VIETNAM DAILY NEWS

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Market Analysis

1. VN-Index hits one-year high of 1,000 points

Việt Nam's benchmark VN-Index closed above 1,000 points for the first time in a year as banks' growth helped offset the increase of selling pressure.

The VN-Index on the Hồ Chí Minh Stock Exchange was up 0.60 per cent to 1,005.97 points on Thursday, touching its highest score since November 19, 2019 when it was at 1,008.35 points.

The benchmark has totalled an eight-day rally of 5.80 per cent since November 17.

The market picked up in the afternoon trading session as capital flowed into bank stocks to boost the sector index up 1 per cent, according to vietstock.vn.

Vietinbank (CTG), Bank for Investment and Development of Việt Nam (BID), VPBank (VPB) and Sacombank (STB) lifted the industry.

CTG and BID jumped 3.2 per cent each, VPB rose 1.9 per cent and STB added 1 per cent.

Those bank stocks also helped push the large-cap tracker VN30-Index up 0.37 per cent to 964.16 points.

The VN30 futures due on December 17 gained 1.06 per cent to 970.20 points on Thursday, showing investors were quite optimistic about the market's short-term outlook, according to Sài Gòn-Hà Nội Securities Co (SHS).

In the blue-chip index VN30, 19 of the 30 largest stocks by market capitalisation and trading liquidity advanced while seven declined.

Aside banks, other well-performing large-caps included petrol firm Petrolimex (PLX), consumer company Masan (MSN), brewer Sabeco (SAB), and information-technology giant FPT Corp (FPT).

PLX rose 2.0 per cent. Petrol retail prices on Thursday were raised by VNĐ576-650 per litre.

SAB and MSN added 1.7 per cent and 1.5 per cent, respectively, on expectations for good quarterly earnings reports.

On the negative side, Vinhomes (VHM), Vincom Retail (VRE), steel producer Hoa Phat (HPG) and sugar company Thành Thành Công-Biên Hòa (SBT) were hit by profit taking pressure.

The four large-caps were the main factors that helped raise the market in the previous days.

VHM, VRE, HPG and SBT lost between 1.0 per cent and 3.0 per cent.

"Large-cap stocks may continue rising to lift the VN-Index further and test higher resistance levels," MB Securities Co (MBS) said in its daily report.

"But the profit taking may mount as investors with short-term taste will look to realise their profits," the company said.

On the Hà Nội Stock Exchange, the HNX-Index inched up 0.21 per cent to 148.40 points.

The northern market index gained 0.35 per cent on Wednesday.

More than 565.7 million shares were traded on the two exchanges, worth VNĐ11.6 trillion (US$500 million).

Macro & Policies

2. U.S. initiates antidumping duty investigation on yarn from Vietnam

The three other nations are Indonesia, Malaysia and Thailand, according to the Trade Remedies Authority of Vietnam under the Ministry of Industry and Trade. The petitions were filed by Nan Ya Plastics Corporation in South Carolina and Unifi Manufacturing, Inc. in North Carolina.

The alleged dumping margin is 54.13% for Vietnam, while that for Indonesia, Malaysia and Thailand is 26.07%, 75.13% and 54.13%, respectively, the International Trade Administration under the U.S. DOC said in a statement.

If the U.S. DOC discovers affirmative findings in these investigations, and if the U.S. International Trade Commission (ITC) determines that dumped polyester textured yarn from Vietnam materially injures or threatens material injury to the U.S. industry, the U.S. DOC will impose duties on Vietnam's imports in the amount of dumping found to exist.

The ITC will make its preliminary determinations no later than December 14, 2020. If the ITC preliminarily determines that there is a reasonable indication of material injury or threat of material injury to the domestic industry, the U.S. DOC's investigations will continue, with the preliminary determinations scheduled for April 6, 2021.

If the U.S. DOC preliminarily determines that dumping is occurring, then it will instruct U.S. Customs and Border Protection to start collecting cash deposits from all U.S. companies importing polyester textured yarn from Vietnam, as appropriate.

Final determinations by the U.S. DOC in these cases are scheduled for June 21, 2021, although these deadlines may be extended. If the U.S. DOC finds that products are not being dumped or the ITC finds in its final determinations that there is no injury to the U.S. industry, then the investigations will be terminated and no duties will be applied.

To protect the rights and benefits of Vietnamese enterprises, the Trade Remedies Authority of Vietnam asked the enterprises to closely collaborate with the authority and with the U.S. DOC during the investigations.

In 2019, polyester textured yarn imports from Vietnam into the United States were valued at US$4.5 million. Among the Vietnamese export products, yarn has been subjected to the second largest number of investigations after steel over the past 10 years, with more than 10 antidumping, anti-subsidy and tax evasion investigations from the United States, Turkey, the EU, India, Brazil and Indonesia.

3. Former German vice chancellor facilitates US$350-million investment into Vietnam

In a meeting with Prime Minister Nguyen Xuan Phuc on November 25, a delegation of foreign investors led by Vietnamese-born Philipp Roesler, former German vice chancellor, announced a US$350-million investment plan into Vietnam's priority fields.

The delegation, comprising of major corporations from Germany, Switzerland and Israel, wants to do business and support the development of Vietnam once the Covid-19 pandemic is fully contained, stated Mr. Roesler.

For the time being, around US$350 million would be invested in tourism, digital startups, and production of healthcare equipment, he added.

Other delegates highly regarded Vietnam's business environment and considered the country's tourism sector and startups have enormous potential for development, which are nevertheless severely impacted by the Covid-19 pandemic.

Foreign investors look forward to more support from the government in simplifying investment procedures while some also informed of their plans to shift production facilities from other countries to Vietnam.

Prime Minister Nguyen Xuan Phuc said Vietnam's effective measures against the Covid-19 pandemic help ensure the country's positive economic growth this year.

The country is currently home to 33,000 foreign investment projects from 139 countries and territories with a combined investment capital of US$383 billion.

Mr. Phuc said Vietnam is attracting FDI projects using high technologies and aiding the development of supporting industries and high-quality human resources. During this process, the government is committed to improving the business environment and creating more favorable conditions for foreign businesses.

The Vietnam PM suggested to Mr. Roesler that he continue promoting multinationals' investment in Vietnam, saying he welcomes investors' decision to invest in Vietnam's key fields, such as tourism or innovative startups.

Mr. Phuc stressed the government would ensure lawful rights of foreign investors for them to commit long-term business in Vietnam.

4. New expressways lift up interconnectivity

On the site of the Trung Luong-My Thuan Expressway project, more than 100 engineers and other staff are attempting to speed up construction, with a bustling atmosphere taking place over machines and equipment in full operation.

Trinh Van Tai, an expert on the expressway's management board, said that contractors are focusing all of their efforts on completing the final stages so as to scatter asphalt of the surface of the XL04 section in early December.

The XL04 section, connecting Cai Be district of the Mekong Delta province of Tien Giang, is one of several packages of the project, with the majority of the construction of the foundation already completed, in addition to key works of bridges.

Nguyen Tan Dong, general director of Trung Luong-My Thuan BOT JSC, said that after over one year of development, about two-thirds of the project has been finished. “We plan to open for some traffic by the end of 2020,” Dong said.

The 54km long expressway is part of the Ministry of Transport's (MoT) plan to develop an expressway network of 300km in the Mekong Delta region by 2025 to satisfy growing travelling demands among both locals and businesses.

The MoT is also developing a number of other ventures. At present, the 40km Ho Chi Minh City-Trung Luong Expressway is already operational, while My Thuan Bridge II and a connecting road of 7km will be completed in 2023.

At the National Assembly's November interpellation, Minister of Transport Nguyen Van The said, “The 300km expressway target for 2025 is feasible because many important projects are scheduled to be completed by then.”

In addition, construction of 23km running from My Thuan Bridge II to the Mekong Delta city of Can Tho will be kicked off in December, and together with the route from Cai Gon to Can Tho Bridge, about 130km of expressway connecting Ho Chi Minh City to Can Tho will be put into use by 2023.

Next month, Prime Minister Nguyen Xuan Phuc is scheduled to attend the inauguration of the 51km Vam Cong-Rach Soi Expressway.

“Elsewhere, we plan to open an expressway connecting Lang Son to Ca Mau city by 2025. This means that around 170km of route from Can Tho to Ca Mau will be a priority in the 2021-2025 term,” minister The noted.

If everything goes smoothly as expected, by 2025 the country could even reach up to 400km of expressway in the region.

Transport experts have expressed their high hopes for the MoT plan because the network from Ho Chi Minh City to the Mekong Delta remains underdeveloped, leading to serious traffic jams and causing negative impacts on business activities amid strong socioeconomic development in the region.

Senior transport expert Le Do Muoi told VIR, "With this strong determination from the government, the plan is feasible. Moreover, because a better transport network in the region is an urgent need, leaders in regional cities and provinces are making strong moves in order to hand over cleared land for construction."

The Mekong Delta has become an appealing destination to domestic and international investors in recent times with the US, Japan, and South Korea among countries creating strong interest in agriculture, processing and manufacturing, and clean energy.

According to regional statistics, in the first eight months of 2020 the region attracted a total of nearly $5 billion worth of new and added foreign investment, as well as state acquisitions. Dong Thap, Long An, Ben Tre, Vinh Long, and Can Tho provinces are deemed the most attractive spots.

Vo Tan Thanh, vice chairman of the Vietnam Chamber of Commerce and Industry, said that the region has been near the top of the country's Provincial Competitiveness Index among regions over the last half-decade, with five regional localities named in the country's top 20 in the index.

5. Finance Ministry rules out extending supporting program for domestic cars

Vietnam's Ministry of Finance (MoF) has advised the government to not consider extending the 50% reduction in the registration fee for domestically-produced cars beyond its current validity which expires this year-end.

Prime Minister Nguyen Xuan Phuc in May agreed to slash the registration fee, which accounts for up to 12% of the car price, helping customers save thousands of dollars and boosting sales of domestic cars.

The MoF estimated state budget revenue would be reduced by VND3.7 trillion (US$160.2 million) as a result of the move.

According to the MoF, a cut in the registration fee for domestic cars is seen as a short-term solution to support local cars manufacturers and assemblers who are severely affected by the Covid-19 pandemic.

However, during the implementation process, embassies of some countries, including Thailand, Indonesia, and the European Chamber of Commerce (EuroCham), expressed concern that such a reduction shows discriminatory treatment against imported cars.

Under the current legislation, registration fees for passenger cars, or cars with less than nine seats, in eight provinces and cities (Hanoi, Quang Ninh, Hai Phong, Lao Cai, Cao Bang, Lang Son, Son La, and Can Tho) are 12% of the car price, while the rate is 11% in Ha Tinh, and 10% in Ho Chi Minh City, Danang and elsewhere.

For a pickup truck, the fee is at 7.2% for the group of the above-mentioned eight cities and provinces, 6.6% for Ha Tinh, and 6% for other localities.

In case of a Toyota Fortuner with a price tag of VND1.35 billion (US$57,820), a customer would have to pay a registration fee of VND162.4 million (US$6,955), but now the amount is cut by 50% to VND81.2 million (US$3,478) if the car is made in Vietnam.

Car sales in Vietnam in the January–October period dropped 18% year-on-year to 212,409 units across all segments, according to a monthly report from the Vietnam Automobile Manufacturers Association (VAMA). Upon breaking down, sales of domestically assembled cars reached 134,797 units during the period, down 12% compared to the same period of last year, while imported completely-built-units (CBUs) totaled 77,612 units, down 26%.

Car making is considered a key industry in Vietnam, accounting for approximately 3% of national GDP. However, the industry has severely been impacted by the Covid-19 pandemic. Viet Dragon Securities Company predicted a decline of 15% made-in-Vietnam cars in sales volume this year.

6. Foxconn to invest US$270 million in Vietnam for production expansion

Foxconn, formally known as Hon Hai Precision Industry, plans to expand production in Vietnam with an investment of around US$270 million, Nikkei reported.

The Taiwan-based company, which just began the production of liquid crystal displays in Vietnam last week, aims to take advantage of the new Regional Comprehensive Economic Partnership (RCEP) agreement, and hopes to bolster its production capacity in the country.

The 15-member RCEP was signed on November 15 in a bid to reduce tariffs and allow seamless trade in Asia. Foxconn plans to roll out full-scale production in Vietnam and receive the benefits of the free trade framework.

Foxconn will soon establish a new local company in Vietnam. Further details have yet to be disclosed, but the company will likely produce PC-related parts such as displays.

Taiwan is not a part of RCEP, and most of Foxconn's production bases are in mainland China. Although China is a party to the trading bloc, the uncertainty surrounding Beijing-Washington relations has led many companies, including Foxconn, to search for better production sites.

Vietnam, which is a member of RCEP, is geographically close to China, making it convenient for parts procurement, and has cheap labor costs.

Young Liu, Foxconn's chairman, has said that "the investment fever in Vietnam by major businesses is already quite considerable," and "It is difficult to find land in North Vietnam" close to the border with China. On Wednesday, he said his company makes a wide range of products in Vietnam, including TVs, telecom equipment and computer-related products.

Foxconn is currently rushing to shift away from being overly dependent on Chinese production, with the goal of making its production outside China total more than 30% of its overall production.

Rival companies such as Taiwanese electronics manufacturer Pegatron and contract manufacturer Wistron have also decided to expand into Vietnam, with the latter planning to invest US$1 billion to build a manufacturing complex at the Nam Dinh Vu industrial park in the northern city of Haiphong.

7. Vietnam's solar M&A set to heat up

As the largest solar market in Southeast Asia for installed solar operational capacity, Vietnam is expected to see bustling mergers & acquisitons (M&A) in the solar power sector in the coming months.

With more than 6,314 megawatts (MW) installed as of end-August 2020, this market is expected to add 7,000MW newly-approved capacity and 13,000MW awaits approval.

The landscape has fueled investors' sentiment as they are believed to begin to assess risks from other perspectives instead of only focusing on the model power purchase agreement (PPA) bankability concerns.

Moritz Sticher, senior advisor for Berlin-based cleantech advisory Apricum has pointed out some reasons supporting the aforementioned idea.

Large supply of operational solar projects: roughly 2,988 MW of ground-mounted solar projects will potentially reach commercial operation date (COD) by the end of 2020, further adding to existing operational solar assets out of which many will be up for acquisition.

Unlike greenfield project acquisitions, for projects under development, which require consent of Vietnamese authorities and are difficult to execute, brownfield acquisitions of operational plants are far easier from a legal point of view and also reduce the risk of forecasting generation as real data already exists.

Vietnam Electricity (EVN)'s positive credit rating: In June 2018, Fitch assigned its first and positive credit rating of "BB" to EVN, which in April 2020 was confirmed with a stable outlook at the same level as the Vietnam sovereign rating.

Therefore, besides the model PPA, there is a high likelihood of EVN honoring payments under the PPA.

Vietnam's reliance on foreign direct investment: Vietnam relies heavily on foreign direct investment (FDI) to grow its economy and is one of the most open economies in the world.

Any negative headlines in the power sector would likely damage this reputation and be against Vietnam's own strategic interests of further attracting FDI in the sector that urgently requires more foreign capital.

Growing appetite by foreign lenders: As shown, the first large projects have received loans from international financing institutions – a trend likely to continue as there seems to be a growing appetite to finance such projects and lenders are starting to get familiar with assessing and mitigating underlying risks.

Projected scarcity of electricity in Vietnam: Vietnam will face severe power shortages from 2021 onwards when electricity demand will outpace the construction of new generation capacity.

Again, Vietnam can hardly afford to scare off foreign investors, who are much needed for investing in new generation capacity and expanding the still underdeveloped transmission line system.

Attractive electricity tariffs: Compared to other solar projects in the regions and potential future tariffs in Vietnam under announced competitive selection processes, the tariffs awarded under both feed-in-tariff (FiT) phases are high, allowing for relatively high returns.

Outlook of competitive selection process: The announced competitive selection process will likely make it more difficult for developers looking to sell projects post completion to participate in, leaving the market to large independent power producers (IPPs) that would hold onto these assets for a long period of time and effectively reduce numbers of projects up for acquisition.

For these reasons, the M&A market for solar projects in Vietnam offers many opportunities, but time is of the essence to secure the best projects now coming online.

Hindrances

However, there remains several factors rooted in multiple areas naturally impact the M&A activity. These include:

Covid-19: Many ongoing M&A transactions have stalled or have been cancelled because of the pandemic, forcing Vietnamese project owners to adjust their strategies.

Fair development premiums and financial feasibility: Due to the described tedious, costly and risky development process, developers require higher development premiums that most investors consider reasonable at the presented level of return and risk – a situation that also worsened through Covid-19 resulting in increased development period and costs for many developers. For projects that have been developed under the FIT phase 1 and could not reach COD by June 2019, the mismatch from the FIT phase 2 tariff or other prospective mechanisms is especially pronounced.

Regulatory uncertainty: While the regulatory uncertainties discussed above mostly impact developers, there is always a risk that governments apply retroactive changes to past programs when the costs are perceived as too high that seen in other countries before.

Model PPA and bankability: As it is for developers, this risk is adversely affecting investment decisions due to unresolved bankability concerns.

Limited access to non-recourse financing: As it is for developers, the financing landscape is still lacking large-scale involvement of the international project financing community, with some large projects, mostly in co-financing constructs with ADB, taking the lead.

Environment and social (E&S) concerns: Some renewable energy projects (especially in hydropower) are lacking required documentation and due diligence on E&S aspects, which present red flags to institutional investors and lenders.

Lack of standardized M&A processes: Clear and standardized M&A processes and related documentation e.g., teaser, investment memo, financial models, structured data room with English documents etc., are yet to be established in Vietnam as most sellers lack experience and gathering of information is arduous.

Corporate News

8. DIG: Ban Viet Securities to sell all 29.42 million shares in DIG

↓ -1.64%

The transaction is expected to take place from November 26 to December 25, via put-through or order matching method.

DIG ended Wednesday at VND21,100 per share. At this price, VCSC is expected to collect VND630 billion (US$27.3 million), significantly higher than VCSC's initial investment of VND495.6 billion.

Taekwang Vina previously sold more than 28 million DIG shares and was no longer a major shareholder from October. Before that, Khahomex also sold 16 million DIG shares after more than one year as a major shareholder.

In November, DIC approved the plan to sell 8.26 million treasury shares to supplement capital for production and business activities. The transaction, conducted via order matching and put-through methods, is expected to be completed in the fourth quarter of this year.

In the first nine months of 2020, DIG's net revenue reached VND1.87 trillion, up 44.9 per cent year on year. Pre-tax profit reached VND172 billion and after-tax profit was VND131.2 billion, up 40.5 per cent over the same period in 2019.

In 2020, DIC aims to achieve VND2. trillion in revenue and VND650 billion in pre-tax profit. In the first nine months of this year, the company achieved nearly 75 per cent of the revenue plan, but it still fell short of the profit target assigned.

9. KDC: Vietnam's largest ice-cream maker to delist stock

↓ -0.42%

The last trading day of the company on the Unlisted Public Company Market will be December 10, the company said in a statement.

Its shares on Wednesday were priced at VND44,500 ($1.93) apiece, up 52 percent from the beginning of the year.

The company said it will spend VND168 billion on paying dividends, with each shareholder receiving VND3,000 per share.

After the delisting, Kido Foods will be wholly-owned by its parent company Kido Group, which currently owns a 65 percent stake in the ice-cream producer.

The holders of Kido Foods's KDF shares will get 1.3 Kido Group's KDC shares for each share they own.

Kido Group established Kido Foods in 2003 to purchase Unilever's ice-cream plant producing the Wall's brand ice cream.

Kido Foods has 41.4 percent of Vietnam's ice-cream market share at present, led by popular brands Merino and Celano.

Its post-tax profit rose 16 percent to VND164 billion in the first nine months of this year.

Kido Group leaders have said that the merger will allow the company to lower costs, help it become more competitive and expand its market share.

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