CONTACTS US

Nguyen Dinh Duy, CFA
Director – Senior Analyst
duy.nguyen@visrating.com

Bach Hoang Anh, CPA (Aust.)
Associate Analyst
hoanganh.bach@visrating.com

Simon Chen, CFA
Head of Ratings & Research
simon.chen@visrating.com

https://visrating.com

Amended Enterprise Law 2025

New leverage cap unlikely to hinder new bond issuance, but investors must scrutinize repayment strength

On June 17, 2025, the National Assembly passed the Amended Enterprise Law 2025, introducing a new leverage cap for non-public companies issuing private placement bonds. Effective July 1, 2025, these bond issuers must maintain a liability-to-equity ratio no greater than 5x to issue private placement bonds.

As shown in Exhibit 1, this aligns the regulatory framework for non-public companies with that of public companies under Securities Law 2024.

We do not expect the new leverage cap to materially constrain bond issuance activity. Historical data shows that only about 25% of non-public issuers over the past three years had leverage exceeding 5x or negative equity (Exhibit 2).

While elevated leverage is a key credit risk for lower-rated issuers, our analysis of 182 defaulted issuers reveals that weak cash flow and poor liquidity management—not excessive leverage—were the primary drivers of default.

Fewer than a quarter of these issuers had leverage above 5x or negative equity (Exhibit 3), while the average ratio for the rest was 2.8x.

Despite moderate leverage, 90% of defaulters struggled to generate sufficient operating cash flow to meet coupon payments or lacked liquidity to repay or refinance maturing principal (Exhibit 4).

Nearly 40% of defaulted bonds had tenors of just 1–3 years, with proceeds often used to fund long-gestation projects that failed to produce timely cash flows.

Without stable internal cash generation, issuers relied heavily on refinancing. Consequently, 85% of defaults occurred within the first three years of issuance (Exhibit 5).

Moreover, around 40% of defaulted bonds were backed by collateral that proved difficult to value or liquidate, such as property-related receivables, business cooperation contracts, and future project income rights. The absence of a robust debt restructuring framework and limited legal recourse further exacerbated default rates.

Going forward, investors must look beyond headline leverage. Investors will require a more comprehensive assessment — one that considers the strategic intent behind the bond issuance, the issuer's capacity to generate sustainable cash flows, and the extent to which repayment risks are mitigated through robust collateral or credible third-party guarantees.

Crucially, investors must evaluate not just issuer-level credit risk but also the specific risks embedded in individual debt instruments. These include structural features such as seniority, collateral backing, and legal covenants.

Unlike issuer ratings, which reflect overall creditworthiness, bond ratings capture the distinct terms and protections of each bond instrument, providing a more accurate gauge of default risk. This granular analysis enables investors to make better-informed decisions, aligned with the risk profile of each bond.

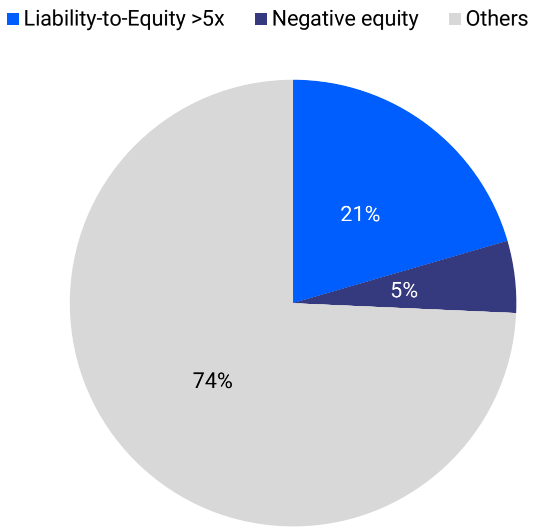
Exhibit 1: Summary of key regulatory requirements for private placement bonds

Category	Regulation	Applicable to the bond issuer	Details
Leverage threshold	Securities Law 2024	Public companies, securities companies, and fund management companies	» Meet leverage ratios *(Details will be regulated in the upcoming amendment of Decree 153/2020/NĐ-CP)*
	Enterprise Law 2025	Non-public companies*	» Total liability, including bond proceeds, does not exceed 5 times the issuer's equity
	Credit Institution Law 2024	Banks	» Meet all capital adequacy ratios of banks
	Real Estate Business Law 2023 & Decree 96/2024/NĐ-CP	Real estate companies	» Project ≥ 20 ha: Equity > 15% of total investment of the project » Project < 20 ha: Equity > 20% of total investment of the project
Investors	Securities Law 2024 & Enterprise Law 2025 & Decree 65/2022/NĐ-CP	All issuers	» Non-professional investors are prohibited. » No limit for professional institutions. » From 1 Jan 2026, professional individuals may only trade bonds with a credit rating and collateral or guarantees from credit institutions.
Issuance plan document			» Issuance plan document must be approved by the Board of Directors/Shareholders' Meeting
Financial report			» Require the latest annual audited financial report by an approved auditing firm
Track record of debt payment			» Evidence of having fully repaid all debt obligations over the last 3 years

** Exception:*
- State-owned companies;
- Financial institutions: banks, securities companies, insurance companies, reinsurance companies, insurance brokerage firms, fund management companies;
- Companies issuing bonds to develop a real estate project;
These entities must comply with relevant legal regulations.

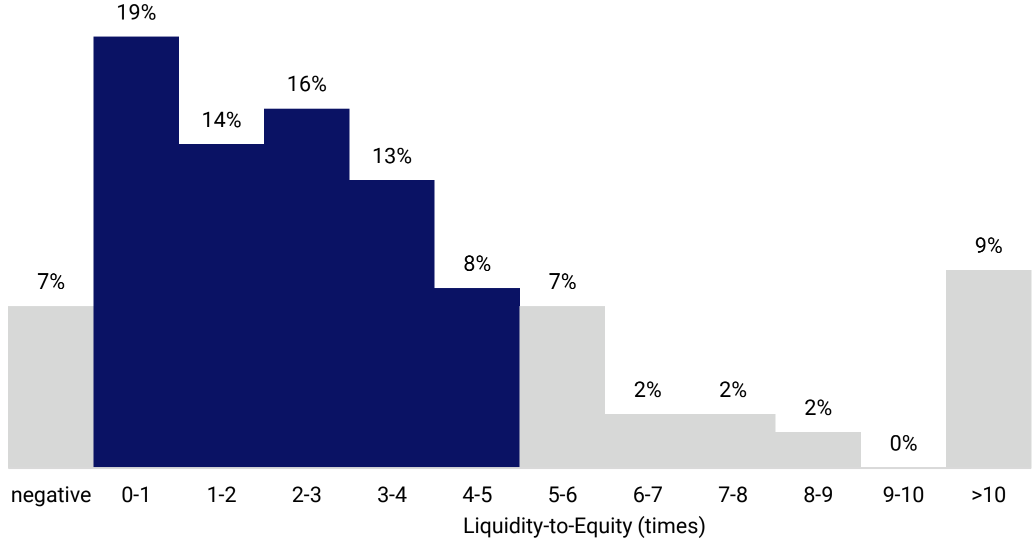
Source: Credit Institutions Law No. 32/2024/QH15, Securities Law No. 54/2019/QH14 as amended and supplemented by Law No. 56/2024/QH15, Enterprises Law No. 59/2020/QH14 as amended and supplemented by Law No. 03/2022/QH15 and Law No. 76/2025/QH15, Real Estate Business Law No. 29/2023/QH15, Decree 96/2024/ND-CP, Decree 153/2020/ND-CP, Decree 65/2022/ND-CP, VIS Rating

Exhibit 2: Only a minority of non-public bond issuers exceed the leverage threshold or negative equity



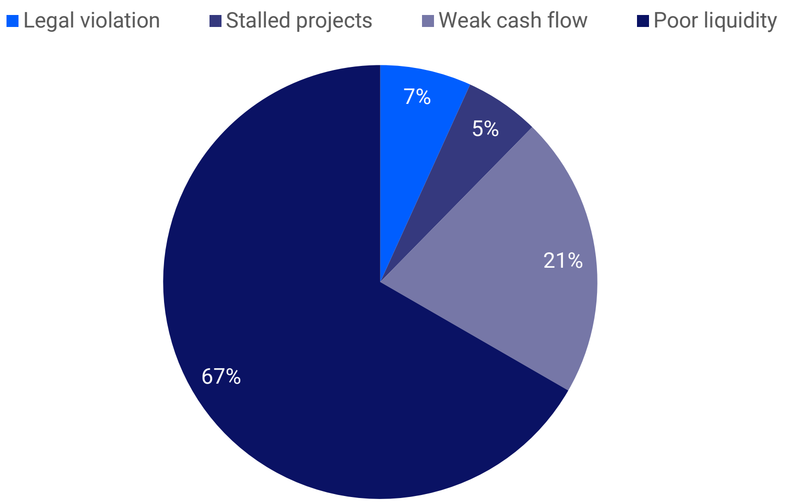
Source: Company data, VIS Rating

Exhibit 3: Less than 25% of defaulters had a liability-to-equity ratio higher than 5 times or negative



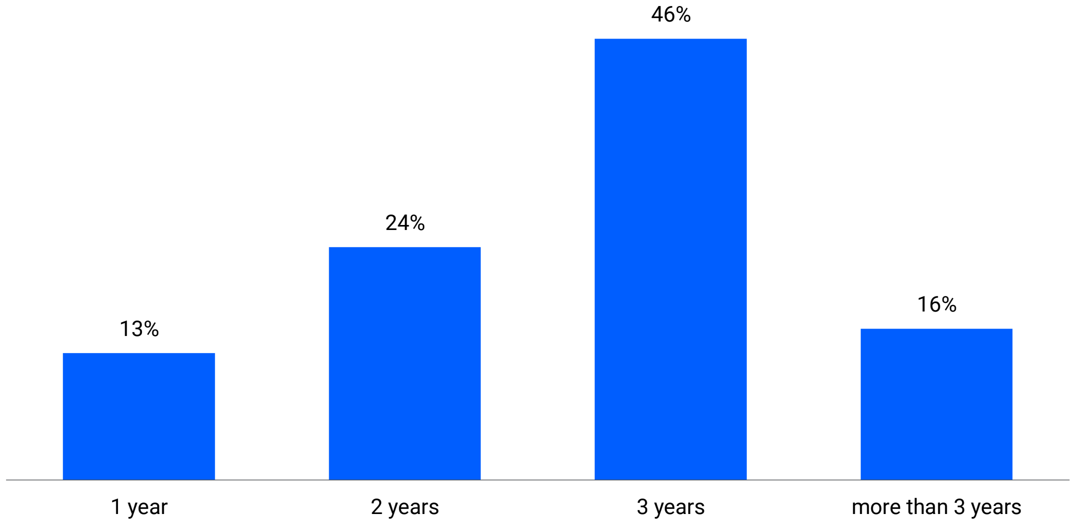
Source: Company data, VIS Rating

Exhibit 4: Nearly 90% of the defaulters had weak cash flows to cover coupon payments or insufficient liquidity to meet substantial principal maturities



Source: Company data, VIS Rating

Exhibit 5: Up to 85% of defaulted bonds experienced their default within the first three years after issuance



Source: Company data, VIS Rating

Moody's holds a 49% ownership stake in VIS Rating. A Technical Services Agreement is in place between the two companies, under which Moody's provides certain services, including technical assistance, to VIS Rating. However, Moody's is not involved in any particular VIS Rating credit rating or research processes. This report and the opinions expressed herein represent the independent views of VIS Rating and should not be attributed to any Moody's entities, directors, officers, or employees.

DISCLAIMER

CREDIT RATINGS ISSUED BY VIS RATING ARE OUR CURRENT OPINIONS OF THE RELATIVE FUTURE CREDIT RISK OF ENTITIES, DEBT OR FINANCIAL OBLIGATIONS, DEBT SECURITIES, PREFERRED SHARES OR OTHER FINANCIAL INSTRUMENTS OR OF ISSUER OF SUCH DEBTS OR FINANCIAL OBLIGATIONS, DEBT SECURITIES, PREFERRED SHARES OR OTHER FINANCIAL INSTRUMENTS IN VIETNAM AND MATERIALS, PRODUCTS, SERVICES AND INFORMATION PUBLISHED BY VIS RATING (COLLECTIVELY, "PUBLICATIONS") MAY INCLUDE SUCH CURRENT OPINIONS. VIS RATING DEFINES CREDIT RISK AS THE RISK THAT AN ENTITY MAY NOT MEET ITS CONTRACTUAL FINANCIAL OBLIGATIONS AS THEY COME DUE AND ANY ESTIMATED FINANCIAL LOSS IN THE EVENT OF DEFAULT OR IMPAIRMENT. SEE APPLICABLE VIS RATING'S RATING SYMBOLS AND DEFINITIONS PUBLICATION FOR INFORMATION ON THE TYPES OF CONTRACTUAL FINANCIAL OBLIGATIONS ADDRESSED BY VIS RATING'S CREDIT RATINGS. APART FROM FUNDAMENTAL RISKS NEEDED TO BE ASSESSED AS REQUIRED UNDER THE VIETNAMESE LAW (INCLUDING DECREE 88/2014 DATED 26 SEPTEMBER 2014 OF THE GOVERNMENT) ON CREDIT RATING SERVICES FROM TIME TO TIME, CREDIT RATINGS DO NOT ADDRESS ANY OTHER RISK, INCLUDING BUT NOT LIMITED TO: LIQUIDITY RISK, MARKET VALUE RISK, OR PRICE VOLATILITY. CREDIT RATINGS, NON-CREDIT ASSESSMENTS ("ASSESSMENTS"), AND OTHER OPINIONS INCLUDED IN VIS RATING'S PUBLICATIONS ARE NOT STATEMENTS OF CURRENT OR HISTORICAL FACT. VIS RATING'S CREDIT RATINGS, ASSESSMENTS, OTHER OPINIONS AND PUBLICATIONS ARE FOR REFERENCES ONLY AND DO NOT CONSTITUTE OR PROVIDE INVESTMENT OR FINANCIAL ADVICE, AND VIS RATING'S CREDIT RATINGS, ASSESSMENTS, OTHER OPINIONS AND PUBLICATIONS ARE NOT AND DO NOT PROVIDE RECOMMENDATIONS TO INVEST INTO, CONTRIBUTE CAPITAL, PURCHASE, SELL, OR HOLD PARTICULAR DEBT INSTRUMENTS OR FINANCIAL INSTRUMENTS. VIS RATING'S CREDIT RATINGS, ASSESSMENTS, OTHER OPINIONS AND PUBLICATIONS DO NOT COMMENT ON THE SUITABILITY OF AN INVESTMENT FOR ANY PARTICULAR INVESTOR. VIS RATING ISSUES ITS CREDIT RATINGS, ASSESSMENTS AND OTHER OPINIONS AND PUBLISHES ITS PUBLICATIONS WITH THE EXPECTATION AND UNDERSTANDING THAT EACH INVESTOR WILL, WITH DUE CARE, MAKE ITS OWN STUDY AND EVALUATION OF EACH SECURITY OR DEBT INSTRUMENTS THAT IS UNDER CONSIDERATION FOR PURCHASE, HOLDING, OR SALE.

VIS RATING'S CREDIT RATINGS, ASSESSMENTS, OTHER OPINIONS, AND PUBLICATIONS ARE NOT INTENDED FOR USE BY NON-PROFESSIONAL INVESTORS AND IT WOULD BE RECKLESS AND INAPPROPRIATE FOR NON-PROFESSIONAL INVESTORS TO USE VIS RATING'S CREDIT RATINGS, ASSESSMENTS, OTHER OPINIONS OR PUBLICATIONS WHEN MAKING AN INVESTMENT DECISION. IF IN DOUBT YOU SHOULD CONTACT YOUR FINANCIAL OR OTHER PROFESSIONAL ADVISER.

ALL INFORMATION CONTAINED HEREIN (INCLUDING INFORMATION OF VIS RATING AND/OR THIRD PARTIES WHO LICENSE VIS RATING TO INCORPORATE THE INFORMATION HEREIN ("VIS RATING'S LICENSORS")) IS PROTECTED BY LAW, INCLUDING BUT NOT LIMITED TO, COPYRIGHT LAW, AND NONE OF SUCH INFORMATION MAY BE COPIED OR OTHERWISE REPRODUCED, REPACKAGED, FURTHER TRANSMITTED, TRANSFERRED, DISSEMINATED, REDISTRIBUTED OR RESOLD, OR STORED FOR SUBSEQUENT USE FOR ANY SUCH PURPOSE, IN WHOLE OR IN PART, IN ANY FORM OR MANNER OR BY ANY MEANS WHATSOEVER, BY ANY PERSON WITHOUT PRIOR WRITTEN CONSENT OF VIS RATING OR VIS RATING'S LICENSORS. VIS RATING'S CREDIT RATINGS, ASSESSMENTS, OTHER OPINIONS AND PUBLICATIONS ARE NOT INTENDED FOR USE BY ANY PERSON AS A BENCHMARK AS THAT TERM IS DEFINED FOR REGULATORY PURPOSES AND MUST NOT BE USED IN ANY WAY THAT COULD RESULT IN THEM BEING CONSIDERED A BENCHMARK.

All information contained herein is obtained by VIS Rating from sources believed by it to be accurate and reliable. Because of the possibility of human or mechanical error as well as other factors, however, all information contained herein is provided "AS IS" without warranty of any kind. VIS Rating adopts all necessary measures so that the information it uses in assigning a credit rating is of sufficient quality and from sources VIS Rating considers to be reliable including, when appropriate, independent third-party sources. However, VIS Rating is not an auditor and cannot in every instance independently verify or validate information received in the rating process or in preparing its Publications.

To the extent permitted by law, VIS Rating and its directors, officers, employees, agents, representatives, licensors and suppliers disclaim liability to any person or entity for any indirect, special, consequential, or incidental losses or damages whatsoever arising from or in connection with the information contained herein or the use of or inability to use any such information, even if VIS Rating or any of its directors, officers, employees, agents, representatives, licensors or suppliers is advised in advance of the possibility of such losses or damages, including but not limited to: (a) any loss of present or prospective profits or (b) any loss or damage arising where the relevant financial instrument is not the subject of a particular credit rating assigned by VIS Rating.

To the extent permitted by law, VIS Rating and its directors, officers, employees, agents, representatives, licensors and suppliers disclaim liability for any direct or compensatory losses or damages caused to any person or entity, including but not limited to by any negligence (but excluding fraud, willful misconduct or any other type of liability that, for the avoidance of doubt, by law cannot be excluded) on the part of, or any contingency within or beyond the control of, VIS Rating or any of its directors, officers, employees, agents, representatives, licensors or suppliers, arising from or in connection with the information contained herein or the use of or inability to use any such information.

NO WARRANTY, EXPRESS OR IMPLIED, AS TO THE ACCURACY, TIMELINESS, COMPLETENESS, MERCHANTABILITY OR FITNESS FOR ANY PARTICULAR PURPOSE OF ANY CREDIT RATING, ASSESSMENT, OTHER OPINION OR INFORMATION IS GIVEN OR MADE BY VIS RATING IN ANY FORM OR MANNER WHATSOEVER.

VIS RATING MAY MAKE MODIFICATIONS AND/OR CHANGES TO ITS PUBLICATION AT ANY TIME, FOR ANY REASON. HOWEVER, VIS RATING UNDERTAKES NO OBLIGATION (NOR DOES IT INTEND) TO PUBLICLY SUPPLEMENT, UPDATE OR REVISE ITS PUBLICATION ON A GOING-FORWARD BASIS. YOU ASSUME THE SOLE RISK OF MAKING USE OF AND/OR RELYING ON VIS RATING's ASSESSMENTS, OTHER OPINIONS AND PUBLICATION.

VIS Rating maintains policies and procedures to address the independence of VIS Rating's credit ratings and credit rating processes. Information regarding, among others, entities holding more than 5% of the contributed charter capital of VIS Rating, any change to the shareholding ratios of entities holding more than 5% of the contributed charter capital of VIS Rating and a list of rated entities with a credit rating service charge accounting for over 5% of VIS Rating's total revenue from credit rating activities in the fiscal year prior to the time of information disclosure, are posted at https://visrating.com/ under the heading "Corporate Disclosure".

VIETNAM INVESTORS SERVICE

Empowering Better Decisions