

**CONTACT US**

Nguyen Ly Thanh Luong, CFA,  
ACCA, FMVA  
Lead Analyst  
[luong.nguyen@visrating.com](mailto:luong.nguyen@visrating.com)

Duong Duc Hieu, CFA  
Director - Senior Analyst  
[hieu.duong@visrating.com](mailto:hieu.duong@visrating.com)

Simon Chen, CFA  
Head of Ratings and Research  
[simon.chen@visrating.com](mailto:simon.chen@visrating.com)



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## Automotive Sector

# Full Throttle: Q1/2025 Auto Sales Rebound Boosts Financial Flexibility

Vietnam's automotive sector showed significant credit improvements in Q1 2025, driven by supportive government policies and recovering consumer confidence. New incentives, including import duty exemptions, EV fee waivers, and reduced tariffs, boosted market demand. Car sales surged from robust EV sales, while supply increased from both domestic production and imports. The majority of 14 listed auto firms posted improved profitability and debt serviceability. Corporate bond issuance rose as funding access expanded. Looking ahead, automotive demand will remain robust to absorb the increasing supply. Larger firms – armed with nationwide distribution network and wide product range – are well-positioned to capture the rising demand and record strong sales over the next 12 months.



**Improved**



**Stable**



**Deteriorated**

Indicator Trend

Key Highlights



**Policy measures**



### New tax and fee incentives rolled out in Q1 will boost domestic production and demand

- **Decree 21/2025/ND-CP** (effective 10 Feb 2025) extends 0% preferential import duties on automotive parts for domestic assembly, supporting cost competitiveness for local manufacturers such as Vinfast, Thaco, and Geleximco—subject to specific quantity and quality criteria.
- **Decree 51/2025/ND-CP** (effective 1 Mar 2025) extends the registration fee exemption for all electric vehicles (EVs) through 2027, reinforcing EV demand.
- **Decree 73/2025/ND-CP** (effective 31 Mar 2025) reduces tariffs by 10–15% on vehicles imported from non-FTA countries, including the U.S., further lowering retail prices.



**Market condition**



### Car sales rebound amid strengthening consumer confidence and ample supply

- **Q1 2025 passenger car sales** reached 105,000 units (+60% YoY), driven by a sharp rise in Vinfast EV sales (+295% YoY). Consumer sentiment continues to improve, supported by more competitive pricing and ongoing improvements in road infrastructure.
- **Supply remains strong**, with domestically assembled vehicle volumes up 35% YoY and imports rising 44% YoY.
- **Key domestic players**—including Tasco (BBB+ stable), Geleximco, and Vinfast—have announced plans to expand manufacturing and assembly capacity in 2025.



**Financing condition**



### Funding access expands, led by bank lending

- **Outstanding debt** of listed automotive firms—primarily retailers—increased 30% YoY in Q1 2025 (vs. 36% in Q1 2024), reflecting continued bank borrowings to build inventory ahead of sales
- **Corporate bond issuance** also gained traction, with new unsecured bonds from Tasco and Thaco in Q1 2025, primarily for refinancing and working capital.
- **In 2025, VND 8 trillion in bonds are set to mature**, down from 2024, and all are issued by VinFast. VinFast plans to issue an additional VND 5 trillion worth of bonds in H2 2025, backed by guarantees from Vingroup. In Q1 2025, VinFast reported a 150% year-over-year revenue growth from stronger sales, and its EBITDA remained negative at - VND 9.8 trillion (Q1 2024: VND 8.5 trillion). Outstanding debt declined 18% YoY to VND 66 trillion, and we view its repayment capacity is largely supported by access to new funding from Vingroup's ecosystem.



**Financial strength**



### Stronger turnover and cash flow drive improvements in debt coverage

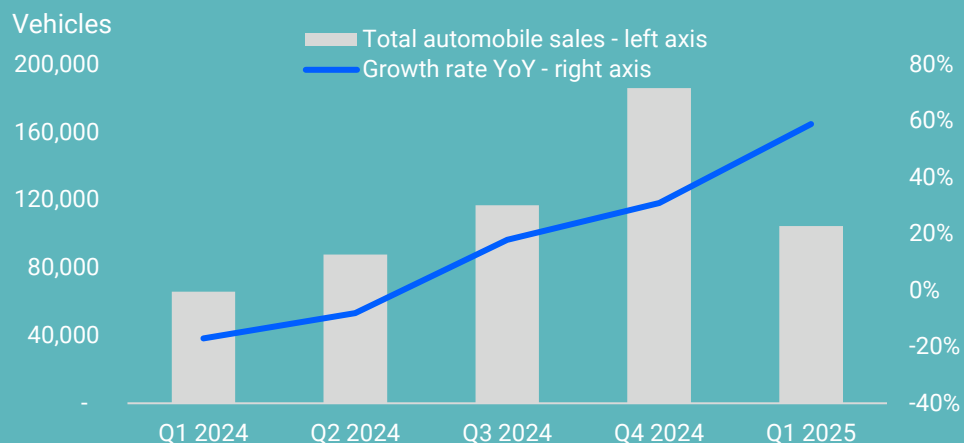
- **Revenue** of listed automotive firms rose 29% YoY in Q1 2025, with EBITDA up 23% YoY. Firms are targeting 23% revenue growth for 2025, having achieved 16% of that target in Q1.
- **Cash flow from operations (CFO)** surged 216% YoY, supported by higher sales proceeds. Inventory turnover increased from 7.63x to 9.48x over the same period.
- **Leverage improved**, as Debt/EBITDA declined to 6.05x in Q1 2025 (from 6.2x in Q1 2024), driven by 33% YoY EBITDA growth outpacing debt accumulation.
- **Larger listed firms** (e.g., HUT, SVC, CTF) with revenue exceeding VND 5 trillion showed stronger credit profiles, underpinned by broader brand portfolios (averaging 6.5 brands) and nationwide distribution networks that position them well to capture demand recovery. Smaller firms (e.g., TMT, HTL) recorded weaker sales, resulting in significantly lower inventory turnover. Many of these firms raised new debt borrowings to fund their working capital shortfalls.

## Tax and fee reduction policies will stimulate both domestic car production and demand

Exhibit 2: Automotive market conditions remain strong under tax and fee reduction policies

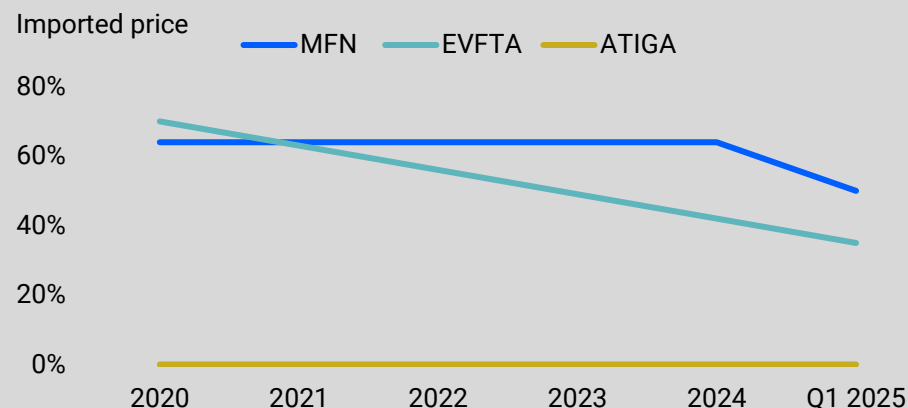
### Automotive sales – Q1/2025

105,000 vehicles (+60% YoY)



### Import duties for passenger cars

Import duties have gradually declined under several FTAs, and a recent cut in the import duty rate for most favored nations (MFN\*)



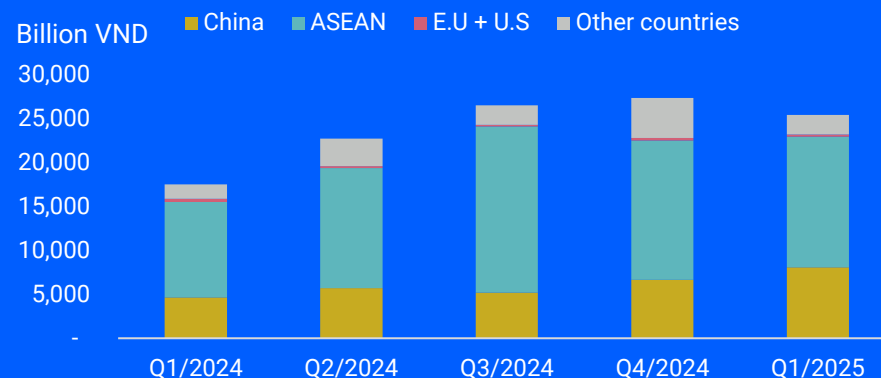
\*Most favored nations (MFN) are countries with no direct free trade agreement with Vietnam such as the U.S.  
EVFTA is EU – Vietnam Free Trade Agreement  
ATIGA is ASEAN Trade in Goods Agreement

### Pipeline of new manufacturing plants

Firm name	Location	Expected operation	Expected CAPEX	Capacity
Thanh Cong Motor	Quang Ninh	3/2025	VND 9 trillion	120,000 units Skoda
Geleximco	Thai Binh	10/2027	VND 7 trillion	50,000 units Omoda & Jaeco
Vinfast	Ha Tinh	7/2025	VND 7 trillion	300,000 units Vinfast
Tasco	Thai Binh	2026	VND 4 trillion	75,000 units Geely and Lynk&Co

Source: Vietnam Automobile Manufacturers Association (VAMA), Vietnam Customs, Company data, VIS Rating

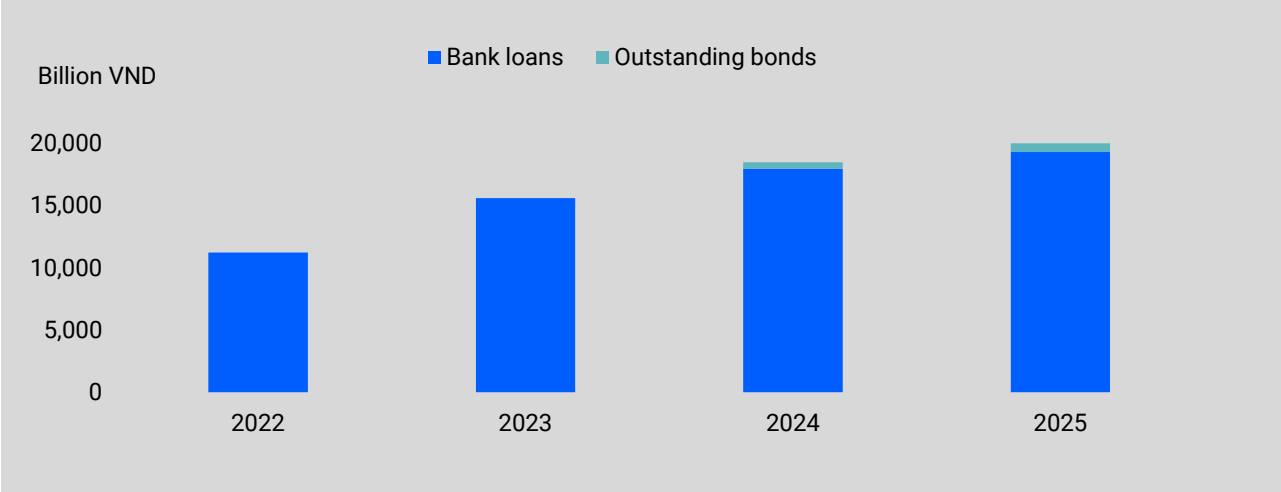
### Reduced import duties will boost car imports



## Funding access will broaden steadily, driven by bank loans

Exhibit 3: Automotive firms will continue to enjoy access to new financing from bank loans and the corporate bond market

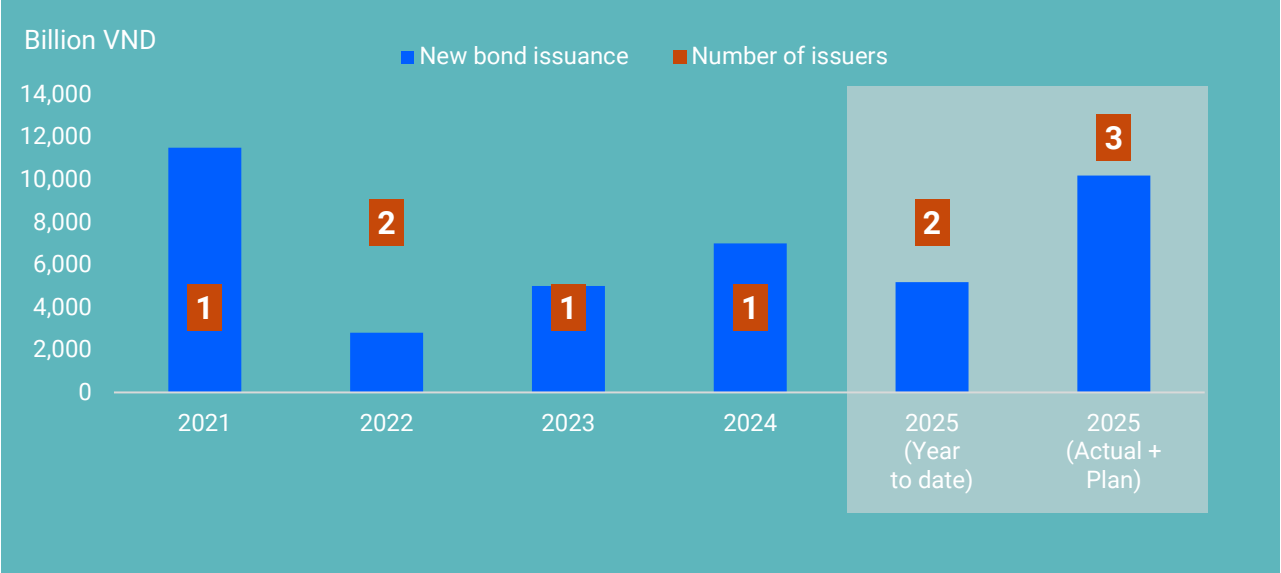
### Listed automotive firms' total debt



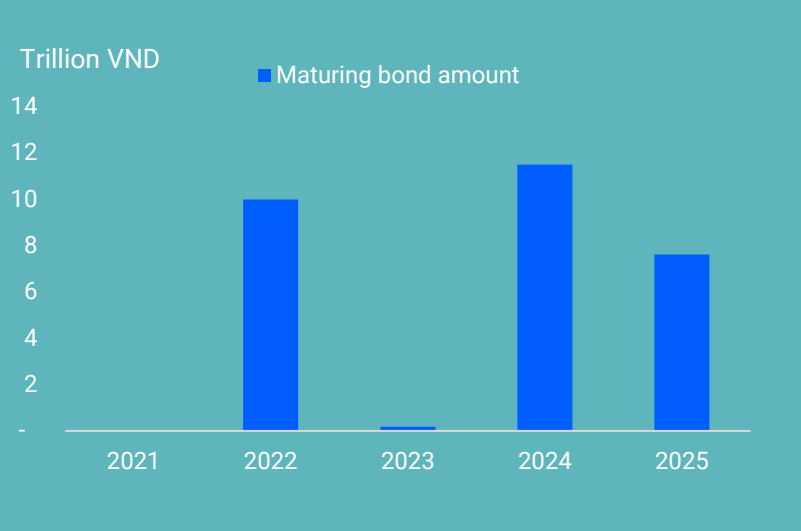
### Funding plans announced

Firm name	Financing channel	Amount (VND billion)	Status
Vinfast	Bond	5000	Planning
HUT	Equity	1785	Planning
CTF	Equity	300	Planning
HUT	Bond	190	Issued
Thaco	Bond	1300	Issued

### More automotive firms will issue bonds in 2025



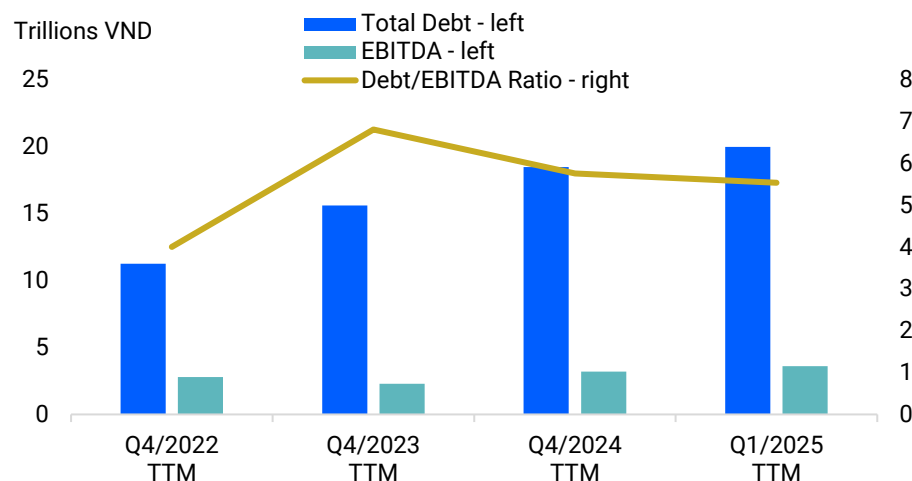
### Bonds maturing in 2025, entirely issued by Vinfast



Source: Company data, Hanoi Stock Exchange (HNX), VIS Rating

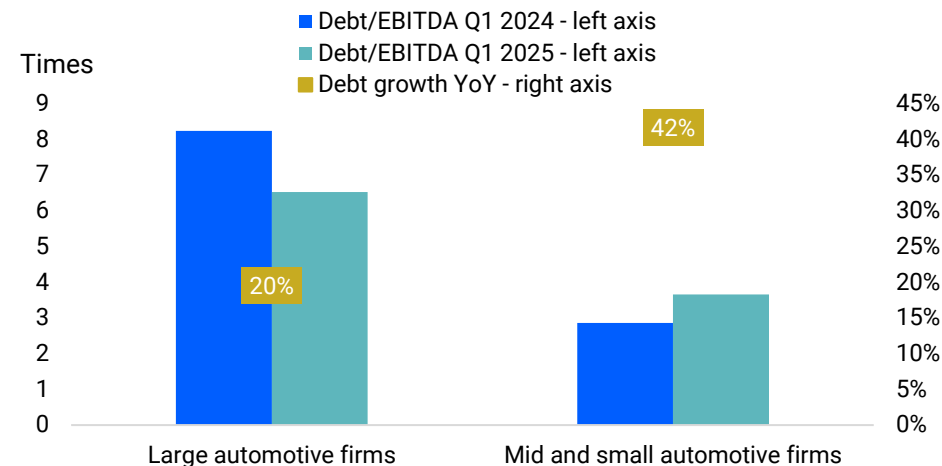
## Leverage and coverage profile of listed automotive firms improve under profitability gains and stronger turnover

**Exhibit 4: Leverage strengthens on profitability gains**



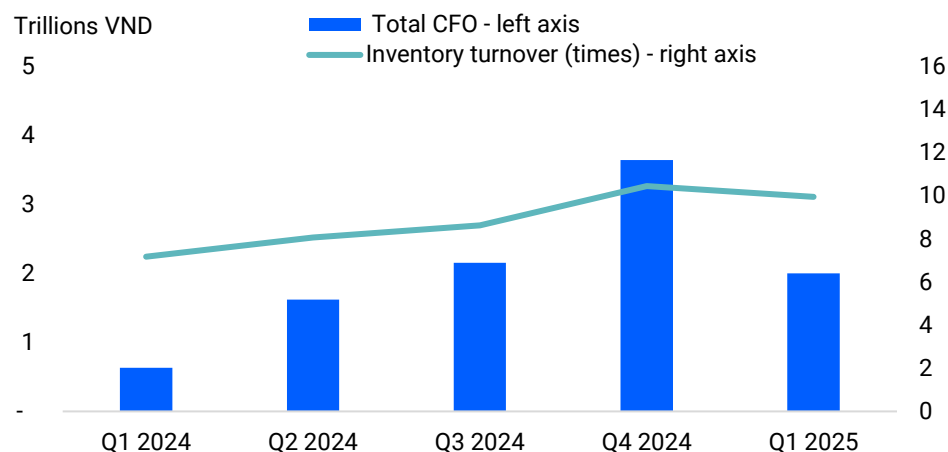
Source: Company data, VIS Rating

**Exhibit 5: Larger automotive peers observe better leverage improvement**



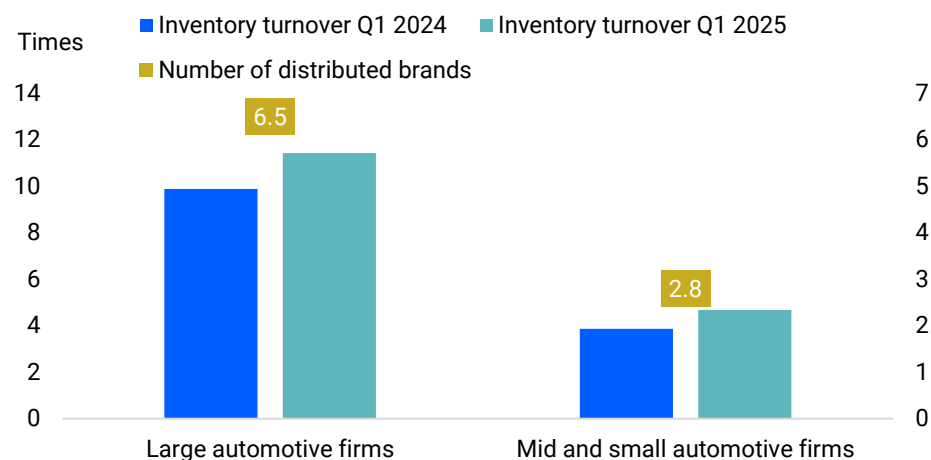
Source: Company data, VIS Rating

**Exhibit 6: Increasing inventory turnover contributes to stronger cash flow and debt repayment**



Source: Company data, VIS Rating

**Exhibit 7: Larger peers have better turnover under larger car brand portfolios and stronger distribution networks**



Source: Company data, VIS Rating

## APPENDIX

The companies included in our analysis are as follows:

	Short name	Full name	Classification*
1	Vinfast	Vinfast Automotive Ltd	Large
2	Thaco	Truong Hai Group Corporation	Large
3	Geleximco	Geleximco Group - Joint Stock Company	Large
4	HUT	Tasco Joint Stock Company	Large
5	SVC	Saigon General Service Corporation	Large
6	VEA	Viet Nam Engine and Agricultural Machinery Corporation	Large
7	CTF	City Automotive Corporation	Large
8	HAX	Hang Xanh Motors Service Joint Stock Company	Large
9	DAS	Danang Petroleum Machinery - Technology JSC	Mid and small
10	GGG	Giai Phong Motor Joint Stock Company	Mid and small
11	GMA	G-Automobile Joint Stock Company	Mid and small
12	HHS	Hoang Huy Investment Services Joint Stock Company	Mid and small
13	HTL	Truong Long Automotive & Technology Joint Stock Company	Mid and small
14	PTM	PTM Automobile Service, Trading and Manufacturing JSC	Mid and small
15	TMT	TMT Motors Corporation	Mid and small
16	VMA	Vinacomin Motor Industry Joint Stock Company	Mid and small
17	VVC	Vietnam Machine Investment Development Joint Stock Company	Mid and small

*\*Note: We classify the scale of automotive firms based on their revenue scale. Firms with revenue exceeding 5,000 billion VND are classified as large-scale, and those below this threshold are considered small and medium scale.*

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