

Vietnam Oil & Gas

MOIT may revamp basic pricing calculation

Oil & Gas Analyst

Nguyen Vinh

vinhn@kbsec.com.vn

September 28, 2020

Neutral

 maintain

Recommendations

PV Gas (GAS)	Buy
Current Price	VND73,100
Target Price	VND89,200

Petrolimex (PLX)	Buy
Current Price	VND51,600
Target Price	VND59,800

PV Transportation (PVT)	Buy
Current Price	VND13,150
Target Price	VND16,800

Binh Son Refinery (BSR)	Buy
Current Price	VND6,800
Target Price	VND8,100

PV Technical Services (PVS)	Hold
Current Price	VND13,600
Target Price	VND11,000

PV Drilling & Well Services (PVD)	Hold
Current Price	VND11,600
Target Price	VND9,600

15-day prices for RON95 flat and E5 RON 92 down slightly by 0.4%

Retail gasoline pump prices remain flat in the 15-day repricing calculation from the Ministry of Industry & Trade on September 26. RON95 (premium) prices were unchanged at VND14,980 per litre and E5 RON92 (biofuel) fell modestly by 0.4% to VND14,210 per litre. Other products also fell in line alongside international pricing, with diesel down 3.4% to VND11,120, kerosene down 1.6% to VND9,440 and fuel oil prices falling by 1.1% to VND10,820. Average ex-factory prices were also largely flat and only fell by 0.2% during the same 15-day period. Stable pricing for both retail and ex-factory prices largely reflects slower recovery from reopening economies and stalled oil prices. The government also tapped the *Petroleum Price Stabilization Fund* to mitigate the impact on inflation and set the subsidy at VND500 per litre for RON95 (premium), VND1,100 per litre for E5RON92 (biofuel) and VND350 per kilogram for fuel oil.

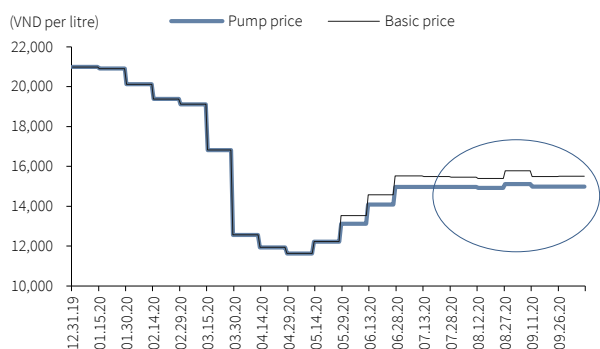
MOIT may reprice retail prices three times a month from two times now

The Ministry of Industry & Trade (MOIT) is currently surveying gas station companies as it considers changing the basic price calculation to the 10-day mean of Platts pricing for Singapore ex-factory product prices instead of the current 15-day mean. The MOIT hopes to better regulate and manage inflation by allowing retail pump prices to more closely reflect global market movements in product prices. Should this change happen, most of the negative impact for gas station companies like Petrolimex (PLX) and PV OIL (OIL) will still likely occur during periods of sharp oil price drops as seen earlier this year due to the pandemic. Nonetheless, we believe a pricing mechanism that more closely tracks international product prices should be a net benefit to gas station companies during normal periods of pricing activity.

Reiterate our BUY on PLX with 12-month target price of VND59,800

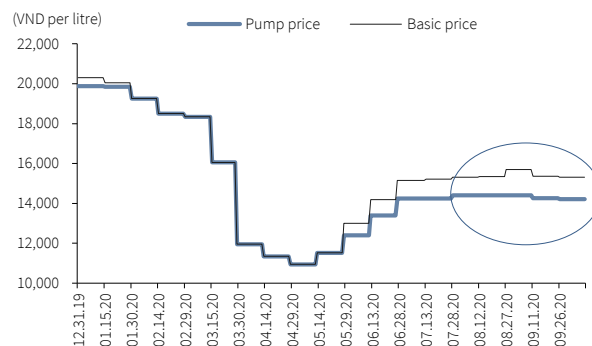
We reiterate our BUY rating on Petrolimex (PLX, BUY, TP VND59,800) with 12-month target price of VND59,800 on expectations that PLX will continue its strategy to open/acquire at least 80 COCO stations per year to focus on the high-margin retail segment. Near-term share price performance should also benefit from the steady recovery in retail pump prices and ex-factory prices that should stabilize margins and allow 2H earnings to benefit from higher sales volume on demand recovery.

Fig 1. Vietnam oil & gas – RON95 pump prices (premium), Jan 20–Sep 20 (VND per litre)



Note: Fuel subsidy provided when the basic price is higher than the pump price.
Source: Ministry of Industry & Trade, KB Securities Vietnam

Fig 2. Vietnam oil & gas –E5 RON92 pump prices (biofuel), Jan 20–Sep 20 (VND per litre)



Note: Fuel subsidy provided when the basic price is higher than the pump price.
Source: Ministry of Industry & Trade, KB Securities Vietnam

Table 1. Vietnam oil & gas – Proposed & current basic price calculation

Proposed basic price calculation

Basic price = import price x % import weight + domestic price x % domestic weight;

with:

Import price = 10-day average CIF MOPS Singapore +/- premium (if any) + pre-norm transportation fee (from overseas) + pre-norm expense + stabilization fund provision expense + markup + environment tax + other expenses

Export price = 10-day average CIF MOPS Singapore +/- premium (if any) + pre-norm transportation fee (from local refinery) + pre-norm expense + stabilization fund provision expense + markup + environment tax + other expenses

Current basic price calculation

Basic price = [(15-day average of CIF MOPS Singapore + import tax + excise tax) x (exchange rate) x (10% VAT)] + [(pre-norm expense + VND300/litre stabilization fund provision expense + VND300/litre markup + environment tax + other expenses)]

Source: Ministry of Industry & Trade, KB Securities Vietnam

KB SECURITIES VIETNAM RESEARCH

Head of Research – Nguyen Xuan Binh

binhnx@kbsec.com.vn

Macro/Strategy

Head of Macro & Strategy – Tran Duc Anh

anhtd@kbsec.com.vn

Macro Analyst – Thai Thi Viet Trinh

trinhtt@kbsec.com.vn

Market Strategist – Le Anh Tung

tungla@kbsec.com.vn

Equity (Hanoi)

Head of Equity Research (Hanoi) – Duong Duc Hieu

hieudd@kbsec.com.vn

Information Technology & Logistics Analyst – Nguyen Anh Tung

tungna@kbsec.com.vn

Property Analyst – Pham Hoang Bao Nga

ngaphb@kbsec.com.vn

Power & Construction Material Analyst – Le Thanh Cong

congl@kbsec.com.vn

Financials Analyst – Nguyen Thi Thu Huyen

huyenntt@kbsec.com.vn

Equity (Ho Chi Minh)

Head of Equity Research (Ho Chi Minh) – Harrison Kim

harrison.kim@kbf.com

Consumer & Retailing Analyst – Dao Phuc Phuong Dung

dungdpp@kbsec.com.vn

Fisheries & Pharmaceuticals Analyst – Nguyen Thanh Danh

danhnt@kbsec.com.vn

Oil & Gas & Chemicals Analyst – Nguyen Vinh

vinhn@kbsec.com.vn

Research Marketing

Korea Marketing Analyst – Seon Yeong Shin

shin.sy@kbsec.com.vn

KB SECURITIES VIETNAM (KBSV)

Head Office:

Levels G, 2 & 7, Sky City Tower, 88 Lang Ha Street, Dong Da District, Hanoi, Vietnam
Tel: (+84) 24 7303 5333 – Fax: (+84) 24 3776 5928

Hanoi Branch:

Level 1, VP Building, 5 Dien Bien Phu, Ba Dinh District, Hanoi, Vietnam
Tel: (+84) 24 7305 3335 – Fax: (+84) 24 3822 3131

Ho Chi Minh Branch:

Level 2, TNR Tower Nguyen Cong Tru, 180-192 Nguyen Cong Tru Street, District 1, HCMC, Vietnam
Tel: (+84) 28 7303 5333 – Fax: (+84) 28 3914 1969

Saigon Branch:

Level 1, Saigon Trade Center, 37 Ton Duc Thang, Ben Nghe Ward, District 1, HCMC, Vietnam
Tel: (+84) 28 7306 3338 – Fax: (+84) 28 3910 1611

CONTACT INFORMATION

Institutional Client Center: (+84) 28 7303 5333 – Ext: 2656
Private Customer Care Center: (+84) 24 7303 5333 – Ext: 2276
Email: ccc@kbsec.com.vn
Website: www.kbsec.com.vn

Investment ratings & definitions

Investment Ratings for Stocks

(based on expectations for absolute price gains over the next 6 months)

Buy:	Hold:	Sell:
+15% or more	+15% to -15%	-15% or more

Investment Ratings for Sectors

(based on expectations for absolute price gains over the next 6 months)

Positive:	Neutral:	Negative:
Outperform the market	Perform in line with the market	Underperform the market

Opinions in this report reflect the professional judgment of the research analyst(s) as of the date hereof and are based on information and data obtained from sources that KBSV considers reliable. KBSV makes no representation that the information and data are accurate or complete and the views presented in this report are subject to change without prior notification. Clients should independently consider their own particular circumstances and objectives and are solely responsible for their investment decisions and we shall not have liability for investments or results thereof. These materials are the copyright of KBSV and may not be reproduced, redistributed or modified without the prior written consent of KBSV. Comments and views in this report are of a general nature and intended for reference only and not authorized for use for any other purpose.