



# VIETNAM DAILY NEWS



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## Market Analysis

### 1. Shares decline on foreign selling - Jun 16

Vietnamese shares ended Wednesday on a negative note after foreign investors extended their net selling streak, further damping investor sentiment.

On the Ho Chi Minh Stock Exchange (HoSE), the VN-Index lost 0.79 per cent, to close Wednesday at 1,356.52 points. The market's breadth was negative with 176 stocks increasing while 222 stocks declined.

The southern market index had jumped 0.41 per cent, to close Tuesday at 1,367.36 points.

The market liquidity was also high as domestic investors poured over VND23.4 trillion (US\$1 million) into the southern market, equivalent to a trading volume of nearly 770 million shares.

The VN30-Index dropped 1.44 per cent to 1,465.58 points. Of the VN30 basket, seven stocks rose while 20 slid and three stayed unchanged.

In the VN-30 basket, SSI was the worst performer, losing over 5 per cent. Vietinbank (CTG), Techcombank (TCB) and Sacombank (STB) all declined more than 3 per cent.

HDBank (HDB), Hoa Phat Group (HPG), Vinhomes (VHM), Masan Group (MSN) and Vingroup (VIC) were among those that lost more than 2 per cent.

On the opposite side, GAS jumped more than 3 per cent, Thanh Thanh Cong Bien Hoa JSC (SBT) and Vietnam National Petroleum Group (PLX) gained over 2 per cent. The rest of the group's gainers

were Vietcombank (VCB), Bank for Investment and Development of Vietnam (BID) and VPBank (VPB).

"VN-Index spent most of the time trading in the red and the index has now moved to close to 1,355," said BIDV Securities Co.

"Investment cash flow continued to decline, foreign investors were net sellers on both HoSE and HNX.

"Market breadth turned negative with liquidity not much different from the previous session. According to our assessment, VN-Index may continue to see declines and slide back below the threshold of 1,350," it said.

Foreign investors net sold VND76.46 billion on HOSE, include Military Bank (MBB) with VND172.4 billion, Kido Group (KDC) with VND149.7 billion and SSI Securities Incorporation (SSI) with VND114.7 billion. They were net sellers on the HNX with a value of VND27.61 billion.

On the Ha Noi Stock Exchange (HNX), the HNX-Index lost 1.46 per cent to close Wednesday at 313.65 points.

It had lost 0.23 per cent to close Tuesday at 318.29 points.

During the trading session, over 184 million shares were traded on the northern bourse, worth over VND4.6 trillion.

## Macro & Policies

### 2. Aviation, tourism industries at brink of collapse on Covid-19: Ministry

Up to 90% of tourism companies were forced to suspend operations, making the aviation industry facing financial challenges with the national flag carrier Vietnam Airlines at risk of bankruptcy.

The Ministry of Planning and Investment (MPI) gave a grim look in its report assessing local businesses' situation in 2020 and the first five months of this year.

According to the report, eight business sectors, including hospitality services, retail, garment, car manufacturing, agriculture, logistics, aviation, and IT are facing an unprecedented crisis.

According to the MPI, the aviation industry was the most affected sector by the pandemic as demands for air transportation in 2020 went down by 34.5-65.9% year-on-year, while revenue from local airlines also saw a contraction of 61%.

The third Covid-19 outbreak flaring up in early 2021 further put them into a dire situation as revenue plunged by 80% against last year.

“Even when the Covid-19 pandemic is contained this year, it is predicted that the aviation industry would fully recover to its pre-pandemic condition in 2024,” stated the MPI.

Vietnam Airlines estimated its losses in the first quarter to be around VND4.8 trillion (US\$209 million), the figure could even go up to VND10 trillion (\$436 million) for the first six months of this year.

The MPI noted that the national carrier's overdue debt of VND6.24 trillion (US\$272 million) could push them towards bankruptcy.

“Banks stop providing loans for Vietnam Airlines due to the slow disbursement of the Government rescue package worth VND12 trillion (\$523 million),” the ministry added.

Budget airlines such as Vietjet Air, Bamboo Airways are also predicted to face more difficulties as they have used up all financial resources to keep providing air transportation services, it noted, saying Vietjet Air is in need of VND10 trillion (\$436 million) for operation.

90% of tourism companies suspending operation

According to the Vietnam Tourism Association (VITA), travel agencies had high expectations for a recovery in 2021, but the resurgence of the pandemic in the Tet holiday put a dent in their hope.

“The number of tourists booking tours during Tet sharply declined, while many tour operators have no income to keep business running,” said the association.

Up to 90% of travel agencies, restaurants, and hotels were forced to close, and the remaining 10% scaled down operation.

The VITA said the majority of travel agencies have laid off 100% of their workforce, meanwhile, the rates for outbound tour operators were around 60-90%.

The garment is the second industry facing severe consequences from the Covid-19 pandemic that it has suffered a deceleration of 10.5% in growth for the first time in the past 25 years.

In 2020, garment export value declined by \$4 billion compared to the previous year to \$35 billion.

The MPI said the pandemic is put under control and garment firms are being able to take advantage of free trade agreements (FTAs). The industry could only fully recover to the 2019 level by the second quarter of 2022, or the fourth quarter of 2023 in a worst-case scenario.

### 3. Vietnamese farm produce gain competitive edge on global market: Central Retail

Vietnam's farm produce can completely compete with products in other countries around the world, Head of Creating Shared Values Projects of Central Retail Corporation Public Company Limited (CRC) Paul Le told Nong nghiệp Viet Nam (Vietnam Agriculture) newspaper.

In a recent interview granted to the newspaper, Le said agriculture is one of the key sectors of Vietnam, noting that the country boasts many traditional products and regional specialties, especially the variety of seasonal products.

The Thailand-based CRC is one of the retail chains that are effectively implementing activities to promote and consume Vietnamese agricultural products on the international market.

The CRC's vision is to develop with Vietnam through cooperating and supporting Vietnamese products and brands, and local suppliers, Le stressed.

Its development will always go hand in hand with the prosperity of Vietnam, he said, adding that the firm's programme to accompany Vietnamese agricultural products is one of the the CRC's seven sustainable development strategies in the country.

#### 4. Shrimp exports swell despite virus

According to the Cà Mau Province Department of Industry and Trade, exports in the first five months are estimated at more than US\$423 million, a year-on-year increase of 16 per cent.

Bạc Liêu Province's revenues were up 9 per cent at \$280 million.

Nguyễn Minh Tuấn of Minh Cường Seafood Import-Export JSC, an old operator in the shrimp industry, said his company's shrimp exports grew sharply this year, and it was scrupulously implementing Covid prevention measures at its factory.

Many shrimp farmers in the delta continue to expand production since they earn good incomes.

Phạm Văn Quán of Mỹ Long Nam Commune in Trà Vinh Province's Cầu Ngang District, said: "A few months ago, a kilogramme of black tiger shrimp

The business will cooperate with Vietnamese suppliers in building and developing modern retail systems for Vietnamese goods.

According to Le, each product of Vietnam has a very long development history. For example, Thanh Ha lychee has development history of up to 250 years, which means that Vietnamese farmers have up to 250 seasons to gradually better the quality of lychees. This is the reason why Vietnamese lychees are among the best in the world.

In the northern highlands and mountainous regions of Vietnam, the horticulture sector has evolved over hundreds of years to produce distinctive and fresh vegetable products, he said.

Many giant firms in the world have been setting up their supply networks in Vietnam, to be able to directly access the best products from local farmers.

That is reason for Le to believe that Vietnamese agricultural products have many competitive strengths on the international market.

fetches VNĐ 200,000-220,000 (\$8.7-9.6), but now it has decreased to VNĐ170,000 (\$7.4), and white-leg shrimp is priced at VNĐ130,000 - 140,000 (\$5.7-6.1). But farmers still make a profit."

According to the Vietnam Association of Seafood Exporters and Producers, exports were worth \$ 3.27 billion in the first five months, up 14 per cent year-on-year.

Shrimp exports accounted for \$1.33 billion, an increase of 14 per cent.

The exports went to over 120 markets, with the US, Japan, EU, China, Korea, ASEAN, and Australia being the largest markets, it said.

Demand for shrimp had increased significantly in many markets, while supply from India, Thailand

and some other countries had fallen due to Covid, it said.

Taking advantage of this, Vietnamese companies had accelerated shrimp exports, it added.

According to seafood businesses, shrimp exports to the US will continue to boom this year, and they

also expect to increase exports to the EU, mainly white-leg shrimps.

Seafood exports to South Korea have shown signs of recovery, and so shipments to the market would increase, they said, adding that exports to countries such as Australia, Canada, the UK, and Russia would continue to be good thanks to an increase in demand and lack of market barriers.

## 5. Viet Nam sees high growth of fruit exports to China in first five months

Viet Nam exported over 468,000 tonnes of mangoes to China, 12 per cent higher than the export volume in the whole year of 2020; 348,000 tonnes of bananas, or 87 per cent of the exports in the whole year of 2020; 301,000 tonnes of jackfruit, or 92 per cent of the exports in the whole year of 2020 and 1.1 million tonnes of dragon fruit, or 63 per cent.

According to Hoang Trung, Director of the Plant Protection Department under the Ministry of Agriculture and Rural Development, China is one of the major export markets for Vietnamese agricultural products.

Viet Nam is gradually expanding export markets to the US, EU, Japan and South Korea, but this needs time to achieve the targets as expected, so in the near future, China is still the leading export market with a large proportion of Viet Nam's farming, forestry and seafood products.

However, China is no longer as easy as it was decades ago, Trung said. With the current development trend, China has more and more standards on the quality of agricultural products imported from any country, including Viet Nam. The requirements include standards for design, packaging, packing specifications, product quality and especially the growing area code.

Therefore, from 2018, the Plant Protection Department has actively worked with localities, businesses and cooperatives nationwide to develop code-granted planting areas to meet China's requirements. So far, Viet Nam has granted codes for 3,400 growing areas of many kinds of fruit exported to many markets. Of which, Viet Nam has granted codes for 1,703 planting areas and 1,776 packing facilities that produce fresh fruit exported to China.

In addition, Viet Nam now exports many kinds of fresh fruit to China under the official export method to take tax advantages under trade agreements, including mango, banana, dragon fruit, longan, lychee, jackfruit, pineapple, watermelon, rambutan and mangosteen.

Viet Nam is negotiating with Chinese partners to reach agreements on the official export of many other kinds of farming products, including sweet potatoes and durian, or waiting for further negotiation for grapefruit, passion fruit and coconut.

However, Trung said Vietnamese agricultural products are currently competing with the agricultural products from Thailand, Cambodia, and even domestic products in the Chinese market.

Trung believed that this forces Viet Nam's businesses and farmers to cooperate in improving quality, reducing production costs and increasing competitiveness of their agricultural products.

Viet Nam successfully negotiated with China many years ago to have permission to ship farming products under official export, but Viet Nam's enterprises could not increase exports of those products to China, such as rambutan and mangosteen.

Meanwhile, many other traditional products have gained large exports in recent years, including mango, dragon fruit, and jackfruit. Viet Nam has surpassed the Philippines to become the largest banana supplier to the Chinese market.

Viet Nam expects that when COVID-19 is brought under control, Chinese experts can go to Viet Nam to re-evaluate the technical processes for

Vietnamese durian. If gaining permission to ship this product to China under the official export method, Viet Nam could become a competitor with Thailand and Malaysia in exporting durian to China, although those two ASEAN countries have permission on shipping this product under official export to this market for decades.

“To improve the competitiveness of Vietnamese agricultural products, the Plant Protection Department has been implementing many tasks, including biological solutions, organic fertilisers, and programmes granting codes for planting areas, and facilities of packaging, irradiation and hot water treatment. As a result, Vietnamese

agricultural products now basically meet the requirements of quality, residue, and cost from strict import markets,” said Trung.

According to the Ministry of Agriculture and Rural Development, in the first four months of 2021, the total import and export turnover of agricultural, forestry and fishery products reached more than US\$5.57 billion, up 27.8 per cent over the same period in 2020.

Of which, the export value was about \$4.02 billion, up 36.5 per cent year on year and the import value reached \$1.55 billion, up 9.7 per cent.

## 6. Japanese investors secure foothold in leading Vietnamese brands through M&A

As of May 2021, Japan was the second-largest foreign investor in Vietnam with the total registered capital of \$63 billion. Japanese investors have also been actively contributing capital and share purchases to Vietnamese firms in various fields such as retail, food and beverage, pharmaceutical, real estate, and finance.

Many well-known Vietnamese brands are now owned by Japanese investors. In 2011, Unicharm acquired local company Diana. In 2015, Unicharm expanded its factory in Bac Ninh province, targeting a bigger slice of the market.

Also in the same year, brewery group Kirin Holdings acquired major Vietnamese soft drink producer Interfood Shareholding Co. as part of its plans to capitalise on the Vietnamese market. Kirin purchased 57.25 per cent of the total outstanding shares in Interfood for an undisclosed sum and also bought out Wonderfarm Biscuits & Confectionery Sdn. Bhd., a Malaysia-based firm that manages the intellectual property rights of Interfood.

Eath Chemical also took over A My Gia, which is known for the Gift brand household detergent and Ami brand air fresheners. Sojitz Corporation spent around \$91 million on acquiring a 95 per cent stake in Saigon Paper Corporation, which is the largest tissue paper and industrial paper producer nationwide. Japanese drugmaker Taisho Pharmaceutical Co., Ltd. also takes control of Hau Giang Pharmaceutical JSC. Other M&A deals involving Japanese investors include NTTData's

acquisition of Payoo, AEON Group's acquisition of Citimart, and Line's acquisition of Webtretho.

In 2021, Maruha Nichiro decided to acquire Saigon Food in order to secure a new marine product processing base and to acquire a platform for the development, processing, and sales of processed foods. Meanwhile, Japanese mega financial institution Sumitomo Mitsui Financial Group (SMFG) has just acquired 49 per cent stake in Vietnam's largest consumer finance company FE Credit. The Japanese bank will invest more than \$1.4 billion in FE Credit as early as October.

Speaking at the Vietnam M&A Forum 2020, Masataka “Sam” Yoshida, head of the Cross-border Division of RECOF Corporation and CEO of RECOF Vietnam Co., Ltd. said that M&A investments in Vietnam will be a trend for Japanese companies which will last for the years to come.

The first trigger is the destiny for Japanese companies to find new markets to expand outside Japan. The fact is that most of the sectors in Japan are already mature. For instance, almost one-third of the Japanese population is over 65 years old. This makes the average age of Japanese people 48.4 years, almost 20 years older than the figure for Vietnam. Also, around 276,000 people (more than a quarter of a million) are disappearing every year.

“The second trigger is 'M&A as a growth strategy' which is backed up by the abundant accumulated cash during the last 20 years which is reaching \$2.34 trillion as bank deposits with almost zero

interest rate. Pushed by shareholders' requirements to make use of the money, these funds have started to flow into the M&A market

which made its highest record in 2019 by 4,088 deals. This means there were more than 4,000 active and successful Japanese investors," he said.

## 7. Investors pump billions into offshore wind power plants

Thang Long Wind, a \$11.9-billion, 3.4 GW offshore plant, is being built in the central province of Binh Thuan.

time needed for investment procedures, licenses, geological surveys, gauging winds, and others.

Installation of floats will be completed in July to gather oceanographic data related to waves, wind and currents.

Construction is not easy and involves large costs.

La Gan, another offshore wind farm, a joint venture between Asia Petroleum Energy Corporation (Asia Petro), Novasia Energy Company and Danish fund management firm Copenhagen Infrastructure Partners (CIP), will have a capacity of 3.5 GW and cost \$10.5 billion.

A wind-power investor in the southern province of Soc Trang said: "The cost of offshore wind turbines is very high, at over \$3 million on average for a 4.2-MW unit. Construction and installation are also costly due to the difficult terrain 30-50km from shore.

Last month Danish multinational power company Orsted, which operates many wind farms in Asian countries, said it has identified Vietnam as its next investment destination.

"Annual maintenance costs are high. For these reasons, only large investors can join this race."

It too is eyeing offshore wind power in Binh Thuan.

The unit cost for 1,000 kWh of electricity generated by an offshore wind power farm is around \$83, down from \$255 in 2010.

Vietnamese companies are investing heavily in offshore wind power. HBRE Group and a French partner have invested \$1 billion in a 500-KW farm in the southern province of Ba Ria Vung Tau.

It is expected to further drop to \$58 by 2025.

With a coastline of 3,260 km, low sea levels and high wind speeds (7-10 meters per second at a height of 100 meters), Vietnam is an emerging offshore wind power magnet in Southeast Asia.

But Qiao said costs would decrease only when total installed capacity reaches a certain level, and Vietnam should quickly tap the opportunities to achieve this.

Qiao Liming, Asia director of the Global Wind Energy Council (GWEC), said a strong point of offshore wind power is the high efficiency of 29-52 percent, double that of solar energy, higher than onshore wind power and equal to gas-fired electricity. With new technologies, the efficiency of offshore wind power is increasing annually by 2.5 percent, she said.

The draft of the Power Development Master Plan VIII defines offshore wind power farms as wind power plants to be built in areas where the sea is 20 meters deep or more.

Despite great potential and opportunities, offshore wind power also poses some investment risks: The unit cost for offshore wind power is more than double that of onshore wind power, and it takes five to seven years to build a farm excluding the

The draft plan eyes offshore wind power capacity of 2-3 GW by 2030, or 1.5-2 percent of the country's total.

Many international organizations have advised Vietnam to increase its offshore wind power capacity to 10 GW by 2030 to fully tap its potential.

Besides, they said only large-scale projects could attract investment.

To attract investors, Vietnam needs to have favorable mechanisms and policies for offshore wind power, including preferential prices.

The feed-in tariff (FIT) for offshore wind power currently stands at 9.8 cents per kilowatt-hour. The FIT for land-based wind power is 8.5 cents.

These are applicable to plants that begin commercial operation before November 1, 2021, and for a period of 20 years.

From November 1 the price mechanisms are set to change, with a spokesperson from the Electricity & Renewable Energy Authority saying the agency is creating a bidding mechanism for solar and wind power to replace FIT.

However, some energy investors feared this change would make it difficult for them.

Bernard Casey, development director at Mainstream Renewable Power Vietnam, expressed

worries about the possible risks to his company's \$2-billion wind farm in the southern province of Soc Trang if the bidding mechanism takes effect.

Casey, Sebastian Hald Buhl, Vietnam Country Manager at Orsted, and Qiao Liming have said the government should have a roadmap for implementing the bidding mechanism.

FIT is a policy mechanism that offers cost-based compensation to renewable energy producers, providing price certainty and long-term contracts, which help attract finance.

Vietnam aims to produce 10.7 percent of its electricity from renewable energy sources by 2030, mainly through solar and wind power projects.



## Corporate News

### 8. VHC: Vinh Hoan posts great results in May on recoveries of export markets

↓ -0.22%

The gain was mainly due to growth in pangasius products (up 46 per cent), by-products (up 51 per cent) and added value products.

On the exporting front, the US, the company's leading export market, witnessed the biggest growth of 188 per cent against the same period last year, while exports to China increased 9 per cent and to other markets rose 4 per cent.

Meanwhile, the company's exports to European markets fell 22 per cent year-on-year.

According to a recent report from Agribank Securities Corporation (Agriseo, AGR), Vinh Hoan benefits from the lowest preferential export tax rate, which is US\$0.09 per kilo, 2.7 times lower than the rate the whole industry has to pay.

The tax advantage and the rapid recovery of the US economy with the rising demand on frozen pangasius products will help the US market continue to grow strongly next year.

In addition, the European-Viet Nam Free Trade Agreement (EVFTA) and the merger with Sa Giang Import Export Corporation (SAGIMEXCO, SGC) will also boost the potential of EU countries.

The company has acquired SAGIMEXCO at a rate of 76.7 per cent. SAGIMEXCO is one of the biggest domestic shrimp cracker producers and mainly exports to EU markets. The deal is considered a stepping stone for Vinh Hoan to capture domestic market share through SAGIMEXCO. It is expected that the domestic market share will increase in the coming years, boosting Vinh Hoan's domestic revenue and profit.

In May, SAGIMEXCO reported a decline of 15 per cent over the previous month in revenue, mostly due to a fall in main products including shrimp crackers (down 15 per cent) and rice products (down 25 per cent).

Regarding export markets, revenue from the European market climbed 18 per cent over the previous month and from other markets rose 106 per cent. This showed that the company's export markets have expanded. However, revenue from the domestic market fell 53 per cent.

On the stock market, VHC is listed on the Ho Chi Minh stock exchange (HoSE), while SGC listed on the Ha Noi Stock exchange (HNX).

On Monday, VHC shares climbed 0.79 per cent to VND44,550 per share at 14:30, while SGC shares stayed flat at VND63,500.

### 9. IMP: SK Investment Vina raises ownership to 29.2 per cent in Imexpharm

↑ 4.17%

Accordingly, two Vinacapital funds namely VOF Investment Ltd. and Vietnam Ventures Ltd. will transfer 5.18 per cent of its shares to SK Vina III, raising the latter's ownership at IMP from 24.02 to 29.2 per cent.

Following the transfer, the foreign ownership limit at Imexpharm remains unchanged at 49 per cent.

SK Investment Vina III is a member fund of SK Group, which has investments in Masan and Vingroup.

Total net revenue and income in the first five months of 2021 of Imexpharm were VND508.2 billion (\$22.1 million), which made up 33.2 per cent of the annual plan and was up 11.6 per cent on-year. Net revenue in the first five months reached VND502.2 billion (\$21.83 million) and increased by 11.2 per cent compared to the corresponding period of the previous year. Imexpharm products accounted for 97 per cent of

its revenue structure. Besides this, revenue from franchising and sales from other products decreased rapidly compared to last year.

Pre-tax profit accumulated until the end of May was VND97.6 billion (\$4.24 million) and met 33.7 per cent of the annual target. However, it was up an impressive 26.1 per cent on-year.

The company predicted that in the coming months, sales expenses would slowly increase due to the fourth wave of the pandemic in the northern provinces and Ho Chi Minh City. Therefore, Imexpharm has reviewed sales support and marketing activities to ensure that the company fully obeys the pandemic prevention measures issued by the Ministry of Health and provincial governments.



**Research Team:**                    **Tsugami Shoji**     *Researcher*                    [jsi@japan-sec.vn](mailto: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](mailto:info@japan-sec.vn)*

*Website: [www.japan-sec.vn](http://www.japan-sec.vn)*