August 15th, 2023

Shinhan Securities



Duc Giang Chemicals Group JSC

[Vietnam / Chemicals]

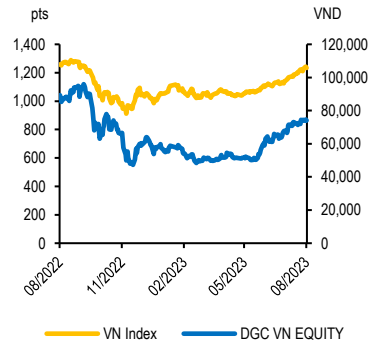
Bloomberg Ticker (DGC VN) | Reuters Ticker (DGC.HM)

BUY

Initiate Coverage

Target price (12 months)	**87,000 VND**
Current price (14/08/23)	74,000 VND
Upside/downside (%)	18.5%
VNINDEX	1,236
HNXINDEX	250
Market Cap (bn VND)	27,892
Outstanding shares (1mn)	380
Free float (1mn)	223
52-week high/low (VND)	103,500/48,100
90-day avg. trading volume (1mn)	2.9
90-day avg. turnover (bn VND)	204
Major shareholders (%)	Dao Huu Huyen and his related parties 39.11

Performance	3M	6M	12M
Absolute (%)	46.8	41.0	-18.8
Relative to VN-Index (%)	30.9	22.0	-16.8



Thao Nguyen - Analyst

(84-28) 6299-8004

thao.np@shinhan.com

Ly Bui – Head of Research

(84-28) 6299-8029

ly.btt@shinhan.com





Please click or scan

The interesting story ahead

Initiate coverage with BUY rating and target price of VND 87,000

Duc Giang Chemicals Group JSC (DGC) is one of the leading enterprises in the field of industrial chemicals in Vietnam and yellow phosphorus is the main product. Based on DCF method, we value DGC for the first time at 87,000 VND, equivalent to a 18.5% return. We expect a sustainable growth in revenue and profit in the long-term, due to (1) The leading producer of yellow phosphorus (P_4) in Vietnam, (2) From 2023, DGC has increased ore self-sufficiency rate to reduce production costs and (3) The numerous potential projects including Duc Giang Nghi Son chemical complex and Dak Nong bauxite are the key growth drivers from 2024 onwards.

The leading producer of yellow phosphorus (P_4) in Vietnam

DGC is the enterprise with the largest capacity of 72,000 tons/year, accounting for 90% of the total market share. DGC's strategy is to diversify products and deepen its phosphorus value chain. DGC aims to reduce the risk of P_4 export tariff hikes and increase the value-added products such as electronic – grade thermal phosphoric acid, wet phosphoric acid (WPA),...

From 2023, DGC has increased ore self-sufficiency rate to reduce production costs

Apatite ore accounts for 20 - 30% of production costs. Apatite ore costs continue to rise due to the scarcity of ore. From 2023, we believe DGC to increase its ore self-sufficiency after the completion of mining sites No.25 and 19b. We expect it could suffice 70 – 80% of apatite ore in the upcoming time, thereby reducing 20%-30% of outsourcing costs.

The numerous potential projects including Duc Giang Nghi Son chemical complex and Dak Nong bauxite are the key growth drivers from 2024 onwards.

Duc Giang Nghi Son chemical complex will solve 4 problems: (1) The product diversification of P_4, (2) To make use of by-products, especially Clorine (3) The project helps to make up the shortage of NaOH's domestic supply (4) DGC will be the first company in Vietnam to produce PVC. We have included the phase 1 Nghi Son in our forecast.

Dak Nong bauxite helps DGC avoid the risk of running out of apatite ore reserves. We expect the bauxite project to bring long-term profit to DGC following P_4 product. However, this project is still in the research phase, so we have not included it in our forecast yet.

Risks: (1) Risk of phosphorus export tariff hikes and (2) Higher-than-expected electricity price.

Year to Dec.	2022	2023F	2024F	2025F	2026F
Revenue (bn VND)	**14,444**	**8,303**	**8,543**	**9,046**	**9,425**
OP (bn VND)	5,998	2,676	2,717	2,629	2,350
NP (bn VND)	**6,037**	**3,188**	**3,430**	**3,586**	**3,555**
EPS (VND)	14,653	7,723	8,308	8,687	8,612
BPS (VND)	27,519	35,914	44,945	54,387	63,748
OPM (%)	41.5%	32.2%	31.8%	29.1%	24.9%
NPM (%)	41.8%	38.4%	40.1%	39.6%	37.7%
ROE (%)	**55.7%**	**22.3%**	**19.1%**	**16.4%**	**13.8%**
PER (x)	4.8	11.1	10.6	10.1	10.2
PBR (x)	2.6	2.4	2.0	1.6	1.4
EV/EBITDA (x)	0.3	0.5	0.4	0.4	0.4

Source: Company data, Shinhan Securities Vietnam

Shinhan Securities Vietnam Co., Ltd. does and seeks to do business with companies covered in its research reports. As a result, investors should be aware that the firm may have a conflict of interest that could affect the objectivity of this report. Investors should consider this report as only a single factor in making their investment decision. Analysts employed by Shinhan Securities Vietnam Co., Ltd. , or a non-US affiliate thereof, are not registered/qualified as research analysts with FINRA, may not be associated persons of the member and may not be subject to FINRA restrictions on communications with a subject company, public appearances and trading securities held by a research analyst account. For analyst certification and important disclosures, refer to the Compliance & Disclosure Notice at the end of this report.

Contents

3 **Industry overview and Company background**

6 **Investment Catalysts & Theses**

10 **Earnings estimates**

11 **Valuation and Recommendation**

15 **Risks**

16 **Appendix : Financial statements**

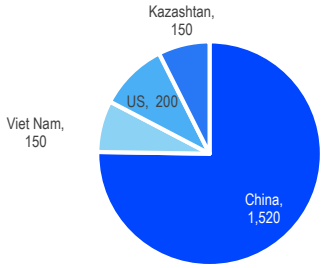
Industry overview and Company background

1. Industry overview:

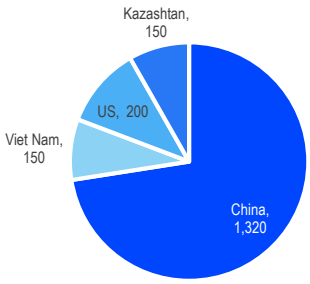
P_4 has high applications in industry such as the production of phosphate products, especially phosphoric acid; and is also widely used in explosives, matches, fireworks, pesticides, toothpaste and detergents, animal feed additives.

China's P_4 production capacity is largest in the world thanks to its abundant apatite ore resources. In recent years, China's supply of yellow phosphorus has plummeted owing to the dual control of both energy consumption and environment. P_4 is a high-energy consumption. China's power curbs triggered plunge in P_4 output.

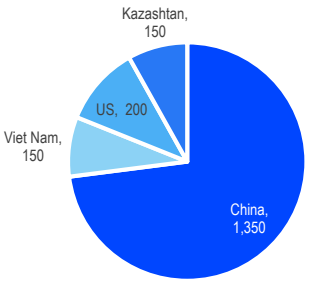
Global yellow phosphorus capacity 2017 (tons/year)



Global yellow phosphorus capacity 2020 (tons/year)



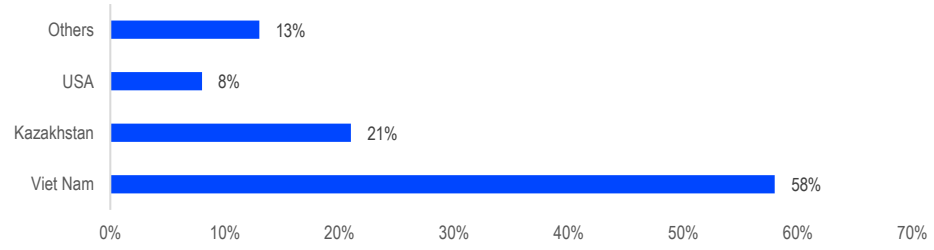
Global yellow phosphorus capacity 2022 (tons/year)



Source: Data company, Shinhan Securities Vietnam

China P_4 product is for domestic use only. In contrast, Vietnam is one of the largest exporters of P4 in the world. Vietnam has a competitive advantage thanks to (1) Vietnam is the only country in Southeast Asia with abundant apatite ore resources, (2) low production costs, especially electricity prices and (3) low export tariffs of P_4 (5%).

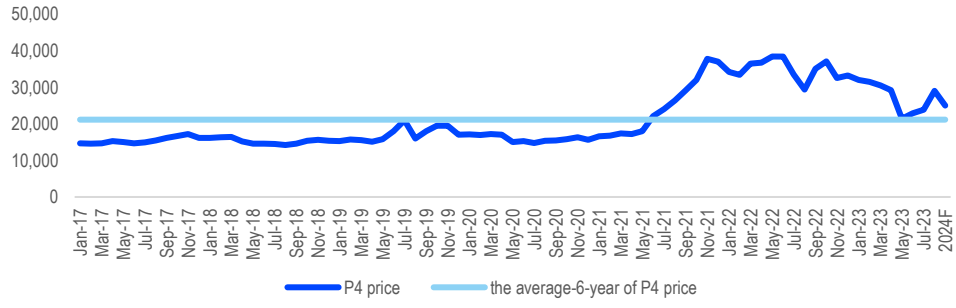
P_4's export market share in 2022 (%)



Source: Vietnam Customs, Shinhan Securities Vietnam

P_4 prices exploded in 2021 and 2022. P_4 price surged due to China's production cuts along with power shortages. Because of the weak demand and the improvement of China's supply, we believe that the price of P_4 will normalize in the coming years.

China's P_4 price (RMB/tons)



Source: Sunsirs, Shinhan Securities Vietnam

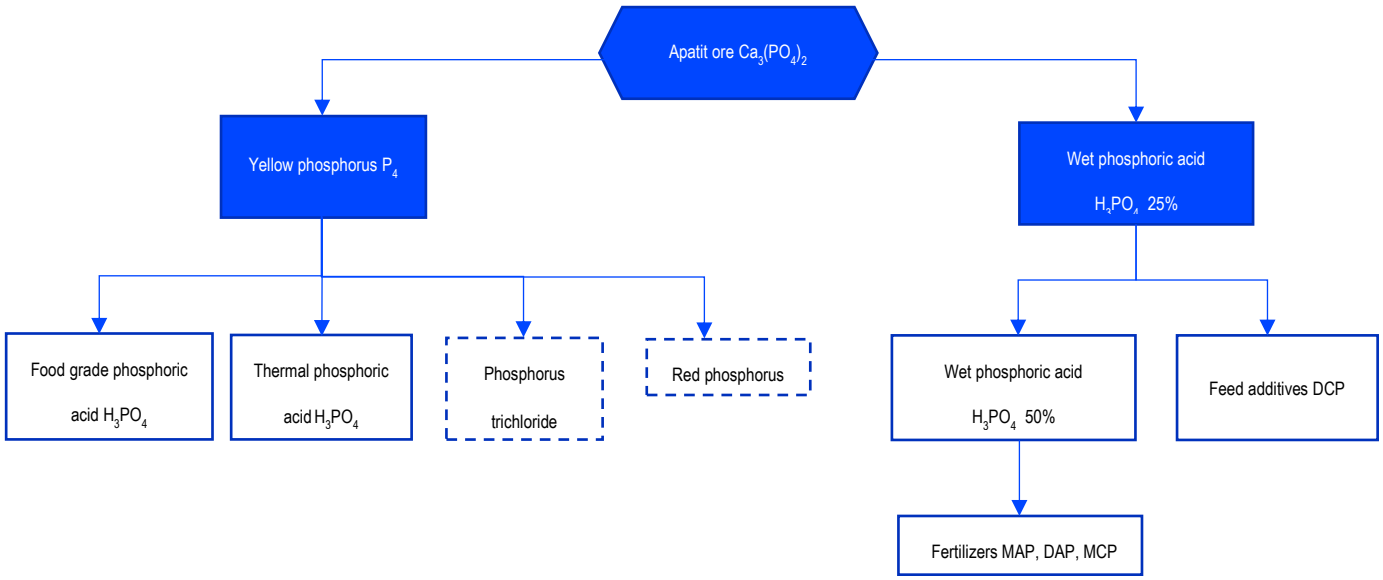
2. Company background:

History

Duc Giang Chemical is a state-owned enterprise established in 1963 and specializes in washing powder production. The company was equitised in 2004. It filed for listing on the Hanoi Stock Exchange (HNX) in early November 2019 with more than 129 million shares. In 2020, DGC moved its share listing from HNX to the Ho Chi Minh City Stock Exchange (HSX).

DGC mainly produces yellow phosphorus (P_4) and phosphorus – related chemicals (merchant-grade phosphoric acid, food phosphoric acid and feed additives) which have diverse agricultural and industrial applications.

DGC's value chain

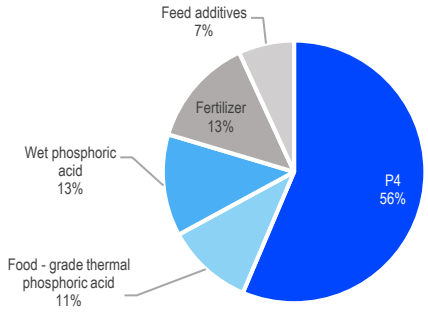


Source: Data Company, Shinhan Securities Company

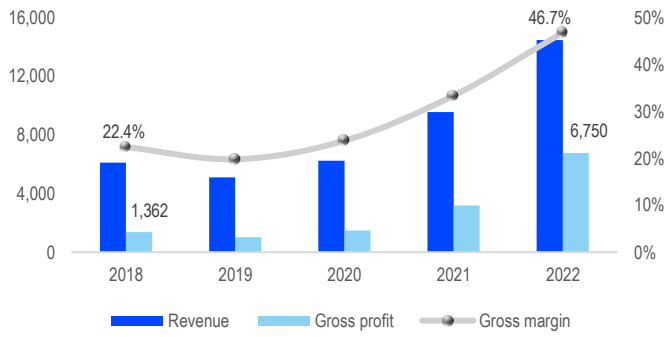
In which:

- Yellow phosphorus (P_4) (accounting for about 60% of revenue): This is an important input material, with high applications in industry (P_4 can extend the value chain with products such as: thermal phosphoric acid, food phosphoric acid,...)
- Wet phosphoric acid (WPA) (accounting for about 13% of revenue): WPA is the basic material to produce high-grade fertilizer DAP, MAP, Superphosphate,...
- Food-grade phosphoric acid (accounting for about 11% of revenue): typically used for pH control in the food industry, for example in the manufacture of cheese products, fats, and shortenings. Food grade phosphoric acid is also used in the beverage industry in soft drinks.

DGC's revenue breakdown by segment (%)

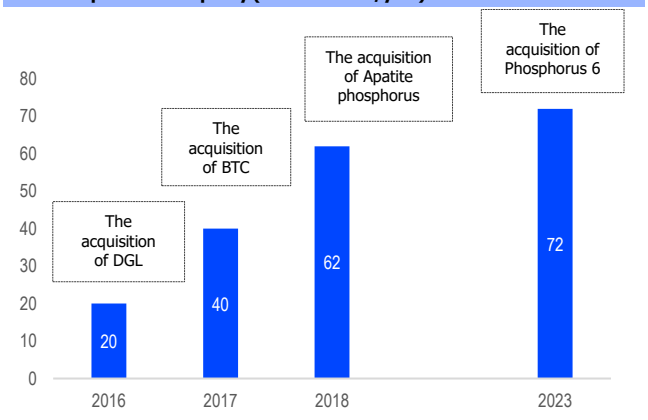


DGC's revenue and gross profit (VND bn)

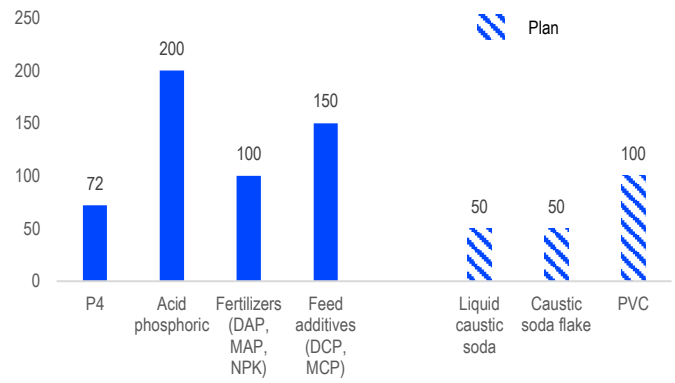


Source: Data Company, Shinhan Securities Company

DGC's P_4 production capacity (thousand tons/year)

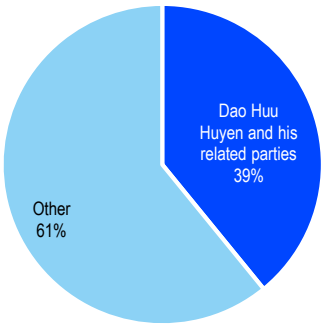


Production capacity of DGC (thousand tons/year)

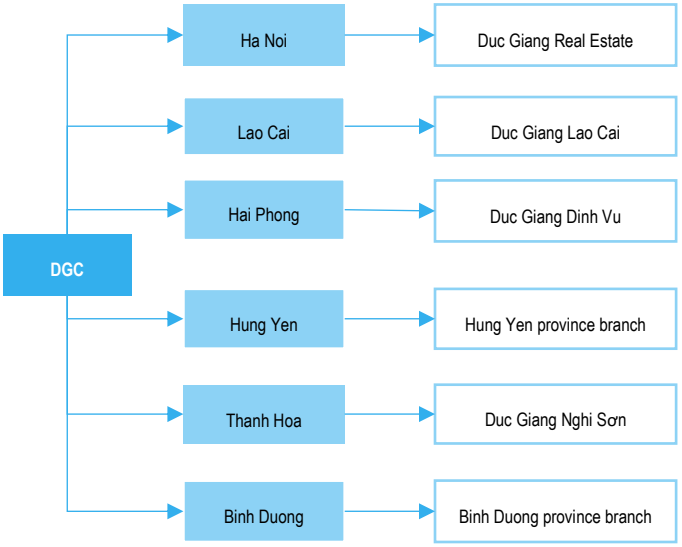


Source: Data Company, Shinhan Securities Company

Shareholder Structure 09/08/2023



Model of Governance



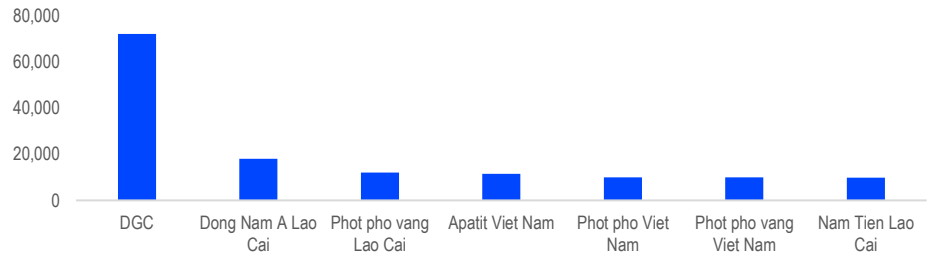
Source: Data Company, Shinhan Securities Company

Investment Catalyst & Theses

The leading producer of yellow phosphorus (P_4) in Vietnam

Vietnam has 7 enterprises engaged in P_4 production, mainly concentrated in Lao Cai province. DGC has been the enterprise owning the largest capacity of 62,000 tons/year, accounting for 90% of the total market share. In Q2/2023, DGC acquired Phosphorus 6 Joint Stock Company (capacity: 10,000 tons/year), adding the production capacity of P_4 by 15%. Currently, Lao Cai province is no longer approving new P_4 projects. We believe this will be an advantage for DGC to develop in the medium and long term.

Vietnam's P_4 production capacity (tons/year)



Source: Data company, Shinhan Securities Vietnam

Besides, DGC's strategy is to diversify products and deepen its phosphorus value chain. DGC aims to reduce the export of P_4 product and increase the value-added products such as electronic – grade thermal phosphoric acid, wet phosphoric acid (WPA),...

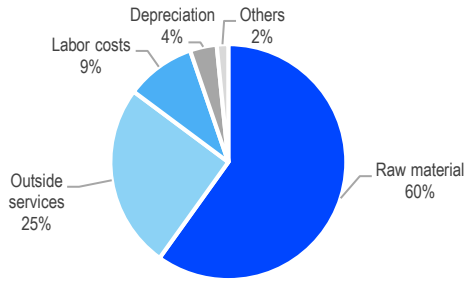
Product	Capacity (ton/year)	Application	Consumption market	Competitor	Competive advantage
P_4	72,000	Electronics, semiconductors, explosion-proof agents, pesticides, herbicides	100% export: India, South Korea, Japan	Korea, Japan: DGC occupies the majority market share. India: DGC competes with Kazakhstan.	The low electricity cost Exports of yellow phosphorus enjoy low tarrifs at 4% (China: 20%).
H_3PO_4	160,000 WPA, 40,000 HPO	DAP, MAP, NPK fertilizers, food and beverage	50% internal use and 50% export: India, China	India, Morocco, Tunisia, Jordan,...	India has no apatite ore Vietnam is near the industrial zone in the South of China.
DAP, MAP, NPK	100,000	Fertilizers	Domestic	The only domestic manufacturer of MAP fertilizer	
DCP, MCP	150,000	Feed additives	Domestic		
Red phosphorus (plan)	5,000	Pyrotechnics, fertilizers, and pesticides			
PCl_3 (plan)		Plastics, paints, lubricants			

Source: Data company, Shinhan Securities Vietnam

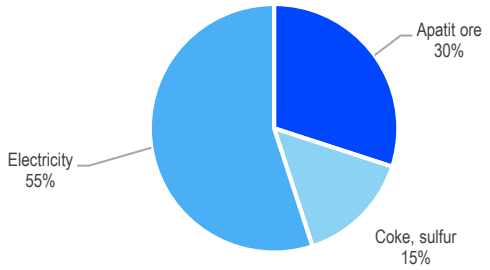
From 2023, DGC has increased ore self-sufficiency rate to reduce production costs

The input materials account for about 60% of DGC's total cost. In which, the main raw materials are apatite ore (about 20% - 30% of the total cost of materials), coke, sulfur, … (about 10-15% of the total cost of materials) and the remainder is electricity cost.

Production costs by business factor



Input costs structure



Source: Data company, Shinhan Securities Vietnam

Currently, Vinachem is the unit that manages and exploits apatite ore resources in Vietnam. The ore price, controlled by Vinchem, is relatively stable and much lower than the price of imported ore. However, apatite ore costs continue to rise due to the scarcity of ore. From 2023, we believe DGC to increase its ore self-sufficiency after the completion of mining sites No.25 and 19b. We expect it could suffice 70 – 80% of apatite ore in the upcoming time, thereby reducing 20%-30% of outsourcing costs.

The mining site No.25	
Location	Bat Xat district, Lao Cai province
Ore reserve	3.7 million tons, high-quality
Total capital	VND 210 bn
Productive time	6 years, from 21/4/2021
The mining site No.19b	
Location	Lao Cai province
Ore reserve	5 million tons, high-quality
Productive time	5 years

Source: Data company, Shinhan Securities Vietnam

The numerous potential projects including Duc Giang Nghi Son chemical complex and Dak Nong bauxite are the key growth drivers from 2024 onwards

❖ **Duc Giang Nghi Son chemical complex** will solve 4 problems:

(1) The product diversification of P_4.

(2) To make use of by-products, especially Chlorine gas. The reaction of yellow phosphorus burns in Chlorine gas to form PCl_3 and H_3PO_3 (high applications in the plastics and solvents industry).

(3) The project helps to make up for the shortage of NaOH[1]'s domestic supply. Vietnam's supply of NaOH only meets about 50% of domestic demand while the demand for caustic soda is still quite large.

(4) DGC will be the first company in Vietnam to produce PVC[2]. Currently, Vietnam has not mastered the plastic production value chain due to its dependence on imported plastic resins and solvents as input materials.

Phase	Total investment	Production	Industry Competitors	Expected profit
Phase 1	VND 2,400 bn	Liquid caustic soda: 50,000 tons/year and chlorine-related production	CSV, HVT, Dong A Chemicals	Expected revenue: VND 6,000 – 7,000 bn Expected profit: VND 800 bn
Phase 2	VND 6,000 bn	Caustic soda flake[3]: 100,000 tons/year PVC: 100,000 tons/year	The first company in Vietnam to produce PVC	

Source: Data company, Shinhan Securities Vietnam

❖ **Dak Nong bauxite[4]** helps DGC avoid the risk of running out of apatite ore reserves. We expect the bauxite project to bring long-term profit to DGC following P_4 product. However, this project is still in the research phase, so we have not included it in our forecast yet.

Phase	3 phases
Total investment	USD 1.6 bn
Capacity	14.4 million tons of bauxite ore/year 3 ore processing factories with a combined annual capacity of 5.8 million tons of ores
Expected profit	VND 4,800 bn

Source: Data company, Shinhan Securities Vietnam

[1] Caustic soda's main uses include being used as a drain pipe cleaner, unblocks drains, removing built up grease from ovens, making soap and detergents.

[2] PVC: a synthetic thermoplastic material made by polymerizing vinyl chloride

[3] Caustic soda flakes are a white flake mass that is highly hygroscopic and very soluble in water. Caustic soda flakes are produced from the evaporation of liquid caustic soda.

[4] Bauxite ore is used to produce Al (aluminum).

Earnings estimates

In 2023, we forecast DGC's revenue and profit to be VND 8,303 bn (-42.5% YoY) and VND 3,188 bn (-47.2% YoY), respectively. The above result is driven by the correction of P_4 price and related products in the phosphorus chemical price. Besides, fertilizer prices will continue to decline in 2023 due to the decrease in demand for agricultural products and the global economic downturn.

PVT's revenue and profit outlook	2022	2023F	YoY	2024F	YoY
Net revenue (bn VND)	14,444	8,303	-42.5%	8,543	2.9%
Operating Profit (bn VND)	5,998	2,676	-55.4%	2,717	1.5%
Net Profit	6,037	3,188	-47.2%	3,430	7.6%
EPS (VND)	14,653	7,723	-47.3%	8,308	7.6%
BPS (VND)	27,519	35,914	30.5%	44,945	25.1%
OPM	41.5%	32.2%		31.8%	
NPM	41.8%	38.4%		40.1%	
ROE (%)	55.7%	22.3%		19.1%	
PER (x)	5.3	11.3		10.6	
PBR (x)	2.8	2.4		2.0	
EV/EBITDA (x)	0.3	0.5		0.4	

Source: Company data, Shinhan Securities Company

DGC's revenue breakdown	2022	2023F	YoY	2024F	YoY	Assumption
Industrial chemical revenue (VND bn)	**9,471**	**4,954**	**-47.7%**	**4,359**	**-15.9%**	
In which:						
*** Yellow phosphorus revenue (VND bn)	7,961	3,899	-51.0%	3,446	-14.0%	
Volume (tons)	54,145	40,609	-25.0%	44,670	10%	We assume P_4 volume declines due to weak demand
ASP (VND mn/tons)	147	96	-34.7%	77	-16.9%	We estimate P_4 price will decline due to weak demand and slow recovery in China.
Agricultural phosphates revenue (VND bn)	**4,649**	**3,349**	**-28.0%**	**3,351**	**0.1%**	
In which:						
*** WPA revenue (VND bn)	1,770	1,550	-12.4%	1,621	4.5%	
Volume (tons)	108,403	140,924	30.0%	162,062	15.0%	We assume the WPA volume will be stable.
ASP (VND mn/tons)	16.3	11.0	-32.6%	10.0	-9.1%	We estimate the selling price will decline and gradually back to the average-6-year price.
*** Fertilizer revenue (VND bn)	1,910	1,179	-38.3%	1,078	-8.6%	
Volume (tons)	217,230	198,270	-8.7%	198,270	0.0%	We assume that the sale volume to decline due to weaker demand.
ASP (VND mn/tons)	8.79	5.95	-32.4%	5.44	-8.6%	The selling price is adjusted due to weak demand and lower gas price
Chlor-alkali revenue				**774**		Nghi Son project phase 1 comes into operation, capacity 30%
Total revenue (VND bn)	**14,444**	**8,303**	**-42.5%**	**8,543**	**2.9%**	

Update business results in 6M/2023:

Accumulated in the first 6 months of 2023, DGC recorded revenue of VND 4,896 billion (-35.9% y.o.y); net profit reached VND 1,704 billion (-49.9% y.o.y), fulfilling 59% and 53% of our forecast, respectively. The sharp decrease was the weak consumption volume and the selling price in the domestic and international markets. In which, yellow phosphorus recorded a 44% decrease in sales volume and a 57% decrease in revenue; WPA products recorded a 43% increase in output, a decrease of 8% in revenue; Fertilizer recorded a decrease of 2.26% in output, a decrease of 0.28% in revenue.

Valuation and Recommendation

Initiate coverage with BUY rating and target price of VND 87,000

We initiate coverage Duc Giang Chemicals Group JSC (DGC) with a buy recommendation and a target price of VND 87,000, corresponding to an increase of 18.5% from the current price. For a long-term view, DGC is an investment that can be considered with following advantages:

1) The leading producer of yellow phosphorus (P4) in Vietnam.

2) From 2023, DGC has increased ore self-sufficiency rate to reduce production costs.

3) The numerous potential projects including Duc Giang Nghi Son chemical complex and Dak Nong bauxite are the key growth drivers from 2024 onwards.

Valuation

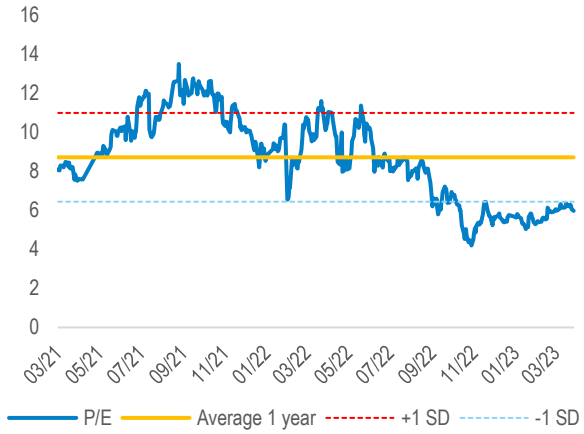
We apply a Discounted Cash Flow (DCF) valuation method to value DGC.

DCF valuation (include phase 1 Nghi Son Chemical Complex)					
Unit: billion VND	**2023F**	**2024F**	**2025F**	**2026F**	**2027F**
Net profit	2,933	3,155	3,299	3,271	3,442
Plus: After-tax interest expense	15	18	19	21	23
Plus: Depreciation & Amortization	311	361	420	484	559
Minus: Change in working capital	-39	-20	-46	-67	-35
Minus: CapEx	373	506	587	678	838
Free Cash Flow (FCF)	**2,924**	**3,049**	**3,196**	**3,165**	**3,221**
PV of FCF	11,382				
Growth rate	2%				
Present value of long-term value	14,520				
Enterprise value	**25,902**				
Debt	1,000				
Cash and cash equivalents	8,520				
Equity value	**33,422**				
Number of shares outstanding (mn units)	380				
Target price (VND)	**87,000**				

WACC	**14.0%**
Risk-free rate	3.0%
Equity risk premium	9.57%
Beta	1.1
Debt cost	8%
The cost of equity	14.7%
Debt-to-equity ratio	4.3%
Total debt (VND bn)	1,000

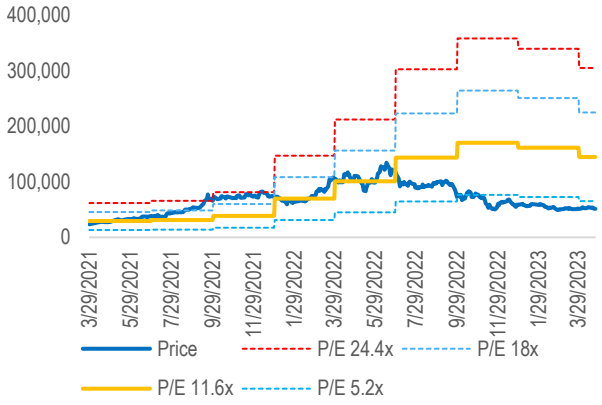
Source: Company data, Shinhan Securities Company

DGC's PER 1 year



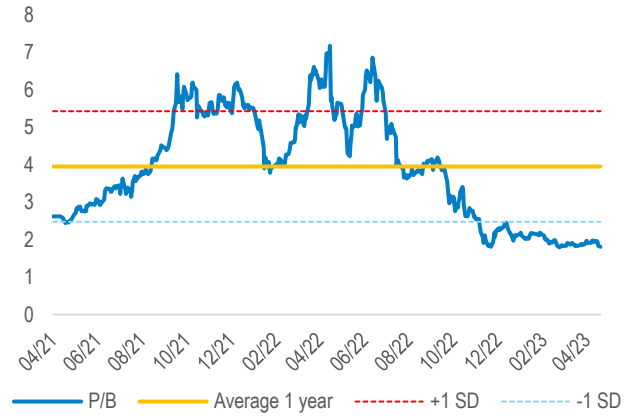
Source: Bloomberg, Company data, Shinhan Securities Vietnam

PER band chart of DGC



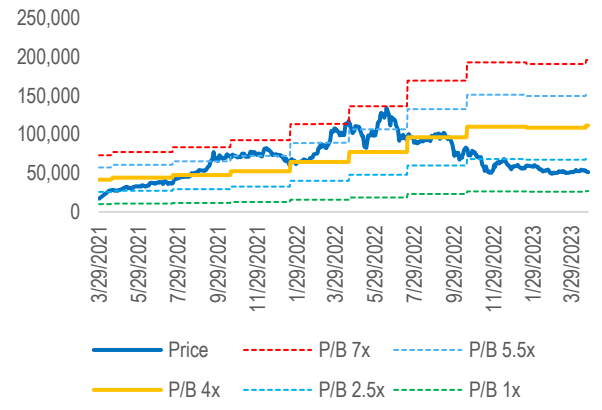
Source: Bloomberg, Company data, Shinhan Securities Vietnam

DGC's PBR 1 year



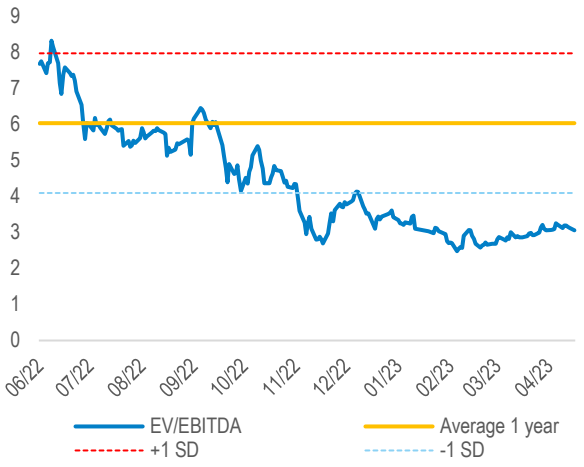
Source: Bloomberg, Company data, Shinhan Securities Vietnam

PBR band chart of DGC



Source: Bloomberg, Company data, Shinhan Securities Vietnam

DGC's EV/EBITDA 1 year



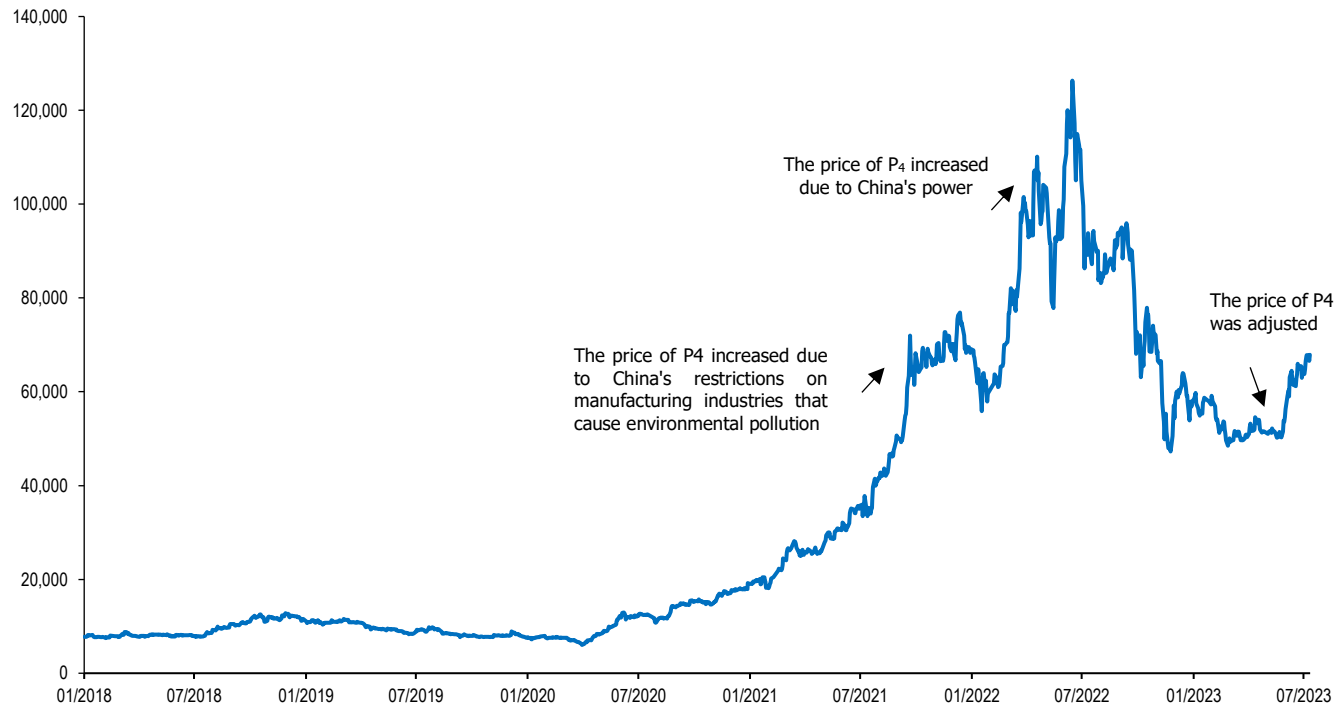
Source: Bloomberg, Company data, Shinhan Securities Vietnam

Correlation of DGC's price and ROE



Source: Bloomberg, Company data, Shinhan Securities Vietnam

Key event chart of DGC



Source: Bloomberg, Company data, Shinhan Securities Vietnam

Risks

Risk of phosphorus export tariff hikes

The Ministry of Finance may raise the export tariff applied for yellow phosphorus, which may be as high as 15% (instead of 5%), to contribute to the goal of protecting mineral resources and limiting the industry that causes harm to the environment.

Higher-than-expected electricity price

Electricity costs account for 30% - 40% of total input costs, which is the largest cost in DGC's production. DGC is fully dependent on EVN's national grid system, which means the company is at risk when electricity prices increase.

Appendix: Financial statements

Statement of financial position

Year to Dec. (bn VND)	2021	2022	2023F	2024F	2025F
Total assets	8,520	13,406	16,383	20,190	24,287
Current assets	5,997	10,985	12,887	15,894	19,157
Cash & equivalents	124	1,535	4,155	7,115	10,273
Short-term financial asset	3,632	7,471	7,471	7,471	7,471
Accounts receivable	781	919	529	544	576
Inventories	1,386	1,000	671	705	777
Non-current assets	2,523	2,420	2,716	3,094	3,496
Net fixed assets	1,974	1,781	2,077	2,455	2,856
Investment assets	172	234	234	234	234
Other long-term assets	378	406	406	406	406
Total liabilities	2,188	2,572	2,107	2,209	2,433
Current liabilities	2,188	2,571	2,106	2,209	2,433
Accounts payable	683	326	219	230	254
Short-term borrowings	842	468	682	716	790
Others	663	1,778	1,205	1,263	1,390
Non-current liabilities	0	0	0	0	0
Long-term borrowings	0	0	0	0	0
Other financial liabilities	0	0	0	0	0
Total shareholders' equity	6,332	10,834	14,277	17,981	21,854
Capital stock	1,711	3,798	3,798	3,798	3,798
Capital surplus	1,787	1,787	1,787	1,787	1,787
Other capital	-368	-217	-217	-217	-217
Retained earnings	2,947	5,084	8,272	11,702	15,288
Non-controlling interest equity	255	382	638	912	1,199
*Total debt	842	468	682	716	790
*Net debt (cash)	-2,914	-8,539	-10,944	-13,870	-16,954

Statement of comprehensive income

Year to Dec. (bn VND)	2021	2022	2023F	2024F	2025F
Revenue	9,550	14,444	8,303	8,543	9,046
Growth		51.2%	-42.5%	2.9%	5.9%
COGS	6,368	7,694	5,170	5,425	5,983
Gross profit	3,182	6,750	3,133	3,118	3,063
GPM	33.3%	46.7%	37.7%	36.5%	33.9%
SG&A	640	752	457	402	434
Operating profit	2,542	5,998	2,676	2,717	2,629
Growth		136.0%	-55.4%	1.5%	-3.3%
OPM	26.6%	41.5%	32.2%	31.8%	29.1%
Non-operating profit	103	384	657	871	1,125
Financial income	171	533	805	1,022	1,277
Financial expense	68	150	148	151	152
In which: interest expenses	14	18	16	19	20
Net other non-operating profit	-7	-6	0	34	34
Pre-tax profit	2,637	6,376	3,367	3,622	3,787
Income tax	123	339	179	192	201
Net profit	2,514	6,037	3,188	3,430	3,586
Growth		140.2%	-47.2%	7.6%	4.6%
NPM	26.3%	41.8%	38.4%	40.1%	39.6%
Controlling interest	2,388	5,565	2,933	3,155	3,299
Non-controlling interest	126	472	255	274	287
EBIT	2,651	6,393	3,383	3,641	3,807
Growth		141.2%	-47.1%	7.6%	4.6%
EBIT Margin	27.8%	44.3%	40.7%	42.6%	42.1%
EBITDA	2,919	6,679	3,694	4,002	4,227
Growth		128.8%	-44.7%	8.4%	5.6%
EBITDA margin	30.6%	46.2%	44.5%	46.8%	46.7%

Statement of cash flow

Year to Dec. (bn VND)	2021	2022	2023F	2024F	2025F
Cash flow from operations	1,073	6,871	3,283	3,537	3,765
Net profit	2,388	5,565	2,933	3,155	3,299
Depreciation expense	268	285	311	361	420
(Gain) from investing activities					
Change in working capital	-55	1,021	39	20	46
Others	-1,528	0	0	0	0
Cash flow from investments	-1,101	-129	-373	-506	-587
Change in fixed assets	-241	-157	-373	-506	-587
Change in investment assets	-860	28	0	0	0
Others	0	0	0	0	0
Cash flow from financing	183	700	-290	-72	-19
Change in equity	0	2,214	255	274	287
Net borrowing	183	-374	215	34	74
Dividends	0	-1,139	-760	-380	-380
Change in total cash	155	7,442	2,620	2,959	3,158
Beginning cash	282	124	1,535	4,155	7,115
Change in FX rates					
Ending cash	124	1,535	4,155	7,115	10,273

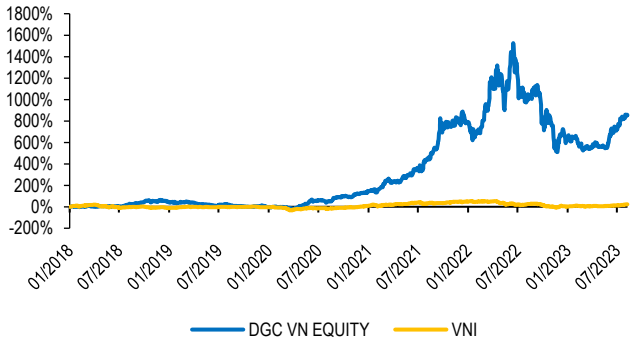
Key ratios

Year to Dec.	2021	2022	2023F	2024F	2025F
EPS (VND)	13,959	14,653	7,723	8,308	8,687
BPS (VND)	35,519	27,519	35,914	44,945	54,387
DPS (VND)	1,000	3,000	2,000	1,000	1,000
PER (x)	5.5	5.3	11.3	10.5	10.0
PBR (x)	2.2	2.8	2.4	1.9	1.6
EV/EBITDA (x)	0.6	0.3	0.5	0.4	0.4
Dividend payout ratio (%)	7%	20%	26%	12%	12%
Dividend yield (%)	2.2%	6.7%	4.4%	2.2%	2.2%
Profitability					
EBITDA margin	30.6%	46.2%	44.5%	46.8%	46.7%
OPM	26.6%	41.5%	32.2%	31.8%	29.1%
NPM	26.3%	41.8%	38.4%	40.1%	39.6%
ROA	29.5%	45.0%	19.5%	17.0%	14.8%
ROE	39.7%	55.7%	22.3%	19.1%	16.4%
Stability					
Debt to equity ratio	13.3%	4.3%	4.8%	4.0%	3.6%
Cash ratio	5.7%	59.7%	197.3%	322.1%	422.2%
Interest coverage ratio (x)	186.0	340.8	172.4	143.9	129.3
Activity					
Working capital turnover (days)	70	55	55	55	55
Inventory turnover (days)	79	47	47	47	47
Receivable turnover (days)	30	23	23	23	23

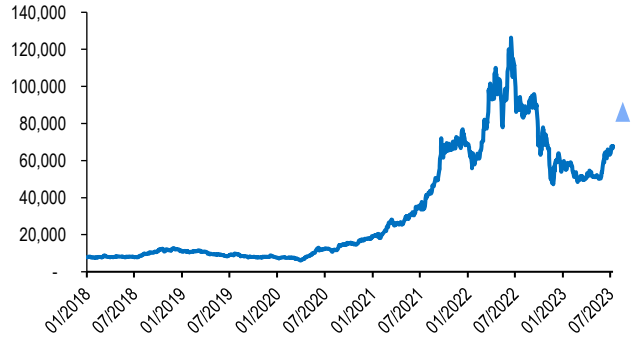
Source: Company data, Shinhan Securities Vietnam

Duc Giang Chemicals Group JSC (DGC VN)

Share price



Target price (VND)



Date	Rating	TP (VND)	TP gap (%)	
			TB	Max/Min
10/08/2023 (Initiation)	BUY	87,000	14.5	-15.9/80.8

Note: Calculation of target price gap based on past 12 months

Shinhan Securities Vietnam

Stock	Sector
◆ **BUY:** Expected 12-month gain of 15% or more ◆ **HOLD:** Expected 12-month loss of 15% to gain of 15% ◆ **SELL:** Expected 12-month loss of 15% or more	◆ **OVERWEIGHT:** Based on market cap, largest share of sector stocks under coverage is rated BUY ◆ **NEUTRAL:** Based on market cap, largest share of sector stocks under coverage is rated HOLD ◆ **UNDERWEIGHT:** Based on market cap, largest share of sector stocks under coverage is rated SELL

Compliance & Disclosure Notice

Analyst Certification

- The following analysts hereby certify that their views about the companies and securities discussed in this report are accurately expressed and that they have not received and will not receive direct or indirect compensation in exchange for expressing specific recommendations or views in this report: Thao Nguyen

Important Disclosures & Disclaimers

- As of the date of publication, Shinhan Securities Vietnam Co., Ltd. does not beneficially own 1% or more of any class of common equity securities of the following companies mentioned in this report: DGC VN
- Shinhan Securities Vietnam Co., Ltd. or one of its affiliates, and/or their respective officers, directors, or employees may have interests, or long or short positions, and may at any time make purchases or sales as a principal or agent of the securities of the companies mentioned in this report.
- As of the date of publication, research analysts responsible for this report and members of their households do not have any financial interest in the debt or equity securities of the companies mentioned in this report.
- Research analysts responsible for this report receive compensation based upon, among other factors, the overall profitability of Shinhan Securities Vietnam Co., Ltd. including profits derived from investment banking. The analysts responsible for this report may also receive compensation based upon, among other factors, the overall profitability of sales and trading businesses relating to the class of securities or financial instruments for which such analysts are responsible.
- All opinions and estimates regarding the companies and their securities are accurate representations of the research analysts' judgments and may differ from actual results.
- This report is intended to provide information to assist investment decisions only, and should not be used or construed as an offer or a solicitation of an offer to buy or sell any securities. The information herein has been obtained from sources deemed reliable, but such information has not been independently verified and no guarantee, representation, or warranty, expressed or implied, is made as to its accuracy, completeness, or correctness. Shinhan Securities Vietnam Co., Ltd. makes the best effort but does not guarantee the accuracy, completeness, or correctness of information and opinions translated into English from original Vietnamese language materials. Shinhan Securities Vietnam Co., Ltd. accepts no liability whatsoever for any direct, indirect, and/or consequential loss arising from any use of this material or its contents. Stock selection and final investment decisions should be made at the investor's own and sole discretion.
- This report is distributed to our customers only, and any unauthorized use, duplication, or redistribution of this report is strictly prohibited.
- Investing in any Vietnamese securities or related financial instruments discussed in this research report may present certain risks. The securities of Vietnamese issuers may not be registered with, or be subject to the regulations of, the US Securities and Exchange Commission. Information on Vietnamese securities or related financial instruments may be limited. Foreign companies may not be subject to audit and reporting standards and regulatory requirements comparable to those in effect within the US. The value of any investment or income from any securities or related financial instruments discussed in this research report denominated in currencies other than the Vietnamese won is subject to exchange rate fluctuations that may have a positive or adverse effect on the value of or income from such securities or related financial instruments.

Distribution

- United States: This report is distributed in the US by Shinhan Investment America, Inc., a member of FINRA/SIPC, and is only intended for major US institutional investors as defined in Rule 15a-6(a)(2) of the US Securities Exchange Act of 1934. All US persons that receive this document by their acceptance thereof represent and warrant that they are major US institutional investors and have not received this report under any express or implied understanding that they will direct commission income to Shinhan Securities Vietnam Co., Ltd. or its affiliates. Pursuant to Rule 15a-6(a)(3), any US recipient of this document wishing to effect a transaction in any securities discussed herein should contact and place orders with Shinhan Investment America, Inc., which accepts responsibility for the contents of this report in the US. The securities described herein may not have been registered under the US Securities Act of 1933, as amended, and, in such case, may not be offered or sold in the US or to US persons unless they have been registered or are in compliance with an exemption from registration requirements.
- All Other Jurisdictions: Customers in all other countries who wish to effect a transaction in any securities referenced in this report should contact Shinhan Securities Vietnam Co., Ltd. or its affiliates only if distribution to or use by such customer of this report would not violate applicable laws and regulations and not subject Shinhan Securities Vietnam Co., Ltd. and its affiliates to any registration or licensing requirement within such jurisdiction.



Shinhan Investment Network

SEOUL
Shinhan Securities Co., Ltd
Shinhan Investment Tower
70, Youido-dong, Yongdungpo-gu,
Seoul, Korea 150-712
Tel : (82-2) 3772-2700, 2702
Fax : (82-2) 6671-7573

NEW YORK
Shinhan Investment America Inc.
1325 Avenue of the Americas Suite 702,
New York, NY 10019
Tel : (1-212) 397-4000
Fax : (1-212) 397-0032

Hong Kong
Shinhan Investment Asia Ltd.
Unit 7705 A, Level 77
International Commerce Centre
1 Austin Road West
Kowloon, Hong Kong
Tel : (852) 3713-5333
Fax : (852) 3713-5300

Indonesia
PT Shinhan Sekuritas Indonesia
30th Floor, IFC 2, Jl. Jend. Sudirman Kav.
22-23, Jakarta, Indonesia
Tel : (62-21) 5140-1133
Fax : (62-21) 5140-1599

Shanghai
Shinhan Investment Corp.
Shanghai Representative Office
Room 104, Huaneng Union Mansion No.958,
Luijiazui Ring Road, PuDong, Shanghai, China
Tel : (86-21) 6888-9135/6
Fax : (86-21) 6888-9139

Ho Chi Minh
Shinhan Securities Vietnam Co., Ltd.
22nd Floor, Centec Tower, 72-74 Nguyen Thi Minh Khai Street,
District 3, Ho Chi Minh City, Vietnam
Tel : (84-8) 6299-8000
Fax : (84-8) 6299-4232

Ha Noi
Shinhan Securities Vietnam Co., Ltd.
Hanoi Branch
2nd Floor, Leadvisors Building, No. 41A Ly Thai To,
Ly Thai To Ward, Hoan Kiem District, Hanoi, Vietnam.
Tel : (84-8) 6299-8000