

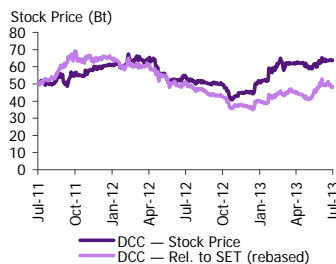
## NEUTRAL

## Stock Data

Last close (Jul 23) (Bt)	64.50
12-m target price (Bt)	70.00
Upside (Downside) to TP (%)	8.53
Mkt cap (Btbn)	26.32
Mkt cap (US\$mn)	851

Bloomberg code	DCC TB
Reuters code	DCC.BK
Risk rating	L
Mkt cap (%) SET	0.20
Sector % SET	5.78
Shares issued (mn)	408
Par value (Bt)	1
12-m high / low (Bt)	66.5 / 40.3
Avg. daily 6m (US\$mn)	1.84
Foreign limit / actual (%)	35 / 14
Free float (%)	42.1
Dividend policy (%)	≥ 70

## Price Performance



Source: SET, SCBS Investment Research

## Share performance

	1M	3M	12M
Absolute	2.0	4.0	20.0
Relative to SET	-8.1	6.8	-5.8

Source: SET, SCBS Investment Research

Sirima Dissara, CFA

(66-2) 949-1004

sirima.dissara@scb.co.th

## 2Q13A: Below estimates on operational factors

**2Q13A below estimates.** DCC reported a 2Q13 net profit of Bt334mn, +4% YoY but -19% QoQ, 13% below SCBS and 10% below consensus due to lower sales volume accompanied by higher SG&A than expected. The rise YoY was due to a wider gross margin, the drop QoQ upon seasonality.

## 2Q13A highlights.

- Production dropped by 4% YoY due to the shutdown of two kilns for maintenance, but ASP increased by Bt5/sqm (+3% YoY) after its price hike in mid-Feb 13.
- Gross margin improved to 41.9%, +2.7ppts YoY and +1.3ppts QoQ, due to the rise in ASP and a 13% YoY drop in natural gas cost (~30% of production cost).
- SG&A expenses/sales were 20%, +1.9ppts YoY and +3.1ppts QoQ. The jump in SG&A expenses (+13% YoY) was due to the rise in minimum wage and the launch of a promotional campaign to stimulate sales.
- DCC announced 2Q13 DPS of Bt0.82, XD on 6 Aug 2013.

**Downgraded to NEUTRAL.** We cut our forecast by 7% to reflect its weak sales volume and downgrade rating to NEUTRAL from BUY with mid-2014F PT of Bt70 (18x PE or +1.5 S.D. over its 10-year PE). We still like DCC for its attractive dividend yield at 5-6% p.a. However, in 2013TD, DCC share price has increased by 42%, outperforming the SET by 33%, reflecting market expectation of an earnings turnaround from the raise in prices and lower cost for gas. We expect the street to downgrade earnings (2013F EPS growth at +21% YoY) soon, given its modest 1H13 volume (1H13A EPS growth at 7%) and potential gas cost increase in tandem with recent rise in oil price and weak baht.

## Financial statement

P & L (Btmn)	2Q12	3Q12	4Q12	1Q13	2Q13	% Chg YoY	% Chg QoQ
Total revenue	1,883	1,777	1,851	2,203	1,925	2.2	(12.6)
Gross profit	738	700	712	893	806	9.2	(9.8)
Pre-tax profit	421	371	374	517	422	0.4	(18.4)
Core profit	322	267	294	411	334	3.8	(18.7)
Net Profit	322	267	294	411	334	3.8	(18.7)
EPS	0.79	0.65	0.72	1.01	0.82	3.8	(18.7)
B/S (Btmn)							
Total assets	4,353	4,592	4,759	4,740	4,818	10.7	1.6
Total liabilities	1,627	1,919	2,057	1,530	1,982	21.8	29.6
Total equity	2,726	2,672	2,702	3,162	2,836	4.0	(10.3)
BVPS (Bt)	6.7	6.5	6.6	7.8	7.0	4.0	(10.3)
Financial ratio (%)							
Gross margin	39.2	39.4	38.5	40.5	41.9	2.7	1.3
Net profit margin	17.1	15.0	15.9	18.6	17.4	0.3	(1.3)
SG&A expense/Revenue	18.1	18.3	18.1	17.0	20.0	1.9	3.1

Source: SCBS Investment Research

## Forecasts and valuation

Year to 31 Dec	Unit	2011	2012	2013F	2014F	2015F
Revenue	(Btmn)	7,207	7,603	7,928	8,528	9,043
EBITDA	(Btmn)	2,004	1,844	1,978	2,278	2,552
Core profit	(Btmn)	1,243	1,255	1,413	1,664	1,878
Reported profit	(Btmn)	1,243	1,255	1,413	1,664	1,878
Core EPS	(Bt)	3.05	3.08	3.46	4.08	4.60
DPS	(Bt)	3.05	3.08	3.46	4.08	4.60
P/E, core	(x)	21.2	21.0	18.6	15.8	14.0
EPS growth, core	(%)	5.8	1.0	12.5	17.8	12.9
P/BV, core	(x)	9.88	9.76	9.70	9.22	8.57
ROE	(%)	46.1	46.8	52.2	59.8	63.4
Dividend yield	(%)	4.7	4.8	5.4	6.3	7.1
EV/EBITDA	(x)	13.2	14.7	13.3	11.4	10.1

Source: SCBS Investment Research

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

ADVANC, AD, ASP, BEL, BH, BIGC, CENTEL, CK, CPALL, CP, DCL, DELTA, DIAL, ESSO, GHPI, GLOW, GUNKUL, HANA, HMPRO, INTUCH, ITD, IUL, KCE, LH, MAKRO, MBKET, MINY, DISHI, PM, SCC, SMT, SPALL, STANLY, STEC, SVI, TCAP, THCOM, THRE, TICON, TRUE, YIWI, TUF

AAV, BCI, BCIH, CPNIF, NOK, NWR, POPF, QHPF, SSI, TFUND, WHA, WHAF

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