



VIETNAM DAILY NEWS

March 23rd, 2022



Table of content

Table of content

1. Shares extend gains on the rise of multiple sectors
2. VN's financial strategy aims at sustainable development
3. The rise of construction materials price
4. ETFs bullish about securities market
5. Viet Nam to focus on small agricultural processing businesses
6. Petrol prices down by 600 VND per litres after seven hikes
7. Banks to pay dividends ahead of annual meetings
8. DGC: Establishing a subsidiary
9. AAA: An Phat Holdings' bio-plastic materials to be distributed throughout North America

Market Analysis

1. Shares extend gains on the rise of multiple sectors

Vietnamese markets extended gains and ended higher on Tuesday, thanks largely to sharp rises in banking, securities, oil and fertiliser shares.

On the Ho Chi Minh Stock Exchange (HoSE), the VN-Index rose 0.59 per cent to close the trading session at 1,503.78 points.

Nearly 948 million shares were traded on the southern exchange, worth VND28.5 trillion (US\$1.24 billion).

The 30 biggest stocks tracker VN30-Index climbed 0.71 per cent to 1,513.40 points.

Twenty-two stocks of the VN30 basket posted positive performance on Tuesday, while four slid and four ended flat.

Data compiled by financial news site cafee.vn showed that cash flow was moving into banking and securities stocks as there were many strong gainers such as Asia Commercial Bank (ACB), Eximbank (EIB), Military Bank (MBB), VPBank (VPB), Techcombank (TCB), Tien Phong Bank (TPB), Maritime Bank (MSB), Kien Long Commercial Joint Stock Bank (KLB), Agribank (AGR), Viet Nam Bank For Industry & Trade Securities JSC (CTS), Military Bank Securities Company (MBS), and Viet Capital Inc (VCI).

Oil and gas stocks also rose with gainers PetroVietnam Gas JSC (GAS), PetroVietnam Drilling and Well Services Corporation (PV Drilling or PVD), Petrochemical and Bio-Fuel JSC (PVB) and PetroVietnam Construction Co JSC (PVC).

Fertiliser and coal groups outperformed with DAP - VINACHEM JSC (DDV), Lam Thao Fertilisers And Chemicals JSC (LAS), Petro Viet Nam Ca Mau Fertiliser JSC (DCM) and Duc Giang Chemicals Group JSC (DGC) all rising.

Coal stocks outperformed with many notable gainers such as Vinacomin - Ha Tu Coal JSC (THT), Vinacomin - Vietbac Mining Industry Holding Corporation (MVB), and Vinacomin - DeoNai Coal JSC (TDN).

Steel stocks, after a few minutes of weakness in the morning, also suddenly gained strongly at the end of the session. Some stocks like Hoa Phat Group (HPG), Hoa Sen Group (HSG) and Nam Kim Group (NKG), all moved up.

On the Ha Noi Stock Exchange, the HNX-Index closed Tuesday at 461.35 points, up 0.67 per cent.

During the session, nearly 134.2 million shares were traded on the bourse, worth over VND3.8 trillion.

Macro & Policies

2. VN's financial strategy aims at sustainable development

Viet Nam's strategic financial objectives in the 2021-30 period aim to reach a balance between achieving sustainable finance and major socio-economic developmental goals.

The government has set an objective to collect 16-17 per cent of the country's GDP to strengthen the State's budget from 2026-30, with 85-87 per cent from domestic revenue sources.

According to Government Decree 368/QĐ-TTg approved by Deputy Prime Minister Le Minh Khai on Monday, top priorities for the State's budget include a comprehensive reform of budget management by central governmental agencies, increased local government autonomy and the development of a transparent and sustainable financial market.

Reforms also include large investments to improve the quality of human resources, the implementation of technology, digitalisation and information technology in the field of financial management. The government encourages all stakeholders to invest in the development of the country's infrastructure to speed up the process of economic recovery post-pandemic.

The government said it prioritises long-term development projects, sustainable financing while strengthening national reserves, social security and investing in human capital. Meanwhile, government spending is to be reduced to 60 per cent, from the current level of 62-63 per cent, by the end of 2030.

State budget deficit, public debt and financial security lie at the core of future reforms. The decree laid out a road map to ensure the country will be able to meet all financial obligations in the 2021-25 period with a goal to reduce the portion of public debt from 3.7 per cent GDP in the period to 3 per cent by the end of 2030.

The government said it is committed to limiting the debt ceiling to 60 per cent of GDP, with government debt not higher than 50 per cent, foreign debt not higher than 50 per cent in the 2021-2025 period. The stock market's capitalisation by 2025 is to reach 100 per cent of GDP with a goal to increase to 120 per cent of GDP by the end of 2030. Meanwhile, the insurance market has been earmarked for an annual 15 per cent growth rate from now until 2025 to account for 3-3.3 per cent of GDP and a 10 per cent annual growth rate from 2025-30.

State-owned enterprises (SoEs) are to go through a restructuring process to improve business and financial performance by 2025. SoEs with strong business performance may receive additional investment to bolster the State's ability to support key industries. On the other hand, governmental offices and agencies are to have their budget slashed by 10 per cent on average by the end of 2025, and 15 per cent by the end of 2030.

Other key objectives include measures to modernise the country's customs and tax procedures and to establish a digital treasury by 2030.

3. The rise of construction materials price

Prices of construction materials like iron and steel, cement, stone, and sand have increased relentlessly since the beginning of this year due to a surge in demand caused by the peak construction period being delayed by COVID-19 from February-April last year.

In recent times steel manufacturers have been notifying customers of higher prices of all types of finished steel.

They have increased six times, adding up to VND2.4 million per tonne, including three times in March alone (VND1.6 million).

According to manufacturers, the prices of billets and other raw materials have shot up, and they have hiked steel prices to more than VND19 million per tonne.

The prices of many other construction materials such as sand and bricks have increased by 10-20 per cent since the beginning of the year.

In HCM City, most building materials and interior decoration stores have hiked prices: levelling sand is VND170,000-190,000 per cubic metre, building sand is VND400,000 - 470,000, pipe bricks are VND1,300-1,400 each, and cement is more than VND90,000 per bag.

Besides, suppliers used to deliver goods until recently, but now retailers need to foot the shipping costs.

Ceramic tiles, imitation wood and plastic floor panels, laminate flooring, and water-based paint all cost more now.

Nguyen Hoang Trung, the owner of a store on Nguyen Dinh Chieu Street, District 3, said steel prices have reached VND20 million per tonne and could rise further.

The Vietnam Association of Building Materials said due to the sharp increase in input costs, especially petroleum, businesses are forced to increase prices.

4. ETFs bullish about securities market

With more firms being added to portfolios in Q1, foreign Exchange Traded Funds (ETFs) are optimistic about Viet Nam's securities market.

SSI Securities Corp. reported that two foreign ETFs had restructured their portfolios.

Notably, FTSE Vietnam Index has added DPM, VCG and VND to its portfolio and excluded no firms from the roster.

The Vietnam All-share Index has done likewise by including BCG, FRT, SHB, VCG and VND.

In February, net positive capital flows could be observed from most foreign ETFs, including VFMVN Diamond (VND400 billion), SSIAM VNFN Lead (VND80 billion) and Global X MSCI Vietnam (VND75 billion).

However, there were still some ETFs bucking the trend. Notably, VFM VN30 withdrew up to VND744 billion from the market last month.

Experts believe that capital withdrawals could be attributed to the cautious sentiment towards the Federal Reserve's contractionary monetary policy and the Russian-Ukraine conflict.

They also believed that foreign indirect investment in Viet Nam would fall in the short-term since foreign investors have been switching from risky assets to gold and US dollars to shield themselves from the geo-political tension.

A Thai fund has also announced that it will invest over VND2 trillion (US\$87.5 million) in Vietnamese shares via ETFs, actively managed funds and direct purchase.

Petri Deryng, an investment manager at PYN Elite Fund, expressed optimism about Viet Nam's securities market despite the Russian-Ukraine conflict.

He said the bright prospect for Vietnamese listed firms, the Government's financial capability, and the ongoing trade surplus would help the Vietnamese economy stand firm amid export slowdown caused by an ailing global economy.

Domestic consumption is expected to bounce back soon thanks to Viet Nam's young population, an expanding middle-class and fast-paced urbanisation.

High consumption, coupled with VAT cuts, would boost firms' output and productivity, providing a fresh impetus to the economy in 2022.

According to the Ho Chi Minh Stock Exchange, Dragon Capital has purchased 1.25 million STB shares since early March to raise their ownership in Sacombank to 5.05 per cent.

The funds have also bought an additional 916,800 MBB shares to increase the number of MBB shares they hold to around 189.3 million, equivalent to 5 per cent of MBBank's charter capital.

5. Viet Nam to focus on small agricultural processing businesses

Viet Nam aims to be in the top 10 deep processing centres of the world by 2030. However, experts say if the Government's solutions and policies are not implemented synchronously, this goal will be challenging.

According to the Department of Agricultural Product Processing and Market Development from the Ministry of Agriculture and Rural Development (MARD), there are currently 7,500 industrial-scale agro-forestry-fishery processing enterprises associated with exports and thousands of establishments of household processing nationwide.

It is estimated that each year Viet Nam is capable of processing, preliminarily processing and preserving about 120 million tonnes of agricultural, forestry and aquatic products. Of which, over 95 per cent is done in small and medium-sized processing establishments.

Although Viet Nam's agricultural product processing industry has made remarkable progress, the value-added growth rate is about 5-7 per cent per year, and processing technology is the weakest link in the value chain of agricultural products, said the department.

A representative of an avocado processing business in Lam Dong said his establishment did not have access to the right technology to process high-quality products from avocados. He said he had invested in machinery for processing essential oils from the fruits, but the quality was not as expected. The extracted oil turned bad after only 2-3 weeks.

Each year, Viet Nam can export 120 million tonnes of vegetables and 12 million tonnes of fruit, mainly fresh produce.

Processed products accounted for only 8-10 per cent, or less than 10 million tonnes per year, while by-products such as fruit peel are still open.

Pham Minh Son, director of New Greenway Company in Hai Duong Province, told local media: "Fresh agricultural products and vegetables in Viet Nam have a short preservation time of only three to

five days, while other countries can preserve them between five and ten days."

Son said some Chinese lettuce can be kept for 15 days and still look as fresh as if it was just picked in the garden.

Pham Anh Tuan, director of the Institute of Agricultural Electrical Engineering and Post-Harvest Technology, said their value would be high if agricultural products could be preliminarily processed and frozen.

For example, honey in Japan has a very high price because they invest a lot in preliminary processing with modern technology, while Vietnamese honey sometimes was sold less than a litre of fruit juice because it was processed by rudimentary machinery.

Tuan said only about 150 large enterprises invested methodically in processing, such as DongGiao and Lavifood, whose technology is more integrated with the world standard, follow the global market.

Tuan added the majority of the enterprises, known as small businesses, were not interested as they were lack of capital.

Except for capital, the investment mechanisms and policies for the post-harvest stage have not yet been paid attention to, causing most agricultural products to be marketed in fresh and raw form, said, experts.

Nguyen Quoc Toan, director of the Department of Agricultural Product Processing and Market Development, said that the national science and technology innovation program only focused on large enterprises, while small and medium-sized processing establishments with disadvantages in the capital, science and technology, experience in the industry have not been taken into account.

Toan said according to a Government Resolution in July 2019 on solutions to encourage and promote enterprises to invest in agriculture, by 2030, there will be 80,000 to 100,000 enterprises having business investment the sector, including about 3,000 to 4,000 large-scale enterprises and 6,000 to

8,000 small and medium-sized processing establishments.

Pham Anh Tuan said while the global agricultural product preservation industry focused on safe preparations, biological products, and environmentally friendly chemicals, safe handling technologies and smart packaging, the chains of preservation and processing of agricultural products in Viet Nam were broken at the stage of raw material as the logistics system was still poor.

Experts have said processing is a field with great potential and expect Viet Nam to be in the world's top 10 deep processing centres.

"The most important factor that the processing industry needs to aim for is effective, stable quality

and building a prestigious brand name even if it is a small-scale operation," Tuan said.

According to experts, to make local agriculture become a commodity production industry, the processing industry and the preservation industry must be the keys to improving export value and reducing the pressure on immediate consumption.

Tuan said it was necessary to develop general support policies for enterprises to innovate technology on concentrated processing zones, especially for small and medium-sized enterprises and even micro-enterprises in the industry.

The agricultural sector needs to build an ecosystem of processing industry and post-harvest preservation of farm products with coordinating agencies, enterprises, and human resource training.

6. Petrol prices down by 600 VND per litres after seven hikes

Retail petrol prices were reduced by more than VND600 (US\$0.026) per litre from 3pm on March 21 following the latest adjustment by the Ministry of Industry and Trade and the Ministry of Finance.

The retail price of RON95 bio-fuel dropped by VND632 to VND29,192 (\$1.28) per litre at most, whereas that of E5RON92 was adjusted down by VND655 to no more than VND28,330 per litre.

This is the first decline following seven consecutive hikes of petrol prices in 2022, with total hikes amounting to over VND6,500 per litre.

The two ministries also decided to use the petrol price stabilisation fund at a rate of VND200 per litre for E5 RON 92, VND50 per litre for RON 95, and VND400 per litre for diesel.

World petrol prices have shown a tendency to increase again due to supply reduction concerns, the Ministry of Industry and Trade said.

7. Banks to pay dividends ahead of annual meetings

Shareholders are now focusing on news about bank dividends, especially as banks have been doing well throughout the past year despite the COVID-19 pandemic.

The draft document of the 2022 Annual General Meeting of Shareholders of Asia Commercial Joint Stock Bank (ACB) said that the bank will submit to shareholders a plan to issue more than 675 million shares to pay dividends at the rate of 25 per cent.

It is expected to be completed in the third quarter of this year, raising charter capital from nearly VND27.02 trillion (US\$1.18 billion) to over VND33.7 trillion.

In 2022, ACB set a target of VND15.02 trillion in profit before tax, up 25 per cent. The bad debt ratio is controlled below 2 per cent.

In a recent report, SSI Securities Corporation (SSI) estimated that ACB's profit before tax would reach VND14.8 trillion, up 24 per cent year-on-year,

thanks to credit and deposit growth of 16 per cent and 7 per cent, respectively.

Meanwhile, in the 2022 business plan, Orient Commercial Joint Stock Bank (OCB) set profit growth at 25-30 per cent, maintaining a dividend of 20-25 per cent for shareholders.

Last year, OCB increased its capital from VND11 trillion to nearly VND13.7 trillion by paying a 25 per cent stock dividend. Nearly 274 million shares were issued to the market, bringing the total number of outstanding shares to nearly 1.4 billion.

Previously, Nguyen Hoang Linh, General Director of Vietnam Maritime Commercial Joint Stock Bank (MSB), said that he will submit to the General Meeting of Shareholders to approve dividend payment at the rate of 30 per cent for 2021. Capital raising plans will be submitted to the General Meeting of Shareholders by MSB for approval and implemented in 2022.

The bank's leaders also said that its 2022 profit target is set at VND6.8 trillion, equivalent to a growth rate of 30 per cent, while the asset size reaches VND230 trillion and credit increases by 20-25 per cent depending on the approval of the State Bank of Viet Nam. The bad debt is controlled at less than 1.5 per cent.

In the coming annual general meeting of shareholders, it is expected that the plan to pay dividends in 2021 by shares with the minimum rate of 15 per cent will also be presented to shareholders by Saigon Hanoi Commercial Joint Stock Bank (SHB).

In 2021, SHB paid 2019's share dividends at the rate of 10 per cent and that of 2020 at the rate of 10.5 per cent. It successfully issued shares to existing shareholders at a preferential price of VND12,500 per share, thereby increasing its charter capital to over VND26.67 trillion.

Similarly, Vietcombank (VCB) recently issued more than 1.02 billion shares to pay dividends from the remaining profit of 2019 at the rate of 27.6 per cent. After the issuance, the bank's charter capital increased by VND10.23 trillion to more than VND47.3 trillion.

At the end of April, Vietcombank plans to submit to shareholders a plan to raise charter capital in 2022. It also plans to issue nearly 308 million shares, equivalent charter capital for up to 99 investors. The charter capital thereby increased to more than VND50.4 trillion.

Similarly, BIDV (BID) just completed a plan to pay a stock dividend at the rate of 25.7 per cent, raising the charter capital to nearly VND50.6 trillion.

It also plans to issue 341.5 million new shares, equivalent to 8.5 per cent of charter capital through a public offering or private placement.

Vietnam International Commercial Joint Stock Bank (VIB) was the first bank that has successfully organised the Annual General Meeting of Shareholders and approved the plan to raise its charter capital to over VND21 trillion, up 35.7 per cent.

Of which, VIB will distribute bonus shares at the rate of 35 per cent to existing shareholders and 0.7 per cent to employees (ESOP) from equity.

Clearly, many banks prefer the option of paying dividends in shares instead of cash.

The Banking Industry Outlook Report for 2022 of MBS Securities Company estimated that about 75 per cent of capital raising activities come from stock dividends, 22 per cent through private placement and issue of stock options, and about 3 per cent comes from ESOP.

Experts said that banks pay dividends in shares to increase capital, improve capital adequacy ratio, increase competitiveness, and have more resources to invest in technology, provide credit, and support businesses to overcome difficulties caused by COVID-19.

Directive No. 01/CT-NHNN on organising the implementation of key tasks in 2022 said that one of the banks' tasks this year is to reduce operating costs, lower profits and not pay dividends in cash to spend resources on reducing lending interest rates to support people and businesses.

Corporate News

8. DGC: Establishing a subsidiary

↑ 6.97%

The Board resolution dated March 21, 2022, the BOD of Duc Giang Chemicals Group Joint Stock Company approved to establish a subsidiary with details as follows:

- Company name: Duc Giang – Dak Nong Chemicals Limited Company
- Short name: DGD

- Address: Tam Thang Industrial zone, Tam Thang Commune, Cu Jut District, Dak Nong.

- Charter capital: VND300,000,000,000

- Owner: Duc Giang Chemicals Group Joint Stock Company.

- Legal representative: Mr. Tran Minh Tuan.

9. AAA: An Phat Holdings' bio-plastic materials to be distributed throughout North America

↑ 0.77%

The biodegradable plastic lines to be distributed in these markets meet ASTM D6400 standards for biodegradability in industrial composting and are 30-80 per cent bio-based, proving the ideal choice for the production of knives, forks, straws, bottle caps, and more.

“Nexeo Plastics is one of the world's leading enterprises in the application of new innovative technology for plastic pellet production. We are confident that the cooperation will offer new and improved lines of biodegradable plastic materials,” said Nirav Patel, CEO of AFC Ecoplastics and board member of An Phat Holdings.

Arturo Hoyo, vice president of Production Line Management at Nexeo plastics, asserted that the company is committed to providing customers with top quality raw materials, including biodegradable materials for the manufacture of disposable plastic products.

Hoyo praised An Phat Holdings' biodegradable materials for their eminent features, sustainability, flexibility, and ease of handling.

“North America, especially the US, has always been a strategic goal in our global expansion strategy,” said Pham Anh Duong, chairman of An Phat Holdings.

“The segment of biodegradable plastic materials and products has been the strength of the group for more than a decade and now, with new investments, we will certainly bring distinct values to the global green materials supply chain.”

In light of its development trajectory, An Phat Holdings places a special focus on the US, Canada, and Mexico through the export of quality biodegradable plastic materials and packaging products.

The group has successfully registered a trademark for its AnEco biological product line in the US.

The move creates great opportunities for the group to land further business cooperation contracts, bringing the company's products to a larger number of consumers in the US and North America.

An Phat Holdings recently kicked off the construction of the PBAT Compostable Resin Plant with a capacity of 30,000 tonnes per year in the northern port city of Haiphong, deemed as the first and largest green material facility in Southeast Asia.

When the factory becomes operational, the company would possess outstanding advantages to

dominate the market as well as yield fruition to its global expansion strategy.

An Phat Holdings' two new members based in the US have deployed diverse investment promotion activities with international funds, organisations, and foreign businesses in the market.

The cooperation with Nexeo Plastics marks an important milestone for An Phat Holdings's efforts to deepen its roots in the American market.

An Phat Holdings is deemed a leading eco-friendly and high-tech plastic group in Southeast Asia, holding the No. 1 position in exporting thin-film packaging, and developing fully biodegradable plastic materials and products.

The company currently has 16 subsidiaries and more than 5,000 employees in Vietnam and many

countries around the world. The company's global customers are now present in more than 70 countries and regions around the world, including the US, Japan, Europe, South Korea, and many other markets.

The company's PBAT Plant is slated to go into operation by 2024, paving the way for An Phat Holdings to enter the global green raw material supply chain.

Founded in 1973, Nexeo Plastics provides quality materials from world-class manufacturers to customers across the globe. The company's products are present in more than 60 countries with 8,500-plus materials serving different industries such as automotive, healthcare, and packaging.

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