

2 Jun 2026

# Duc Giang Chemical (DGC)

## Legal violations weigh on earnings

### 1Q26: Legal violations weigh on earnings

- 1Q26 revenue declined to VND2,125bn (-24% yoy, -22% qoq, ~77% of KIS forecast). Per our estimation, Phosphorus-equivalent output may have dropped by 20–40% yoy, mainly due to reduced production amid management disruptions and the suspension of DGC's mining sites for investigation purposes.
- Gross profit reached VND489bn (-50% yoy, -32% qoq), corresponding to a gross margin of 23% (-11.9%p yoy, -3.1%p qoq). NPAT came in at VND430bn (-49% yoy, -35% qoq, ~91% of KIS forecast).
- The decline in profitability mainly reflects the company's reliance on 100% externally sourced/imported ore following the suspension of its own mining operations. In addition, higher input costs such as electricity, sulfur, and ammonia further increased cost of goods sold, according to DGC's explanation.

### Extraordinary General Meeting May 8, 2026 highlights

- At the recent EGM, three new board members were elected to replace those who had been prosecuted. The three hold significant shareholdings in DGC and belong to the shareholder group associated with former board members, including:
  - Mr. Dao Huu Kha (younger brother of Mr. Dao Huu Huyen)
  - Mr. Nguyen Quoc Trung (Head of DGC's Project Management Division)
  - Mr. Pham Duy Tung (CEO of Duc Giang Real Estate Company).
- At present, DGC shares remain under trading restrictions due to the delay of more than 45 days in filing the audited financial statements. In pursue to resolve this issue, DGC appointed a new auditor UHY, replacing PwC. The management expect the publication of 2025 audited financial statements in 2Q26.
- Management expects the Nghi Son Chlor-Alkali project to commence partial trial operations in 3Q26–4Q26, significantly later than its previous guidance of commissioning in 2Q26.

	2021A	2022A	2023A	2024A	2025
Sales (VND bn)	9,550	14,444	9,748	9,865	11,262
chg. (% YoY)	53.1	51.2	(32.5)	1.2	14.2
Operating profit (VND bn)	2,542	5,998	2,856	2,832	2,998
Net profit (VND bn)	2,514	6,037	3,252	3,107	3,189
EPS (VND)	6,047	13,774	7,699	7,810	7,893
chg. (% YoY)	5	128	(44)	(4.0)	1.1
EBITDA (VND bn)	2,821	6,283	3,204	3,787	3,958
PE (x)	4.3	6.2	13.4	11.1	5.5
EV/EBITDA (x)	3.8	5.4	13.1	9.6	6.2
PB (x)	1.6	3.3	3.5	1.3	1.2
ROE (%)	47.8	67.3	28.1	19.8	18.0
Dividend yield (%)	2.4	1.2	4.3	9.4	2.6

Source: FiinproX, KIS Research

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12M rating **Non-rated**

12M TP **N/A**

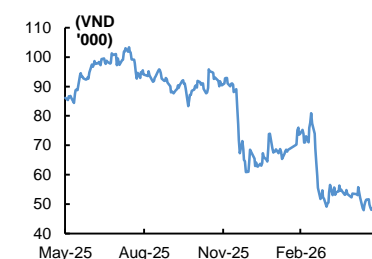
### Stock Statistics

VNIndex (29 May, pt)	1,863
Stock price (29 May, VND)	46,500
Market cap (USD mn)	669
Shares outstanding (mn)	380
52-Week high/low (VND)	103,379/46,500
6M avg. daily turnover (USD mn)	12.44
Free float / Foreign ownership (%)	60.0/5.0
Major shareholders (%)	
Dao Huu Huyen	18.38
Ngo Thi Ngoc Lan	6.64
Dao Huu Kha	5.97

### Performance

	1M	6M	12M
Absolute (%)	(13.7)	(49.3)	(46.0)
Relative to VNIndex (%p)	(11.3)	(60.2)	(85.9)

### Stock price trend



Source: FiinproX

### Research Dept

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**Table 1. Quarterly earnings snapshot**

(VND bn, %, %p)

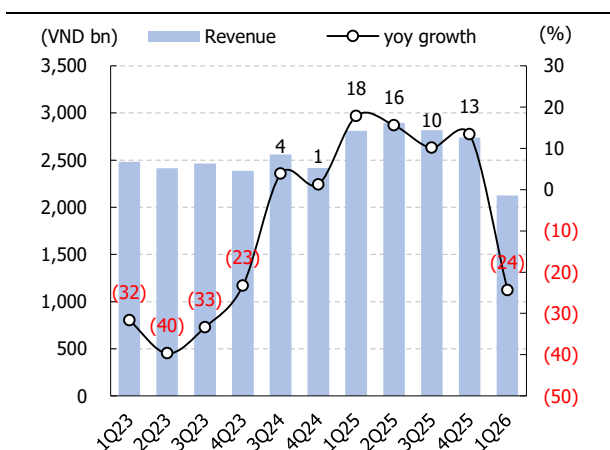
	1Q25	2Q25	3Q25	4Q25	1Q26	qoq	yoy
Sales	2,810	2,894	2,817	2,741	2,125	(22)	(24)
OP	829	852	731	587	342	(42)	(59)
OP margin	29.5	29.4	26.0	21.4	16.1	(5.3)	(13.4)
EBT	978	986	901	740	498	(33)	(49)
NPAT	837	891	804	657	430	(35)	(49)

Source: FiinproX, KIS Research

### Closure of mine areas 25 and 19b and upcoming prospects

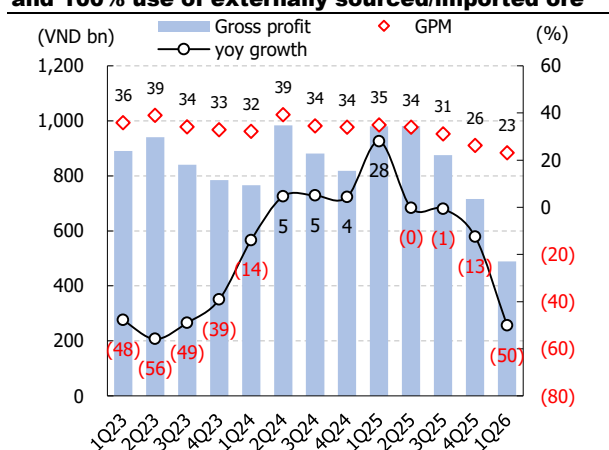
- According to management, Mining Areas 25 and 19b have been suspended for investigation purposes, and the prospect of resuming operations depends entirely on the progress and conclusions of the authorities' investigation.
- DGC's management expect that mining at area 19b could resume in July 2026, while area 25 could be in 2027. Until the full recovery of the mining areas, we believe DGC's profit margins will continue to face significant pressure as the company is forced to purchase or import ore for production at costs substantially higher than self-mined ore.
- Regarding the licensing progress of the mega bauxite-alumina project, we believe meaningful progress is unlikely in the near term, as we do not expect the overlapping mineral planning issues to be resolved anytime soon. In addition, the prosecution of former management and the associated investigation process remains major obstacles to project advancement.

**Figure 1. 1Q26 Revenue dropped 24% yoy due to much lower selling volume in our opinion**



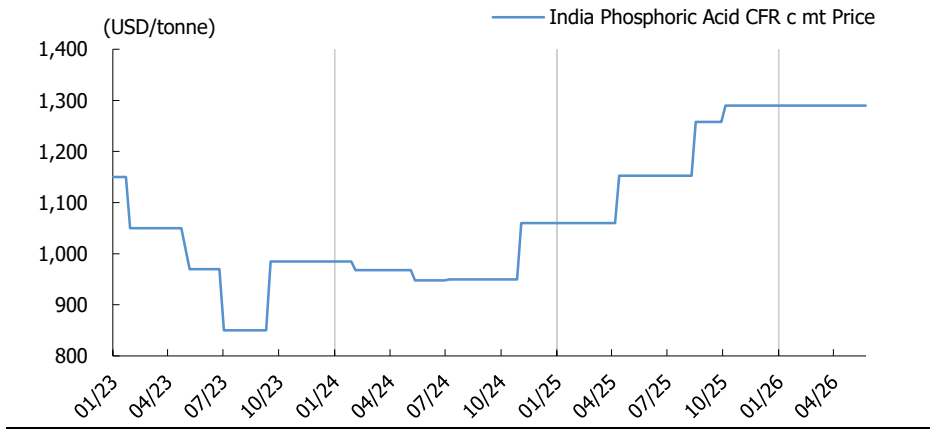
Source: FiinproX, KIS Research

**Figure 2. Gross profit dropped by a drastic 50% yoy, GPM shrank to just 23% yoy, due to lower volume and 100% use of externally sourced/imported ore**



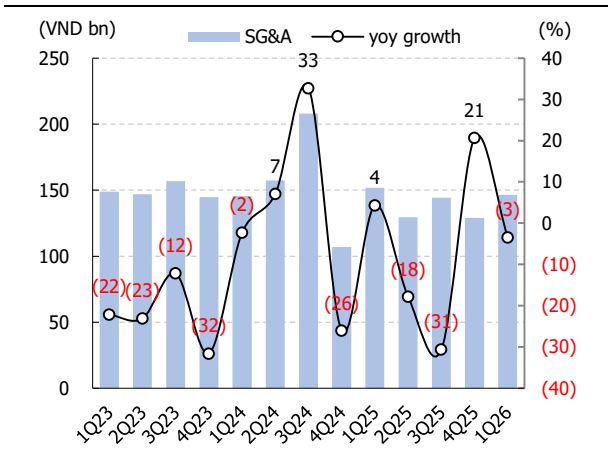
Source: FiinproX, KIS Research

**Figure 3. India Phosphoric acid price rose by 22% yoy in 1Q26, indicating more favorable selling prices for phosphor sellers like DGC**



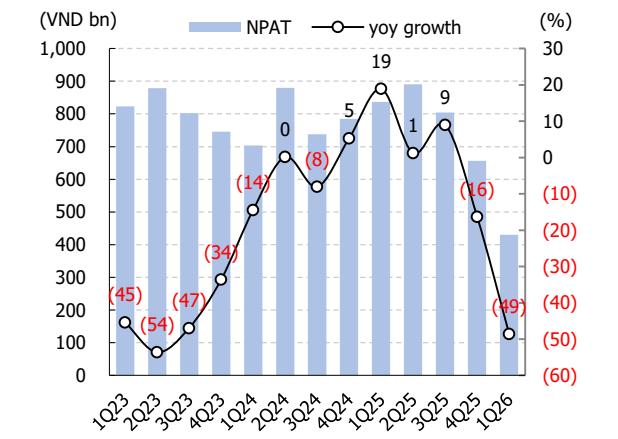
Source: Bloomberg, KIS Research

**Figure 4. SG&A almost went flat yoy**



Source: FiinproX, KIS Research

**Figure 5. NPAT dropped 49% yoy, pressured by shrunken margins and lower production**



Source: FiinproX, KIS Research

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Prepared by: Research Dept

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