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INSIDE THIS ISSUE

Investment

Stock Market

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Highlight

Vietnamese businessmen repent of cooperation with foreign investors

The high hope Vietnamese businessmen once put on the cooperation deals with foreign partners has become the disappointment, because the cooperation has not brought the desired effects.

The bitterness of cooperation

Just after six years of joining hands with Coca Cola, the Vietnamese partners in the joint ventures with Coca Cola – Vinafimex and the Da Nang Soft Drink Company, were given "early retirement" by the foreign partner.

The domestic partners might put a high hope on the cooperation deals when signing the cooperation agreements. At that time, the domestic drink market witnessed a boom, while the foreign partner was considered the "drink baron" in the world. Therefore, they believed that the presence of the foreign big guy would give them more strength to conquer the domestic market.

Nowadays, when reconsidering the lessons from the joint ventures between Vietnamese and foreign partners, economists say the decision of selling stakes to Coca Cola is the most typical example for the failure of the joint ventures.

Coca Cola has become a big drink brand in the domestic market over the last 20 years. However, the big guy has not paid any dong in corporate income tax in Vietnam because of the repeatedly declared loss.

Coca Cola said that the group's business strategy in Asia Pacific had the long term vision until 2020, while in the first phase in Vietnam; it just strived to become the leader in the market. This was understood that the group would continue expanding its business in Vietnam, while the turnover would continue increasing, but it would still incur loss.

That was the reason that prompted the Vietnamese partners to bargain away the shares to Coca Cola and quitted the joint ventures.

In late 2012, Tribeco (TRI), a leading soft drink brand in Vietnam, also got dissolved after a long period of taking loss. All the operation of Tribeco Saigon was then taken over by Tribeco Binh Duong.

After the dissolution, TRI's shareholders received VND2.300 per share, a nonentity level.

It was well known to everyone that this was a hostile takeover deal. Tribeco, a strong brand after 20 years of development, then fell into the hands of Tribeco Binh Duong, a 100 percent foreign owned enterprise.

Tribeco Binh Duong, controlled by Uni-President, a foreign group, has turned Tribeco Saigon into a merely seller, not a producer.

The fatal mistakes

It is obvious that in case of Coca Cola Vietnam or Tribeco, Vietnamese partners were at the disadvantage when the cooperation came to the end.

Meanwhile, some battles between Vietnamese and foreign partners are still ongoing. Bibica, a sweets manufacturer has admitted its big mistake when cooperating with South Korean Lotte.

The battle between Bibica and Lotte has not come to an end yet, as the Saigon Securities Incorporated (SSI) did not attend the shareholders' meeting and it has not expressed its standpoints.

The fact that the foreign partner, which now holds 38 percent of stakes, wants to rename the enterprise into Lotte instead of Bibica and attempt to control the distribution network showing that the foreign partner plans to develop the enterprise into its subsidiary.

Experts have recently expressed their concern about the continued increase of PCL's share proportions at Vietnamese Tien Phong and Binh Minh Plastics Company.

They believe that this is the first step taken by the foreign partner in its strategy to become the leading manufacturer in the Vietnamese market.

Source: VietNamNet

Retailers lose ground against foreign rivals

In July 2011 E-Mart, South Korea's top discount store chain, signed an agreement with Viet Nam's U&I Investment Corporation to form a distribution joint venture in the country.

E-Mart Vietnam was expected to be capitalised at US$80 million, with 80 per cent brought in by E-Mart and the rest by U&I.

The JV was expected to expand to 52 outlets by 2020 at a total cost of $1 billion.

Then, last year two Japanese retailers, Aeon and Takashimaya, also entered the Vietnamese market. Aeon has already begun construction of two large retail centres in HCM City and Binh Duong Province: Celedon and another shopping mall.

It has also tied up with the Trung Nguyen Group to open 13 convenience stores in HCM City.

Takashimaya has leased 15,000 square metres in Sai Gon Centre in District 1 to open an outlet in 2015.

Besides the newcomers, major foreign retailers already having a presence in the Vietnamese market – like Metro Cash & Carry, Big C, Lotte, and Parkson – are also investing to expand distribution networks and open new outlets.

Metro, for instance, hopes to open 30-35 outlets in three to five years in addition to the 17 it already has.

A source said French retailer Group Auchan plans to return to Viet Nam and invest US$500 million within 10 years after its business has been interrupted for several years.

The presence of more and more foreign retailers in recent years is churning the market.

Joining the World Trade Organisation five years ago has benefited Viet Nam in many ways: Gross Domestic Product has risen by nearly 2.3 times in the period, and GDP per capita by two times. Exports are up three-fold, and Viet Nam ranks among the world's top 15 countries in attracting FDI.

But the benefits have not been uniform.

The domestic retail sector is among those most affected adversely by the country's accession to the WTO.

Though domestic retailers may dominate the market in terms of number of outlets, they face many problems like small size of market, low demand, and the dominance of traditional markets, which account for nearly 80 per cent of retail revenues.

The retail industry lacks a cogent development strategy or professionalism, especially in management, and human resource quality is not high.

Other problems that make it difficult for domestic retailers and distributors are unfair competition, poor infrastructure, and outdated technologies.

Meanwhile, their international competitors have greater experience in management and logistics, professionalism, and deep pockets, which allow them to withstand initial losses.

The battle between local and foreign retailers actually began last year when foreign businesses were allowed to distribute all products.

Consequently, domestic distribution channels are being taken over by foreign retailers.

According to forecasts, retail sales will increase 23 per cent a year from now through 2014.

Thus, it is essential for domestic retailers to improve their competitiveness to get back their market share.

They also need to strengthen the links between manufacturers and distributors to support brand development and protection.

It is crucial for authorities to take measures to protect domestic distributors and retailers in accordance with WTO commitments, build a healthy competitive environment, and prevent abuse of transfer pricing and price undercutting.

The allocation and lease of land to domestic retailers should be transparent to create favourable conditions for them to get access to suitable sites to develop their business.

Banking upheaval

The banking sector is witnessing some major changes this year with mergers and acquisitions taking centre stage.

At their annual general meetings this year many banks discussed M&A- related issues, which promise to add impetus to the industry's ongoing but snail-paced restructuring process.

They included Military Joint Stock Commercial Bank, HCMC Development Joint Stock Commercial Bank (HDBank), DaiA Joint Stock Commercial Bank, Sai Gon Thuong Tin Joint Stock Commercial Bank (Sacombank), Export and Import Joint Stock Commercial Bank (Eximbank), Maritime Commercial Bank (MaritimeBank), and Southern Commercial ank(SouthernBank).

At HDBank's meeting last month shareholders approved plans to acquire a consumer finance company and also considered a plan to take over a commercial bank.

The merger between HDBank and DaiA has been approved in principle by the central bank.

Military Bank is also looking for a merger candidate. A few banks have evinced interest in the merger but none meet the former's stringent criteria including healthy finances, good administration, and low bad debts.

At its AGM this year, Maritime Bank's shareholders approved a proposal to buy stakes in other credit organisations.

DongA has a potential merger plan approved by its shareholders last year and is considering several banks.

For Eximbank, Viet Nam's eighth largest lender by assets, merger is the shortest route to expansion considering the central bank's tough regulations on opening branches and expanding operations.

A number of small lenders are looking at mergers as a way to avoid being eliminated from the marketplace.

Partly private Phuong Tay Bank (Western Bank) and Petrovietnam Finance Corp – owned by the state oil giant – have completed the formalities for their merger.

M&A is an important tool in the banking industry's restructuring process since it can help reduce the number of banks, expand the remaining ones, and improve their service quality.

It is also part of the State Bank of Viet Nam's scheme to restructure lenders saddled with bad debts. An SBV source said around 10 banks would be restructured this year.

But the restructure plan is not progressing at any pace. Of the nine ailing lenders identified early last year only four have been restructured so far.

The mergers are expected to accelerate the restructuring process, enabling the banking system to develop sustainably and meet global competitiveness requirements.

Firm to buy bad debts

The Viet Nam Asset Management Company is likely to be created this month to take over bad debts from banks.

The VAMC, which will be directly controlled by the State Bank of Viet Nam, will be capitalised by the Government at VND500 billion (US$24 million).

The VAMC will trade the bad debts after buying them by paying their book value.

A recent draft decree says nearly its entire capital requirement will be met by issuing bonds to the banks in place of their bad debts.

Its bond will have a tenor of five years and carry a coupon rate of zero per cent. During this period the banks will have to make an annual provision of 20 per cent of the value of the debts they sell to the VAMC.

The VAMC will liquidate the debts in various ways – by using them as security, turning them into equity, auctioning them, and selling off the assets mortgaged by the borrower.

The VAMC is expected to help settle the bad debts problem if the Government manages to develop the debt market.

Source: VNS

'Postpone implementation of Circular 02/2013/TT-NHNN'

Decreasing interest rate has helped enterprises to access capital easier, but it would be meaningless when bad debt rate increases after implementing of Circular 02/2013/TT-NHNN

At the recent meeting with State Bank of Vietnam (SBV), leader of An Giang province had presented Governor Nguyen Van Binh with some recommendations to ease monetary policies. Circular 02/2013/TT-NHNN on debt classification is scheduled to be effective this 1st of June, which would increase bad debt rates and put enterprises into more difficult situations. Hence, Decision 780 on debt restructuring should be extended or Circular 02 should be postponed so that commercial banks could save enterprises.

From the firms' views, after Decision 780 on debt extension and restructuring stop, new regulations on debt classification would increase bad debt rate and make firms would not be able to access new credit even when interest rates decrease. Thus, implementation of Circular 02 would be a barrier for enterprises to access capital.

Tran Luc Lang, deputy general director of BIDV said that Circular 02 with international standards would make the banking system more safe and transparency but it would strongly affect enterprises when these high standards make firms' debt structure become worse and firms have more costs on asset valuation. Besides, normally, one firm borrowed from some banks and when a bank rate that firm's debt as a bad debt, other banks would do the same. And it would be difficult for this firm to borrow capital.

Vietcombank's representative and Nguyen Duc Huong, vice Chair of Lien Viet Post Bank, had agreed with that view. New regulations would increase banks' bad debts and provision, make firms unable to borrow more capital, especially ones in agricultural and sea products, and they might go bankrupt. They also express a desire to postpone and reschedule the implementation of Circular 02 to avoid unwanted consequences.

Economist Vu Dinh Anh worried that there would be many changes after 3 weeks, bad debts in banks and of enterprises would increase. Aiming at international standards would be a must but in the current difficult situation, there should be reasonable schedule for all the parties to prepare.

Applying new regulation at this time made Cao Sy Kiem worried since it would put both banks and enterprises into a tough situation. The application of Circular 02 would erase all the good results that Decision 780 brought to enterprises, banks, and the economy. However, postponing this implementation should only be in the short period since pursued international standards would be unavoidable.

Meanwhile, financier Nguyen Chi Hieu said that implementing international standards would increase Vietnamese banks' reputation, so it would be untradeable. Hence, that target should not be abandoned and there should be a roadmap for banks and enterprises to follow. However, that roadmap needed to be made suitable to Vietnam's practical situation.

According to an expert from SBV, there were many voices requested the postponing of Circular 02 and final decision about it would need a careful consideration. However, SBV still required credit institutions to apply that Circular to have a better look at the real figures on bad debts, to make banks have better understanding about their health, and to have clearer identification of good-bad organisations so that management agencies can have better control.

SBV also warned that debt extension or Circular 02 postponing were only temporary solutions. If banks or enterprises could not improve their situations before deadline, bad debt would still be bad debt. Therefore, final target would be following international standards and practices to improve the quality and transparency of banks.

Source: VietNamNet

Vietnamese labor force is cheap or expensive?

The Richest has put Vietnam into the list of the five markets with the cheapest labor cost in the world with $0.39 per hour. However, the actual labor cost could be higher.

The salary and the income

With the average pay of $0.39 per hour as reported by The Richest, every Vietnamese worker receives VND1.687 million a month for a 8-hour working day and 26 working days a month. The level is equal to the minimum wage being applied in the region 4 (VND1.650 million).

The Region 4 is the remote and underdeveloped area. Meanwhile, the other regions (1,2 and 3) have the minimum wages of VND2.35 million a month.

However, the pay mechanism in Vietnam is quite complicated. There exist the big differences between the minimum wage and basic wage and the laborers' income.

Minimum wage is understood as the floor wage set up to protect the laborers in disadvantageous conditions. It has been referred to when calculating the social insurance premiums enterprises and laborers have to pay.

Basic wage is calculated by the product of the minimum wage and the coefficient, plus allowances (lunch fee, petrol for motorbikes and telecom fees…).

Meanwhile, income means the total sum of money a laborer can receive from the employers, which comprises of the wages, extra income from extra working hours, allowances.

As such, in fact, the enterprises in Vietnam have to pay to their workers higher than the level reported by The Richest.

The latest report of the Vietnam Labor Union released after a survey in 10 cities and provinces in June and July 2012 showed that the average total income of every laborer was VND3.623 million a month.

The actual income of laborers in Region 1 (big cities) was VND4.232 million a month. The figures were VND3.787 million in Region 2, VND3.495 million in Region 3 and VND3.001 million in Region 4.

The average wage paid to Vietnamese laborers is on the rise. The Ministry of Labor, War Invalids and Social Affairs (MOLISA) is now consulting relevant ministries on the plan to increase the minimum wage from now to 2017. It is expected that the average minimum wage would increase by 15-23 percent per annum.

Every time when the minimum wage increases, the labor cost would increases accordingly.

Vietnam pays heavy price for cheap labor force

Le Xuan Thanh, Deputy Head of the Labor and Wage Policy Department under MOLISA, noted that the low labor cost policy pursued by Vietnam in the last many years helped much in attracting investment.

However, the wage ground has been continuously heightened since 1993 with 11 adjustments made. This shows that the policy on maintaining the low wages to attract foreign investment to Vietnam may fail.

In principle, in order to ensure the benefits for both businesses and workers, the wage increase should be proportional to the productivity. However, in Vietnam, while the wage increases by 10 percent every year, the productivity increases by 3.5-5 percent only. This has prompted businesses to cut down their labor force.

The 2012 annual report of the Vietnam Chamber of Commerce and Industry (VCCI) has pointed out that the labor force at businesses has decreased sharply.

VCCI's Secretary General Pham Thi Thu Hang said in 2002-2007, every dong paid to workers could bring 18 dong in turnover. Meanwhile, in 2008-2009, the figure dropped to 16 dong.

Source: SGTT

Economy

Vietnam's state budget deficit at about 4pct of GDP in 2013

Vietnam's state budget deficit this year is estimated to have reached 4 percent of gross domestic products (GDP), Sanjay Kalra, resident representative of the International Monetary Fund (IMF) in Vietnam, spoke at a seminar held by the National Assembly's Budget-Finance Committee, on May 10 in Hanoi.

According to Sanjay Kalra, Vietnam's overall picture of the state budget revenues and expenditures in 2013 is relatively similar to that of 2012. The budget deficit is estimated at 4 percent of GDP, below the ceiling level set by the National Assembly (4.8 percent). Public debt crisis risk is low but accelerating the process of economic reforms will likely to need significant costs (such as the cost to acquire weak banks, payments to unemployed workers and payments for government-guaranteed debts of state-owned enterprises (SOEs) that are in insolvency). These costs are not provisioned in the budget balance.

During the talk, Nguyen Minh Tan, deputy head of Budget-Financial Department (National Assembly), said that in the first four months of this year, the country's GDP growth was higher while the consumer price index (CPI) was lower than the same period last year. Nearly 60 percent of enterprises, which suspended operations in 2012, have resumed operations.

However, the state budget revenues in the first four months were equal to only 29.9 percent of the year's estimate, with falls in domestic revenues and customs revenues, signalling a tough year in achieving the year's budget plan.

Source: Intellasia | Saigon Giai Phong

Many Recovery Opportunities for Vietnam's Economy

On April 18th, in Hanoi, the UN Economic and Social Commission for Asia and the Pacific (ESCAP) published the Economic and Social Survey of Asia and the Pacific, in which Vietnam economic growth rate is estimated to be 5.5 percent in 2013

On April 18th, in Hanoi, the UN Economic and Social Commission for Asia and the Pacific (ESCAP) published the Economic and Social Survey of Asia and the Pacific, in which Vietnam economic growth rate is estimated to be 5.5 percent in 2013, equivalent to the rate ratified by the government. However, ESCAP also warned that inflation rate will probably be higher than the target of 6 percent – 6.5 percent.

Vietnam economy is recovering

Dr Le Xuan Sang from Central Institution for Economic Management said that Vietnam economy is revealing positive but unclear signals. Bright points are in service sector, particularly tourism, hotels and restaurants. Agricultural production rapidly increases, contributing to general growth while industrial production for export is facing difficulties. Despite big challenges of stabilising the economy and restructuring financial sector, Vietnam has dynamic human resources and quite diverse economy. Registered foreign direct investment (FDI) strongly increased in Quarter I of 2013, showing foreign investors' trust in the business environment in Vietnam. Inventories are decreasing gradually, some domestic enterprises start importing materials again to fill new orders.

Looking forward, Dr Le Xuan Sang said that Vietnam does not isolate itself in national recovery trend, and it still has to face many challenges as forecast economic growth and other economic indexes for 2012 and quarter I of 2013 are reduced. Sharing about temporary and long term solutions of the government, Sang said: "Positive activities for stimulating the economic recovery are promoting processes of capital disbursement, issuing bonds for crucial infrastructure projects, closely supervise and assess public investment projects. Other solutions are restructuring financial system, reforming models and methods of supervising financial market, ensuring reliability in international audit and evaluation of enterprise assets. Besides, promoting reforming processes and methods of making policies are starting steps to ensure improvement of Vietnam economy in the near future".

Harmonious and eco friendly development is the key factor

Daniel Jeongdae Lee, Associate Economic Affairs Officer at ESCAP stated that despite global economic impacts, the Pacific – Asia region's economy is considered "a back up of global economy in the recovery process". However, he also warned developing economies, including Vietnam, that development based on fossil resources is potentially unsustainable and causes social and environmental problems because "in order to make an unit of growth, nations excessively use natural resources and influence habitats, resulting in losses of farmers' lands". ESCAP made recommendations about the increasing salary inequality and serious depletion of natural resources during the recent period, saying that: "The macroeconomic policy makers play a crucial role in bringing the area towards sustainable growth and more sociable, this is a top priority in the development agenda beyond 2015 of the region. Currently, sociable and eco friendly development is a key factor to create a new economic dynamics in the recent uncertain economy".

ESCAP also announced that since the global crisis, the uncertainty of economic policies in the euro zone and USA has decreased the GDP of these areas about 3 percent, losing about $860 billion in output value. If the economy holds its current trend, GDP decline may occur in many economies in the region, causing an estimated damage of about $1.3 trillion by the end of 2017.

Source: Intellasia | VCCI

In economic crisis, food industry still can grow strongly

The Vietnamese market is large enough to receive more food producers, especially dairy producers. In crisis, people have to cut the budget on traveling and entertainment, but they still have to spend money on food.

It was late in the afternoon. But Dominic Scriven, Chief Executive Officer of Dragon Capital, an investment fund management company, was still seen working in his office, on the 19th floor of a building in HCM City that faces the Saigon River.

Dominic said he could count 8 billboards on the other side of the Saigon River. Two of them were blank with just the contact addresses and phone numbers. The other four were propaganda posters.

Where have the panels with brilliant lighting, advertising consumer goods, from footwear to clothes and electronics to cars all gone?

Dominic is not the only businessman who has realized that the billboards have disappeared. Those, who go on the highway from the Noi Bai Airport in Hanoi to the central area of the city, would see a lot of blank billboards.

This seems to be the most evident proof that shows the current difficulties of the national economy and of enterprises. Local newspapers, quoting competent agencies, have reported that hundreds of thousands of businesses have dead or on the verge of bankruptcy.

However, bright parts still can be found in the picture of the gloomy economy. In the economic recession, a capital flow still has been moving towards the drink and food sector. This can be explained by the fact that even though the national economy suffers the crisis, people still have to drink and eat every day.

Some foreign businessmen, who work for Vietnamese companies, understand this well.

Mahdur Maini, General Director of Masan Group, a consumer good manufacturer, recalled the years of 2008 and 2009, when 60 percent of Vietnamese businesses poured their money into the real estate sector.

At that time, foreign investors also flocked to Vietnam to develop real estate projects. Meanwhile, Masan decided to gather its strength on processing food.

Masan, which then made and distributed soya sauce, instant noodles, decided to make fish sauce as well. It also bought the Bien Hoa Coffee Company, Proconco, an animal feed manufacturer, Vinh Hao mineral water and Phu yen Brewery in its plan to jump into the potential drink sector.

Just within 3 years, Masan successfully mobilized $1.2 billion worth of capital from domestic and foreign partners. This includes the $359 million worth of capital from KKR, a huge investment fund, to Masan Consumer which would be poured into the domestic projects.

Meanwhile, Vinamilk, the leading dairy producer, has been following another way. As soon as realizing that the coffee and brewery projects would fail because Vinamilk could not compete with the other big guys in the fields, it decided to sell the two projects, accepting the modest profit.

The decision was enigmatic to many shareholders. However, Vinamilk made a right decision. Vinamilk's Mai Kieu Lien, a famous Asian businesswoman, decided to focus on making dairy products.

The dairy producer has always been making high profits, despite the economic recession. In the darkest days of the national economy, Vinamilk quarter's profit growth rate was never lower than 20 percent.

Vinamilk's success has prompted many investors to jump into the market. Long Thanh, Ba Vi and TH True Milk brands have hit the market.

Analysts say they can be sure that Vietnamese consumers would still welcome more dairy producers and spend more money on dairy products, if the new comers can help force the dairy products' prices down in the domestic market.

Source: DNSG

Banking & Finance

Vietnam Cuts Interest Rates as Global Monetary Easing Spreads

Vietnam said it would cut interest rates to boost economic growth, joining nations from Sri Lanka to Australia in easing monetary policy.

The State Bank of Vietnam will cut the refinancing rate to 7 percent from 8 percent effective May 13, deputy Governor Nguyen Dong Tien said at a briefing in Hanoi today. The discount rate will be reduced to 5 percent from 6 percent, he said.

The rate cuts are the eighth since the start of 2012 and follow a reduction in March. prime minister Nguyen Tan Dung has approved a master plan to revamp the economy and set up a steering committee to restructure banks by 2015 after elevated bad-debt levels crimped consumption and slowed economic growth.

"This is a good move by the central bank, as it will help bring lending rates down to support businesses, and bolster the economy," Alan Pham, chief economist at VinaCapital Group, said by phone from HCM City. Today's decision "reflects what has already happened in the financial market, as some banks have moved ahead to cut interest rates recently."

The dong was little changed at 20,940 per dollar as of 11 a.m. local time. The HCM City Stock Exchange's VN Index climbed 0.5 percent.

Vietnam's economy expanded 5.03 percent last year, the slowest pace since 1999. The slow restructuring of banks and state companies contributed to the International Monetary Fund's decision to cut the nation's growth forecasts for this year and next, Sanjay Kalra, the Hanoi-based resident representative, said in an interview on May 3.

Policy makers around the world have moved to counter currency appreciation and stimulate growth, with Sri Lanka cutting rates more than estimated today and the Bank of Korea unexpectedly lowering borrowing costs yesterday, following the lead of Australia, Europe and India this month.

Source: Bloomberg

Mergers Favoured as Vietnam Banks Prepare to Restructure

Mergers are going to be a trend for banks in Vietnam as many seek to fortify themselves to deal with the economic downturn, industry insiders say.

Le Thi Bang Tam, chairwoman of HCM City-based HDBank, said the central bank has in principle approved its merger with the Dai A Bank based in the neighbouring Dong Nai Province. The merger has also been accepted by its shareholders, Tam said in a Thoi Bao Kinh Te Saigon Online report.

Leading partly-private lenders Sacombank and Eximbank also had their shareholders agree to their merger, which is expected to happen several years after the two signed a strategic partnership pact last year.

Le Hung Dung, chair of Eximbank, Vietnam's eighth largest lender by assets, said merger is the shortest route to expansion, to avoid "strict regulations of the central bank on opening branches or expanding operations."

The Military Bank and ABBank have also proposed that shareholders allow them to consider possible M&A opportunities.

A Military Bank official said several banks have offered to partner with it, but they were not considered "appropriate" on the basis of their financial security and bad debt ratio.

DongA Bank already has a potential merger plan passed by its shareholders last year and is considering its options among several banks.

Meanwhile, a number of small lenders are looking at mergers as a way to avoid being eliminated from the market.

Partly private Phuong Tay Bank, also known as Western Bank, and PetroVietnam Finance Corp (PVFC), the finance arm of state oil and gas group PetroVietnam, have completed formal steps for their merger, which is part of the central bank's scheme to restructure lenders saddled with bad debt.

The merger will turn them into a mid-sized bank with combined equity of VND9.16 trillion (US$438 million), according to the plan presented by Westernbank, Vietnam's 29th largest partly-private lender by assets.

An official from the State Bank of Vietnam said the central bank has approved Navibank's restructuring plan with the participation of new shareholders who have not been identified.

Nguyen Hoang Minh, deputy director of the central bank's HCM City branch, said the bank has ordered lenders to accord priority to restructuring this year and many of them have chosen to do it through mergers.

The State Bank of Vietnam has said around 10 banks lenders will be restructured by the end of this year.

So far, three small lenders in HCM City have been merged to form the Saigon Commercial Bank, while Habubank has been acquired by Saigon-Hanoi Bank.

Source: Intellasia | Thanh Nien News

Enterprise

Enterprises want quicker fall of lending rates

To remove firms' difficulties, interest rate needed to be reduced soon. Meanwhile, policies to stimulate demand would need to be pushed to solve the inventory issue, which led to red alert debt rate in enterprises.

At the meeting of Hochimimh city's National Assembly delegations on the status of local enterprises on 7th May, representative of the Hochiminh Construction Association said that interest rate should be reduced more to help enterprises overcome difficulties. Debt status in firms had been in red alert and confidence of firms had become weaker, thus, it would not be easy to eliminate the possibility of taking advantage of firms' capital to invest overseas.

Dang Quoc Hung, vice chair of Handicraft and Wood Industry Association Hochiminh (Hawa) said the recent policies were good but the problem was how to support producers.

Firms could not raise salaries for employees while their costs still increased (social insurance, unemployment benefits, etc.). If firms could not access capital because of high interest rate, it would be a chance for foreign firms to compete, even take over the market. Hence, Hung recommended SBV to have a stronger solution to support enterprises, such as providing unsecured loans for firms that have feasibility projects and be in needed of capital.

Representative of The Shoes and Leather Association of Hochiminh city suggested interest rate to be reduced 2.5-3 percent more so that firms in that sector can access capital to enlarge their businesses.

According to Huynh Van Minh, chair of Hochiminh City Union of Business Association, firms' unsolved recommendations made them weaker and affect the lives of labourers. And this had not stopped. Minh said that the reasons were unstable, patchwork policies that violated the trust of firms.

Hoang Van Chau, chair of Hochiminh city Real Estate Association said that Resolution 02 had not come into effect for lacking of guiding circular from SBV and the real estate market was still waiting for this supporting package while inventories increased over time. However, this 30 trillion dong supporting package aimed at buyers so there should be another 10 trillion dong package for enterprises. Besides, 6 percent per year and 10 year term was still beyond the capability of low income individuals, thus interest rate should be considered to reduce further, said Chau.

In response to the interest rate issue, Nguyen Hoang Minh, deputy director of the SBV Hochiminh department said that SBV had tried to pull credit interest rate to below 15 percent per year and up to now, credit ceiling interest rate for 5 preferential sectors was under 11 percent per year. The deposit ceiling interest rate was also reduced 8 times, from 14 percent per year to 7.5 percent per year. Lower interest rate but deposit still increases and liquidity was better but banks still face some risks in the restructuring process.

According to Minh, decreasing credit interest rate to less than 10 percent per year showed SBV's efforts. But deposit ceiling interest rate could only decline 0.25 to 0.5 percent further since with an interest rate of less than 7 percent per year, it would be difficult to raise capital. The difference of 2-2.5 percent between deposit and credit interest rate could hardly bring benefit to banks. Credit interest rate of 9-10 percent per year had been applied for 5 preferential sectors in many banks; it was even only 8-9 percent per year in AgriBank. Besides, banks had tried to increase credit, help firms to remove difficulties by providing unsecured loans and accept cash flow mortgage loans, Minh added.

Source: Intellasia | Dau Tu Chung Khoan

Foreign firms disallowed to buy coffee from farmers

Tussles between local and foreign coffee exporters in the past three to four years will come to an end on June 7 when foreign entities are banned from directly purchasing coffee from farmers and establishing coffee buying networks, says a new Ministry of Industry and Trade circular.

Circular 08/2013/TT-BTC provides detailed regulations on commodity trading and other related activities of foreign direct investment (FDI) enterprises in Vietnam.

Provision 4 of Article 3 of the circular specifies that "Foreign companies already granted export licenses are only allowed to directly purchase commodities of Vietnamese traders already acquiring business registration and import or distribution licenses for export." Besides, the rule says these firms are disallowed to organize goods purchasing networks in Vietnam for export, including opening spots for collecting export items, except for the cases in line with local rules or international treaties to which the nation is a signatory.

Despite the modest presence of FDI enterprises specializing in coffee exports compared to hundreds of local industry players, the market share of FDI entities has surged over the past three to four years. Among 1.1-1.3 million tons of coffee shipped overseas annually, the FDI sector makes up to 60-65%.

In the Central Highlands province of Daklak where more than half of Vietnamese coffee export volume comes from, local exporters have increasingly lost their ground in buying coffee for export. Meanwhile, FDI firms have bought over 60% of the province's total output volume even though they make up a fraction of the buyers there, says a report of the local government announced in the middle of last year.

The Vietnam Coffee and Cocoa Association (Vicofa) now has 87 corporate members including 14 foreign-invested firms. According to the association, several FDI entities have set up outlets to buy coffee directly from farmers, and this has pushed up local coffee prices on the one hand but sparked concerns among corporate buyers and authorities at home on the other hand.

Similarly, the Vietnam Pepper Association has also expressed concern about the fact that a number of FDI pepper exporters have dominated up to more than 35% of the country's pepper exports.

Source: SGT

Investment

Rushing Wave of FDI to Vietnam: Opportunities and Challenges

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According to the report of the Foreign Investment Agency of the Ministry of Planning and Investment, in the first quarter of 2013, the reimbursement of foreign investment to Vietnam are up to $2.7 billion, increasing by 7.1 percent compared to the last year. The figures show that despite the crisis, Vietnam is still an attractive destination for foreign investors.

Recently, the rushing flows of investments from foreign investors to Vietnam create a wave of investment. The foreign investors from different countries Japan, Korea and U.S poured their money to most of business lines in Vietnam.

Economic opportunities

Some sectors such as distribution, retailing, information technology, electronics gain most benefits from investment. A conference to review 25 years of Foreign Direct Investment (FDI) in Vietnam held by the Ministry of Planning and Investment has shown the significant figures. From 1987 to February, 2013, Vietnam has attracted 14,550 valid projects with total registered capital of $211 billion and working capital nearly of $100 billion. According to many forecasts, future investment activities will also be promoted strongly with emerging investors from other countries.

The good news is that more and more foreign investors will create many benefits from capital investment, technology transfer, innovation, management skills, R&D for the whole economy and businesses.

Challenges of acquisition

A rising concern is that FDI in many sectors will make Vietnamese companies more dependent but vulnerable to "foreign goods". This puts the Vietnamese companies at risks of acquisition. Typically, in the March last year, the case of Thailand Plastics Company Industry Nawaplastic suddenly announcing its becoming a major shareholder with 16.72 percent capital of Binh Minh Plastics Company and 22.6 percent of Tien Phong Plastics Company makes public surprised. Another case is that the largest shareholder of Bibica, the Lotte group of South Korea proposed a new name of Lotte – BIBICA, thought as a plan to acquire Bibica. "The key to success", a television programme for both CEOs, raised a topic on "Adjusting business strategies – Attracting foreign investment for competitiveness", airing on Sunday morning, April 21, 2013, 10:00 on VTV1.

The CEO of the programme at this point that companies should not receive foreign investment. Instead, companies should invest in their own technology development and at the same time, self-promote business activities with discounts, promotions, and boosting online sales.

In long term, companies should focus on R&D activities to launch unique but diversified products. According to the Board of Management of the company, the CEO, first, needs analyse the changes of market factors and evaluate company resources and capacities before giving any decision on business goals, development strategies and type of strategic alliances. If the company could gain benefits from strategic alliance, it could cooperate with foreign partners. However, it is necessary for the company to analyse and evaluate the match between two parties before making any decision. In addition, the CEO should plan a long-term strategy with clear action plans before joining any business alliance.

Source: Intellasia | VCCI

FDI boosts tech transfers but performance can lag

While foreign investment is a good indicator of technology transfer in Viet Nam, such transfers do not necessarily improve performance, said speakers at a scientific workshop on competitiveness held in the capital on Wednesday.

From 2010 to 2011, a team of researchers from the University of Copenhagen led by Dr. Theo Talbot sought to understand the interaction between technology transfer, foreign direct investment (FDI) and profits.

Firms produced output using labour and capital, while technology amplified and combined these inputs.

Therefore, increasing the rate of technology transfer should increase the quality as well as quantity of output, Talbot said at the workshop.

The study, which surveyed nearly 7,000 firms across the country, showed that technology transfer and foreign investment were strongly connected - and that FDI really could predict technology transfer.

However, the question remained whether those transfers improved a company's performance.

Probing deeper, the researchers found that forward transfers (those from a local FDI firm or international client to a Vietnamese customer) appeared to be related to higher profits, while backward transfers (in which a supplier was at the receiving end) were not.

Self-reported technology transfers were not generally associated with higher profits, Talbot added.

If this finding holds up after further investigation, technology benefits for Vietnamese firms are most likely to be found in sectors that add value to inputs supplied by non-Vietnamese firms.

Participants at the workshop also discussed Corporate Social Responsibility (CSR) in relation to labour productivity and competitiveness.

CSR refers to activities that protect workers' rights, environmental standards, human rights, the community and fair trade. These activities can be formal, such as certification or membership in international organisations, or informally built into firms' corporate strategies.

Professor John Rand from the University of Copenhagen said there was a positive and well-determined association between the level of CSR and labour productivity.

The workshop was held by the Central Institute for Economic Management under the Ministry of Planning and Investment.

Source: VNS

Stock Market

National Stocks Fail To Retain Gains

Shares reversed yesterday's gains to tumble on both national stock exchanges this morning.

On the HCM City Stock Exchange, the VN-Index retreated 1.24 per cent to 482.89 points.

Losers overwhelmed gainers by 165-44.

While blue chips were a boost to the HCM City market yesterday, they weighed on the VN-Index during this morning's session.

Insurer Bao Viet (BVH), property developers Vingroup (VIC) and Hoang Anh Gia Lai (HAG), private equity group Masan (MSN), Phu Nhuan Jewelry (PNJ) and Vinamilk (VNM) lost over VND1,000 per share, or between 1-4.8 per cent.

The VN30, which represents the performance of 30 leading stocks in HCM City, also slipped 1.24 per cent to 547.52 points.

Market value on the southern bourse stayed at VND447.2 billion (US$21.2 million) as nearly 29.5 million shares changed hands.

On the Ha Noi Stock Exchange, the HNX-Index shed 1.45 per cent, reaching 59.78 points.

Decliners numbered 2.6 times losers, with over half of the listed stocks closing unchanged.

Trading value was much the same as yesterday morning, standing at VND155.5 billion ($7.4 million).

The two bourses will reopen at 1 pm.

Source: VNS

Big Guys Hurry To Withdraw Capital From Securities Companies

A new wave of big investors withdrawing capital from securities companies has been noted. Securities companies turn out to be not the geese that lay golden eggs as they previously thought.

Giving up the games

The Cho Lon Securities Company has officially announced the dissolution. This is the first securities company that makes such a statement after a 7-year operation.

One month before, the shareholders' meeting of the Au Viet Securities Company agreed in principle to the plan to dissolve the company. The money would be divided to shareholders — which is expected to last until the end of 2013.

Au Viet began scaling down its business in mid-2012. It has cut down the labor force and stopped transactions on both the listed and UpCom markets. Cho Lon has also been following similar steps over the last year, preparing for a complete dissolution.

While Cho Lon and Au Viet have made public about their dissolution, other securities companies have left the market quietly. Lien Viet, for example, has abandoned the membership status at both the Hanoi and HCM City bourses, and transferred its customers to the Kim Long Securities Company.

Meanwhile, sources have said a series of decisions on ending the operation of many securities companies would be made in the time to come.

The State Securities Commission (SSC) is considering revoking the operation licenses from 3 companies – Truong Son, Hanoi and Delta. This is the foreseeable ending for all the 3 companies which nearly did not have any operation over the last year. Nothing more can be done to rescue them which cannot fix the finance safety problems after six months of operation suspension.

In mid-April 2013, SSC made a decision to suspend the operation of Trang An Securities Company for 6 months before the company cannot meet the safety ratio requirements.

Trang An will not be able to open new transaction accounts or extend the contracts relating to some specific operations. Analysts believe that the operation suspension could be the final step taken by SSC before the watchdog agency forces the company to stop operation.

Running away as soon as possible

Many other securities companies have not received the punishment from SSC, but they are in fact at the point of death already.

Sources have said that about 10 securities companies have been put under the special control. Many others have received warnings from SSC for taking loss or violating the current regulations.

VIG proves to be the only lucky company which has escaped from the special control. SSC's report showed that VIG has successfully improved the finance situation after collecting debts, cutting some operations and restructuring the investment portfolios.

However, VIG is still facing high risks with the modest turnover of VND3.1 billion in the first quarter of 2013, while its capital is VND340 billion. The securities companies took loss in the last two consecutive years of VND96 billion in 2011 and VND63 billion in 2012.

A lot of securities companies reportedly have to narrow the operation, close down branches, cut down the labor force, and reduce the salaries for the management board and staff. Some of them have reportedly taken loss for the last 5-6 years. However, it is surprising enough that they do not intend to dissolve.

Source: Vietnamnet.

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