

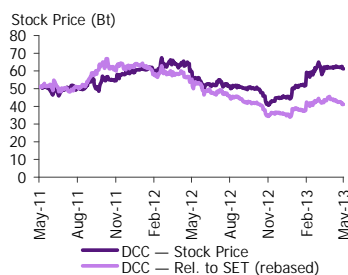
BUY

Stock Data

Last close (May 14) (Bt)	60.00
12-m target price (Bt)	70.00
Upside (Downside) to TP (%)	16.67
Mkt cap (Btbn)	24.48
Mkt cap (US\$mn)	826

Bloomberg code	DCC TB
Reuters code	DCC.BK
Risk rating	L
Mkt cap (%) SET	0.18
Sector % SET	5.87
Shares issued (mn)	408
Par value (Bt)	1
12-m high / low (Bt)	65.8 / 40.3
Avg. daily 6m (US\$mn)	1.90
Foreign limit / actual (%)	35 / 14
Free float (%)	43.1
Dividend policy (%)	≥ 70

Price Performance



Source: SET, SCBS Investment Research

Share performance

	1M	3M	12M
Absolute	-2.8	3.4	7.1
Relative to SET	-8.9	-3.0	-21.8

Source: SET, SCBS Investment Research

Sirima Dissara, CFA

(66-2) 949-1004

sirima.dissara@scb.co.th

2Q13F operations on track

- **Positive guidance in 2Q13F based on higher sales volume and ASP and better gross margin mainly on lower gas cost**
- **We still like DCC as a laggard play, with attractive valuation (16x 13PE vs. 13EPS growth at 22%) and attractive dividend yield of 6%**
- **Maintain BUY with end-2013 PT of Bt70, based on 18x PE**

Positive guidance for 2Q13F. At yesterday's analyst meeting, DCC said that average selling price (ASP) is likely to be stable in 2Q13 after a price hike in 1Q13 of +Bt5/sqm (+4%) to Bt134/sqm. Sales volume picked up by 5% YoY in April 2013 and 8% YoY in May 2013 from continued strong market demand but also partly off last year's low base caused by logistics problems (already solved by shortening the payment terms and using larger trucks since 1Q13). Gross profit margin expanded to 41.5% in April 2013 (from 40.5% in 1Q13 and 39.2% in 2Q12), helped by a price hike, better sales volume, and a drop in production costs. Natural gas cost (30% of its production cost) fell 10% YoY in 1Q13 and 14% YoY in April 2013 in tandem with the drop in oil price.

2H13F outlook. For the rest of 2013F, DCC expects sales volume to continue to grow in tandem with market demand and a planned 5% expansion of production capacity via machine modifications to 68mn sqm at the end of this year. In 2H13F, ASP may improve further as it is considering raising the average selling price for some products (i.e. 12"x12" ceramic tile) and from a better product mix (i.e. higher sales volume from a "rectified floor ceramic tile" sized 16"x16", for which the ASP is 20% above conventional grade). With the rise in ASP and steady fall in natural gas price, DCC views that its gross margin is likely to reach its target of 42% in 2H13F.

Maintain BUY. We maintain BUY on the counter with an unchanged end-2013 PT of Bt70, based on 18x PE (+1.5 S.D. over its 10-year PE of 13x). We still like DCC: 1) as a laggard play in its sector (DCC +1% vs. SETCONMAT +47% and SET +39% in the past 12 months); 2) an attractive valuation, trading at 16x 2013 PE vs. its 2013F EPS growth of 22%; 3) compelling dividend yield at 6.3% in 2013F.

Forecasts and valuation

Year to 31 Dec	Unit	2011	2012	2013F	2014F	2015F
Revenue	(Btmn)	7,207	7,603	8,201	8,863	9,578
EBITDA	(Btmn)	2,004	1,844	2,106	2,463	2,862
Core profit	(Btmn)	1,243	1,255	1,531	1,811	2,125
Reported profit	(Btmn)	1,243	1,255	1,531	1,811	2,125
Core EPS	(Bt)	3.05	3.08	3.75	4.44	5.21
DPS	(Bt)	3.05	3.08	3.75	4.44	5.21
P/E, core	(x)	19.7	19.5	16.0	13.5	11.5
EPS growth, core	(%)	5.8	1.0	22.0	18.3	17.3
P/BV, core	(x)	9.19	9.08	8.64	8.15	7.38
ROE	(%)	46.1	46.8	55.3	62.1	67.3
Dividend yield	(%)	5.1	5.1	6.3	7.4	8.7
EV/EBITDA	(x)	12.3	13.7	11.5	9.8	8.3

Source: SCBS Investment Research

Financial statement

Profit and Loss Statement (Btmn)

FY December 31	2011	2012	2013F	2014F	2015F
Total revenue	7,207	7,603	8,201	8,863	9,578
Cost of goods sold	4,141	4,625	4,861	5,120	5,395
Gross profit	3,066	2,978	3,340	3,743	4,183
SG&A	1,277	1,349	1,452	1,507	1,556
Other income	20	35	33	35	38
Interest expense	6	16	0	0	0
Pre-tax profit	1,803	1,648	1,921	2,272	2,665
Corporate tax	555	388	384	454	533
Equity a/c profits	0	0	0	0	0
Minority interests	(5)	(4)	(5)	(6)	(6)
Core profit	1,243	1,255	1,531	1,811	2,125
Extra-ordinary items	0	0	0	0	0
Net Profit	1,243	1,255	1,531	1,811	2,125
EBITDA	2,004	1,844	2,106	2,463	2,862
Core EPS (Bt)	3.05	3.08	3.75	4.44	5.21
Net EPS (Bt)	3.05	3.07	3.75	4.44	5.21
DPS (Bt)	3.05	3.08	3.75	4.44	5.21

Balance Sheet (Btmn)

FY December 31	2011	2012	2013F	2014F	2015F
Total current assets	1,623	1,911	1,521	1,725	2,154
Total fixed assets	2,665	2,848	3,074	3,296	3,313
Total assets	4,288	4,759	4,596	5,021	5,467
Total loans	401	842	0	0	0
Total current liabilities	1,481	1,887	1,506	1,743	1,853
Total long-term liabilities	143	170	246	266	287
Total liabilities	1,624	2,057	1,752	2,009	2,140
Paid-up capital	408	408	408	408	408
Total equity	2,664	2,702	2,833	3,003	3,317
BVPS (Bt)	6.53	6.62	6.93	7.36	8.13

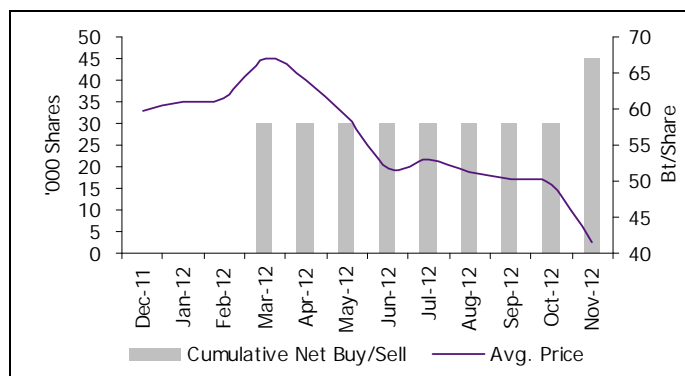
Cash Flow Statement (Btmn)

FY December 31	2011	2012	2013F	2014F	2015F
Core Profit	1,243	1,255	1,531	1,811	2,125
Depreciation and amortization	195	180	185	191	197
Operating cash flow	1,577	1,139	2,670	2,256	2,381
Investing cash flow	(641)	(363)	(412)	(413)	(214)
Financing cash flow	(905)	(767)	(2,240)	(1,642)	(1,811)
Net cash flow	30	9	18	202	355

Key Financial Ratios

	2011	2012	2013F	2014F	2015F
Gross margin(%)	42.5	39.2	40.7	42.2	43.7
Operating margin(%)	24.8	21.4	23.0	25.2	27.4
EBITDA margin(%)	27.8	24.3	25.7	27.8	29.9
EBIT margin(%)	25.1	21.9	23.4	25.6	27.8
Net profit margin(%)	17.3	16.5	18.7	20.4	22.2
ROE (%)	47.4	47.3	54.9	61.3	65.0
ROA (%)	28.8	26.1	32.7	35.5	38.3
Net D/E (%)	7.9	24.2	(7.6)	(13.9)	(23.3)
Interest coverage (x)	317.0	116.7	N.A.	N.A.	N.A.
Debt service coverage (x)	313.3	4.4	N.A.	N.A.	N.A.
Payout Ratio (%)	100.0	100.0	100.0	100.0	100.0

12-Month Cumulative directors trade



Source: SEC

CG Rating 2012 Companies with CG Rating under SCBS's Coverage

ADAC, ADT, BANG, BAY, BBL, BCP, BEC, BML, BPS, CSI, DRT, EGCO, FBW, HEMBAI, IRPC, KRANK, KK, KTB, LPM, MCOT, PS, PSL, PTT, PTTEP, PTTCG, QH, BATCH, ROBINS, SAMART, SAMTEL, SAT, SCB, SEC, THAI, TISCO, TMB, TOP, ITA
AMATA, AP, ASP, BEC, BH, BIGC, CENTEL, CK, CPAL, CPE, DCC, DELTA, DTAC, ESSO, GPT, GLOW, GUNKUL, HANA, HMPRO, INTUCH, ITD, IVL, KCE, LH, MAKRO, MBKET, MINT, DISHI, PM, SCC, SMT, SPALI, STANLY, STEC, SVI, TCAP, THCOM, THRE, TICON, TRUE, TTW
AEON, AIA, BIA, CCEC, JMAT, KTC, LHBANK, MAJOR, RCL, ROJINA, SIRI, TPII
ANY, BKH, BHL, CPNBT, INVR, POPF, QHPP, SSI, TFUND, TLOGIS, WHA, WHAP

Corporate Governance Report disclaimer
The disclosure of the survey result of the Thai Institute of Directors Association ("IOD") regarding corporate governance is made pursuant to the policy of the Office of the Securities and Exchange Commission. The survey of the IOD is based on the information of a company listed on the Stock Exchange of Thailand and the Market for Alternative Investment disclosed to the public and able to be accessed by a general public investor. The result, therefore, is from the perspective of a third party. It is not an evaluation of operation and is not based on inside information. The survey result is as of the date appearing in the Corporate Governance Report of Thai Listed Companies. As a result, the survey result may be changed after that date. SCB Securities Company Limited does not conform nor certify the accuracy of such survey result.

Profit and Loss Statement (Btmn)

FY December 31	1Q12	2Q12	3Q12	4Q12	1Q13
Total revenue	2,093	1,883	1,777	1,851	2,203
Cost of goods sold	1,264	1,145	1,078	1,139	1,310
Gross profit	828	738	700	712	893
SG&A	347	341	326	334	374
Other income	3	26	2	4	4
Interest expense	2	2	5	8	6
Pre-tax profit	483	421	371	374	517
Corporate tax	109	98	103	79	105
Equity a/c profits	0	0	0	0	0
Minority interests	(1)	(1)	(2)	(1)	(2)
Core profit	373	322	267	294	411
Extra-ordinary items	0	0	0	0	0
Net Profit	373	322	267	294	411
EBITDA	527	469	421	426	0
Core EPS (Bt)	0.91	0.79	0.65	0.72	1.01
Net EPS (Bt)	0.91	0.79	0.65	0.72	1.01

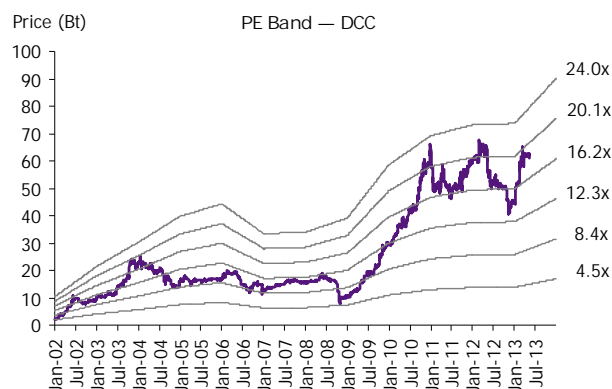
Balance Sheet (Btmn)

FY December 31	1Q12	2Q12	3Q12	4Q12	1Q13
Total current assets	1,756	1,650	1,857	1,911	1,692
Total fixed assets	2,695	2,704	2,734	2,848	3,048
Total assets	4,451	4,353	4,592	4,759	4,740
Total loans	0	321	770	842	170
Total current liabilities	1,265	1,465	1,752	1,887	1,329
Total long-term liabilities	158	162	167	170	200
Total liabilities	1,423	1,627	1,919	2,057	1,530
Paid-up capital	408	408	408	408	408
Total equity	3,028	2,726	2,672	2,702	3,162
BVPS (Bt)	7.42	6.68	6.55	6.62	7.75

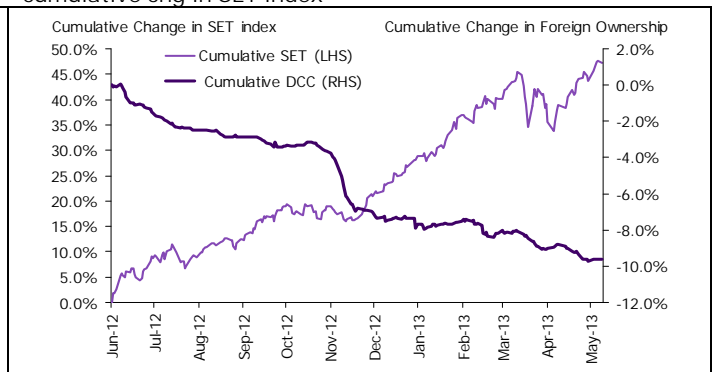
Main Assumptions

	2011	2012	2013F	2014F	2015F
Avg selling price (Bt/sqm)	129	129	134	135	136
Sales volume (mn sqm)	55.9	58.5	61.4	65.7	70.3
Capacity-year end (mn sqm)	61.2	64.8	68.4	72.0	75.6

PE Band Chart



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



Source: SET, SCBS Investment Research