



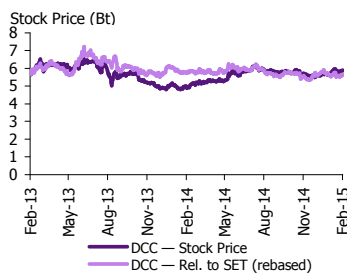
## BUY

## Stock Data

Last close (Feb 24) (Bt)	5.85
12-m target price (Bt)	6.80
Upside (Downside) to TP (%)	16.24
Mkt cap (Btbn)	23.87
Mkt cap (US\$mn)	733

Bloomberg code	DCC TB
Reuters code	DCC.BK
Risk rating	L
Mkt cap (%) SET	0.16
Sector % SET	6.52
Shares issued (mn)	4,080
Par value (Bt)	0
12-m high / low (Bt)	6.2 / 4.9
Avg. daily 6m (US\$mn)	0.33
Foreign limit / actual (%)	35 / 10
Free float (%)	36.1
Dividend policy (%)	≥ 70

## Price Performance



Source: SET, SCBS Investment Research

## Share performance

	1M	3M	12M
Absolute	(0.0)	3.5	19.4
Relative to SET	(0.6)	3.4	(2.6)

Source: SET, SCBS Investment Research

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## 2015 to be a year of growth

**DCC expects to gain from the fall in oil prices in the near term in the form of lower natural gas cost (30% of production cost) and transportation cost (50% of SG&A). Demand remains flat YoY with more improvement in 2H15. DCC targets 2015 sales growth of 5-9% YoY, with higher volume (+4%) and price from better product mix. It targets gross margin to pick up to 43% in 2015 from 40.5% in 2014, mainly from lower costs. Our 2015 forecast lines up with its target. We like DCC for its better 1Q15F earnings, 19% earnings growth in 2015, and 6% dividend yield. Maintain BUY with a PT of Bt6.8.**

**Margin expansion starting in 1H15 with clear demand revival in 2H15.** In Jan 2015, DCC's sales improved 2% YoY from better product selling price, with sales volume stable. DCC has raised the proportion of its high-priced new products, i.e. rectified and hybrid ceramic tiles, further from 16% of sales in 4Q14. It expects a clearer improvement in the economy in 2H15 to bring a clearer revival in domestic demand. DCC is also positive on the cost side. In Jan 2015, it saw a drop in natural gas cost (30% of its production cost) of 15% YoY. With a six-month lag in natural gas price changes vs. crude oil price, DCC expects to see a greater fall in natural gas cost in 1H15. Transportation cost (50% of SG&A) is falling 20-30% YoY thanks to lower diesel cost.

**2015 targets.** DCC targets 2015 revenue growth of 5-9% YoY. This will be underwritten by sales volume growth of 4% (vs. -5% in 2014) and higher product selling price from a better product mix. It expects a better gross margin of 43% in 2015 from 40.5% in 2014, largely from lower natural gas cost but also partly from better product pricing. SG&A expenses should be under control in the presence of lower transportation cost.

**2015 capex.** 2015 capex is set at Bt400mn and will be used to add five outlets to the 195 stores at end-2014, as well as fund store re-branding via renovation and land acquisition for new outlets. For store re-branding, DCC will renovate the outside of 30 stores and inside of 40 stores in 2015. After the completion of store renovation, it has observed an increase in sales at its more modernized stores of ~20%. This will be another factor supporting sales.

**Better 1Q15F earnings.** We expect profit to improve YoY and QoQ: YoY from a better gross margin thanks to lower fuel costs and QoQ from seasonally better sales volume.

**Maintain BUY.** Our 2015 forecast is relatively the same as the company's target. We believe earnings touched bottom in 2014 and estimate 19% YoY growth in 2015, with a better margin (+250bps YoY) from lower fuel costs and a slight improvement in demand (+3% YoY) off a low base from last year's market slowdown. With better earnings growth and high dividend yield of 6% in 2015F, we maintain our BUY with unchanged end-2015 PT of Bt6.8, based on 19x 2015PE (equivalent to +1SD over its 5-year PE). Key risks are changes in sales volume, price competition and gas cost.

## Forecasts and valuation

Year to 31 Dec	Unit	2013	2014	2015F	2016F	2017F
Revenue	(Btmn)	7,546	7,177	7,468	7,880	8,316
EBITDA	(Btmn)	1,893	1,863	2,181	2,437	2,708
Core profit	(Btmn)	1,298	1,227	1,464	1,639	1,825
Reported profit	(Btmn)	1,298	1,227	1,464	1,639	1,825
Core EPS	(Bt)	0.32	0.30	0.36	0.40	0.45
DPS	(Bt)	0.32	0.30	0.36	0.40	0.45
P/E, core	(x)	18.4	19.5	16.3	14.6	13.1
EPS growth, core	(%)	2.6	(5.5)	19.4	11.9	11.3
P/BV, core	(x)	8.64	8.83	7.84	7.42	7.01
ROE	(%)	46.7	44.9	51.0	52.4	55.1
Dividend yield	(%)	5.4	5.1	6.1	6.9	7.6
EV/EBITDA	(x)	13.1	13.4	11.2	10.0	8.9

Source: SCBS Investment Research

## Financial statement

## Profit and Loss Statement (Btmn)

FY December 31	2013	2014	2015F	2016F	2017F
Total revenue	7,546	7,177	7,468	7,880	8,316
Cost of goods sold	4,447	4,271	4,253	4,413	4,584
<b>Gross profit</b>	<b>3,099</b>	<b>2,907</b>	<b>3,215</b>	<b>3,467</b>	<b>3,732</b>
SG&A	1,456	1,350	1,382	1,418	1,455
Other income	18	21	22	24	25
Interest expense	24	33	19	17	14
<b>Pre-tax profit</b>	<b>1,637</b>	<b>1,545</b>	<b>1,837</b>	<b>2,056</b>	<b>2,287</b>
Corporate tax	335	316	367	411	458
Equity a/c profits	0	0	0	0	0
Minority interests	(4)	(2)	(5)	(5)	(6)
<b>Core profit</b>	<b>1,298</b>	<b>1,227</b>	<b>1,464</b>	<b>1,639</b>	<b>1,824</b>
Extra-ordinary items	0	0	0	0	0
<b>Net Profit</b>	<b>1,298</b>	<b>1,227</b>	<b>1,464</b>	<b>1,639</b>	<b>1,824</b>
EBITDA	1,893	1,863	2,181	2,437	2,708
<b>Core EPS (Bt)</b>	<b>0.32</b>	<b>0.30</b>	<b>0.36</b>	<b>0.40</b>	<b>0.45</b>
Net EPS (Bt)	0.32	0.30	0.36	0.40	0.45
DPS (Bt)	0.32	0.30	0.36	0.40	0.45

## Balance Sheet (Btmn)

FY December 31	2013	2014	2015F	2016F	2017F
Total current assets	1,915	2,000	1,907	2,001	2,149
Total fixed assets	3,215	3,108	3,188	3,229	3,230
<b>Total assets</b>	<b>5,130</b>	<b>5,108</b>	<b>5,095</b>	<b>5,230</b>	<b>5,379</b>
Total loans	1,188	1,394	800	700	600
Total current liabilities	2,157	2,209	1,847	1,796	1,747
Total long-term liabilities	211	197	205	216	228
<b>Total liabilities</b>	<b>2,368</b>	<b>2,406</b>	<b>2,052</b>	<b>2,012</b>	<b>1,975</b>
Paid-up capital	408	408	408	408	408
<b>Total equity</b>	<b>2,761</b>	<b>2,702</b>	<b>3,043</b>	<b>3,218</b>	<b>3,404</b>
<b>BVPS (Bt)</b>	<b>0.68</b>	<b>0.66</b>	<b>0.75</b>	<b>0.79</b>	<b>0.83</b>

## Cash Flow Statement (Btmn)

FY December 31	2013	2014	2015F	2016F	2017F
Core Profit	1,298	1,227	1,464	1,639	1,824
Depreciation and amortization	232	285	325	365	405
Operating cash flow	1,450	1,340	2,019	1,996	2,221
Investing cash flow	(480)	(179)	(404)	(406)	(407)
Financing cash flow	(990)	(1,081)	(1,713)	(1,564)	(1,739)
<b>Net cash flow</b>	<b>(19)</b>	<b>80</b>	<b>(98)</b>	<b>25</b>	<b>75</b>

## Key Financial Ratios

	2013	2014	2015F	2016F	2017F
Gross margin(%)	41.1	40.5	43.0	44.0	44.9
Operating margin(%)	21.8	21.7	24.5	26.0	27.4
EBITDA margin(%)	25.1	26.0	29.2	30.9	32.6
EBIT margin(%)	22.0	22.0	24.8	26.3	27.7
Net profit margin(%)	17.2	17.1	19.6	20.8	21.9
ROE (%)	47.9	46.1	48.8	51.6	0.0
ROA (%)	25.5	24.3	28.8	31.3	0.0
Net D/E (%)	36.9	42.4	21.3	16.3	10.2
Interest coverage (x)	79.3	56.7	115.3	147.3	190.9
Debt service coverage (x)	2.2	1.5	1.5	3.0	3.8
Payout Ratio (%)	100.0	100.0	100.0	100.0	100.0

## Profit and Loss Statement (Btmn)

FY December 31	4Q13	1Q14	2Q14	3Q14	4Q14
Total revenue	1,704	2,039	1,868	1,656	1,614
Cost of goods sold	1,015	1,223	1,102	985	961
<b>Gross profit</b>	<b>690</b>	<b>817</b>	<b>766</b>	<b>671</b>	<b>653</b>
SG&A	360	367	359	325	298
Other income	4	6	3	4	7
Interest expense	8	8	6	9	10
<b>Pre-tax profit</b>	<b>326</b>	<b>447</b>	<b>404</b>	<b>342</b>	<b>352</b>
Corporate tax	68	92	83	69	72
Equity a/c profits	0	0	0	0	0
Minority interests	0	0	(1)	(0)	(1)
<b>Core profit</b>	<b>259</b>	<b>355</b>	<b>320</b>	<b>272</b>	<b>279</b>
Extra-ordinary items	0	0	0	0	0
<b>Net Profit</b>	<b>259</b>	<b>355</b>	<b>320</b>	<b>272</b>	<b>279</b>
EBITDA	404	526	486	419	432
<b>Core EPS (Bt)</b>	<b>0.06</b>	<b>0.09</b>	<b>0.08</b>	<b>0.07</b>	<b>0.07</b>
Net EPS (Bt)	0.06	0.09	0.08	0.07	0.07

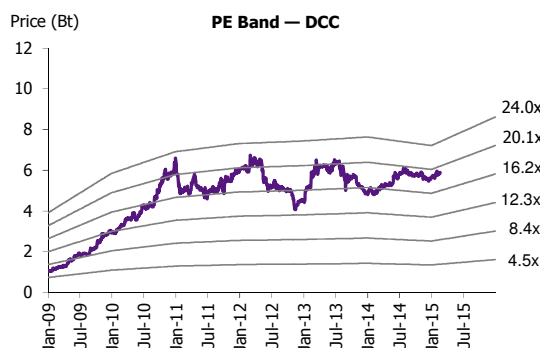
## Balance Sheet (Btmn)

FY December 31	4Q13	1Q14	2Q14	3Q14	4Q14
Total current assets	1,914	1,847	1,892	1,960	2,000
Total fixed assets	3,226	3,236	3,154	3,137	3,108
<b>Total assets</b>	<b>5,140</b>	<b>5,083</b>	<b>5,045</b>	<b>5,097</b>	<b>5,108</b>
Total loans	1,187	670	1,065	1,350	1,394
Total current liabilities	2,157	1,763	2,118	2,210	2,209
Total long-term liabilities	222	184	187	192	197
<b>Total liabilities</b>	<b>2,379</b>	<b>1,947</b>	<b>2,305</b>	<b>2,403</b>	<b>2,406</b>
Paid-up capital	408	408	408	408	408
<b>Total equity</b>	<b>2,761</b>	<b>3,137</b>	<b>2,741</b>	<b>2,695</b>	<b>2,702</b>
<b>BVPS (Bt)</b>	<b>0.68</b>	<b>0.77</b>	<b>0.67</b>	<b>0.66</b>	<b>0.66</b>

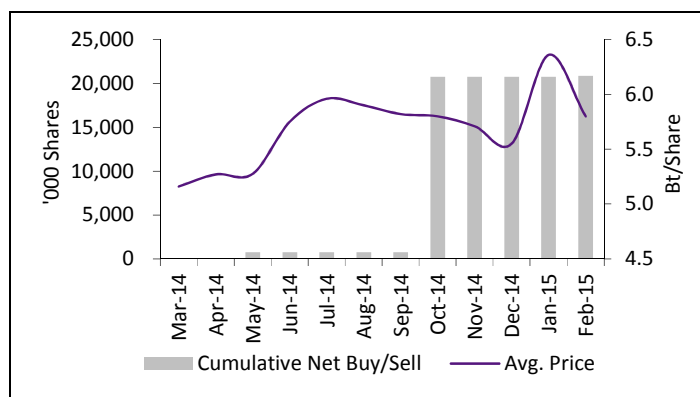
## Main Assumptions

	2013	2014	2015F	2016F	2017F
Avg selling price (Bt/sqm)	136	137	137	138	139
Sales volume (mn sqm)	55.5	52.8	54.4	57.1	60.0
Capacities-year end (mn sqm)	68.4	72.0	75.6	79.2	79.2

## PE Band Chart

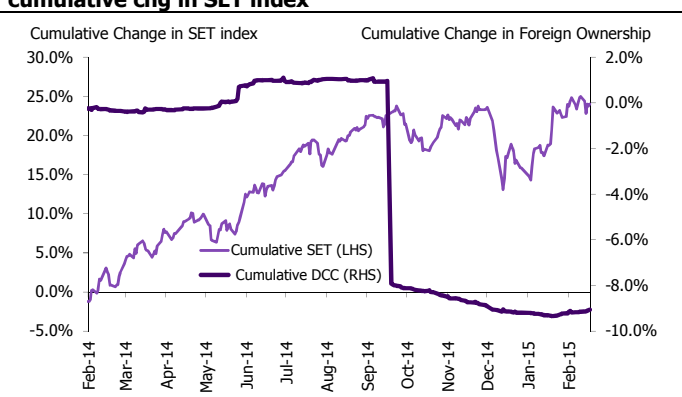


## 12-Month Cumulative directors trade



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 Feb 24, 2015)

	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	Buy	5.85	6.8	22.4	18.4	19.5	16.3	3	(6)	19	8.6	8.8	7.8	47	45	51	5.4	5.1	6.1	13.1	13.4	11.2
DRT	Sell	5.60	5.2	(2.2)	12.9	16.8	15.2	(10)	(23)	11	2.5	2.6	2.5	20	15	17	6.8	4.5	4.9	8.1	9.0	8.4
SCC	Buy	534.00	570.0	9.6	18.7	19.1	16.5	45	(2)	16	3.4	3.1	2.7	20	17	18	2.9	2.3	2.8	12.1	12.0	10.3
SCCC	Buy	438.00	500.0	18.1	20.5	20.0	17.0	27	3	17	5.2	4.8	4.3	27	25	27	3.4	3.4	4.0	14.5	13.8	12.0
TPIPL	Sell	3.58	1.5	(57.8)	70.2	66.8	58.3	418	5	15	1.3	1.1	1.1	2	2	2	0.4	0.4	0.3	24.8	22.2	19.8
<b>Average</b>					<b>28.1</b>	<b>28.4</b>	<b>24.7</b>	<b>97</b>	<b>(5)</b>	<b>16</b>	<b>4.2</b>	<b>4.1</b>	<b>3.7</b>	<b>23</b>	<b>21</b>	<b>23</b>	<b>3.8</b>	<b>3.1</b>	<b>3.6</b>	<b>14.5</b>	<b>14.1</b>	<b>12.3</b>

Source: SCBS Investment Research

**CG Rating 2014 Companies with CG Rating**

BAFS, BCP, BTS, CPN, EGCO, GRAMMY, HANA, INTUCH, IRPC, IUL, KBANK, KKP, KTB, MINT, PSL, PTT, PTTED, PTTGCC, SAMART, SAMTEL, SAT, SC, SCB, SE-ED, SIM, SPALI, TISCO, TMB, TOP

AAV, ACAP, ADVANC, ANAN, ADT, ASIMAR, ASK, ASP, BANPU, BAY, BBL, BECL, BIGC, BKI, BLA, BMCL, BROOK, CENTEL, CFRESH, CIMBT, CK, CNT, CPN, CSL, DELTA, DRT, DTAC, DTC, EASTW, EE, ERW, GBX, GC, GPPT, GUNKUL, HEMRAJ, HMPRO, ICC, KCE, KSL, LANNA, LH, LHBANK, LOXLEY, LPN, MACO, MC, MCOT, NBC, NCH, NINE, NKI, NMG, NSI, OCC, OFM, PAP, PE, PG, PHOL, PJW, PM, PPS, PR, PRANDA, PS, PT, QH, RATCH, ROBINS, RS, S & J, SAMCO, SCC, SINGER, SIS, SITHAI, SNC, SNP, SSI, SSSC, STA, SVI, TCAP, TE, THAI, THANI, THCOM, TIP, TIPCO, TK, TKT, TNITY, TNL, TOG, TRC, TRUE, TSTE, TSTH, TTA, TTW, TVO, UAC, VGI, VNT, WACOL

2S, AF, AH, AHC, AIT, AJ, AKP, AKR, AMANAH, AMARIN, AMATA, AP, APCO, APCS, AQUA, ARIP, AS, ASIA, AYUD, BEAUTY, BEC, BFTI, BH, BJC, BICI, BOL, BTNC, BWG, CCET, CGD, CGS, CHOW, CI, CKP, CM, CMR, CSC, CSP, CSS, DCC, DEMCO, DNA, EA, ESSO, FE, FORTH, FPI, GENCO, GL, GLOBAL, GLOW, GOLD, HOTPOT, HLG, HTECH, HYDRO, IPS, IHL, INET, IRC, IRCP, ITD, KBS, KGI, KKC, KTC, L&E, LRH, LST, MAJOR, MAKRO, MATCH, MBK, MBKET, MEGA, MFC, MFG, MUD, MODERN, MONO, MOONG, MPG, MTI, NC, NTV, NUSA, NWR, NYT, OGC, OISHI, PACE, PATO, PB, PDI, PICD, PPM, PPP, PREB, PRG, PRIN, PTG, QLT, QTC, RCL, SABINA, SALEE, SCLIF, SCCC, SCG, SEAFCO, SEADIL, SPP, SIAM, SIRI, SKR, SMG, SMK, SMPK, SMT, SOLAR, SPC, SPCG, SPP, SPT, SSI, STANLY, STEC, STPI, SUC, SWC, SYMC, SYNEX, SYNTAC, TASC, TBSP, TEAM, TFD, THANA, THIP, THREL, TIC, TICON, TIV, TKS, TLUXE, TMI, TMT, TNDT, TPC, TPCORP, TRT, TRU, TSC, TTCL, TUF, TVD, TWFP, UMI, UP, UPF, UPOIC, UT, UV, UWC, VIH, WAVE, WHA, WIN, WINNER, YUASA, ZMCO

**Corporate Governance Report disclaimer**

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