

Duc Giang Chemicals (DGC)

Fairly valued for long-term prospects

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**1Q revenue & NPAT gained
18%/20% YoY respectively**

**Sales output will be driven by high
fertilizer demand from India in 2025
and strong recovery of Japanese
semiconductor market in 2026**

**Procedures for Mine No.25
exploitation should soon be
completed**

**Duc Giang Residence starts
construction in 2025, and Bauxite –
Aluminum project in Dak Nong is
making progress**

**Valuation: BUY rating – Target price
VND123,000**

1Q25 revenue of Duc Giang Chemicals Group (DGC) hit VND2,810 billion (+18% YoY), boosted by a 29% YoY increase in yellow phosphorus (P4) sales volume. A 5% YoY increase in P4 average price also helped raise GPM by 275bps YoY.

We observed that Japan and India contributed over 50% to DGC's total P4 and phosphoric acid (H3PO4) 1Q sales volume. In the context of India's current low DAP inventory and the upcoming Kharif crop (June–October 2025), we expect higher demand from this market will bolster DGC's output this year. For the Japanese market, sales in the technology and electronics should rebound more strongly from 2026, stimulating demand for P4. KBSV estimates the 2025F consumption growth of phosphorus-based products (P4 & H3PO4 85%) 18%/4%.

We forecast the GPM of the phosphorus and agricultural phosphate chemicals to reach 34.9%/35.5% in 2025/2026, assuming Mine No.25 will soon complete the procedures for exploitation.

KBSV expects Duc Giang Residence to be profitable from 2027–2029, bringing in VND7,922/1,722 billion in revenue/NPAT. In addition, the information related to the approval of the investment policy for DGC's Dak Nong Bauxite – Aluminum project will be an investment catalyst that needs further observation.

Based on valuation results and potential risks, KBSV determines the fair value of DGC at VND123,000/share, corresponding to a return ratio of 32.7% compared to the closing price on June 11, 2025.

Buy change

Target price	VND123,000
Upside	32.7%
Current price (Jun 11, 2025)	VND92,700
Consensus target price	VND117,800
Market cap (VNDtn/USDbn)	3.5/1.3

Forecast earnings & valuation

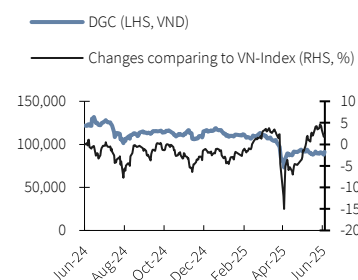
FY-end	2023A	2024A	2025F	2026F
Net revenue (VNDbn)	9,748	9,865	11,391	13,306
Operating income/loss (VNDbn)	3,487	3,414	4,486	5,272
NPAT-MI (VNDbn)	3,100	2,989	3,268	3,871
EPS (VND)	8,163	7,870	8,606	10,194
EPS growth (%)	-44%	-4%	9%	18%
P/E (x)	13.5	14.0	10.8	9.1
P/B (x)	3.6	3.1	2.2	1.8
ROE (%)	27%	23%	21%	21%
Dividend yield (%)	5.7%	2.2%	2.2%	2.2%

Trading data

Free float	61.6%
3M avg trading value (VNDbn/USDmn)	19.7/0.7
Foreign ownership	32.3%
Major shareholder	Chairman Dao Huu Huyen (33.4%)

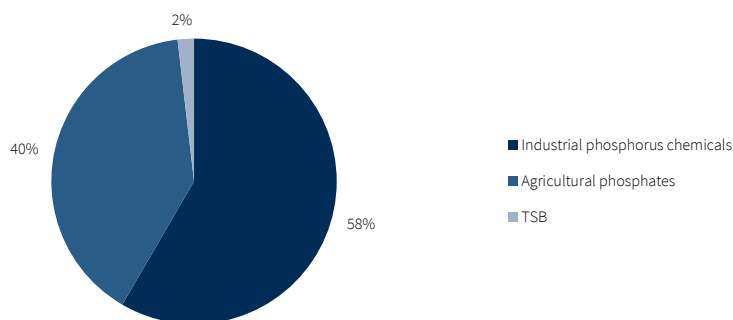
Share price performance

(%)	1M	3M	6M	12M
Absolute	0	-17	-21	-25
Relative	-4	-16	-25	-27



Source: Bloomberg, KB Securities Vietnam

Revenue composition (2024)



Source: Duc Giang Chemicals, KB Securities Vietnam

Business operation

Duc Giang Chemicals Group (DGC) operates in the chemical manufacturing industry, with key products including P4, H3PO4 (for food, electronics, and agriculture), fertilizers, detergents, and cleaning agents. DGC holds a strong competitive advantage as one of Southeast Asia's leading exporters of P4, serving major customers in the United States, Japan, and South Korea. DGC plans to expand into the production and trade of caustic soda and chlorine chemicals through its Duc Giang – Nghi Son chemical complex.

Investment Catalysts

Consumption demand will continue its recovery trend in 2025–2026. P4 sales volume is expected to increase 18%/6% YoY in 2025/2026F thanks to (1) the gradual recovery of Japanese semiconductor sales and (2) low DAP inventory in India until the end of 3Q25.

Mining procedures at Mine No.25 should be accelerated. Adding high-quality apatite reserves is the basis for DGC to maintain GPM for phosphorus-based chemical products at an average of 35% in 2025 – 2026F.

New projects have made positive progress. Accelerating the legal procedures of large projects such as Bauxite – Aluminum in Dak Nong and Duc Giang Residence will create growth momentum in the medium and long term for DGC.

Notes

Please find more details below

Please see more details below

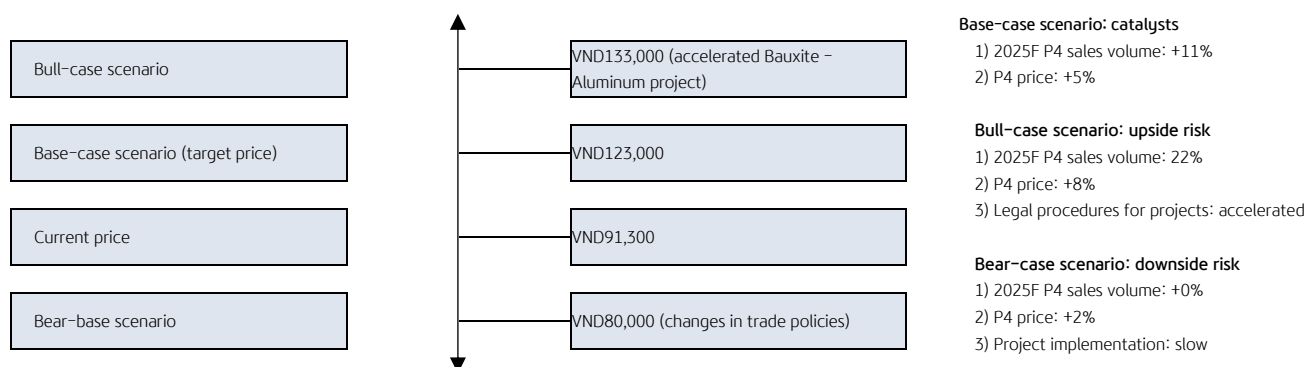
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Revised earnings estimates

(VNDbn)	KBSV estimates		Change vs previous estimates		Consensus*		Difference	
	2025E	2026E	2025E	2026E	2025E	2026E	2025E	2026E
Revenue	11,391	13,306	0%	-2%	11,196	13,544	2%	-2%
EBIT	3,158	3,631	5%	2%	3,212	3,854	-2%	-6%
NP after MI	3,268	3,871	3%	3%	3,207	3,853	2%	0%

Source: Bloomberg, KB Securities Vietnam

Investment opinion & risks



Business performance

Table 1. DGC – 2024 business performance

(VNDbn, %)	1Q24	1Q25	+/-%YoY	Notes
Revenue	2,385	2,810	18%	
Industrial phosphorus chemicals	1,469	1,661	13%	1Q25 P4 consumption Increased by 29%.
Agricultural phosphate, others	865	1,052	22%	DAP and MAP sales output rose 7%/27% YoY, respectively.
Tia Sang Battery (HNX: TSB)	51	43	-16%	
Ethanol Dai Viet	0	54		
Gross profit	766	980	28%	
<i>Gross profit margin</i>	<i>32.1%</i>	<i>34.9%</i>	<i>275bps</i>	Average selling prices (ASP) of P4, H3PO4, DAP, and MAP respectively went up 5%/9%/9%/16% YoY.
Financial income	165	165	0%	
Financial expenses	-18	-15	-15%	
Profits from affiliates	0	0		
SG&A	-145	-152	4%	
Operating income/loss	768	978	27%	
Other income	1	0	-96%	
Profit before taxes (PBT)	769	978	27%	
Profit after taxes (NPAT)	704	837	19%	
NP after MI	673	809	20%	The result completed 27% of the full-year plan.
<i>NPAT margin</i>	<i>28.2%</i>	<i>28.8%</i>	<i>59bps</i>	

Source: Duc Giang Chemicals, KB Securities Vietnam

Table 2. DGC – Sales output of key products

(ton/bottle/liter)	Unit	1Q24	4Q24	1Q25	+/-%YoY	+/-%QoQ	Notes
P4	Ton	11,122	11,406	14,301	29%	25%	Consumption from India surged YoY, accounting for 14% of DGC's total sales output.
H3PO4	Ton	16,787	12,418	8,817	-47%	-29%	
TPA	Ton	16,787	12,418	8,817	-47%	-29%	Output sold to India/Malaysia/US/Japan dropped 51%/32%/33%/19% YoY respectively.
WPA	Ton	0	0	0			DGC suspended H3PO4 50% production to focus on fertilizer manufacturing and take advantage of high fertilizer prices.
Fertilizers	Ton	73,451	72,452	81,717	11%	13%	
NPK	Ton	640	1,012	2,046	220%	102%	
DAP	Ton	20,711	18,049	22,162	7%	23%	
MAP	Ton	10,346	11,910	13,092	27%	10%	
Phosphate	Ton	41,754	41,481	44,417	6%	7%	
Animal feed additives	Ton	22,033	21,686	18,918	-14%	-13%	
DCP	Ton	21,055	20,871	18,208	-14%	-13%	
MCP	Ton	978	815	710	-27%	-13%	
Battery	kWh	104,657	117,906	106,321	2%	-10%	
Ethanol 96%	Liter	0	0	2,992,395			1Q25 capacity hit 25%.

Source: Duc Giang Chemicals, KB Securities Vietnam

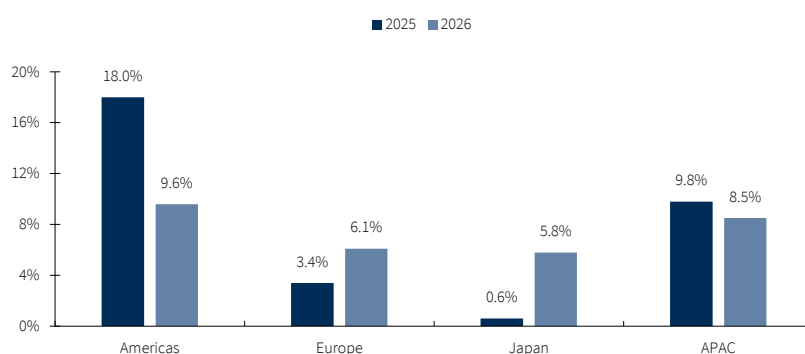
DGC completed 27% of the whole-year guidance after 1Q, so we maintain our output forecast

According to KBSV's estimates, DGC's P4 export output to the Japanese market in 1Q25 rose 23% YoY in 1Q (accounting for 45% of the group's total P4 consumption accumulated from 2022). However, we prudently changed our forecast in this period for two main reasons. (1) First, in the 4Q24 update report, WSTS downgraded the forecast for the semiconductor market growth in Japan and APAC to 0.6%/9.8% in 2025 (lower than the previous projection of 9.4%/10.4%) and announced 2026F projection at 5.8%/8.5%. (2) Second, although India is running short of DAP, the trend of DAP futures price corrections in this country after the Kharif crop indicated that the supply-demand issue has partly been improved. We expect strong demand from India in 2Q and 3Q this year to undermine the adverse impact from a potential decline in consumption from Japan in the short term. However, those are the basis for our assessment that the demand for P4 & H3PO4 has not entered a strong growth phase in 2025–2026.

KBSV maintains our forecast for P4 consumption output of DGC in 2025/2026 at 52,700/54,100 tons (up 18%/6% YoY). For H3PO4 85%, the sales volume should be 61,400/70,000 tons (+4%/14% YoY) respectively.

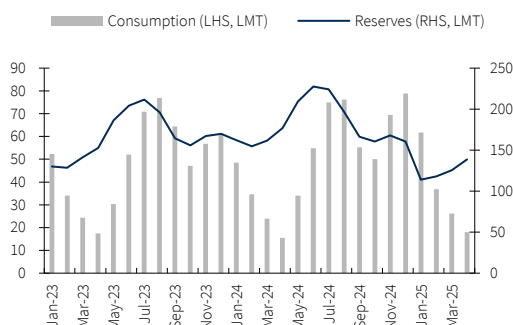
DGC is under indirect impacts from reciprocal tariffs as demand for chips from Japan may decline if sales of electronic products and components are hit.

Fig 3. Japan, APAC – Semiconductor market growth forecast for 2025–2026



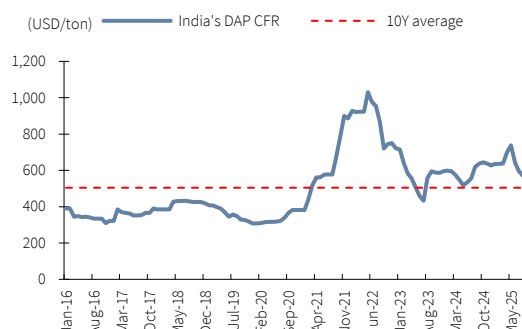
Source: WSTS, KB Securities Vietnam

Fig 4. India – Fertilizer consumption during Kharif crop (June – October 2025) (LMT)



Source: India's Department of Fertilizers, KB Securities Vietnam

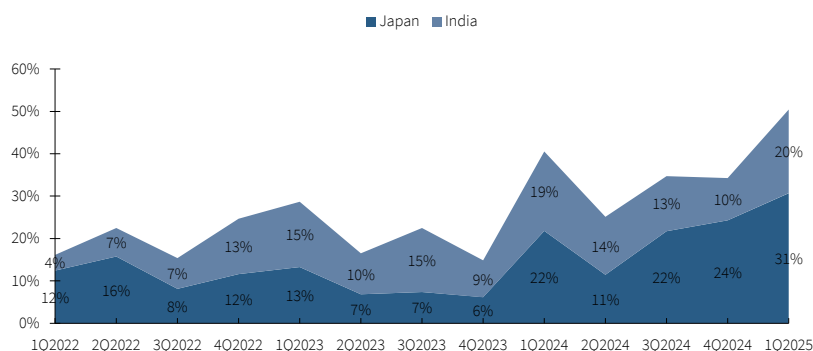
Fig 5. India – DAP future prices (USD/ton)



Source: Bloomberg, KB Securities Vietnam

Fig 6. DGC – P4 & H3PO4 export volume contributed by Japan & India (%)

Japan and India contributed more than 50% of DGC's total consumption of P4 & H3PO4 in 1Q25



Source: Duc Giang Chemicals, KB Securities Vietnam

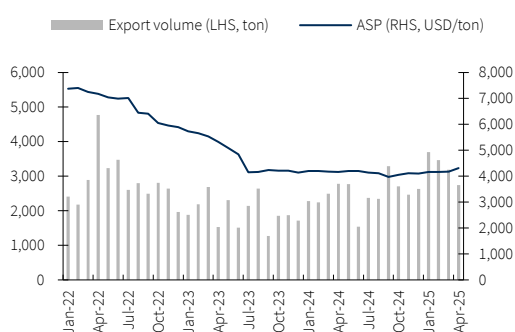
Accelerating procedures for expansion and upgrading of Mine No.25

As updated in the previous report, the high-quality ore reserves at DGC's Mine No.19B are touching low levels. Therefore, ramping up the apatite exploitation at Mine No.25 should be the key growth force for GPM in the medium term.

DGC may be subject to a 15% export tariff on P4 in the coming time

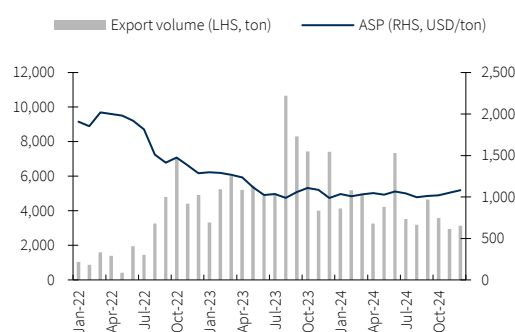
The Ministry of Finance has recently proposed raising the export taxes on P4 from the current 5% to 15%. We believe that DGC can negotiate and share part of the cost burden with its customers to cushion profit margins. In addition, the export output of the group currently accounts for more than 30% of global supply (excluding China), which is difficult for customers to find alternative sources of raw materials.

Fig 7. DGC – Export volume & ASP of P4 (ton, USD/ton)



Source: KB Securities Vietnam

Fig 8. DGC – Export volume & ASP of H3PO4 for food & electronics (85%) (ton, USD/ton)



Source: KB Securities Vietnam

DGC expects to start recording revenue from Duc Giang Residence between 2027 and 2029

Duc Giang Residence has been approved to pilot a commercial housing project, converted from agricultural and non-agricultural land with an implementation period of five years. The project covers an area of 54.3ha, including 60 townhouses, 1,000 apartments, and a high school. KBSV expects the residence to start contributing to DGC's profits between 2027 and 2029, with estimated revenue and profit reaching VND7,922/1,722 billion.

Forecast & valuation

Table 9. DGC –2025–2026F business performance

(VNDbn, %)	2024	2025F	+/-%YoY	2026F	+/-%YoY	Assumptions
Revenue	9,865	11,391	15%	13,306	17%	
Industrial phosphorus chemicals	5,760	6,970	21%	7,887	13%	P4 consumption increases by 18%/6% YoY in 2025 – 2026F
Agricultural phosphate, others	3,923	3,949	1%	3,819	-3%	Fertilizer consumption in 2025F gains 8% YoY. According to the plan, DGC will not produce H3PO4 for agricultural uses in 2025.
Tia Sang Battery (HNX: TSB)	182	193	6%	200	4%	
Ethanol Dai Viet	0	279		400	43%	
Duc Giang – Nghi Son	0	0		1,000		Assuming Duc Giang – Nghi Son operates at 50% capacity in the first year, the forecast revenue from the project is lowered by 20% compared to the previous report.
Cost of goods sold (COGS)	-6,367	-7,523	18%	-8,810	17%	
Gross profit	3,499	3,867	11%	4,496	16%	
<i>Gross profit margin</i>	<i>35.5%</i>	<i>34.0%</i>	<i>-151bps</i>	<i>33.8%</i>	<i>-16bps</i>	Expected gross profit margins of phosphorus-based chemicals, agricultural phosphate should reach 34.9%/35.5% in 2025/2026, consolidated GPM should decline when the group starts to record revenue from projects with lower profit margins.
Deposit interest	540	588	9%	731	24%	
Interest expense	-21	-21	1%	-21	-2%	
Exchange rate gain/loss	62	65	5%	67	2%	
Profits from affiliates	0	0		0		
SG&A	-665	-709	7%	-865	22%	SG&A increases by 7%/22% when new plants come into operation in 2025–2026.
Operating income/loss	3,414	4,486	31%	5,272	18%	
Net other income	-12	0	-100%	0		
Profit before taxes (PBT)	3,403	3,777	11%	4,407	17%	
Profit after taxes (NPAT)	3,110	3,398	9%	4,033	19%	
NP after MI (NPAT–MI)	2,989	3,268	9%	3,871	18%	
<i>NPAT–MI margin</i>	<i>30.3%</i>	<i>28.7%</i>	<i>-160bps</i>	<i>29.1%</i>	<i>40bps</i>	

Source: Duc Giang Chemicals, KB Securities Vietnam

We upgraded DGC to BUY with a price target of VND123,000

DGC's share price has declined 25% over the past 12 months, reflecting a weaker-than-expected 2024 earnings result (-4% YoY). We maintain our view that DGC's core business in the phosphorus chemicals segment is stable with high-quality products and a leading position in the region. DGC's current valuation is reasonable with a PER in the 10-year average range (approximately 10.3x), opening up more lucrative investment opportunities.

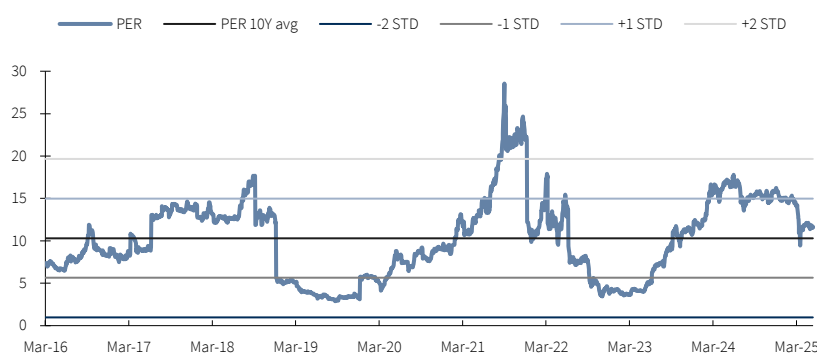
We use the target PER (10x) to determine the fair value of DGC's core business (phosphorus chemicals) in 2025-2026 and add the value of Duc Giang Residence to the valuation model. All things considered, we conclude that the final target price for DGC is VND123,000.

Table 10. DGC – SOTP results

SOTP	Value
Target PER for fore business	10.0
2025-2026F core business profit	3,570
EV for core business	35,699
Cash	11,288
Total debt	1,080
Owner's equity for core business	45,908
Real estate	827
Total owner's equity	46,735
Number of outstanding shares (million)	380
Fair value (VND/share)	123,000

Source: Duc Giang Chemicals, KB Securities Vietnam

Fig 11. DGC – 10-year PER (x)



Source: Bloomberg, KB Securities Vietnam

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Investment ratings & definitions

Investment Ratings for Stocks

(Based on the expectation of price gains over the next 6 months)

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

Investment Ratings for Sectors

(Based on the assessment of sector prospects over the next 6 months)

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

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