

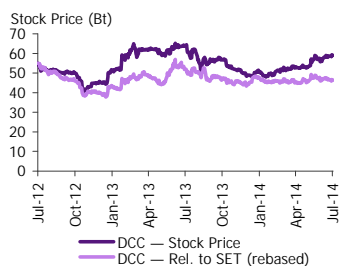
NEUTRAL

Stock Data

Last close (Jul 22) (Bt)	59.00
12-m target price (Bt)	60.00
Upside (Downside) to TP (%)	1.69
Mkt cap (Btbn)	24.07
Mkt cap (US\$mn)	757

Bloomberg code	DCC TB
Reuters code	DCC.BK
Risk rating	L
Mkt cap (%) SET	0.17
Sector % SET	5.62
Shares issued (mn)	408
Par value (Bt)	1
12-m high / low (Bt)	64.8 / 48
Avg. daily 6m (US\$mn)	0.33
Foreign limit / actual (%)	35 / 20
Free float (%)	36.3
Dividend policy (%)	≥ 70

Price Performance



Source: SET, SCBS Investment Research

Share performance

	1M	3M	12M
Absolute	4.9	11.8	-8.5
Relative to SET	1.3	4.7	-9.0

Source: SET, SCBS Investment Research

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2Q14: Earnings poor, as expected

2Q14 net profit Bt320mn, -4.2% YoY and -10% QoQ, in line with market and SCBS estimates. The YoY fall came largely from lower sales and margin and the QoQ from seasonality.

2Q14 highlights.

- Revenue fell 3% YoY, impacted by the economic slowdown and the partial shutdown of kilns for maintenance. Revenue also dropped 8.4% QoQ from seasonally lower sales volume.
- Gross margin slimmed to 41%, -0.9ppts YoY (though +1ppts QoQ), eroded by a 4% YoY rise in natural gas price, which comprises 30% of production cost, and a 7% decline in production volume YoY due to the partial shutdown.
- SG&A to sales was 19.2%, -0.8ppts YoY but +1.2ppts QoQ reflecting better control over promotional costs.
- DCC will pay a 2Q14 DPS of Bt0.78, XD on 5 August 2014.

Maintain NEUTRAL with mid-2015 target price of Bt60, based on 17x PE (+15.D. PE over the past 10 years). Although the NCPO is working on infrastructure investment that will boost the construction materials market, we are concerned about the rise in expenses and depreciation from the opening of five new outlets at a cost of Bt10-15mn each, plus the renovation of 60 stores at a cost of Bt1-3mn each in 2014. Valuation is not attractive, is trading at 18.4x PE; its only attraction is its dividend yield of ~5.4% p.a.

Financial statement

P & L (Btmn)	2Q13	3Q13	4Q13	1Q14	2Q14	% Chg YoY	% Chg QoQ
Total revenue	1,925	1,714	1,704	2,039	1,868	(3.0)	(8.4)
Gross profit	806	710	690	817	766	(4.9)	(6.2)
Pre-tax profit	422	371	326	447	404	(4.4)	(9.7)
Core profit	334	295	259	355	320	(4.2)	(10.0)
Net Profit	334	295	259	355	320	(4.2)	(10.0)
EPS	0.82	0.72	0.63	0.87	0.78	(4.2)	(10.0)
B/S (Btmn)							
Total assets	4,818	4,977	5,140	5,083	5,045	4.7	(0.7)
Total liabilities	1,982	2,181	2,379	1,947	2,305	16.3	18.4
Total equity	2,836	2,797	2,761	3,137	2,741	(3.4)	(12.6)
BVPS (Bt)	7.0	6.9	6.8	7.7	6.7	(3.4)	(12.6)
Financial ratio (%)							
Gross margin	41.9	41.4	40.5	40.0	41.0	(0.9)	1.0
Net profit margin	17.4	17.2	15.2	17.4	17.1	(0.2)	(0.3)
SG&A expense/Revenue	20.0	19.7	21.1	18.0	19.2	(0.8)	1.2

Source: SCBS Investment Research

Forecasts and valuation

Year to 31 Dec	Unit	2012	2013	2014F	2015F	2016F
Revenue	(Btmn)	7,603	7,546	7,517	7,932	8,371
EBITDA	(Btmn)	1,847	1,893	1,901	2,109	2,338
Core profit	(Btmn)	1,265	1,298	1,310	1,473	1,662
Reported profit	(Btmn)	1,265	1,298	1,310	1,473	1,662
Core EPS	(Bt)	3.10	3.18	3.21	3.61	4.07
DPS	(Bt)	3.08	3.18	3.21	3.61	4.07
P/E, core	(x)	19.0	18.5	18.4	16.3	14.5
EPS growth, core	(%)	1.8	2.6	0.9	12.4	12.8
P/BV, core	(x)	8.60	8.72	8.70	8.21	7.72
ROE	(%)	45.6	46.7	47.4	51.7	54.9
Dividend yield	(%)	5.2	5.4	5.4	6.1	6.9
EV/EBITDA	(x)	13.4	13.3	13.1	11.7	10.5

Source: SCBS Investment Research

Financial statement

Profit and Loss Statement (Btmn)

FY December 31	2012	2013	2014F	2015F	2016F
Total revenue	7,603	7,546	7,517	7,932	8,371
Cost of goods sold	4,625	4,447	4,415	4,582	4,758
Gross profit	2,978	3,099	3,102	3,350	3,613
SG&A	1,349	1,456	1,458	1,507	1,549
Other income	35	18	18	19	20
Interest expense	16	24	18	14	0
Pre-tax profit	1,648	1,637	1,644	1,848	2,084
Corporate tax	379	335	329	370	417
Equity a/c profits	0	0	0	0	0
Minority interests	(4)	(4)	(5)	(5)	(6)
Core profit	1,265	1,298	1,310	1,473	1,662
Extra-ordinary items	0	0	0	0	0
Net Profit	1,265	1,298	1,310	1,473	1,662
EBITDA	1,847	1,893	1,901	2,109	2,338
Core EPS (Bt)	3.10	3.18	3.21	3.61	4.07
Net EPS (Bt)	3.10	3.18	3.21	3.61	4.07
DPS (Bt)	3.08	3.18	3.21	3.61	4.07

Balance Sheet (Btmn)

FY December 31	2012	2013	2014F	2015F	2016F
Total current assets	1,911	1,914	1,738	1,797	2,091
Total fixed assets	2,967	3,226	3,286	3,255	3,218
Total assets	4,877	5,140	5,024	5,051	5,308
Total loans	842	1,187	900	700	700
Total current liabilities	1,887	2,157	2,031	1,883	1,938
Total long-term liabilities	193	222	226	238	251
Total liabilities	2,080	2,379	2,256	2,121	2,189
Paid-up capital	408	408	408	408	408
Total equity	2,798	2,761	2,768	2,930	3,119
BVPS (Bt)	6.86	6.77	6.78	7.18	7.65

Cash Flow Statement (Btmn)

FY December 31	2012	2013	2014F	2015F	2016F
Core Profit	1,265	1,298	1,310	1,473	1,662
Depreciation and amortization	183	232	239	246	254
Operating cash flow	1,164	1,460	1,790	1,719	1,915
Investing cash flow	(390)	(492)	(299)	(216)	(216)
Financing cash flow	(775)	(988)	(1,590)	(1,510)	(1,473)
Net cash flow	(2)	(20)	(99)	(7)	226

Key Financial Ratios

	2012	2013	2014F	2015F	2016F
Gross margin(%)	39.2	41.1	41.3	42.2	43.2
Operating margin(%)	21.4	21.8	21.9	23.2	24.7
EBITDA margin(%)	24.3	25.1	25.3	26.6	27.9
EBIT margin(%)	21.9	22.0	22.1	23.5	24.9
Net profit margin(%)	16.6	17.2	17.4	18.6	19.9
ROE (%)	46.0	47.9	48.2	51.1	54.1
ROA (%)	25.6	25.4	26.2	29.2	31.0
Net D/E (%)	23.4	36.9	30.0	21.7	13.2
Interest coverage (x)	116.9	79.3	105.0	149.7	N.M
Debt service coverage (x)	4.4	2.2	1.6	2.3	3.3
Payout Ratio (%)	100.0	100.0	100.0	100.0	100.0

Profit and Loss Statement (Btmn)

FY December 31	2Q13	3Q13	4Q13	1Q14	2Q14
Total revenue	1,925	1,714	1,704	2,039	1,868
Cost of goods sold	1,119	1,004	1,015	1,223	1,102
Gross profit	806	710	690	817	766
SG&A	386	337	360	367	359
Other income	5	4	4	6	3
Interest expense	3	6	8	8	6
Pre-tax profit	422	371	326	447	404
Corporate tax	87	76	68	92	83
Equity a/c profits	0	0	0	0	0
Minority interests	(2)	(0)	0	0	(1)
Core profit	334	295	259	355	320
Extra-ordinary items	0	0	0	0	0
Net Profit	334	295	259	355	320
EBITDA	480	435	404	526	481
Core EPS (Bt)	0.82	0.72	0.63	0.87	0.78
Net EPS (Bt)	0.82	0.72	0.63	0.87	0.78

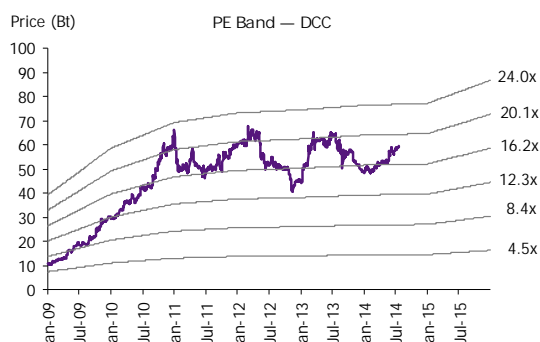
Balance Sheet (Btmn)

FY December 31	2Q13	3Q13	4Q13	1Q14	2Q14
Total current assets	1,708	1,831	1,914	1,847	1,892
Total fixed assets	3,110	3,146	3,226	3,236	3,154
Total assets	4,818	4,977	5,140	5,083	5,045
Total loans	656	1,013	1,187	670	1,065
Total current liabilities	1,774	1,965	2,157	1,763	2,118
Total long-term liabilities	208	215	222	184	187
Total liabilities	1,982	2,181	2,379	1,947	2,305
Paid-up capital	408	408	408	408	408
Total equity	2,836	2,797	2,761	3,137	2,741
BVPS (Bt)	6.95	6.85	6.77	7.69	6.72

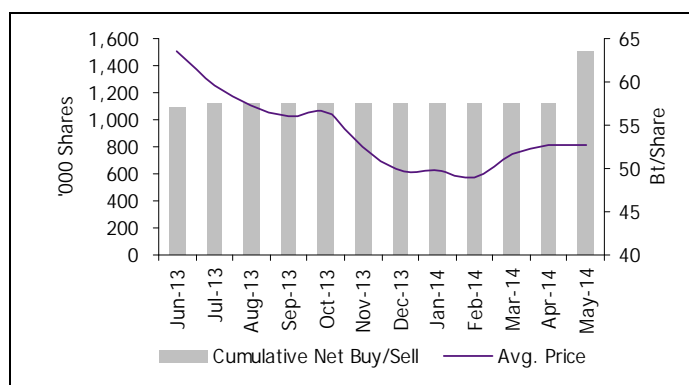
Main Assumptions

	2012	2013	2014F	2015F	2016F
Avg selling price (Bt/sqm)	129	134	135	136	137
Sales volume (mn sqm)	58.3	55.5	55.5	58.3	61.2
Capacities-year end (mn sqm)	64.8	68.4	72.0	75.6	79.2

PE Band Chart

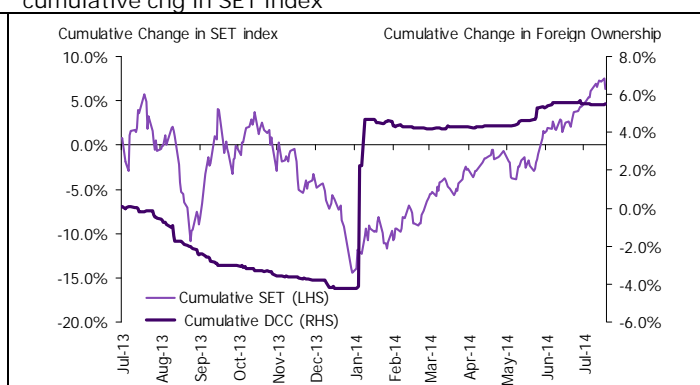


12-Month Cumulative directors trade



Source: SEC

12 Month cumulative chg in foreign ownership versus cumulative chg in SET index



Source: SET, SCBS Investment Research

Figure 1: Valuation summary (price as of Jul 22, 2014)

	Rating	Price (Bt/Sh)	Target (Bt/Sh)	ETR (%)	P/E (x)			EPS growth (%)			P/BV (x)			ROE (%)			Div. Yield (%)			EV/EBITDA (x)		
					13A	14F	15F	13A	14F	15F	13A	14F	15F	13A	14F	15F	13A	14F	15F	13A	14F	15F
DCC	Neutral	59.00	60.0	7.1	18.5	18.4	16.3	3	1	12	8.7	8.7	8.2	47	47	52	5.4	5.4	6.1	13.3	13.1	11.7
DRT	Sell	6.25	6.3	6.0	14.4	14.5	13.2	(10)	(1)	10	2.8	2.9	2.7	20	20	21	5.2	5.2	5.7	8.9	8.5	7.9
SCC	Buy	454.00	525.0	18.8	15.9	16.0	13.9	45	(1)	15	2.9	2.7	2.4	20	17	18	3.4	3.1	3.6	11.0	10.3	9.1
SCCC	Buy	448.00	500.0	15.4	21.0	18.5	16.1	27	13	15	5.4	4.8	4.3	27	27	28	3.3	3.8	4.3	14.8	13.2	11.6
TPIPL	Buy	13.10	15.0	15.3	25.7	17.9	15.7	418	43	14	0.5	0.4	0.4	2	2	3	0.5	0.8	1.0	10.0	7.0	5.4
Average					19.1	17.1	15.1	97	11	13	4.1	3.9	3.6	23	23	24	3.6	3.7	4.1	11.6	10.4	9.2

Source: SCBS Investment Research

Rating 2013 Companies with CG Rating
▲▲▲▲▲ ADVANC, AOT, ASIMAR, BAFS, BANPU, BAY, BBL, BCP, BECL, BKI, BROCK, BTS, CIMBT, CK, CPF, CPN, CSL, DRT, DTAC, EASTW, EGCO, ERW, GRAMMY, HANA, HEMRAJ, ICC, INTUCH, IRPC, IVL, KBANK, KKP, KTB, LPN, MCOT, MINT, NKI, NOBLE, PAP, PG, PHOL, PR, PRANDA, PS, PSL, PTT, PTTEP, PTTGC, QH, RATCH, ROBINS, RS, S&J, SAMART, SAMTEL, SAT, SC, SCB, SCC, SCSMG, SE-ED, SIM, SIS, SITHAI, SNC, SPALI, SPI, SSI, SSSC, SVI, SYMC, TCAP, THAI, THCOM, THRE, TIP, TISCO, TKT, TMB, TNITY, TOP, TRC, TRUE, TTW, TVO, UV, VGI, WAOAL
▲▲▲▲ 2S, ACAP, AF, AHC, AIT, AKP, AMANAH, AMARIN, AMATA, AP, APCO, APSC, ASIA, ASK, ASP, AYUD, BEC, BFTI, BH, BIGC, BJC, BLA, BMCL, BWG, CCEI, CENTEL, CFRESH, CGS, CHOW, CM, CNT, CPALL, CSC, DCC, DELTA, DTC, ECL, EE, EIC, ESSO, FE, FORTH, GBX, GC, GPPT, GL, GLOW, GOLD, GSTEL, GUNKUL, HMPRO, HTC, IFEC, INET, ITD, JAS, JUBILE, KBS, KCE, KGI, KKC, KSL, KVC, L&E, LANNA, LH, LHBANK, LHK, LINE, LOXLEY, LRIH, LST, MACO, MAJOR, MAKRO, MBK, MBKET, MFC, MFFC, MODERN, MTL, NBC, NCH, NINE, NMG, NSI, NWR, OCC, OFM, OCC, OISHI, PB, PDI, PE, PF, PJW, PM, PPM, PPP, PREB, PRG, PT, PYLON, QTC, RASA, SABINA, SAMCO, SCC, SCG, SEAFCD, SFP, SIAM, SINGER, SIRI, SKR, SMT, SNP, SPGG, SPPT, SSF, STANLY, STEC, SUC, SUSCO, SYNTREC, TASCQ, TCP, TF, TFD, TFI, THANA, THANI, THIP, TICON, TPCO, TK, TLUXE, TMILL, TMT, TNL, TOG, TPC, TPCORP, TPIPL, TRT, TRU, TSC, TSSE, TSTH, TTA, TTCL, TUF, TWFP, TYM, UAC, UMI, UMS, UP, UPOIC, UT, VIBHA, VIH, VNG, VNT, YUASA, ZMICO
▲▲▲ A, AAV, AEC, AEONTS, AFC, AGE, AH, AJ, AKR, ALUCON, ANAN, ARIPI, AS, BAT-3K, BCH, BEAUTY, BGT, BLAND, BOL, BROCK, BSBM, CHARAN, CHUO, CI, CIG, CITY, CMR, CNS, CPL, CRANE, CSP, CSR, CTW, DEMCO, DNA, DRACO, EA, EARTH, EASON, EMC, EPCO, F&D, FNS, FOCUS, FPI, FSS, GENCO, GFM, GJS, GLOBAL, HFT, HTECH, HYDRO, IFS, IHL, ILINK, INOX, IRC, IRCP, IT, JMART, JMT, JTS, JUTHA, KASET, KC, KCAR, KDH, KTC, KWH, LALIN, LEE, MATCH, MATI, MBAX, MDX, PRINC, MJD, MK, MOONG, MPIC, MSC, NC, NIPPON, NNCL, NTV, OSK, PAE, PATO, PICO, PL, POST, PRECHA, PRIN, Q-CON, QLT, RCI, RCL, ROJANA, RPK, SCBLIF, SCP, SENA, SF, SGP, SIMAT, SLG, SMIT, SMK, SOLAR, SPC, SPG, SRICHA, SSC, STA, SUPER, SVOA, SWC, SYNEX, TBSF, TCCC, TEAM, TGGI, TIC, TIES, TIW, TKS, TMC, TMD, TMI, TNDT, TNPC, TOPP, TPA, TPP, TR, TTI, TVD, TVI, TWZ, UBIS, UEC, UOBKH, UPF, UWC, VARO, VTE, WAVE, WG, WIN, WORK

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