Volume 37
January 23, 2013

Vietnam Business News Collection

Highlight of January: Telecommunication

Telecommunication

Economy

Banking & Finance

Enterprise

Investment

Stock Market

SEIKO IDEAS CORP
F5, A Chau Building,
24 Linh Lang Street,
Ba Dinh Dist, Hanoi

Phone:
+844-6275 5426
Fax:
+844-6273 6988
E-mail:
info@seiko-ideas.com
newsletter@seiko-ideas.com

INSIDE THIS ISSUE

Investment

Foreign investors in VN believe they are sitting on gold mine

Already big, Japan's investment figures to grow bigger

Stock Market

Vietnam's Stocks Fall Most in Asia as Valuation Concerns Mount

Stock market – while locals act as net-sellers, foreigners buy

Date of News: Jan 16th ~ Jan 23th

SEIKO IDEAS CORP
F5, A Chau Building,
24 Linh Lang Street,
Ba Dinh Dist, Hanoi

Phone:
+844-6275 5426
Fax:
+844-6273 6988
E-mail:
info@seiko-ideas.com
newsletter@seiko-ideas.com

Telecommunication

Investors snub Vietnam telecom market

HANOI – Foreign investors are showing little interest in the telecom market of Vietnam as it is said to have been saturated.

According to telecom experts, foreign investors rushed to Vietnam several years ago in search for opportunities for investment in the local telecom market, but now they are standing aloof.

This is proven by the data of the U.K.-based Business Monitor Intelligence (BMI). In the second quarter this year, BMI lowered Vietnam's telecom ratings to 42.5 points from 45 points one year earlier.

A few years ago, many foreign telecom firms set up their representative offices in Vietnam, such as France Telecom, ST Telemedia, and Telenor. Now, the situation is different.

Telenor has shut down its representative office and pulled out of Vietnam. Meanwhile, other telecom companies barely make any move to enhance their presence and are no longer keen on the local telecom market like before.

Recently, Vimpelcome, known for the brand Beeline, has withdrawn from Vietnam, and SK Telecom has divested capital from S-Fone.

ST Telemedia's spokesman said the company and other telecom firms worldwide are waiting for the equitization of MobiFone to make investment in Vietnam. They have no intention to invest in a new mobile network as the market is already saturated.

However, Vietnam Posts and Telecommunications Group (VNPT) has suggested merger of MobiFone and VinaPhone, rather than equitizing the former. Therefore, the fate of MobiFone is now undecided.

A telecom expert said if the proposal of VNPT got approved, foreign investors would be impacted. If MobiFone, the first telecom firm planned for equitization, was not allowed to go public, investors would have no other plans for doing business in Vietnam, and would likely pull out of the local market to look for other destinations.

As per the White Book on IT and Telecom released last Tuesday, in late 2011, the country witnessed the growth in the number of cell phone subscribers slowing due to the market saturation, staying at 14%, versus the average growth rate of 31.3% in the past five years. As of last year's end, there were 127.3 million mobile phone subscribers nationwide.

Source: SaigonTimes

Vietnam's telecom market saturated

Dominated by three telecom giants, Viettel, VinaPhone and MobiFone, the Vietnamese mobile market had over 116 million subscriptions at the end of 2011.

After the appearance of Viettel, numerous small mobile providers joined the market, including EVN Telecom, S-fone, HT Mobile, Beeline, and Vietnamobile. They helped to foster the development of mobile telecommunication networks nationwide.

Over the past decade, the telecom industry in Vietnam has seen rapid development, becoming one of the world's eight most competitive markets for the telecom sector.

The development is shown in skyrocketing number mobile subscribers, at over 116 million subcribers by the end of last year. This figure is 1.5 times higher than the nation's population.

However, the major providers have seen a slowdown in the number of customers recently because of market saturation.

This year there have been no mobile service providers that have set a target of more than 5 million new subscribers.

There were also been a number of smaller providers who have set out to sell their stakes.

EVN Telecom was acquired by Viettel in early 2012. Shortly after, in late April, VimpelCom Group decided to sell all of its 49% stake in Gtel Mobile Joint Stock Company (Gtel Mobile), who ran the Beeline mobile network in Vietnam, for USD45 million.

Beeline was the first foreign-invested mobile provider in Vietnam. Their 2G network, Gtel Mobile changed the marketing landscape for mobile services in Vietnam, with their partnership with Manchester United and the 'billionaire' package.

Despite record growth in the number of subscribers after these promotion programmes, Beeline's revenues were modest, less than USD1 per subscriber per month during the fourth quarter of 2011. The figure was too low compared to USD4 each in Laos, and from USD2-3 in Cambodia, to continue business in the country. Among the 19 countries in which it operated, Vietnam brought in the lowest revenues.

In the race to lower rates, mobile providers have seen their revenues decrease. A survey by Business Monitor International (BMI) showed that the average revenue per unit (ARPU) in the Vietnam's mobile market gradually fell to USD6.5 per subscriber per month in 2007, USD6 in 2008 and USD5.52 in 2009. The rate is expected to decrease to USD3.51 by 2015.

The withdrawal of Beeline, along with the merger of EVN Telecom with Viettel and S-fone's decision to end its CDMA service have indicated that Vietnam has become a less attractive telecom market.

Still, FPT decided not to enter the market after several months of looking for investment opportunities.

Looking for new business opportunities

Experts forecast a gloomy future for smaller telecom operators in Vietnam. The telecommunications market is dominated by three major players, VinaPhone, MobiPhone and Viettel, which hold a combined 95% of the market share, while Beeline, Vietnamobile, S-Fone and EVN Telecom had only 5%.

In order to maintain operations, the larger companies' strategy has been to improve their service quality and provide more services.

Vietnam Posts and Communications Group (VNPT), with its hefty infrastructure, has sought approval from the Government to merge VinaPhone with MobiFone, in a bid increase its competitiveness with Vettel.

On the other hand, VNPT has made plans to boost co-operation with international partners to seek new investment opportunities overseas.

In terms of overseas investment, Viettel seems to have made greater strides than VNPT.

Viettel, the military-run telecom group, launched its first overseas mobile network, Metfone, in Cambodia in February 2009. They also continued to expand their operations in the region by setting up the Unitel network in Laos in 2009.

They launched Natcom, a mobile network in Haiti in 2011, and recently started a mobile phone network, named Movitel, in Mozambique with an initial investment of more than USD400 million.

Nguyen Manh Hung, Deputy General Director of Viettel said that the group has set a target to have one billion subscribers. In the five markets in which they do business the group currently has a total of 60 million.

Last year, Viettel reported a total revenue of USD6 billion, Hung added.

After pulling out of the Vietnamese market, Vimpelcom still has plans to further invest in Southeast Asian countries such as Cambodia and Laos.

Many other mobile providers that have withdrawn investment from Vietnam, such as

Hutchison and SK Telecom, are looking at other potential markets in developing countries.

Source: Dantri

VinaPhone, MobiFone Merger Remains Uncertain

The Ministry of Information and Communications has yet to approve a restructuring plan submitted by Vietnam Post and Telecommunications Group (VNPT) a year ago on a merger between VinaPhone and MobiFone mobile networks.

Speaking with the Daily, Deputy Minister of Information and Communications Le Nam Thang said the ministry would now send the restructuring plan to related agencies for feedback before reaching a final decision.

At a recent meeting held by the information ministry, VNPT asked the ministry for a timely decision on the tentative plan. This is the first time that VNPT has publicly mentioned the matter.

Pham Long Tran, chairman of VNPT, told the meeting that the renovation model of organizing business and production has been sent to the ministry and the Government. However, he said, there has been no response from the authorities regarding the issue so far.

It is vital for VNPT to carry out reforms to have a much more effective operation, Tran noted. The group in 2012 only achieved growth of 10%, with VND8.5 trillion in profit, equal to the average level of global telcos but lower than that of other local telecom firms of the same scale.

Minister of Information and Communications Nguyen Bac Son affirmed that his ministry needs to scrutinize the restructuring, citing its importance in terms of finance and manpower. A decision will be made by the ministry as soon as Government inspectors announce inspection results of the plan, Son added.

Source: businesstimes.com.vn

Economy

Vietnamese businesses five years after joining the WTO

HCM City held the Vietnam Business Forum on January 19 to discuss the challenges facing small and medium-sized enterprises (SMEs) and their potential solutions after Vietnam's five years as World Trade Organisation (WTO) member.

Cao Si Khiem, President of the Vietnam Association of Small and Medium-Sized Enterprises (Vinasme), reviewed Vietnam's achievements since joining the WTO, including increases in foreign investment capital sources, high export growth, improvements in both product quality and design, and advances in general business knowledge and management experience.

The national economy is still confronted with major obstacles – like the limited quality of human resource training and ignorance of international laws – that impact the production and business activities of domestic businesses.

Some businesses said that they now encounter difficulties relating to capital, technology, trademarks, and product outlets.

Thang Loi International Garment Joint Stock Company's Management Board President Ngo Duc Hoa acknowledged the support businesses have received from State policies in recent years. The trend should continue into the future, strengthening domestic businesses' international market presence by helping them attract foreign partners, promote trademarks, and invest in technologies and workshops.

Experts recommend businesses keep the principles of sustainable development in mind when devising strategies in response to the government's development orientations.

Source: Intellasia | VOV

M&A bright image appears

Foreign direct investment inflows to Vietnam through the modes of cross-border mergers and acquisitions (M&A) and new "greenfield" investments are showing diverging trends, with M&A rising and greenfield projects in decline.

Foreign direct investment (FDI) toward launching entirely new businesses, or so-called "greenfield" investments, reached only $13.1 billion in term of new commitment and $10.5 billion in term of disbursement, down 15.3 per cent and 4.9 per cent respectively.

However, there have been an increase of FDI in the country through cross-border M&As during the year, according to the Ministry of Planning and Investment.

Official data is lacking in regard of the FDI sum entering Vietnam through cross-border M&As, but the transactions during the past years highlight the upward trend.

"In the past, Vietnam mostly received FDI through greenfield investments," said Nguyen Mai, former vice chairman of State Committee on Cooperation and Investment which is now known as Ministry of Planning and Investment. "But we have seen more and more foreign companies invest in Vietnam by acquiring major stake of existing companies in the country. This is along with the trend of global FDI inflows."

Mai, who is now the chairman of Vietnam Association of Foreign Invested Enterprises, said greenfield investment projects would continue serving as driver of FDI inflows to Vietnam in the future. But he stressed the cross-border M&A mode was become more and more important.

In a report mentioning the outlook of FDI inflows to Vietnam till 2020, the MPI noted that the cross-border M&As would significantly increase in the future as many state-owned companies were restructuring to divest from their non-core businesses. In addition, the current challenges of the economy will force lots of domestic companies to think about M&A transactions with foreign partners.

"In future, cross-border M&As will increase in various sectors including property, finance, infrastructure, telecommunication and manufacturing," the MPI stated.

During the past year, many foreign companies expanded in the Vietnamese market by acquiring major stakes in Vietnam-based companies instead of establishing new facilities in the country.

For example, Thailand's SCG a month ago announced that SCG Building Materials Company Limited, its wholly-owned subsidiary, had entered into a conditional shares purchase agreement with the existing shareholders of Prime Group to acquire the domestic company's ceramic tiles plants and related assets in Vietnam.

Prime Group operates six ceramic tiles plants with the total capacity of 75 million square metres per year and is one of Vietnam's leading domestic producers with a domestic market share of approximately 20 per cent.

Under the agreement, the Thai company will acquire 85 per cent of stakes in Prime Group at the cost of around $240 million. Following this acquisition, SCG will have a total ceramic tiles production capacity of 225 million square metres, of which 48 per cent is in Thailand, 33 per cent is in Vietnam, 14 per cent is in Indonesia, and 5 per cent is in the Philippines.

In October 2012, Suntory Holdings Limited, a global beverage and wellness company based in Japan, announced to acquire a 51 per cent stake in PepsiCo's Vietnam beverage business. With the majority stake in PepsiCo's Vietnam beverage business, Suntory controlled one of the biggest players in Vietnam's growing beverage market.

Also in the beverage industry, Taiwan's Uni-President last year acquired a 44 per cent stake at Vietnamese Tribeco, when this producer was in danger of bankruptcy, to become the controlling shareholder at the company.

In the latest cross-border transaction, Hong Kong-headquartered Kerry Logistics, a leading global logistics service provider, two weeks ago secured a majority stake in Vietnam's Tin Thanh Express to offer integrated logistics services across the country.

Source: VIR

Hanoi's CPI in January officially increases 0.95pct: GSO

Hanoi's consumer price index (CPI) in January 2013 was estimated to have increased by 0.95 percent from December 2012 and surged 6.28 percent on year, the general Statistical Office (GSO) said. In comparison with the previous month, as many as 10 out of 11 baskets of goods for the CPI calculation saw rises in prices. In which, prices of food and foodstuff posted the highest rise of 1.84 percent, apparel products and footwear, hat basket in the second with 1.47 percent growth.

In the downside, prices of transport posted a fall of 0.14 percent this month due to the fall of 300 dong/litre of kerosene diesel by the end of December 2012.

The price of almost foodstuff increased against the previous month on highly increasing demand for the upcoming Lunar New Year (Tet).

Earlier, the local Newswire NDHMoney forecasted Hanoi's CPI to increase by 0.95 percent this month.

HCM City's CPI was reported to increase by 0.44 percent in the month.

Source: Intellasia | GSO

Banking & Finance

2012 a year of full upheavals for banking system

The Vietnamese banking system experienced a stormy year 2012. However, no collapse or disaster occurred.

Vietnam, banking system, interest rates, bankruptcy, monetary policy

High bad debt ratio made public

The bad debt ratio of the Vietnamese banking system by October 2012 had reached 8.82 percent, the highest ever rate. If noting that the total outstanding loans are estimated at 2700 trillion dong, then banks now bear 240 trillion dong worth of bad debts.

However, foreign finance institutions believe that the actual bad debt ratio, if calculating in accordance with international standards, would be higher than the announced level of 8.82 percent.

ACB had an unlucky year 2012

A series of former managers of the Asia Commercial Bank (ACB) were arrested and prosecuted in 2012 because they were believed to get involved in illegal investment authorisation activities.

After Nguyen Duc Kien, deputy Chair of the founding council of ACB was arrested, the stock market vibrated with shares bargained away.

After Kien, Ly Xuan Hai, former general director of ACB, was prosecuted. Tran Xuan Gia, former President of ACB and three former deputy Chair Le Vu Ky, Trinh Kim Quang and Pham Trung Cang, one after another, resigned from their posts due to the involvements in wrongdoings.

ACB, one of the most powerful commercial banks in Vietnam, has also suffered another pain: it has incurred the loss of 1.7 trillion dong from gold trading.

The takeover of Sacombank

Rumours were spread in late 2011 that a group of shareholders attempted to collect Sacombank shares to take over the bank. In February 2012, the group of shareholders officially showed up when President of Eximbank Le Hung Dung, representing the group of shareholders who held 51 percent of Sacombank's stakes, called for a re-election of the leadership of Sacombank.

The takeover wrapped up in May 2012, when eight of the 10 new members of Sacombank's board of directors came from Eximbank and Phuong Nam Bank.

However, Sacombank is still "hot" in the market. Some big shareholders of Sacombanks on the last days of 2012 sold Sacombank shares in big quantities after they themselves scrambled for the shares. Dang Van Thanh, who deserves credit for developing Sacombank into a powerful bank, and his son Dang Hong Anh, both have resigned from the posts of the members of Sacombank's board of directors.

Interest rates down five times, credit got stuck.

The short term deposit interest rates have decreased five times in 2012 in March, April, May, June and December from 14 percent on 8 percent. Meanwhile, long term deposit interest rates have been floating.

Foreign financial institutions have advised Vietnam to take cautious steps in the plan to ease the interest rates to rescue businesses. They believe that the more reasonable time for the interest rate reduction is the first quarter of 2013.

Despite the interest rate reductions, now hovering around 12-15 percent, the disbursement has been going very slowly. It is estimated that the credit grew by 5-6 percent in 2012, while the average credit growth rate was always high at 30 percent in previous years.

The biggest M&A deal in the banking sector

Vietinbank, one of the biggest commercial banks in Vietnam, has announced the sale of 20 percent of its stake to Japanese Tokyo-Mitsubishi UFJ at 24,000 dong per share. With the total value of 743 million dollars, this is believed to be the record biggest M&A deal in the banking sector.

Dong/dollar exchange rate stabilised, dong regains its value

Stabilising the dong/dollar exchange rate was considered the biggest achievement of the State Bank of Vietnam in 2012.

In early 2012, Governor of the State Bank-Nguyen Van Binh, affirmed that the dong would not depreciate by more than three percent in 2012, and this has come true.

Source: Intellasia | Saigon Times Daily

Total profit of banking sector in 2012 reaches 28.6tr dong

The local Newswire VnExpress on January 18 reported, citing sources from the State Bank of Vietnam (SBV) as saying that the total profit of the whole banking system in 2012 reached 28.6 trillion dong, down nearly 50 percent from 2011.

Thus, while the profit of large state-owned banks (excluding Vietnam Bank for Agriculture and Rural Development-Agribank) did not decrease, the profit of joint stock banks was estimated to halve from 2011.

According to a general director of a commercial joint stock bank that has just join restructuring, with this situation, in 2013, banks' business targets at break even or even loss right from the beginning of the year is completely feasible.

According to the local Newswire Thoi Bao Kinh Te Saigon (Saigon Economics Time Online) on January 17, many banks have closed business data for the holding bank in 2012.

Accordingly, banks' profit is estimated to be divided by groups: about one fourth of banks gained relatively high profit at 50-80 percent of the year's plan, group 2 at about 20-30 percent of the year's profit target and the last group may not gain profit or even incurred loss.

Together with some banks gaining high profit, such as Military Bank (MB) at 94 percent of the year's plan, VietinBank at over 8.2 trillion dong and Vietcombank at over 5.7 trillion dong, other lenders like ACB reaped only 20 percent of the year's plan and Eximbank (EIB)'s profit decreased 30 percent from 2011.

Source: Intellasia | VnExpress

What Vietinbank seeks when selling stakes to Japanese bank?

Commenting about the deal of Vietinbank, one of the Vietnamese biggest commercial bank, sells stakes to The Bank of Tokyo - Mitsubishi UFJ (BTMU), the Vietnamese bank has obtained big gains.The benefits for the bank

The Vietnamese partner proves to be reticent about the huge deal, though its President--Pham Huy Hung, admitted that the presence of BTMU in Vietinbank would help the bank strengthen its financial capability. More importantly, with the multi-sided technical and business cooperation, Vietinbank would be able to take full advantage of the important resources to improve its corporate governance skill.

Banking experts say the deal would bring some benefits to Vietinbank.

Firstly, Vietinbank can sell its stakes at good price which is tens of percent higher than the current market price of the shares. Of course, this proves to be a commonly seen thing in the bank merger and acquisition deals, where the prices were set at 50-100 percent higher than the market prices. This has been explained by the provisions of the deals which the two signs don't make public due to the confidential principle.

It's obvious that Vietinbank not only wants to seek a strategic partner, but it also wants a partner who accepts to pay "reasonable price." Vietinbank is the bank in which the state holds the controlling stakes. Besides, there are also other well known shareholders, including IFC. The State and other shareholders would not let the bank to be sold cheaply.

Analysts have commented that a big sum of $750 million to be collected by Vietinbank from the deal is really a success, especially in the current circumstances, when the foreign investment capital flow into Vietnam has been slowing down.

Vietinbank once intended to sell stakes to Nova Scotia from Canada, but the deal was canceled in 2011. The reason was that the foreign partner wanted all the capital surplus and dividends of 2011, which was then not accepted by Vietinbank.

The decision of Vietinbank of "saying goodbye" to Nova Scotia was praised as a wise move. Vietinbank wants to look for a partner who can give support in many fields from corporate governance skill to banking technology, rather than a partner who is just a financial partner and only cares about profit.

Though the articles of the contract have been kept confidential, experts believe that Vietinbank has found a partner who can help it not only make more money, but also improve its stature.

Right after the deal was made public, Standard & Poors, an international credit rating firm, raised Vietinbank's long term credit rating from B+ to BB- with "stable" prospect. S&P believes that the stand-alone credit profile SACP of Vietinbank would see considerable improvement with the support of BTMU.

The benefits for Vietnam

According to Dr. Le Tham Duong from the HCM City Banking University, once a foreign investor decides to contribute capital to a Vietnamese bank, this means that it believes the bank as the business unit and Vietnam as the investment environment.

"$750 million for a capital contribution deal. This means that Vietnam remains an attractive destination for foreign capital in South East Asia," Duong commented.

The admission of BTMU to Vietinbank will create a powerful force of shareholders, which includes the State Bank, IFC and BTMU. Besides, it will also give Vietinbank the advantage in developing brand and the opportunity to expand its network in the region and in the world.

Source: Intellasia | Doanh Nhan

Enterprise

SOEs face tighter supervision after poor peformance

State-owned groups and corporations will be managed and supervised tightly under a draft decree compiled by the Ministry of Planning and Investment.

The draft decree, which was released this week on the ministry's website for public comment, was aimed to better watch over the State-owned groups and corporations as the current law, passed in 2009, was outdated.

According to the drafter, all parent companies of State groups and corporations were currently transferred into joint stock companies or limited companies. Decree 101/2009/ND-CP was applied only for parent companies in the form of State-owned enterprises. Therefore, it was necessary to release a new decree to regulate parent companies in the form of joint stock or limited companies.

Under the draft decree, State-run groups and corporations would have to make public everything – from their project lists, bank loans and employee wages, to their total debts. The draft regulates in detail the obligation of information disclosure for State groups and corporations which will be responsible for the accuracy of information made public.

The drafters also proposed to set up a board of supervisors for the parent companies under State groups and corporations.

Under the draft, the number of member-enterprise levels would be restricted to three levels instead of no limitation on the number of levels to establish new member enterprises under the parent companies as was currently the case.

This regulation was aimed at helping the State better manage and supervise State groups and corporations because there were too many member-enterprise levels under the present system.

Another important point of the draft was the minimum charter capital for parent companies under a group and corporation. For a State group, the minimum charter capital for a parent company was VND10 trillion ($480 million) if it was a one-member limited company and VND13.5 trillion ($649 million) if it was a joint stock company or a two-member limited company.

For a state corporation, the minimum charter capital for a parent company was VND5 trillion ($240 million) and VND7.7 trillion ($370.2 million) respectively.

According to the draft decree, CEOs of State-owned groups and corporations would be dismissed if their enterprises made losses for two consecutive years or failed to meet the targets of return on equity (ROE) allocated over two consecutive years.

The draft decree was born in the context that many State groups and corporations operated inefficiently with big losses. According to the Steering Committee for Enterprise Renovation and Development, the losses of State-owned groups and corporations last year remained high at VND2.253 trillion.

The Ministry of Planning and Investment also reported that the average rate of ROE of State-owned groups and corporations last year reached only 14.84 per cent, down by 4.16 per cent compared with 2011.

Of the 73 units, nearly 46.5 per cent had a ROE less than 10 per cent. The group of corporations with the rate of over 20 per cent accounted for only 23 per cent.

Source: VNS

Enterprises incurs 17.73tr dong of accumulated losses

According to reports presented at a meeting between the government and State owned groups and corporations, total 2012 revenue reached 1,621 trillion dong – 92 percent target. Some groups and corporations which had higher revenue were petroleum, electricity, oil and gas, military communication, telecommunication, airlines, Southern food, and rubber.

Total profit before tax was 127.51 trillion dong, 5 percent less than 2011. Average return on equity rate was 17.4 percent. Some high profit groups and corporations were oil and gas, military communication, rubber, coal and mineral.

Groups and corporations contributed 294 trillion dong to state budget, 12 percent less than 2011 and 71 percent of which was from domestic businesses.

According to consolidated statements, total loss of groups and corporations in 2012 was 2.235 trillion dong, accumulated loss reached 17.73 trillion dong.

Total equity at the end of 2012 was 735.293 trillion dong, 1 percent higher than 2011. Total assets were 2,138 trillion dong, 2 percent higher than 2011, in which fixed assets accounted for 44 percent.

Total liability was 1,335 trillion dong, average liability on equity rate was 1.82. This figure in 2011 was 1.77. Total asset on total liability rate was 1.6.

These figures showed that apart from some exceptions, in general, rates of liability on equity of groups and corporations were still in the acceptable range. Meanwhile, foreign liability of parent companies was 158.865 trillion dong, accounted for 21.5 percent total liability, 11 percent higher than 2011. EVN, Vietnam Airlines, and the Vietnam Expressway Corporation where parent companies which had high foreign liability.

Total account receivable in 2012 was 326.536 trillion dong, 10 percent higher than 2011 and accounted for 15 percent total assets.

Source: Intellasia | Chinh Phu

Firms in cross hairs of the transfer pricing teams

Anti-transfer pricing enforcement will be a top priority for the Vietnam tax authority in 2013.Bui Van Nam, head of the General Department of Taxation (GDT), said one of the main tasks for the tax authority in 2013 would be the inspection of related party transactions, a method of transfer pricing often employed by foreign-invested enterprises (FIEs).

Transfer pricing issues are present in many FIEs in Vietnam, especially multi-national companies with a large system of markets in the world. Famous foreign names such as Adidas, Coca-Cola, PepsiCo, Keangnam Vina, BigC and Metro Cash & Carry have been suspected by local tax authorities of possible transfer pricing violations in Vietnam.

"Big cities and provinces with many FIEs such as Hanoi, Ho Chi Minh City, Dong Nai, Binh Duong and Vinh Phuc will amplify anti-transfer pricing activities which will focus on FIEs with signs of transfer pricing," said Deputy Minister of Finance Vu Thi Mai.

According to the GDT, these big cities and provinces will focus on transfer pricing inspection in five different sectors.

Specifically, Hanoi will inspect transfer pricing in construction and real estate, Ho Chi Minh City in garment and textile sector, while Dong Nai, Binh Duong, Vinh Phuc in automobile and motorbike assembling, fabric production and cloth weaving and mechanical manufacturing.

"Many FIEs in Vietnam appeared party to transactions of transfer pricing with its parent company or other member companies in foreign countries," GDT deputy head Tran Van Phu noted, despite acknowledging FIEs' important role in Vietnam's economic development.

"Thus, Vietnamese tax authority is promoting cooperation with foreign tax authorities to raise efficiency in anti-transfer pricing, and ensure fair business environment for all investors," said Phu.

In 2012, Vietnamese tax authorities carried out inspections of 1,495 enterprises reporting losses as a transfer pricing signal. After the inspections, many enterprises adjusted to report profits instead of losses.

The tax authorities collected tax arrears of VND622.8 billion ($29.9 million), reduced losses of VND3.3 trillion ($158 million) and paid additionally to the state budget of VND206 billion ($9.9 million).

Mai said the Law on Tax Administration, to take effect on July 1, 2013, will apply Advanced Pricing Agreement, considered an efficient means to curb transfer pricing.

However, Mai said enforcement was hampered by a lack of a data system on FIEs and heavy state official workloads.

Source: VIR

Investment

Foreign investors in VN believe they are sitting on gold mine

Despite some worries about Vietnam's national economy performance, foreign investors in Vietnam still believe that Vietnam is a "gold mine."

Vietnam, capital flow, investment, encouragement, regulations, shares

Vietnamese sell, foreigners buy

In late 2012, the financial investment circle was stirred up by the information that prime Group, one of the 10 biggest private businesses in Vietnam, sold 85 percent of its stakes to an investor from Thailand. Once again, the buyer in the merger & acquisition (M&A) deal is an investor from South East Asia.

Established as a tile manufacturer, prime Group has expanded its business rapidly, having injected money in real estate trade, industrial zone and urban area development.

Becoming 40 times bigger than itself 10 years ago, when it started up business, prime Group is now the biggest tile manufacturer in South East Asia and the fifth biggest manufacturer in the world.

The Thai investor is a familiar name – SCG Group, which has been present in Vietnam for the last 20 years. It is a multi-field group, focusing on five business fields – petrochemistry, paper, cement, building materials and distribution.

The Bangkok Post in late December 2012 quoted President and CEO of SCG as saying that the affair was worth VND5 trillion.

The leadership of prime Group keeps silent about the affair. Meanwhile, finance investment experts give different explanations on it.

Dinh Quang Hoan, a senior executive of Ban Viet Securities Company, said the Vietnamese side sold stakes to a foreign investor not simply to find a foreign strategic partner. It looks like an action of selling the business definitely when the Vietnamese bosses only hold the nominal power.

There was another noteworthy business affair in mid-December 2012: Geleximco announced the sale of 70 percent of stakes in the Thang Long Cement Corporation to Indonesian Sement Gresik Group for $230 million.

The biggest stake transfer affair, which remains "steaming hot," was the sale of 20 stakes of Vietinbank to the Japanese Tokyo Mitsubish UFJ worth $743 million.

The Filipino Ayala Group has become a hot name recently when it not only spent $42.6 million to buy 49 percent of stakes in Thu Duc BOO Water Company, but also obtained 47 percent of stakes in the Kenh Dong Water Supply Company. It now has 10 percent of stakes in CII, a technical infrastructure investment company in HCM City, while it is seeking to buy more.

Foreign investors sitting on a gold mine

According to the Bangkok Post, Kan Trakulhoon, President and CEO of SCG did not hide his satisfaction about the deal of buying prime Group and his intention to heighten SCG's influences in South East Asia. In mid-2011, SCG bought a factory of Keramika Indonesia Associasi in Indonesia and in early 2012, it increased its ownership ratio in the Filipino Mariwasa-Siam Ceramics.

After the deal with prime group, SCG would raise its total production capacity to 225 million square meters a year, 48 percent of which would be churned out in Thailand, 14 percent in Indonesia, five percent in the Philippines and 33 percent in Vietnam.

Hoan from Ban Viet Securities Company, when asked to comment about the purchases of Vietnamese stakes in big lots recently, said this should be seen as normal business activities of enterprises, though he said in some cases, foreign investors aim to take over Vietnamese businesses.

Meanwhile, David P. O'Neil, director of Asean Small Cap Fund, showed another reason. He believes that the number of Vietnamese listed businesses to go bankrupted would be less than 10 percent in the next three years.

A similar thing occurred in Indonesia in 1998, when 2/3 of businesses lost their liquidity, but finally, less than 10 percent of them got bankrupted.

Asia handles the crisis another way, not the way followed by developed countries. Therefore, he believes foreign investors are sitting on a gold mine in Vietnam.

Source: Intellasia | DNSG

Already big, Japan's investment figures to grow bigger

Japan's foreign direct investment to Vietnam is expected to have a significant increase in the future as the two countries cement a strategic partnership.Just 20 days after being re-elected as Japanese prime minister, Shinzo Abe paid a two-day official visit to Vietnam with the purpose of strengthening bilateral cooperation between the two countries. This was his first diplomatic visit overseas after being re-elected.

For Japanese investors, Abe's visit underlines Vietnam is an important partner of Japan, which could open more opportunities for them to expand investment in this South East Asia nation.

"I believe this is the proof that Japan stands firm to regard Vietnam as a very important strategic partner. Japan and Vietnam have been cultivating good relation for decades in the past, and I believe this historical visit opens new era for two counties," said Shimon Tokuyama, Mitsubishi Corporation's senior vice president and general manager for Vietnam.

"I hope through the visit of Prime Minister Shinzo Abe, the investment environment, including Vietnamese domestic regulations, will keep improved for Japanese corporations, and the bilateral relationship will be much closer so that it will last into next generation to generation," Tokuyama said.

Since Vietnam opened door to welcome foreign direct investment (FDI), Japan has always ranked among the largest investing countries in Vietnam. Total investment capital commitment of Japanese companies to Vietnam reached $29.14 billion till the end of last year, according to Vietnam's Ministry of Planning and Investment. In 2012, Japanese FDI commitment to Vietnam was $5.13 billion, accounting for approximately

40 per cent of total FDI commitment to the country during the year.

Big Japanese companies include Nidec Corporation, Bridgestone Corporation, Fuji Xerox and Nippon Steel & Sumikin Metal. "Everyone can easily come up with the reasons why Japanese corporations are interested in Vietnam, like growing young population, high economic growth, competitive labor cost, diligent workers and high education level," Tokuyama said.

Diplomatic stability, he added, was one of the most important factors when corporations consider investing abroad, especially for companies investing in infrastructure projects.

To improve investment climate in Vietnam, the Vietnamese and Japanese governments late last year agreed to push toward a fifth stage of an economic cooperation agreement. The agreement, known as the Vietnam-Japan Joint Initiative which started in April 2003, is an economic cooperation between the two governments to remove obstacles for Japanese investors operating in Vietnam.

Source: VIR

Stock Market

Vietnam's Stocks Fall Most in Asia as Valuation Concerns Mount

Vietnamese stocks dropped the most in Asia on concern the benchmark index's surge to an eight-month high was excessive relative to earnings prospects.

The VN Index (VNINDEX) slid 1.8 percent, the biggest drop since Nov. 2, to 456.76 at the close in Ho Chi Minh City. It settled yesterday at the highest level since May 14. Vietnam Dairy Products Joint-Stock Co. (VNM), the biggest company by market value, lost 1.5 percent. PetroVietnam Gas Corp. fell 3.9 percent.

The VN Index gauge rallied 24 percent through yesterday from last year's low on Nov. 2 after the central bank cut interest rates and the State Securities Commission said it may increase the foreign-ownership cap on some companies. The index traded at 12.9 times reported profit yesterday, the highest level since January 2010, data compiled by Bloomberg show.

"The index is under profit-taking pressure and even the most bullish investors don't want to buy at the current price levels," Le Chi Phuc, investment director at SGI Capital, a unit of Saigon Invest Group, said by phone today. "Given historical earnings, or expected earnings in a short term, valuations are no longer so cheap.

The Vietnamese stock gauge's 14-day relative strength index, a measure of how rapidly prices have risen or fallen in that period, was at 76 today, according to data compiled by Bloomberg. That's the 16th straight day the level has been above the 70 reading some traders use as a signal to sell.

Source: Bloomberg

Stock market – while locals act as net-sellers, foreigners buy

Local private investors, mostly securities firms, have recently acted as net-sellers on the Vietnamese stock market, while foreign investors continued to be net buyers during the period.

In December 2012, they posted 49 million shares worth VND443 billion of net-sold volume and value, respectively.

In the first 8 trading sessions of this month, the net-selling volume and value reached VND6.4 million shares and over VND200 billion, respectively.

On January 8 alone, when the VN-Index of the Ho Chi Minh Stock Exchange (HoSE) surged to 447 points, the net-selling value of local stocks, mostly blue chips, reached VND116 billion.

The recent market rally is a rare opportunity for those firms to restructure their investment portfolios, and in their net-selling mood, which began in October, they are still observing the market with watchful eyes, said local experts.

Since the beginning of December, when the VN-Index started to rise from 400 points, local securities companies continued their caution while recommending that their private and individual investors follow the same track in newsletters sent to them.

When the market continued to rise, they missed the chance to disburse following the trend of small investors or foreign investors because for such organizational investors, the disbursement of a large investment usually required to get the agreement s, which will take time for approval, from Investment Board and the Board of Directors.

Currently, most stock companies realize that they have missed the rising waves, and they are waiting for the adjustment of the VN-Index. Therefore most companies believe that the stock market will be ripe for profit- taking by investors who have bought stocks on margin.

Foreign investors, on the other hand, spent some VND1.24 trillion on some 61.7 million Vietnamese stocks in the first two weeks of this month.

Their net-buying volume and value were at 47 million shares and VND900 billion, respectively, with strong purchases on HoSE.

On the southern bourse, their net-buying value was at VND829 billion, with heavy purchases focusing on MSN, or Masan Group (VND114 billion).

The stock rose nearly 18 percent, an increase of VND18,000, over last week following the news that the KKR fund poured $200 million into purchasing MSN shares and that the Nui Phao project is about to go into operation.

On the Hanoi Stock Exchange, the net-buying value of foreign investors reached some VND84 billion, more than three times more than the previous week. Marc Faber – an investment consultant and fund manager who is well known for his negative view on the market in the recent years – has also shown optimism over the Vietnamese stock market in a foreign TV program.
Faber commented on the outlook of the global stock market in general, and the stock market in Asia in particular, including Vietnam, in an interview on CNBC's Squawk Box program on January 9.

Faber said that some Asian markets which progressed well in 2012 will not maintain their rise in 2013. In contrast, poor-performing markets will fare well in 2013.

Accordingly, those in Malaysia, Indonesia, Philippines and Thailand will drop this year, while Vietnam, China, Japan and Ukraine will prosper, especially the Japanese stock market. Bloomberg TV has also posted a short clip explaining that the Vietnamese stock market will be the world's best performer in 2013.

Source: TuoiTreNews

For further information, please contact us:

SEIKO IDEAS CORP.

F5, A Chau Building,

24 Linh Lang Street, Ba Dinh Dist. Hanoi

Phone:
+844-6275 5426

Fax:
+844-6273 6988

E-mail:
info@seiko-ideas.com
newsletter@seiko-ideas.com