





Construction Sector – Update Q1/2025

Policy tailwinds drive demand, but margin pressure will weigh on credit profiles

Vietnam's construction sector posted modest credit gains in Q1 2025, supported by strong policy momentum and rising project demand. Backlogs are expanding rapidly as infrastructure disbursements accelerate, and real estate licensing picks up pace. Funding access is broadening, with short-term bank loans increasingly used to meet growing working capital needs. While revenue growth remains healthy, persistent margin compression is constraining improvements in credit metrics. EBITDA margins remain under pressure, leading to only marginal deleveraging and continued strain on operating cash flow.

Looking ahead, intense competition and rising input costs are expected to sustain margin pressure, limiting further progress in debt serviceability and overall credit profile recovery.

		<div> <div>Improved</div> <div>Stable</div> <div>Deteriorated</div> </div>	
Indicator	Trend	Key Highlights	
 Policy measures	<div>Improved</div>	Policy reforms ignite construction demand <ul style="list-style-type: none"> Regulatory reforms are streamlining construction approvals and cutting compliance costs. Decree 175/2024/ND-CP, along with recent Prime Ministerial directives, will reduce certain licensing requirements and shorten the administrative and regulatory process of obtaining new approvals. Government-led efforts to expand housing supply are driving construction demand and boosting order books for leading residential builders such as CTD, HBC, and Newtecons. 	
 Market condition	<div>Stable</div>	Backlogs remain robust, but margin pressures mount <ul style="list-style-type: none"> Construction backlogs remained resilient in Q1 2025, particularly among financially strong contractors with a proven track record in large-scale projects. CTD reported a record 6% quarter-on-quarter increase in backlog to VND 37 trillion, while VCG's estimated backlog rose 7% to VND 30 trillion. A surge in public investment plans and accelerating residential project approvals will drive further backlog growth through 2H 2025. However, rising input costs are tightening margins. Year-to-date price increases include steel (+1.9%), cement (+8%), and sand (+30%). Persistent domestic supply constraints and elevated energy costs are likely to sustain upward pressure on construction material prices in the second half of the year. 	
 Financing condition	<div>Improved</div>	Short-term bank credit expansion supports sector growth <ul style="list-style-type: none"> Outstanding bank credit to the construction sector rose 3.56% as of April 2025—up sharply from 0.7% a year earlier—signaling stronger lender confidence and rising capital demand. Short-term debt among our covered listed firms increased 7% in Q1 2025, now comprising nearly 70% of total debt. This reflects heightened working capital needs amid accelerating construction activity. Average financing cost dropped to 5.8%, providing constructors with more flexibility to manage liquidity and debt servicing. 	
 Financial strength	<div>Stable</div>	Weak profitability outlook undermines credit strengthening <ul style="list-style-type: none"> Revenue rose 6% year-over-year in Q1 2025, but margin compression weighed on profitability. Sector-wide EBITDA margin declined from 9.8% to 9.0%. Listed constructors are signaling continued pressure. Despite targeting 15% revenue growth in 2025, they project a 4% decline in total profit, citing intense competition and rising input costs. Leverage remains stable, with sector Debt/EBITDA at 4.9x in Q1 2025. However, cash flow generation remains weak; retained earnings are insufficient to cover working capital needs. Larger firms continue to outperform on debt servicing. Their interest coverage improved to 3.5x, compared to 2.1x for mid- and small-sized peers, supported by stronger margins, faster receivables turnover, and superior execution capabilities. 	

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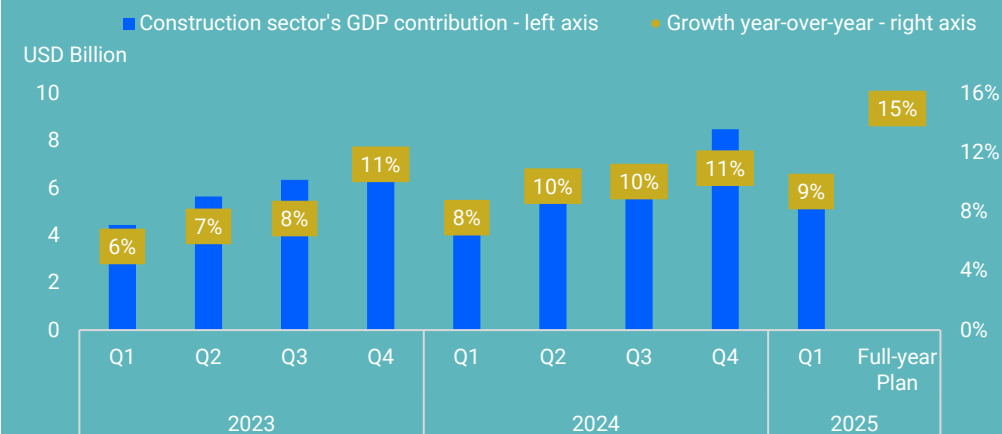


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Policy reforms ignite construction demand; backlogs remain robust, but margin pressures mount

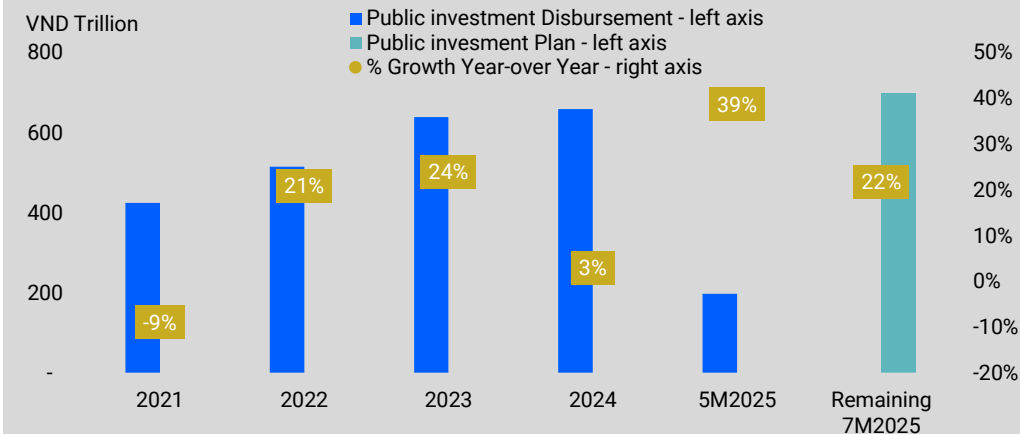
Exhibit 2: Construction market conditions improve from policy reforms, but the cost pressures intensify

Construction activities will accelerate from Q2 2025 to achieve the 15% growth plan

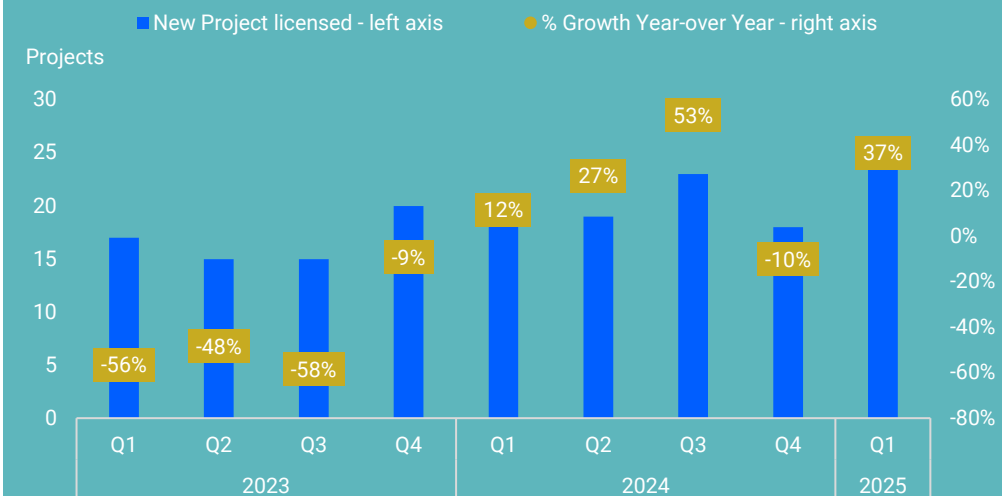


Public investment plan in 2025

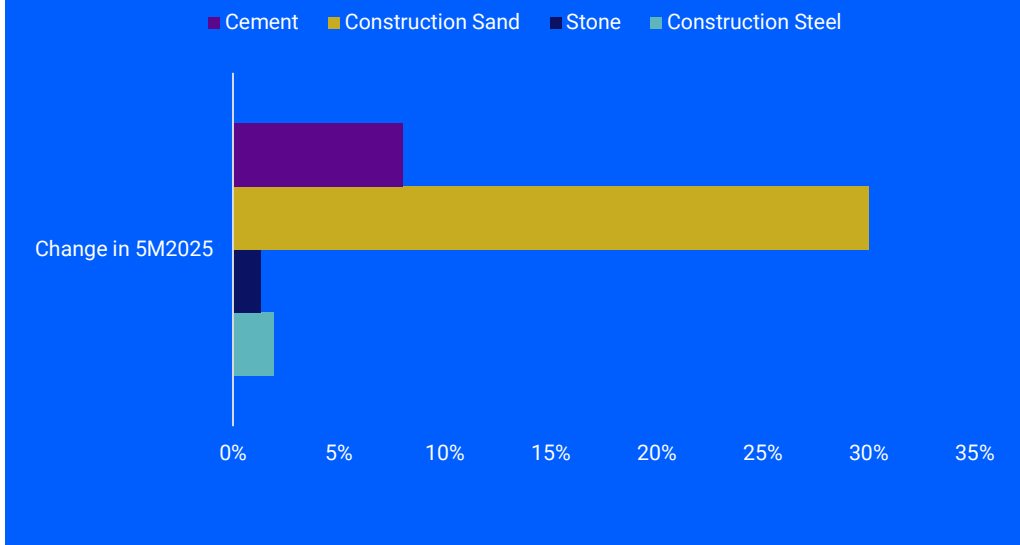
Public investment plan will surge in the remaining 7M2025



Accelerating residential project approvals will drive further backlog growth through 2H 2025



Input cost inflation is intensifying

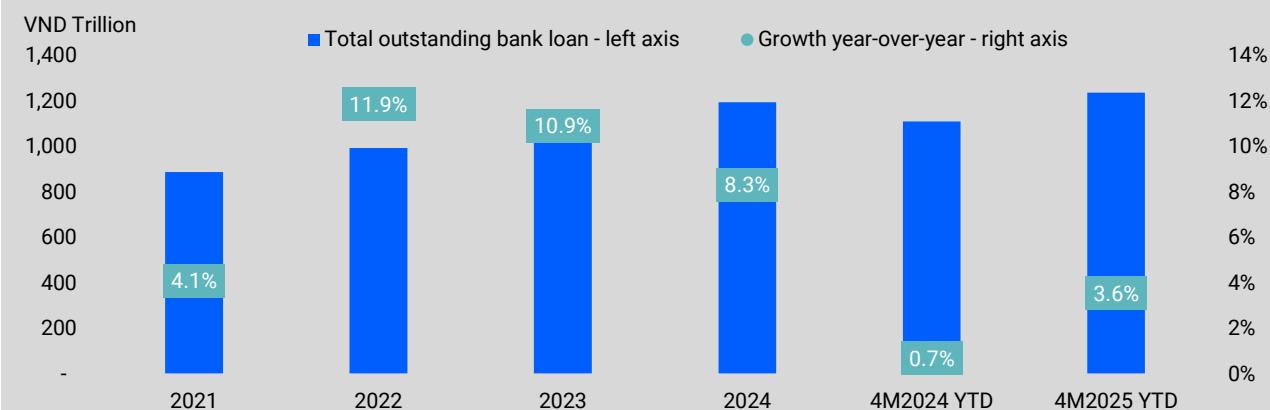


Source: Ministry of Finance, Ministry of Construction, Company data, VIS Rating

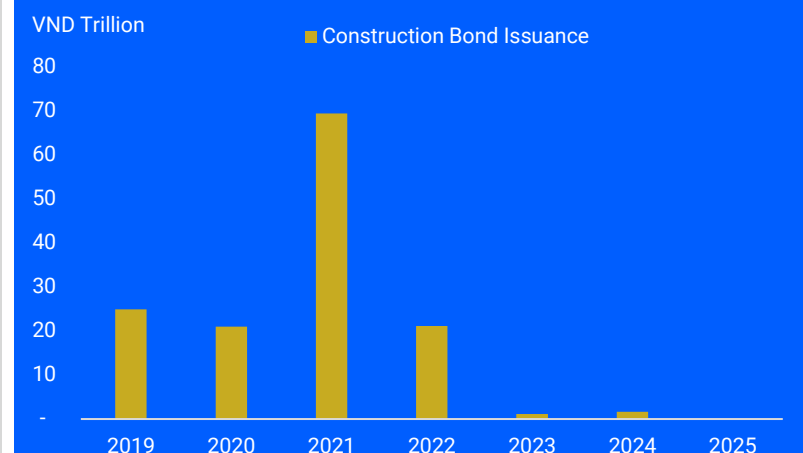
Short-term bank credit expansion supports sector growth

Exhibit 3: Funding remains broadening, primarily through short-term bank loans to meet rising working capital needs.

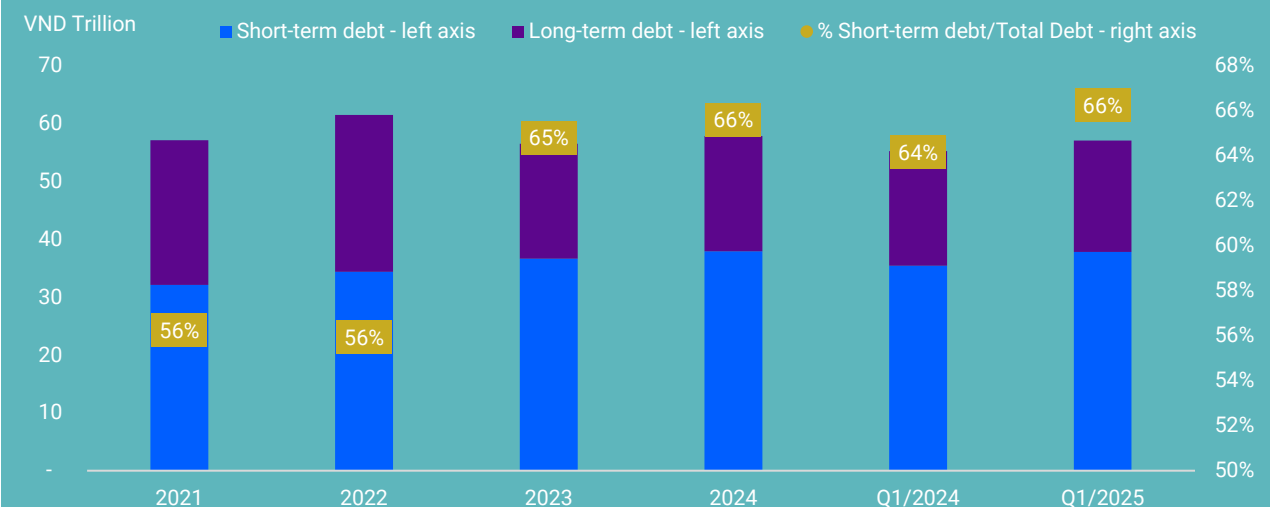
Construction credit rose 3.6% in 4M2025



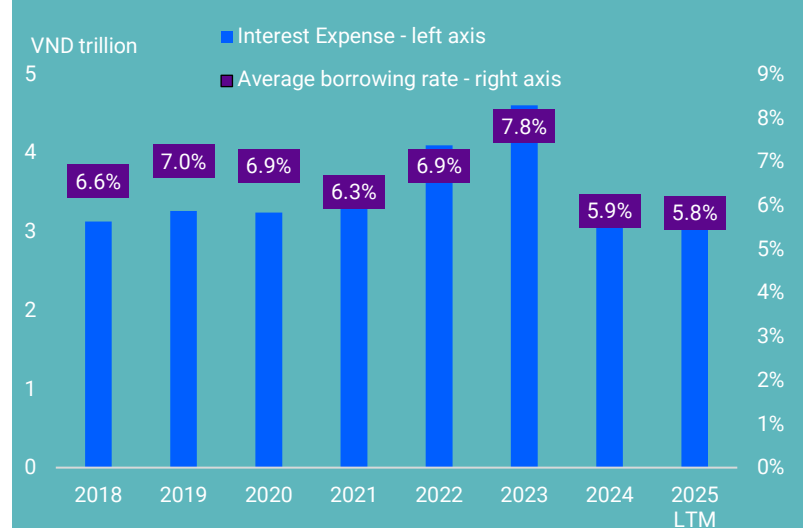
Bond channel remain muted in 2025



Short-term debt increased, reflecting heightened working capital needs



The average financing cost dropped

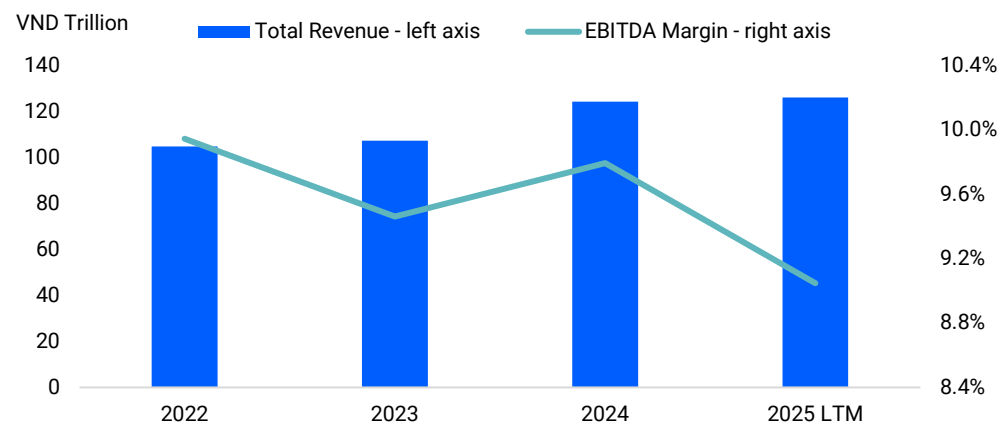


Source: Company data, State Bank of Viet Nam, Hanoi Stock Exchange, VIS Rating

Note: LTM stands for the last twelve months

Weak profitability outlook undermines credit strengthening

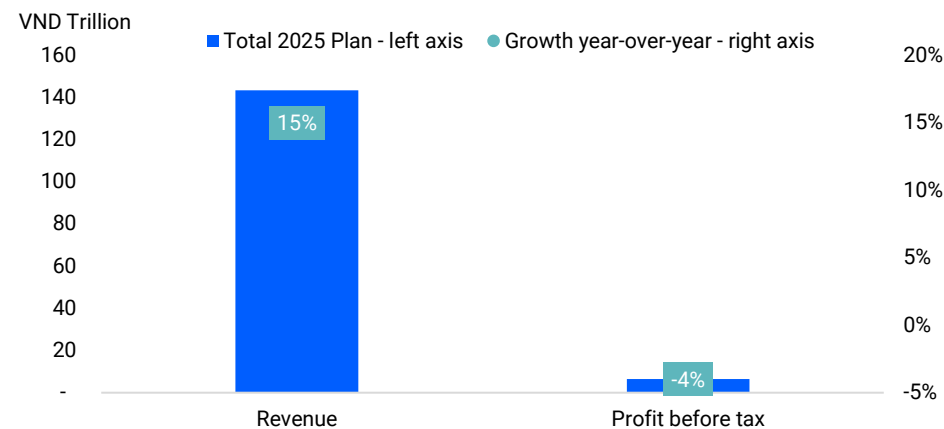
Exhibit 4: Despite revenue growth, margin compression weighs on profitability



Source: Company data, VIS Rating

Note: Top 25 listed construction firms in terms of revenue

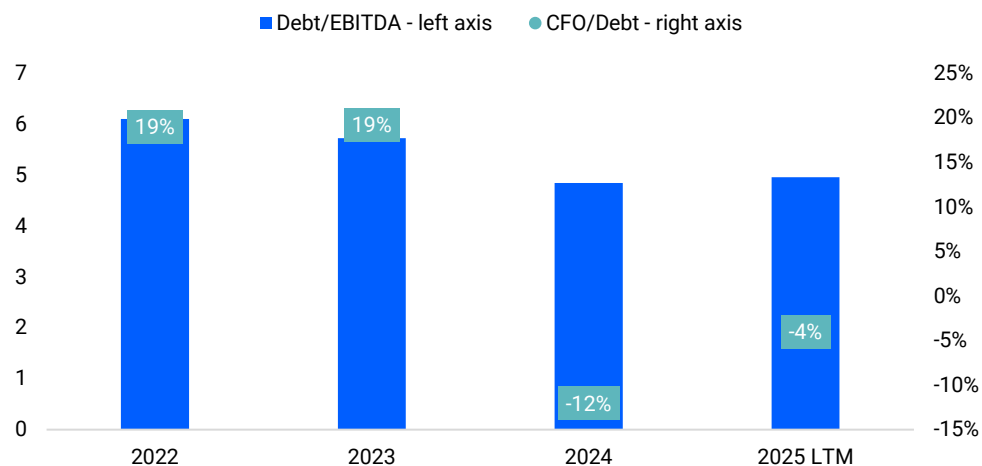
Exhibit 5: Listed constructors are projecting profit decline



Source: Company data, VIS Rating

Note: Top 25 listed construction firms in terms of revenue

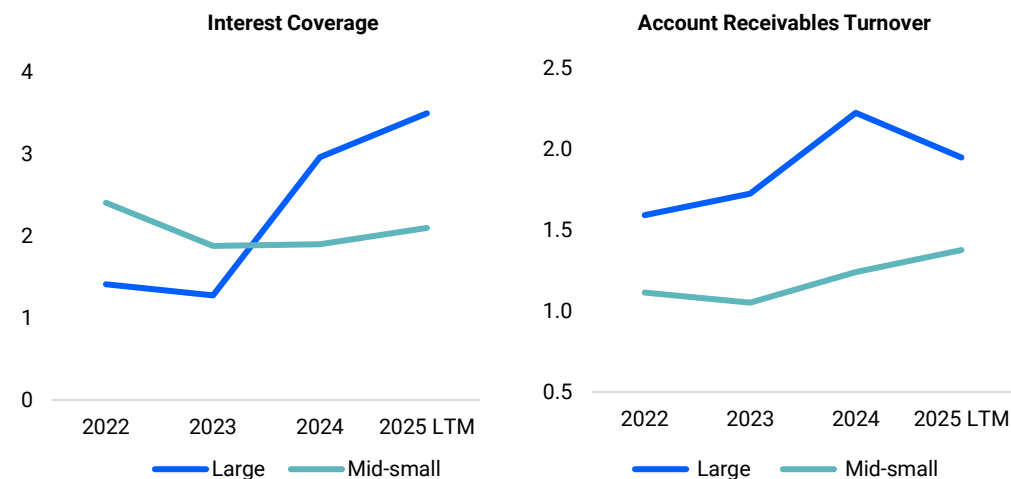
Exhibit 6: Leverage stays stable, cash flow generation remains weak



Source: Company data, VIS Rating

Note: Top 25 listed construction firms in terms of revenue

Exhibit 7: Large firms continue to outperform in debt servicing and receivables turnover



Source: Company data, VIS Rating

Note: Top 25 listed construction firms in terms of revenue

APPENDIX

The firms included in our analysis are as follows:

	Short name	Full name	Classification
1	AME	Alphanam E&C JSC	Large
2	AMS	AMECC Mechanical Construction JSC	Mid and small
3	C4G	CIENCO4 Group JSC	Mid and small
4	CC1	No. 1 Construction Corporation - JSC	Large
5	CTD	Coteccons Construction JSC	Large
6	CTR	Viettel Construction Corporation - JSC	Mid and small
7	DCF	No. 1 Construction & Design JSC	Mid and small
8	DPG	Dat Phuong Group JSC	Mid and small
9	FCN	FECON JSC	Mid and small
10	HAN	Hanoi Construction Corporation - JSC	Mid and small
11	HBC	Hoa Binh Construction Group JSC	Mid and small
12	HTN	Hung Thinh Incons JSC	Mid and small
13	L18	No. 18 Construction and Investment JSC	Mid and small
14	LCG	Lizen JSC	Mid and small
15	LIC	LICOGI Corporation - JSC	Mid and small
16	LIG	Licogi 13 JSC	Mid and small
17	LLM	Vietnam Machinery Installation Corporation - JSC	Large
18	PHC	Phuc Hung Holdings Construction JSC	Mid and small
19	SC5	No. 5 Construction JSC	Mid and small
20	SD5	Song Da 5 JSC	Mid and small
21	SJE	Song Da 11 JSC	Mid and small
22	SJG	Song Da Corporation - JSC	Large
23	TA9	Thanh An 96 Construction JSC	Mid and small
24	THG	Tien Giang Investment And Construction JSC	Mid and small
25	VCG	Vietnam Export-Import and Construction Corporation - JSC	Large

**Note: We categorize construction firms based on their revenue scale. Firms with revenue in the first quarter of 2025 exceeding 1 trillion VND are classified as large-scale, and those below this threshold are considered small and medium scale.*

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