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Dung Quat –Hoa Phat Visit

Completed a huge workload in only two years

After two years of construction, the project Dung Quat – Hoa Phat has almost finished the workload of the phase 1 and 80% of the phase 2.

- On December 18, 2019, KBSV Research attended the 4Q19 investor meeting held by Hoa Phat Group (HPG) in Dung Quat Economic Zone, Quang Ngai Province, and visited the new Dung Quat Steel Plant project. The project has almost completed phase 1 & 80% of phase 2, and should go into operation in 2Q20. We were impressed by HPG's project implementation capacity as the company has managed to finish such a huge amount of work in only two years.
- Dung Quat Hoa Phat project includes 2 phases: phase 1 with a capacity of 2 million tons of construction steel/year and phase 2 with a capacity of 2 million tons of hot-rolled coil steel (HRC)/year. Specifically, the progress of the project is as follows:
 - Four blast furnaces have a capacity of over 1 million tons of liquid iron/year/furnace. The Blast Furnace No.1 is in stable operation, while the Blast Furnace No.2 has just been put into trial operation since November 2019. The No. 3 and No. 4 blast furnaces should gradually be completed and put into trial in 2Q20.
 - The steel furnaces have completed 100% of phase 1 and 88% of phase 2.
 - HPG has two construction steel rolling mills with a capacity of 650,000 tons of steel/year and 1.4 million tons/year, and an HRC line. Currently, the Construction Steel Mill No.1 has been operating stably since 2Q18, the No. 2 has just been put into trial operation. It is expected that HRC line will be put into trial by the end of 2020.
 - The raw material plant has completed 99% of phase 1 and 85% of phase 2.
 - The coke factory has also completed 100% of phase 1 and 85% of phase 2.
 - The thermal power plant with a capacity of 240MW utilizes excess heat generated from furnaces to generate electricity to serve the plant. The plant has been completed and can provide 60% -70% of the electricity needs of the entire Dung Quat Project.
 - The deep-water port serves the export or import of raw materials. The wharf has 11 berths and can handle vessels weighing up to 200,000 tons. It has been completed and is actively operating.
- Based on these promising results, we believe that phase 1 of the plant will officially operate in 2Q20, and phase 2 should be put into trial in mid-2020 & officially become effective in early 2021. As a result, HPG construction steel output may reach 3.5 – 3.6 million tons, +39% YoY, and HPG should produce HRC in 2020E.
- HPG said that the safeguard tax on imported long steel products may be extended for less than five years after the expiry in March 2020. Even when the safeguard tax expires, the Ministry of Industry and Trade still has another tool which is anti-dumping tax to protect domestic steel enterprises.

Pic 1. The mill surroundings



Source: Hoa Phat Group, KB Securities Vietnam

Pic 2. The mill surroundings



Source: Hoa Phat Group, KB Securities Vietnam

Pic 3. The mill surroundings



Source: Hoa Phat Group, KB Securities Vietnam

Pic 4. The mill surroundings



Source: Hoa Phat Group, KB Securities Vietnam

Pic 5. Steel rolling line No.2 on trial



Source: Hoa Phat Group, KB Securities Vietnam

Pic 6. Steel rolling line No.2 on trial



Source: Hoa Phat Group, KB Securities Vietnam

Pic 7. Dung Quat – Hoa Phat Deep water Port



Source: Hoa Phat Group, KB Securities Vietnam

Pic 8. Coke production line



Source: Hoa Phat Group, KB Securities Vietnam

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Investment Ratings for Stocks

(based on expectations for absolute price gains over the next 6 months)

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

Investment Ratings for Sectors

(based on expectations for absolute price gains over the next 6 months)

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

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