

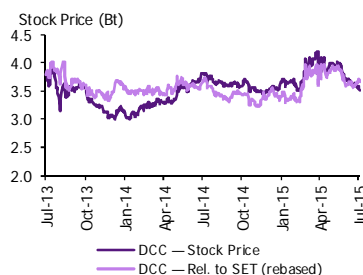
BUY

Stock Data

Last close (Jul 28) (Bt)	3.50
12-m target price (Bt)	4.25
Upside (Downside) to TP (%)	21.43
Mkt cap (Btbn)	14.28
Mkt cap (US\$mn)	409

Bloomberg code	DCC TB
Reuters code	DCC.BK
Risk rating	L
Mkt cap (%) SET	0.11
Sector % SET	6.65
Shares issued (mn)	4,080
Par value (Bt)	0.10
12-m high / low (Bt)	4.3 / 3.4
Avg. daily 6m (US\$mn)	0.53
Foreign limit / actual (%)	35 / 10
Free float (%)	40.1
Dividend policy (%)	≥ 70

Price Performance



Source: SET, SCBS Investment Research

Share performance

	1M	3M	12M
Absolute	(5.4)	(14.2)	(7.8)
Relative to SET	1.5	(7.2)	(0.5)

Source: SET, SCBS Investment Research

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2Q15: Better margin keeping it on track

2Q15 net profit Bt367mn, +15%YoY but -4% QoQ, in line with our expectation, supported by lower production cost and SG&A.

2Q15 highlights:

- 2Q15 revenue fell 2% YoY on lower sales volume and 10% QoQ on seasonality.
- Gross margin rose 2.3ppts YoY and 2.6ppts QoQ to 43.3% from lower gas price, which lags oil price by ~6 months. Net margin rose 2.8ppts YoY and 1.1ppts QoQ to 20% - the highest in ten years.
- SG&A/Sales dropped 1.3ppts YoY to 17.9%, helped by better cost control and lower fuel price used for transportation.

Demand continues soft, but higher product selling price supported top line.

According to the OIE, domestic demand for ceramic tiles in Apr–May dropped 4% YoY. However, higher average selling price, which was a result of better product mix, shored up revenue. DCC plans to increase the portion of premium products to 20% this year from 16% in 4Q14 and 13% in 2014 to give average selling price of Bt140/sqm in 2015.

Production cost to stay low through 2015. With natural gas price lagging oil price by about six months, we expect to see gas price continue to trend down through 2015. DCC expects production cost to be even lower in 2H15 when recent cheaper production lowers its average cost of inventory. The company expects a better gross margin of 43% in 2015 (vs. 40.5% in 2014) and a higher net margin of 20% (vs. 17% in 2014).

Back to 100% payout. DCC surprised in 1Q15 with a payout of only 36% – it generally pays out 100%. It kept Bt400mn cash aside to finance a boost in production capacity, five new outlets, to buy land and to renovate stores to support the sale of premium products. It is back to a 100% payout on 2Q15 with a DPS of Bt0.056, XD on August 10.

Maintain BUY with target price of Bt4.25 based on 19x 2015PE (equivalent to +1SD over its 5-year PE). Our 2015 forecast is in line with the company's target. With better margin from a lower gas price and better product mix, we are confident that the company will be able to meet our estimate of 19% YoY growth in 2015. We also like DCC for its high annualized 2015F dividend yield of 7%. Key risks are changes in sales volume, agricultural product prices, price competition and gas cost.

Financial statement

P & L (Btmn)	2Q14	3Q14	4Q14	1Q15	2Q15	% Chg YoY	% Chg QoQ
Total revenue	1,868	1,656	1,614	2,024	1,831	(1.9)	(9.5)
Gross profit	766	671	653	822	792	3.4	(3.6)
Pre-tax profit	404	342	352	478	461	14.3	(3.4)
Core profit	320	272	279	384	367	14.7	(4.4)
Net Profit	320	272	279	384	367	14.7	(4.4)
EPS	0.05	0.04	0.04	0.06	0.06	14.7	(4.4)
B/S (Btmn)							
Total assets	5,045	5,097	5,194	5,156	4,905	(2.8)	(4.9)
Total liabilities	2,305	2,403	2,389	1,965	1,767	(23.3)	(10.1)
Total equity	2,741	2,695	2,805	3,191	3,138	14.5	(1.7)
BVPS (Bt)	0.42	0.41	0.43	0.49	0.48	14.5	(1.7)
Financial ratios (%)							
Gross margin	41.0	40.5	40.4	40.6	43.3	2.3	2.6
Net profit margin	17.1	16.4	17.3	19.0	20.0	2.9	1.1
SG&A expense/Revenue	19.2	19.6	18.5	16.9	17.9	(1.3)	1.0

Source: SCBS Investment Research

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	2,707
Core profit	(Btmn)	1,298	1,227	1,464	1,639	1,824
Reported profit	(Btmn)	1,298	1,227	1,464	1,639	1,824
Core EPS	(Bt)	0.20	0.19	0.22	0.25	0.28
DPS	(Bt)	0.20	0.19	0.15	0.25	0.28
P/E, core	(x)	17.6	18.6	15.6	13.9	12.5
EPS growth, core	(%)	2.6	(5.5)	19.4	11.9	11.3
P/BV, core	(x)	8.27	8.46	6.52	5.81	5.54
ROE	(%)	46.7	44.9	47.2	44.1	45.3
Dividend yield	(%)	5.7	5.4	4.3	7.2	8.0
EV/EBITDA	(x)	12.6	12.9	10.6	9.3	8.3

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
Gross profit	3,099	2,907	3,215	3,467	3,732
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
Pre-tax profit	1,637	1,545	1,837	2,056	2,287
Corporate tax	335	316	367	411	457
Equity a/c profits	0	0	0	0	0
Minority interests	(4)	(2)	(5)	(5)	(6)
Core profit	1,298	1,227	1,464	1,639	1,824
Extra-ordinary items	0	0	0	0	0
Net Profit	1,298	1,227	1,464	1,639	1,824
EBITDA	1,893	1,863	2,181	2,437	2,707
Core EPS (Bt)	0.20	0.19	0.22	0.25	0.28
Net EPS (Bt)	0.20	0.19	0.22	0.25	0.28
DPS (Bt)	0.20	0.19	0.15	0.25	0.28

Balance Sheet (Btmn)

FY December 31	2013	2014	2015F	2016F	2017F
Total current assets	1,915	2,000	2,368	2,718	2,865
Total fixed assets	3,215	3,108	3,188	3,229	3,230
Total assets	5,130	5,108	5,556	5,947	6,095
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
Total liabilities	2,368	2,406	2,052	2,012	1,975
Paid-up capital	408	408	653	653	653
Total equity	2,761	2,702	3,504	3,936	4,121
BVPS (Bt)	0.42	0.41	0.54	0.60	0.63

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	2,220
Investing cash flow	(480)	(179)	(404)	(406)	(407)
Financing cash flow	(990)	(1,081)	(1,252)	(1,308)	(1,739)
Net cash flow	(19)	80	362	282	74

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	32.5
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	42.3	42.1	0.0
ROA (%)	25.5	24.3	26.4	27.5	0.0
Net D/E (%)	36.9	42.4	5.4	(4.9)	(8.9)
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	67.7	100.0	100.0

Profit and Loss Statement (Btmn)

FY December 31	2014	3Q14	4Q14	1Q15	2Q15
Total revenue	1,868	1,656	1,614	2,024	1,831
Cost of goods sold	1,102	985	961	1,202	1,039
Gross profit	766	671	653	822	792
SG&A	359	325	298	342	328
Other income	3	4	7	6	3
Interest expense	6	9	10	8	5
Pre-tax profit	404	342	352	478	461
Corporate tax	83	69	72	92	94
Equity a/c profits	0	0	0	0	0
Minority interests	(1)	(0)	(1)	(2)	(1)
Core profit	320	272	279	384	367
Extra-ordinary items	0	0	0	0	0
Net Profit	320	272	279	384	367
EBITDA	486	419	432	556	0
Core EPS (Bt)	0.05	0.04	0.04	0.06	0.06
Net EPS (Bt)	0.05	0.04	0.04	0.06	0.06

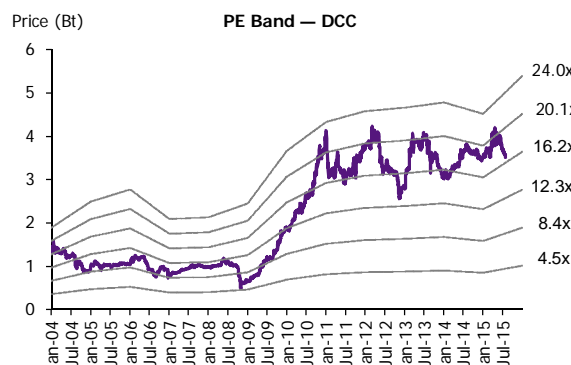
Balance Sheet (Btmn)

FY December 31	2Q14	3Q14	4Q14	1Q15	2Q15
Total current assets	1,892	1,960	2,112	2,110	1,836
Total fixed assets	3,154	3,137	3,082	3,046	3,069
Total assets	5,045	5,097	5,194	5,156	4,905
Total loans	1,065	1,350	1,390	870	525
Total current liabilities	2,118	2,210	2,192	1,764	1,560
Total long-term liabilities	187	192	197	201	207
Total liabilities	2,305	2,403	2,389	1,965	1,767
Paid-up capital	408	408	408	408	653
Total equity	2,741	2,695	2,805	3,191	3,138
BVPS (Bt)	0.42	0.41	0.43	0.49	0.48

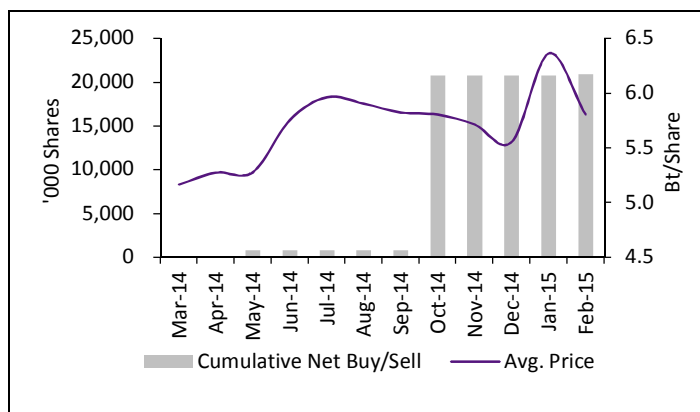
Main Assumptions

	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

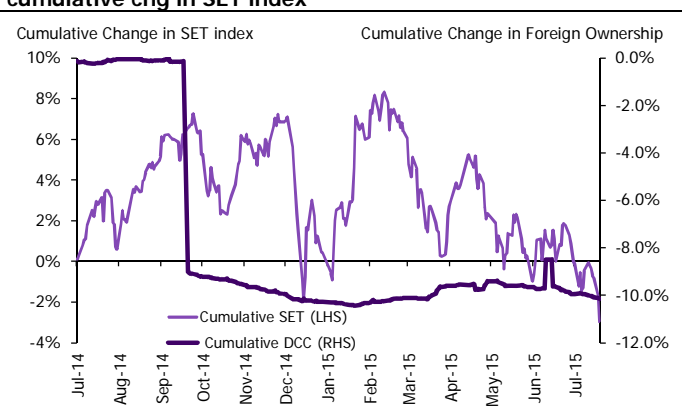


12-Month Cumulative directors trade



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 Jul 28, 2015)

	Rating	Price (Bt/Sh)	Target (Bt/Sh)	ETR (%)	P/E (x)			EPS growth (%)			P/BV (x)			ROE (%)			Div. Yield (%)			EV/EBITDA (x)		
					14A	15F	16F	14A	15F	16F	14A	15F	16F	14A	15F	16F	14A	15F	16F	14A	15F	16F
DCC	Buy	3.50	4.3	25.8	18.6	15.6	13.9	(6)	19	12	8.5	6.5	5.8	45	47	44	5.4	4.3	7.2	12.9	10.6	9.3
DRT	Sell	4.66	5.0	13.0	16.9	15.3	14.0	(36)	11	9	2.2	2.2	2.1	13	14	16	5.8	5.7	6.2	8.2	7.5	7.0
SCC	Buy	510.00	600.0	20.7	18.2	15.4	13.3	(2)	18	16	2.9	2.6	2.4	17	18	19	2.5	3.0	3.4	11.6	9.7	8.7
SCCC	Buy	364.00	500.0	42.2	16.6	14.2	12.4	3	17	14	4.0	3.6	3.2	25	27	27	4.1	4.8	5.5	11.6	10.1	8.5
TPIPL	Sell	2.28	2.3	1.4	81.8	41.0	34.3	(45)	100	20	0.8	0.8	0.8	1	2	2	0.4	0.5	0.4	22.7	15.8	12.7
Average					30.4	20.3	17.6	(17)	33	14	3.7	3.1	2.9	20	22	22	3.6	3.7	4.5	13.4	10.7	9.2

Source: SCBS Investment Research

CG Rating 2014 Companies with CG Rating

BAFS, BCP, BTS, CPN, EGCO, GRAMMY, HANA, INTUCH, IRPC, IWL, KBANK, KKP, KTB, MINT, PSL, PTT, PTTEP, PTTGC, SAMART, SAMTEL, SAT, SC, SCB, SE-ED, SIM, SPALL, TISCO, TMB, TOP

AAV, ACAP, ADVANC, ANAN, AOT, ASIMAR, ASK, ASP, BANPU, BAY, BBL, BECL, BIGC, BKI, BIA, BMCL, BROOK, CENTEL, CFRESH, CIMBT, CK, CNT, CPF, CSL, DELTA, DRT, DTAC, DTC, EASTW, EE, ERW, GBX, GC, GPPT, GUNKUL, HEMRAI, HMPRO, ICC, KCE, KSL, LANNA, LH, LHBANK, LOXLEY, LPN, MACO, MC, MCOT, NBC, NCH, NINE, NIKI, 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, SPI, SSF, 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, WAOAL

ZS, AF, AH, AHC, AIT, AJ, AKP, AKR, AMANAH, AMARIN, AMATA, AP, APCO, APCS, AQUA, ARIP, AS, ASIA, AYUD, BEAUTY, BEC, BFT, BH, BK, BICHI, BOL, BTNG, BWG, CCEI, CGD, CGS, CHOW, CI, CKP, CM, CMR, CSC, CSP, CSS, DCC, DEMCO, DNA, EA, ESSO, FE, FORTH, FPI, GENCO, GL, GLOBAL, GLOW, GOLD, HOTPOT, HTC, HTECH, HYDRO, JFS, JHL, INET, IRC, IRCP, ITD, KBS, KGI, KKC, KTC, L&E, LRH, LST, MAJOR, MAKRO, MATCH, MBK, MBKET, MEGA, MFC, MFG, MLD, MODERN, MONO, MOONG, MPG, MTI, NC, NTV, INUSA, NAVR, NYT, OGC, OISHI, PACE, PATO, PB, PDI, PKD, PPM, PPP, PREB, PRG, PRIN, PTG, QLT, QTC, RCL, SABINA, SALEE, SCLIF, SCCC, SCG, SEACO, SEAOIL, SFP, SIAM, SIRI, SKR, SMG, SMK, SMPK, SMT, SOLAR, SPK, SPCG, SPPT, SST, STANLY, STEC, STPL, SUC, SWC, SYMC, SYNEX, SYNTEC, TASCO, TBSP, TEAM, TFD, TH, THANA, THIP, THREL, TIC, TKON, TW, TK5, 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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