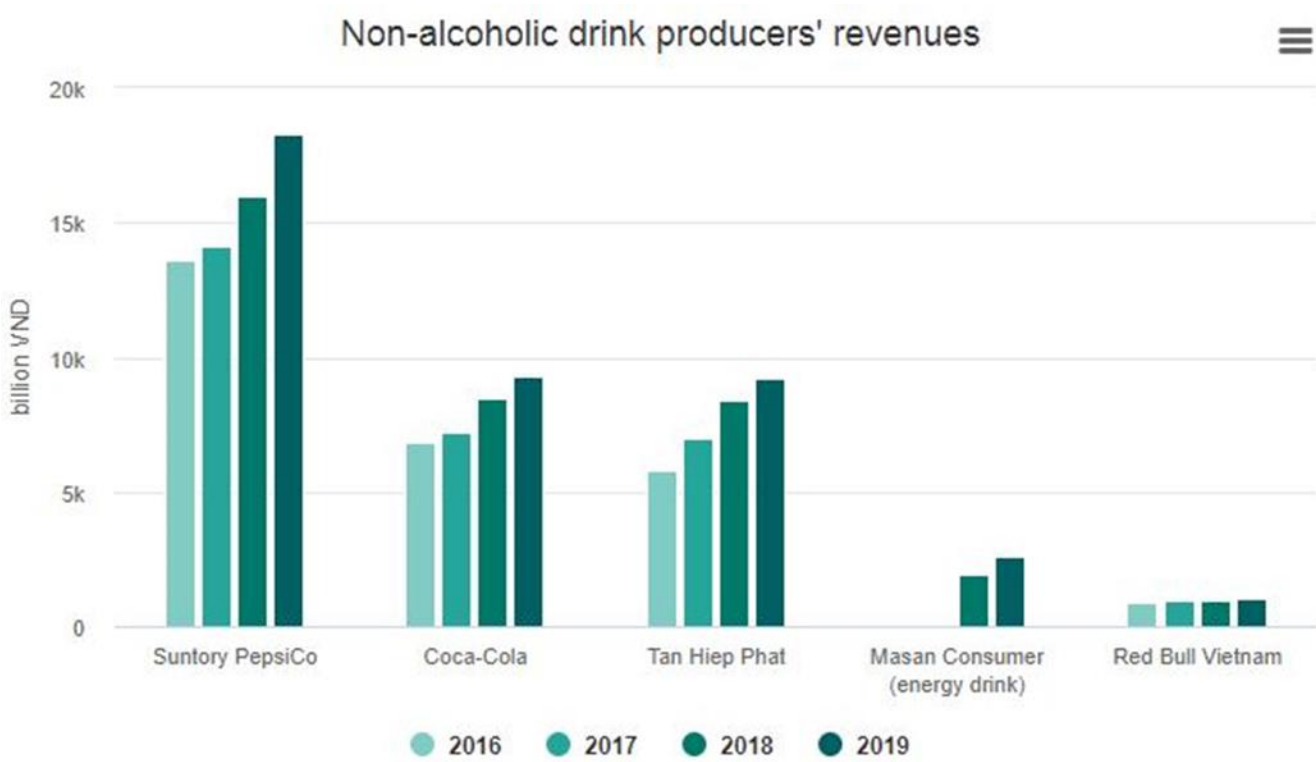


Vietnamese company Tan Hiep Phat Group (THP) came in third at VND9.2 trillion, up 10 percent, focusing only on two types of drink: tea and energy drink.

Red Bull, which entered Vietnam in 1999, saw revenues top VND1 trillion for the first time last year.

In terms of pre-tax profit, THP led the market last year with VND3.3 trillion, 20 percent higher than that of the second placed Suntory PepsiCo and three times that of third placed Coca-Cola.

It also had the highest gross profit margin of the three at 40-50 percent over the last three years, compared to roughly 30 percent for Suntory PepsiCo and Coca-Cola.



6. Support for domestic pharmaceutical industry to rise in Viet Nam

Under a report released last week, the UK-based financial information group said this was in part driven by the authorities' push to meet domestic healthcare needs. In addition, the economic potential of the pharmaceutical sector will incentivise continued Government support for the domestic industry.

Although the Government aims to increase the share of locally produced pharmaceuticals to 80 per cent, an average of 55 per cent of medicines in Viet Nam are imported every year.

One of the reasons for Viet Nam's reliance on imports is that most domestic companies lack research and development capabilities, and do not meet the European Union Good Manufacturing Practice (EU-GMP) or Pharmaceutical Inspection Co-operation Scheme Good Manufacturing Practice (PIC/S-GMP) standards required to manufacture high-quality generic drugs. Further, Viet Nam imports more than 90 per cent of drug inputs, half of which are from China.

According to Fitch, partnerships with local firms are integral. As a result of Government initiatives, domestic pharmaceutical firms will play an increasingly dominant role in Viet Nam.

"This accentuates the need for multinational pharmaceutical companies to partner with local drugmakers to adapt to this trend. Finding a local company to start such a joint venture is an important first step to enter the market in Viet Nam," Fitch said.

Foreign companies often work with domestic companies, such as Diethelm Vietnam, Zuellig Pharma Vietnam, and Mega Lifesciences, to fill in different needs in the supply chain.

Fitch forecast a shift from pharmaceutical production to a more research-based industry was likely. The boost in attractiveness of the Vietnamese market comes at a time when the business environment for drugmakers in neighbouring countries has not been favourable. In December 2018, Indonesia enacted a regulation for the compulsory licensing of every medical product that is not being made in the country.

"This is expected to have significant negative consequences for foreign direct investment in the country, with Viet Nam being the one of the beneficiaries of pharmaceutical companies shying away from Indonesia. This, combined with the geopolitical position of Viet Nam, place the country in a favourable position to become a regional pharmaceutical research and export hub," Fitch said.

In July 2019, Pharma Group, the Pharmaceutical Sector Committee of the European Chamber of Commerce in Vietnam, highlighted that the country has the ability to reach a higher position in the value chain of the science and life sector in comparison with other countries in the ASEAN region. However, it was noted that further deliberation is required before the positive steps taken by the country can materialise.

However, Fitch noted, Viet Nam's pharmaceutical industry also faced challenges in foreign investment.

"We note that despite our positive outlook on the pharmaceutical market, significant risks remain. There are a number of shortcomings, including underdeveloped infrastructure, lack of staff and finance, and low healthcare access among people in rural and remote areas. Access to medicines will remain a key challenge for pharmaceutical companies seeking to capture the commercial prospects in Viet Nam as the population is highly ruralised. Patients continue to face challenges over medical access and rising out-of-pocket healthcare costs."

Moreover, it said, there are large regional variations with regards to the number of healthcare facilities, doctors and beds between the rural and urban regions of the country, which exacerbates these access issues.

7. Three North-South Expressway sections receive 44 bids

According to Sacombank Securities Joint Stock Company (SBS), due to the pandemic, port throughput has decreased in growth momentum compared to previous years as exports to Europe and the US fell sharply. Key products such as apparel and leather shoes witnessed orders fall more than 50 per cent.

However, in general, seaports were still among the least affected industries amid COVID-19, SBS said.

According to the Viet Nam Maritime Administration, in the first eight months of this year, the total output of goods through Viet Nam's seaports was estimated at nearly 485.3 million tonnes, the volume of container cargo reached more than 13.9 million Teus, up 6 per cent and 8 per cent respectively over the same period in 2019.

SBS said that the EU-Vietnam Free Trade Agreement (EVFTA) taking effect would boost the development of the seaport and logistics industries in the long term.

The EVFTA would help Viet Nam's exports increase by an average of 4-6 per cent per year within 10 years from the date of the entry into force of the agreement.

Dinh Vu Port Investment and Development JSC (DVP) reported net revenue of more than VND237 billion (US$10.2 million) in the first half of this year, down nearly 18 per cent, but post-tax profit reached more than VND139.4 billion, similar to the previous year.

Meanwhile, Tan Cang Logistic JSC (TCL) recorded revenue of over VND512.1 billion, post-tax profit reached more than VND42.1 billion, up 14 per cent and 5.5 per cent respectively compared to the first six months of 2019.

Danang Port Joint Stock Company (CDN) recorded revenue of over VND439.6 billion and after-tax profit of more than VND113 billion, up 17.5 per cent and 26.6 per cent respectively compared to 2019.

Other seaport enterprises such as Hai Phong Port JSC (PHP), Saigon Port JSC (SGP), Hai An Transport and Handling JSC (HAH), Southern Logistics JSC (STG) and Transimex Transportation JSC (TMS) also recorded positive business results in the first half of the year, SBS said.

SBS forecasts that the performance of this group of businesses will decline slightly in the second half of this year, especially for those businesses in the northern region due to increased competitive pressure.

The seaport industry had not been directly affected but would surely be impacted indirectly when the global economy enters a major recession, SBS said.

The appearance of a series of new ports on a large scale led to an oversupply, which would make competition stiffer, especially in key areas such as Hai Phong port cluster and Cai Mep-Thi Vai port cluster.

In Hai Phong, two new ports have come into operation including MIPEC port and Vinalines Dinh Vu port.

This means the revenue and profitability of businesses operating in these areas will continue to decline.

However, in general, seaport operators, cargo transportation and warehousing companies were less dependent on loans compared to other industries so they did not have to suffer as much pressure, said SBS.

This was a huge advantage compared to other industries in the current pandemic which is forecasted to last for a long time, SBS said.

In seaport industries, the listed enterprise with the largest debt to asset ratio is Transimex JSC (TMS) with only 25.2 per cent.

That ratio of Hai Phong Port JSC (PHP), Tan Cang Logistics JSC (TCL), Saigon Port JSC (SGP) are all lower than 15 per cent. Dinh Vu Port Investment and Development JSC (DVP) even reported no debt.

The large amount of cash can help these businesses quickly restore operations when the pandemic is controlled.

According to SBS, with less negative impact from disease, seaport stock prices remain more stable than the general market.

The plunge of the local stock market after the Tet holiday also affected this group but still much less than the decline of the VN-Index, SBS said.

Some stocks even recorded growth such as Vietnam Container Shipping Joint Stock Corporation (VSC), up nearly 26 per cent since the beginning of this year. Tan Cang Logistics JSC (TCL) rose by more than 37.2 per cent, Port of Hai Phong JSC (PHP) increased by over 13.8 per cent, Danang Port Joint Stock Company (CDN) grew by more than 18.1 per cent and Hanoi Construction Corporation – JSC (HAN) climbed by more than 8.4 per cent.

SBS said the current difficulties that the seaport industry was confronting were only temporary. Along with the forecast that countries will soon produce a COVID-19 vaccine next year, the industry's recovery is likely to begin in the second half of 2021, SBS said.

Corporate News

8. GEX: BOD approved to transfer contributed capital in CFT

↑ 1.87%

The Board resolution dated September 18, 2020, the BOD of Viet Nam Electrical Equipment Joint Stock Corporation approved to transfer contributed capital in CFT Vina Copper (CFT) (equivalent to 36.35% charter capital of CTF) to Gelex Electric Equipment Joint Stock Company (Gelex Electric JSC). Accordingly, Gelex Electric JSC raises the ownership ratio to 100% charter capital in CFT.

9. SAB: Police investigate Saigon Beer copycat

↑ 0.64%

They found over 9,000 boxes of the Saigon Vietnam Beer with the brand name and packaging similar to that of the 43-year old Saigon Beer brand produced by Sabeco, the largest brewer in Vietnam.

The beer is distributed by the Saigon Vietnam Beer Group Jsc., not a subsidiary of Sabeco. Its CEO, Le Dinh Trung, held several positions in Sabeco for years, including assistant to the deputy CEO and head of its legal department.

Another person involved in the copyright infringement is Tran Thi Ai Loan, a distributor of Sabeco beer for the last four years.

The original headquarter address of Saigon Vietnam Beer Group Jsc was registered at Floor 9, Vincom Building, 72 Le Thanh Ton, District 1, Ho Chi Minh City, the same as Sabeco.

Although the Saigon Vietnam Beer Group Jsc. later changed its headquarters to a different location in Binh Thanh District, its beer packaging carried the old address, confusing customers.

Authorities said Loan, as a legal representative, had signed a contract with BiVa Beer Brewer in southern Ba Ria–Vung Tau Province to produce the Saigon Vietnam Beer and started distributing the product in May.

The same month, Sabeco requested the Vietnam Intellectual Property Research Institute to inspect the similarities between the packaging and brand name of the two beers.

The institute concluded in June that there were signs of copyright infringement, following which Sabeco requested market authorities to intervene.

Authorities later found thousands of Saigon Vietnam Beer boxes in the southern localities of Ba Ria-Vung Tau, Binh Phuoc, Soc Trang and Can Tho as well as the Central Highlands province of Dak Lak.

Each box was being sold at VND159,300 ($6.91), nearly 12 percent lower than that of Sabeco's Saigon Beer.

Vu Tuan Chau, owner of BiVa Beer Brewer, told authorities that they had distributed a total of 4,400 boxes so far.

A lawyer representing Sabeco said that the infringement has damaged their brand's reputation and misled customers into purchasing the wrong product.

Sabeco is working with authorities to continue the investigation, the lawyer said.

No comments were available from the representatives of Saigon Beer Vietnam at the time of going to print.

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