

average international urea price for the same period. Management explained that DCM sold urea on the domestic market at a discount vs international price as it helped encourage farmers to buy urea as international prices were unaffordable. We estimate DCM's urea sales volume at 241,000 tonnes (+11.0% YoY) in Q1 2022, which was driven by urea export volume of 151,000 tonnes. Compared to Q4 2021 numbers, Q1 2022 NPAT-MI rose 38.1% QoQ as urea prices and sales volume climbed 14.3% and 34.2%, respectively. For Q2 2022, DCM targets revenue of VND4.8tn (USD211mn; +105.1% YoY) and NPAT-MI of VND711bn (USD31mn; +2.5x YoY).

Management expects urea prices to cool in H2 2022; however, average prices in 2022-2023 could remain much higher than in the past. Per management, international urea prices sometimes reached USD1,300/tonne in Q1 2022 before cooling off to the present level of ~USD900/tonne. The company uses prices from four markets — the Middle East, Asia, US and Europe — to establish its selling prices. Notably, urea prices recently decreased to USD600/tonne in the US. DCM expects urea prices will decline in the future quarters; however, the company believes average prices in 2022-2023 could remain much higher than in the past.

DCM targets to raise its urea plant's utilization rate to 115%-117% by end-2022. DCM is finalizing the upgrade project of its CO₂ plant (capex of only USD4mn), which would allow the company to collect more CO₂ for the urea production process. After finishing this upgrade project, DCM could raise its utilization from 112% to 115%-117% by end-2022, helping the company to capture future export demand — especially from the Cambodian market.

DCM's NPK plant officially went into operation at end-March 2022. After having a trial run, DCM's NPK plant officially came into operation on March 31. In 2021, DCM sold ~40,000 tonnes of NPK out of a total of ~50,000 tonnes produced during the trial run. The company now is confident that the NPK plant could operate at a 100% utilization rate. However, DCM only guides for 80,000 tonnes of NPK (or a 27% utilization rate) because 1) DCM is still penetrating the NPK segment, which is more competitive and complex than the urea segment, and 2) as prices of NPKs inputs urea, DAP and potassium are too high for NPK production — potassium is especially difficult to import. DCM expects prices of these input materials to fall beginning in Q3 2022.

DCM can deduct input VAT tax for urea exports. On April 26, 2022, the Ministry of Finance proposed that the Government set a 5% tax rate on several types of fertilizers for export to ensure the domestic supply and help to ease fertilizer prices. According to DCM's CEO, the company's urea export products have been under the 5% export tax category since 2021. This export tax has a positive impact on DCM as the company can deduct the input VAT (~10% of production cost) for its urea export volume.

State's divestment progress. While there are no significant developments regarding this matter, DCM expects the Government could accelerate divesting its stake in the company from 75.6% to 51% in late 2022/early 2023.

DCM is finding a way to diversify its products to include organic biological fertilizers. In addition to developing higher quality urea and NPK products, DCM is targeting to diversify to greener and more environmental-friendly products. In 2021, DCM experimented and produced 7,000 tonnes of an organic fertilizer product named OM Ca Mau. The company targets to produce ~22,000 tonnes of organic fertilizer in 2022 and aims for 240,000 tonnes by 2024.

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