



VIETNAM DAILY NEWS



October 19th, 2021

Table of content

Table of content

1. VN-Index inches up slightly
2. Viet Nam's 500 most profitable enterprises in 2021 announced
3. Draft circular to prevent banks from hiding bad debts
4. Vietnamese firms yet to benefit from world coal price fever
5. Motorbike sales slash nearly 46 per cent in Q3
6. Đà Nẵng to reboot tourism from October 20
7. Binh Thuan enhances dragon fruit exports
8. SHB: SHB expected to see breakthrough development ahead
9. MWG: Mobile World, landlords in dispute over rent

Market Analysis

1. VN-Index inches up slightly

The strong cash flow helped the benchmark index surpass 1,400 points in the morning. However, the selling pressure in the afternoon pulled down VN-Index to below this resistance level.

The index added 2.83 points, or 0.2%, to close at 1,395.53, although losing stocks outnumbered winning ones by 245 to 193.

There were more than 784.5 million shares worth some VND22 trillion changing hands on the southern market, rising 1.5% in volume and over 7% in value against the previous session. Nearly 31.9 million shares worth some VND1.2 trillion were traded in block deals.

In the VN30 basket, 16 stocks gained ground, with petroleum stock GAS and real estate company PDR being the biggest gainers, up 4% and 3%, respectively. Meanwhile, 12 stocks such as brewery SAB, jewelry company PNJ, lender CTG, mobile phone retailer MWG and rubber group GVR lost 0.9-1.7%.

Bank stocks performed poorly, with CTG, VCB, BID and ACB losing 0.5-1.5%.

Petroleum stocks stole the limelight, with GAS, PVD and PLX surging 4%, 4.2% and 1.5%, respectively. TDG shot up to the ceiling price at VND8,760.

Most steel stocks gained ground, with TLD being the biggest gainer, up 4.3% to VND24,000. Besides, NKG rose 1.7% to VND52,800 and HPG went up 1% to VND57,900, while HSG and POM rose slightly.

Among securities stocks, VCI and VND soared over 3% and HCM rose 1.6%.

Fertilizer stocks were also among the biggest gainers, as NFC, PCE and PSW shot up to the ceiling prices.

In the group of small and medium stocks, while property developer FLC dropped 3.3% to VND11,600, investment company FIT shot up to the ceiling price at VND13,100.

On the Hanoi Stock Exchange, the HNX-Index rose a fractional 0.01%, equivalent to 0.04 points, to close at 384.88, with 98 declining stocks and 104 gainers. There were 122.55 million shares worth more than VND2.76 trillion transacted.

The HNX30 basket was mixed with 13 winning stocks and 15 declining ones. Construction firm L14 was the biggest gainer in the basket, shooting up to the ceiling price at VND132,500.

Petroleum firms were the best performing stocks on the northern market, with PVB, PVS and PVC rising 3% to VND17,400, 2.8% to VND29,500 and 1.6% to VND12,600, respectively.

PVS led the northern market in terms of liquidity with 16.87 million shares changing hands, followed by asset management corporation TVC with 6.6 million shares and securities firm SHS with 4.66 million shares.

Macro & Policies

2. Viet Nam's 500 most profitable enterprises in 2021 announced

The Vietnam Report and online newspaper VietNamNet have just announced the Profit 500 list, featuring the top 500 most profitable enterprises in Viet Nam this year.

Prominent in the list are Samsung Electronics Thai Nguyen Co Ltd, Viettel Military Industry and Telecoms Group (Viettel), Vietnam Oil and Gas Group (PetroVietnam), Joint Stock Commercial Bank for Foreign Trade of Vietnam (Vietcombank), Vietnam Technological and Commercial Joint Stock Bank (Techcombank), Hoa Phat Group JSC, Vietnam Electricity (EVN), Vingroup, and Vietnam Dairy Products JSC (Vinamilk).

During the 2017-21 period, the three sectors of property development and construction, finance, and food and beverages, had the largest number of companies in the rankings, said General Director of the Vietnam Report JSC Vu Dang Vinh.

The compound annual growth rate (CAGR) of all companies in the Profit 500 list this year averaged 10.12 per cent.

Statistics also indicate that 53.1 per cent of 339 publicly traded companies maintain their growth momentum during 2019-20 and the first half of this year.

Meanwhile, 24.4 per cent of firms have shown signs of recovery in the first half of 2021.

Due to difficulties caused by COVID-19, the return on asset (ROA) of foreign enterprises inched down by 0.1 per cent from 2020 to 12.4 per cent this year, while that of the private economic sector saw a year-on-year decline of 0.4 per cent to 9.4 per cent.

ROA of public firms fell to 8.4 per cent from 11.7 per cent recorded in the previous year.

3. Draft circular to prevent banks from hiding bad debts

The State Bank of Vietnam (SBV) expects new draft regulations on debt purchase and sale of credit institutions will prevent the institutions from hiding bad debts.

The regulations are drafted in a new circular, which will revise Circular No. 09/2015 on debt purchase and sale of credit institutions. The draft circular is to be made public for comments.

Besides preventing institutions from hiding bad debts, the SBV believes the revision of Circular No. 09/2015 is necessary as credit institutions reported they faced some difficulties in implementing debt trading according to Circular No. 09/2015 due to a lack of specific guidelines to handle financial issues, debt valuation and exchange rate differences in case the debt purchaser is a credit institution.

According to SBV, it recently saw debt buyers of some credit institutions were not credit institutions themselves, and the buyers were allowed to make late payments for the debt purchase. It is concerned the trading may lead to issues granting credit for

debts at credit institutions. The SBV, therefore, said it is necessary to amend Circular No. 09/2015 to prevent credit institutions from cross lending to hide bad debts.

Specifically, under the revised draft, a credit institution will not be allowed to grant credit to customers to buy their own debts at the institution or other credit institutions.

“The regulation aims to ensure that debt purchases are transparent and prevent the possibility that credit institutions can use loopholes in debt trading to hide bad debts,” the SBV noted.

Besides, according to the draft, for debts that haven't completed trading despite having signed debt purchase and sale contracts, credit institutions will still have to manage the classification and make provisions for the debts according to the current legal regulations.

According to the SBV, though the banking industry has actively taken measures to handle bad debts worth VND78.86 trillion in the first half of this year through debt sales and provisions, as well as limiting newly arising bad debts, the debts have been on a rising trend due to the impact of the COVID-19 pandemic. By the end of June 2021, the bad debt ratio was 1.73 per cent against 1.69 per cent at the end of 2020.

According to the SBV's statistics, banks restructured loans worth about VND350 trillion for COVID-19-affected borrowers. Industry insiders estimated if half of the loans became bad loans, the bad debt ratio of the banking system would increase to more than 3 per cent by the end of this year.

The SBV said the process of restructuring the system of credit institutions and handling the bad debt is being accelerated.

4. Vietnamese firms yet to benefit from world coal price fever

Although global coal prices have reached a record high, Vietnamese coal mining enterprises have still failed to increase revenue and profit, and some of them have even suffered losses.

Meanwhile, Việt Nam had to import coal at an average price 83 per cent higher in the past nine months compared to the same period last year.

According to the International Energy Agency (IEA), the world average coal price has reached the highest level in history with a year-on-year hike of 110 per cent in the past nine months of 2021 and surging 75 per cent compared to the beginning of the year, though the nine-month global coal demand only increased 4.5 per cent year-on-year, after falling 5 per cent in 2020.

Coal production costs also increased due to the high global coal price while two domestic producers, Vinacomin and Đông Bắc Corp, had to import about 20-25 per cent of coal from Australia and Indonesia to mix with domestic coal in order to meet domestic demand. At the same time, the cost of fuel also increased sharply, making coal mining more expensive.

However, experts from SSI Securities JSC (SSI) said that the coal price in Việt Nam was not in line with the global price due to the Government's strict price management policy that allowed only two firms – Việt Nam Coal-Mineral Industries Holding Corp (Vinacomin) and the Quảng Ninh Province-based Đông Bắc Corporation – to mine and sell coal.

SSI said the coal industry was directly affected by the coal fever, but the coal price policy was strictly controlled by the Government, so most local coal mining enterprises had not benefited from the current high prices.

According to SSI, domestic coal prices were usually adjusted when there was a large increase in production costs. That only happened once every 3-4 years. In 2021, only the coal price for cement production was revised to increase by 9 per cent in August, while the coal price for thermal power remained unchanged to reduce pressure on Vietnam Electricity (EVN) when the Government was asking for electricity price support amid the pandemic.

Vinacomin's total revenue in the nine-month period hit VNĐ94.6 trillion (US\$4.11 billion), up 2.1 per cent year-on-year, VNĐ13.2 trillion of which had been added to the State budget.

As coal was mainly used for thermal power, accounting for 72 per cent of domestic demand, SSI estimated that this year's coal price would rise slightly by 4 per cent compared to 2021.

During the period, the group produced 29.67 million tonnes of coal and sold 33.23 million tonnes, thus fulfilling 77-79 per cent of the yearly target, respectively.

In the first half of 2021, the total revenue and profit of listed coal mining enterprises reached VNĐ10.6 trillion, down 1.7 per cent and VNĐ115 billion, down 8.2 per cent respectively over the same period last year.

In H1, coal mining enterprises said they did not have prospects for increasing selling prices or boosting consumption.

Data from the Ministry of Industry and Trade (MoIT) showed Việt Nam would sharply increase imports of coal and gas to meet development needs from now to 2030.

The latest data from the ministry sent to the National Assembly showed the country was transitioning from an energy exporter to a net importer.

Notably, the import scale of coal and gas of the country is also growing along with increased spending to invest and buy fuel to serve the country's development.

The amount of imported coal increased sharply due to difficulties in domestic coal exploitation, especially the development of new mines, so coal output produced domestically was not enough to fuel thermal power plants.

According to the Oil, Gas and Coal Department under the MoIT, the country's energy import trend would continue to increase in the long term and energy import dependency ratio would be around 33-37 per cent by 2025 and up to 50-58 per cent by 2035.

5. Motorbike sales slash nearly 46 per cent in Q3

The Vietnam Association of Motorcycle Manufacturers (VAMM) has said its members sold 367,037 motorbikes in the third quarter of 2021, a year-on-year drop of 45.84 per cent.

The VAMM members, namely Honda, Piaggio, Suzuki, SYM, and Yamaha, are manufacturing and distributing about 100 models of motorcycles with prices ranging from more than VND10 million to over VND1 billion each.

Notably, Honda Vietnam is making up nearly 81 per cent of the sector's market share with the most diverse range of products.

Experts said that, after growing by nearly 30 per cent in the second quarter, the motorbike sales fell sharply in the third quarter due to the complicated developments of COVID-19.

They noted that the Vietnamese motorcycle market has gone through a difficult period similar to what happened to the auto market.

To stimulate market demand, businesses are giving incentives and running promotion programmes, especially the peak shopping period at the end of the year is approaching.

Many motorbike manufacturers have promptly launched a series of new motorbike models right after the social distancing orders in many provinces and cities were relaxed in recent weeks.

Experts predicted that the motorcycle market will recover in the fourth quarter of 2021 - when the peak shopping demand of the year begins, and the COVID-19 pandemic is gradually under control.

6. Đà Nẵng to reboot tourism from October 20

The central city of Đà Nẵng plans to reboot local tourism from October 20, as the COVID-19 pandemic has been under control.

From November, the city will embark on "travel bubble" with the central province of Quảng Nam and the northern province of Quảng Ninh, heard a meeting between the municipal People's Council and local voters last week.

Director of the municipal Tourism Department Trương Thị Hồng Hạnh said the city will initially welcome domestic visitors and pilot the serving of foreigners with the slogan "Enjoy Đà Nẵng", ensuring safety of tourists and employees in the sector.

Also in November, the city will serve international visitors who come for official duty, visit relatives and

return home. They will be put under quarantine for a week and follow other regulations by the Health Ministry. Others include tourists on full-package tours and those with vaccine passports, focusing on those from the Republic of Korea and Russia.

Russia plans to bring 2,000 – 4,000 visitors to Vietnam each month, Hạnh said.

Chairman of the municipal People’s Committee Lê Trung Chính said between now and early 2022, the city will continue facing difficulties caused by the pandemic. In order to restore its economy, the city will suggest the State allocate more vaccines for the second jabs and those aged 12-17.

7. Binh Thuan enhances dragon fruit exports

The Ministry of Industry and Trade, the Ministry of Agriculture and Rural Development and Binh Thuan Province have implemented many solutions to promote the consumption of dragon fruit.

They have organised events on connecting local enterprises with partners at home and abroad to expand the consumption market for dragon fruit. They have also implemented solutions to speed up the clearance of goods at border gates, including priority in plant quarantine and transport for exported dragon fruit.

In August, the Binh Thuan Department of Industry and Trade coordinated with the Trade Promotion Department (under the Ministry of Industry and Trade) to hold an online conference on Vietnamese dragon fruit with potential export markets in 2021.

At the conference, dragon fruit production and trading enterprises and cooperatives in Binh Thuan connected with Indian partners, as well as businesses in Australia, Japan, China and Europe, opening up opportunities on expanding the export market for dragon fruit in the future.

Earlier this year, the Japanese Ministry of Agriculture, Forestry and Fisheries (MAFF) officially granted the Protected Geographical Indication certificate to Binh Thuan dragon fruit. This is the second agricultural product of Viet Nam to receive the certificate, after Luc Ngan lychee.

This certificate has a great significance to affirm the prestige of Binh Thuan dragon fruit and create many new opportunities for exporting this product to key markets such as Europe, South Korea and New Zealand.

Binh Thuan Department of Industry and Trade in September issued a plan to develop production and expand the consumption market for Binh Thuan dragon fruit.

Accordingly, the plan would help expand the dragon fruit export market, besides increasing export volume to traditional export markets and enhancing trade promotion activities.

At present, Binh Thuan mainly consumes fresh dragon fruit, of which 80-85 per cent are for export and about 15-20 per cent for the domestic market.

Binh Thuan Province now encourages farmers to increase product quality in dragon fruit production but not expanding production areas for the sustainable development of this product.

According to Phan Van Tan, deputy director of the Binh Thuan Department of Agriculture and Rural Development, VietGAP standards are also applied for sustainable development of dragon fruit production. That has increased the value of dragon fruit products and met demand of export markets. On the other hand, the use of pesticides is also minimised, increasing the prestige and quality of Binh Thuan dragon fruit products.

By September, the VietGAP-certified area growing dragon fruit has reached 11,500ha, accounting for more than 30 per cent of the area growing dragon fruit in the province.

Besides, Binh Thuan Province is forming a dragon fruit production region with high technology in two districts of Ham Thuan Nam and Ham Thuan Bac.

The Binh Thuan Department of Agriculture and Rural Development has also requested the Sub-

Department of Crop Production and Plant Protection and relevant agencies to strengthen the management and supervision of the use of planting region codes and codes of dragon fruit packing establishments that have been granted to organisations and individuals in the province.

It would also coordinate with the Market Management Department to strengthen inspection and control of the labelling at dragon fruit packaging facilities in accordance with existing regulations.

Binh Thuan has so far proposed the Plant Protection Department to grant codes to 78 dragon fruit growing regions and 268 of dragon fruit packaging facilities in the province.

This province has 33,750ha growing dragon fruit trees with a total output of 700,000 tonnes per year. China has been one of the key export markets of Binh Thuan dragon fruit.

Corporate News

8. SHB: SHB expected to see breakthrough development ahead

↑ 0.18%

SHB is fully converging favourable factors for breakthrough growth thanks to its abundant financial health, determination to innovate comprehensively and aspiration to be a leader.

In 2020, SHB closed the Habubank merger, a successful M&A deal in the banking and finance industry with impressive business results. This is considered as an "explosion" signalling the future of breakthrough growth for the bank ahead.

The bank has continued to improve governance capacity, reform and renew human resource development as well as risk management to ensure credit growth and quality, towards Basel III and IFRS 9 international standards.

In the first nine months of the year, SHB's consolidated before-tax profit reached VND5.05 trillion (US\$241.2 million), up 93.9 per cent over the same period in 2020. With this result, after many consecutive quarters of improvement, its return on asset (ROA) was 1.5 per cent and return on equity (ROE) reached 25.6 per cent, equivalent to the leading performance index in the banking industry.

These results were because SHB has improved cost efficiency on the basis of digitisation and good governance. In the nine-month period, the bank's cost-to-income ratio (CIR) was below 30 per cent, the optimal level in the system, and a sharp decrease compared to the same period last year. This result reflected its effectiveness in optimising operations with the value of digital transformation and human resource quality to improve productivity and reduce investment costs according to the traditional banking model.

As of September 30, 2021, SHB's total assets reached VND464 trillion, an increase of 12.5 per cent compared to the beginning of the year, exceeding the plan set by the annual general meeting of shareholders 2021 for the whole year. The bank's own capital reached more than VND43.3 trillion. Its current charter capital is

expected to increase from the current VND19.2 trillion to VND26.6 trillion this year according to the plan approved by the State Bank of Viet Nam. In which, SHB will pay 2020 dividend at the rate of 10.5 per cent in shares and offer shares to existing shareholders with the ratio of 100:28 at the offering price of VND12,500 per share.

In August, SHB signed a divestment agreement at SHB Finance to Krungsri (Thailand), a strategic member of Japanese MUFG Group. This deal is expected to bring in about VND3.6 trillion to SHB, according to information from Krungsri.

The bank has also strongly implemented the building of a digital corporate culture, automating processes, investing in IT systems and researching and applying a variety of technologies such as Artificial Intelligence (AI), Big Data and Cloud Computing.

Bright prospects

Recently, SHB continued to bring new inspiration when transferring shares to HOSE. The move to HOSE at this time is completely in line with the bank's strategic direction. SHB's strong reputation and financial capacity and HOSE's advantages will bring synergy and open up new prospects for SHB shares, especially to increase the selection of large foreign strategic investors with a common vision and long-term strategy, leading the bank to breakthrough sustainable growth, constantly bringing benefits to shareholders, customers and partners.

Moving to the new listing floor, SHB has more conditions to absorb new motivations to spread inspiration to the market and investors.

Many securities companies have predicted that SHB stock will be included in the VNM ETF basket in the first quarter of 2022 because the bank's market capitalisation has increased sharply. It is in the group of 85 per cent leading market capitalisation. This signals that SHB will become

the next representative to officially mark itself in the VN30 (the authorised index representing the most economic power in Viet Nam). It shows that in the near future, SHB will receive a new source of capital from the structure of ETFs using the VN30 index as a reference including DCVFM VN30, SSIAM VN30 and Mirae Asset VN30. SHB would not only be affirmed in the Top 10 banks with the largest capitalisation but also represent the stature of the Vietnamese market, which is appreciated by major financial institutions around the world.

Looking back at our friends in the region, like Qatar and the UAE, since MSCI announced plans to upgrade these two markets to the emerging group. The stock indices of these countries increased sharply by 50-150 per cent and the liquidity increased 2-3 times the following year. This can also be repeated according to the estimates of securities companies, in the event that Viet Nam is

officially upgraded to an emerging market by the end of 2022, the stock market will attract cash flows of up to \$1.4 billion came from tracking funds or benchmarking the FTSE Global All-Cap, FTSE All-World and FTSE Emerging Markets indices. That is, the stocks that represent the most indices, VN30 for example, although the proportion is modest, the amount of foreign capital poured in is very large.

The prospects are a testament to the high determination of the bank's Board of Directors to raise SHB's position and constantly increasing benefits for shareholders, customers and partners.

With bold steps in recent years, SHB and SHB shares continue to be promising in the financial and banking market in the last quarter of the year as well as the next period. Investors will surely not miss the interesting things from this bank.

9. MWG: Mobile World, landlords in dispute over rent

↓ -1.28%

Thirty two percent of the agreed payment is what landlord Tran Ky Mui in An Nhon Commune in the central province of Binh Dinh got from Mobile World for leasing his building for the September-November period.

The biggest electronics retail chain in the country ascribed the outstanding 68 percent the company being forced to shut down shops due to social distancing measures from July to September.

This is why Mui only received VND24 million (\$1,053) out of the total VND75 million.

The unusual decision of the company forced Mui to hire a lawyer to either get his money or the building back so he could lease it to someone else.

"At first I intended to give Mobile World a 50 percent discount. But as they repeatedly send letters with a disrespectful attitude, I decided not to give them a dime of discount."

He was referring to the four letters Mobile World, with 949 outlets of the same name, has been sending to its landlords since June, demanding a discount from the lease, which had stirred up a dispute.

Research Team: **Tsugami Shoji** *Researcher* jsi@japan-sec.vn

Disclaimer:

Copyright 2015 Japan Securities Co., Ltd (JSI). All rights reserved. This report has been prepared on the basis of the information believed to be reliable at the time of publication as provided by StoxPlus (www.stoxplus.com) - An associate company of Nikkei Inc. and QUICK Corp. JSI makes no representation or warranty regarding the completeness and accuracy of such information. This report is provided, for information purposes only and does not constitute an offer or solicitation to buy or sell any securities discussed herein any jurisdiction. Investors must make their investment decisions based upon independent advice subject to their particular financial situation and investment objectives. This report may not be copied, reproduced, published or redistributed by any person for any purpose without the written permission of an authorized representative of JSI.

Japan Securities Co., Ltd – JSI

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

Tel: (024) 3791 1818

Fax: (024) 3791 5805

Email: info@japan-sec.vn

Website: www.japan-sec.vn