

**RELATIVE VALUATION OF TIPCO ASPHALT PUBLIC
COMPANY LIMITED**



**A THEMATIC PAPER SUBMITTED IN PARTIAL
FULFILLMENT OF THE REQUIREMENTS FOR
THE DEGREE OF MASTER OF MANAGEMENT
COLLEGE OF MANAGEMENT
MAHIDOL UNIVERSITY
2015**

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Thematic paper
entitled
**RELATIVE VALUATION OF TIPCO ASPHALT PUBLIC
COMPANY LIMITED**

was submitted to the College of Management, Mahidol University
for the degree of Master of Management

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December 18, 2015



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ACKNOWLEDGEMENTS

I would like to express my gratitude to the Chief Financial Officer, the management and the employees at Tipco Asphalt Public Co., Ltd., for providing the information related to the company's financial figures and other financially related information.

I would like to thank all the academic advisors, Ajarn Vasan Siraprapasiri, Ajarn Roy Kouwenberg and Ajarn Piyapas Tharavanij, for their valuable advice and precious time given for my study and paper. They helped me learn and understand more about relative and discounted cash flow valuations, and I would not have completed this paper without all their support.

I would like to thank my friend Goanpon Chongsanguan and other classmates for their excellent cooperation and knowledge-sharing while I was studying and working on this paper. Their shared knowledge provided me with practical ideas on the financial concepts and this helped greatly with completing my study and paper.

Finally, I would also like to thank my husband, Thierry Colin, who has always been giving both personal and academic support, especially in relation to how the numbers work, and the general financial, economic and accounting concepts, which provided me with broader views of the financial ideas as I was attempting to complete my paper.

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RELATIVE VALUATION OF TIPCO ASPHALT PUBLIC COMPANY LIMITED

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ABSTRACT

This thematic paper demonstrates how to value the stock price of Tipco Asphalt Public Company Limited (TASCO); the concept of the multiple valuation models were applied to find the relative market value of the firm, valuing the indirect (or relative) price of the equity using key statistics that are assumed to relate to the value. It reflected the company's ability to achieve its projected growth and financial position, as perceived and interpreted by the market.

In this paper, Price to Earnings (P/E) Ratio, Price to Book Value (PBV) Ratio, and Enterprise Value to Earnings before Interest, Taxes, Depreciation and Amortization (EV/EBITDA) Ratio were used to find the value of TASCO by using both trailing and forward P/E, P/BV and EV/EBITDA, in comparison with domestic and regional competitors or peers such as PTT, SK Innovation and Petronas.

After completing the valuations, it is shown that using P/E multiple is the most appropriate relative valuation method to find TASCO's share value, as it is perceived by the market as a 'growth stock' despite the P/E ratio, which is on the high side.

Although the 'BUY' is recommended for TASCO based on the P/E multiple method, it is recommended that investors consider a few valuation methods, rather than just one, as relative valuation comes with a few important limitations. And in the case of TASCO, since the peer's average P/E multiple is quite high, we would recommend valuing the stock price based on the DCF method, which would be a more conservative approach.

KEY WORDS: TASCO/ Tipco Asphalt/ Valuation / Multiple Valuation/

43 pages



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LIST OF ABBREVIATIONS

BV	Book Value
CAGR	Compound Annual Growth Rate
CAPEX	Capital Expenditure
COGS	Cost of Goods Sold
D/E	Debt/ Equity
EBIT	Earnings before Interest and Taxes
EBITDA	Earnings before Interest, Taxes and Depreciation
EPS	Earning Per Share
EV	Enterprise Value
GDP	Gross Domestic Product
N/I	Net Income
NOPAT	Net Operating Profit after Taxes
NOWC	Net Operating Working Capital
P/E	Price/ Earnings
QoQ	Quarter on Quarter
Rf	Risk free
ROA	Return on Assets
ROE	Return on Equity
SET	Stock Exchange of Thailand
SG&A	Selling, General and Administrative Expense
SWOT	Strength, Weakness, Opportunity and Threats
WACC	Weighted Average Cost of Capital
YOY	Year on Year



CHAPTER I

VALUATION

1.1 Highlights

1.1.1 Bright future with high potential growth

The company's five-year potential growth will push the target price up from THB 39.50 closing on 4 Dec 15 to THB 51.00 (29.11% upside), using the DCF method to demonstrate the bright FCFF outlook towards Y2020. The company's vision of distributing 6 million tons of asphalt products across the globe (by Y2020) does not appear difficult to achieve, looking back into their outperforming history, such as distributing over 2 million tons of asphalt in 2015 (100% increase from Y2010), having improved cash flows from achieving higher margins and lower raw-material costs (crude oil prices dropped significantly) over recent years, and having their strategic partnership, alliances and recently acquired businesses.

1.1.2 Capitalizing on the asphalt market growth prospects

Asphalt demand has been consistently increasing over the years, and this trend is expected to continue, with the infrastructure projects announced for each country (discussed in the industry analysis). From 2016 onwards, with the increased market shares from the acquisitions and the strategic partnerships and alliances in key markets such as Vietnam and Indonesia, and additional volumes of other necessary petroleum products (e.g. bunker fuel-oils and diesel-oils) being produced and/or traded. This demand growth is a major contributor to the estimated high annual operating-cash-flow exceeding THB 20 billion from the fiscal years 2015F to 2020F. TASCOS's competitive advantages of having the complete and efficient supply chain management (crude-refinery-vessels), remaining an expert in asphalt production and trading, and R&D excellence, being the only asphalt-focus company in the region and having long-term, crude supply secured will enable them to cover as much demand as possible.

1.1.3 Proper investments supporting growth

TASCO's main investments in expanding its refining capacity from 1.2 million to 2 million tons of yearly production volume, acquiring new vessels, renewing fleet trucks, and automating and relocating their plants will support their growth strategy. These investments are backed by the available capital (equity and debt); the recent upgrade of their credit rating by Fitch from 'BBB+(tha)' to 'A-(tha)' will definitely help the debt part (if needed by the company).

1.1.4 Changing the landscape

Although asphalt-price fluctuation, market cannibalization and historically high COGS are the main risk factors, TASCO's current business strategy would allow it to cope with the risks which could possibly occur. Moreover, governments changing the regulations in various countries, reduction of asphalt demand, competition from domestic production in some countries, and possible arbitrage cargoes expanding into TASCO's existing markets in the region are factors that investors need to take into account.

1.2 Business Description

Tipco Asphalt Public Company Limited (TASCO) is the leading manufacturer and distributor of asphalt-related products in the Asia-Pacific region. It focuses on servicing road construction, maintenance and paving industries, which are essential for transportation within the country.

TASCO has been in the asphalt business since 1979. Its products are used mainly in the construction and maintenance of roads, highways and airport runways. On average, 94.65% of TASCO's total revenue is derived from the sales of asphalt (Figure 1.1), with 99.01% from asphalt business and 0.09% from the vessel business, with key asphalt volumes to Thailand, China, and Indonesia (Figure 1.2).

The Company has manufacturing facilities and asphalt terminals located in the center of every region of the country with close proximity to its customers. With these four domestic manufacturing facilities strategically covering all regions, the Company can promptly deliver asphalt products to domestic customers in Thailand, as well as to neighboring countries via its own fleet of 300 trucks. This unique logistic

capability is core to Tipco Asphalt's dominance of the domestic market. Building on this capability, the Company also owns and operates seven ocean-going asphalt vessels, which significantly expands its presence in the export market and strengthens the domestic market distribution (Data 2.1).

In addition, the company operates a refinery in Kemaman, Malaysia through its subsidiary, Kemaman Bitumen Company Sdn. Bhd. The refinery, located on 26 hectares of land in the Telok Kalong Industrial Estate, has a nameplate refining capacity of 30,000 barrels of heavy crude oil per day, or the equivalent of 9 million barrels or 1.4 million tons of crude oil per year. This translates into production of about one million tons of asphalt cement per year.

1.2.1 Vision & mission 2020

The company aims to be the preferred integrated asphalt and petroleum related product company. This is to be achieved by distribution of 6 million tons of asphalt and petroleum products across five continents by 2020 in a sustainable and responsible manner.

1.2.2 Company strategies

The company's strategic direction focuses on the five points below:

Strategic Partnership - The company continues to explore the possibility of global asphalt-trading businesses; this has enabled growth for the initial 2015 vision and mission target (Figure 1.3), for instance, in transcontinental shipping arbitrage. They have been in cooperation and share initiatives with SK Innovation; as of July 2014, they created a joint venture in Singapore, with a lubricant business and Kemaman Refinery upgrade, in which the business model is to become fully independent later. The Marine Group business model would also become more independent, with ship management and chartering services. The company is also exploring the group's tax-saving initiatives. In addition, they recently announced their acquisition of Raycol Asphalt Company Limited ("Raycol"), PT Asphalt Bangun Sarana and subsidiary ("ABS"), Highway Resources Pte. Ltd. ("HR"), including Asphalt Distribution Co., Ltd. ("ADCo") as a subsidiary, from their main business partner, Colas S.A., in order to strengthen their asphalt sales volume in Thailand,

Indonesia and Vietnam respectively. The acquisition transaction includes adding two more vessels owned by Highway Resources to their existing vessel-fleet capacity.

Long-term Agreement on Crude Oil Procurement - With the projected crude-price ranging from USD 60-90 per barrel from 2016 to 2019, the company would still benefit from the market. The company has procured more crude cargo under long-term agreements to support the asphalt sales for both domestic and international markets.

Maximize Refinery Utilization in Malaysia - With almost 100% refining capacity utilization, the company can continue to enjoy high-efficiency in fuel consumption and production costs; since the production cost is low due to the declining fuel oil prices. The refinery's production volume is part of the 50% asphalt supply for Malaysia's domestic sales, which are from the country's biggest refineries.

Maximize Transportation Utilization - Tightness of asphalt vessel availability continues, and the freight revenue from the Marine Group improved significantly, as the freight market for asphalt carriers remains strong despite the currently low freight market worldwide in other vessel transportation sectors, such as dry bulk and other wet-product tankers. The low fuel oil prices help reduce the costs of operating owned vessels, as well.

A new vessel, 12,000 dead weight tons, has been ordered and will be delivered in 2017, adding more capacity to the current fleet. The new vessel will help reduce the average vessel age for the existing fleet, thus helping improve the company's bottom line, as the company can generate more revenue and reduce maintenance costs.

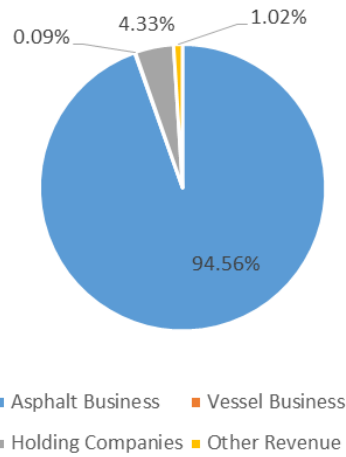
The group has also chartered two vessels starting from 2015 and one vessel starting from early 2016; each has 5,000 metric tons loading capacity, resulting in the increased fleet capacity and expanded cargo-loading volume.

1.2.3 Shareholder structure

TASCO is owned by two major shareholder groups and the public. As of November 2015, Tipco Foods PCL (TIPCO) and the Supsakorn family own a total of 32.07% of the common shares. COLAS S.A., a major French civil engineering firm, owns 31.79% of the outstanding shares through BNP PARIBAS, Singapore. The public owns the remaining 36.14% (Figure 1.4). Since 2000, COLAS S.A. and

TASCO entered into a strategic partner agreement which allows TASCO to receive unlimited access to the central asphalt research and development center in France, as well as all specialty asphalt product formulations and application techniques, enabling them to have a competitive advantage in the area.

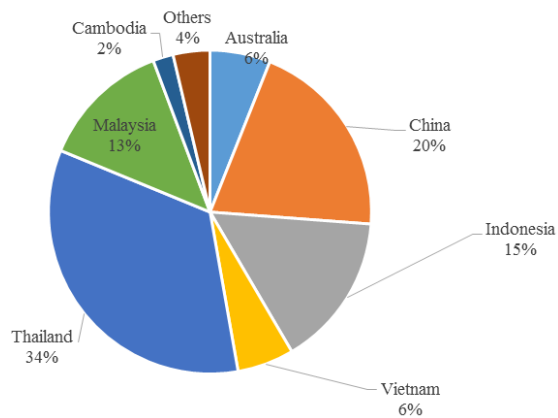
Revenue Breakdown as of December 31, 2014



Source: Company

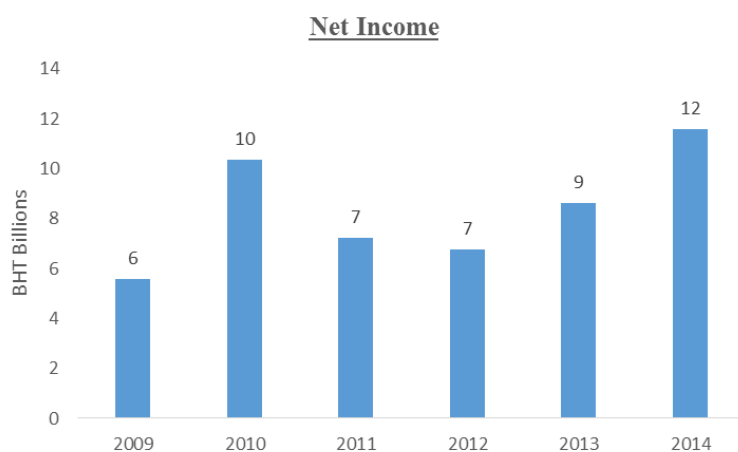
Figure 1.1 Revenue Structure

Volumes by Countries



Source: Company

Figure 1.2 Volume by Country



Source: company

Figure 1.3 Net Income

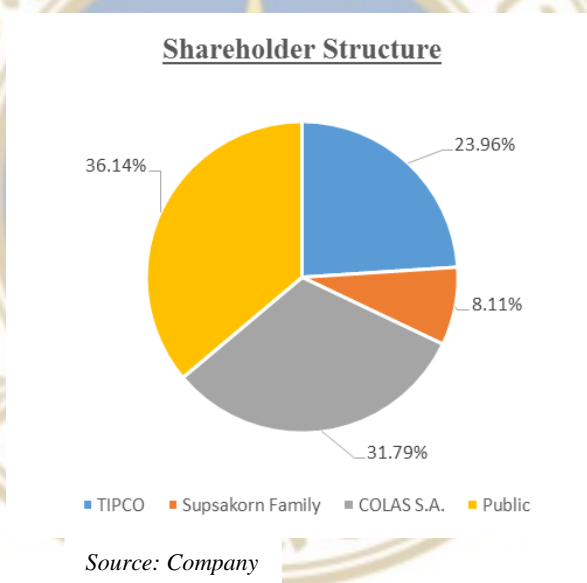


Figure 1.4 Shareholder Structure

1.3 Macro-economic Analysis

1.3.1 Thailand GDP growth & government investment outlook

Because of the slowdown of the global economy, the Bank of Thailand (BOT) has decreased the forecast target for Thailand's GDP growth outlook for 2015 to 3% (Figure 1.5). The outlook for 2016 is expected to be strong, owing to the

government investment worth 186 billion baht, which has been announced for fast-track public-private partnership schemes, and a Thailand Future Fund will be established to help fund these and other infrastructure ventures.

Government projects are expected to continue, although the 2016 budget from the Department of Highways and Department of Rural Roads shows negative growth at -8% and -16% respectively (Figure 1.6), as it was just announced, and additional budget has not been defined. The highway development project for connectivity enhancement has a total investment of 623,808 million baht, with total road expansion of more than 13,000 km nationwide (Data 2.5).

1.3.2 Lower crude oil price and inflation impact

The oil price is expected to hold at the current price range of USD 40-50 (Figure 1.7) as Iran is expected to return 0.5mn bpd to the already over-supplied market once its sanctions are lifted, added to the fact that OPEC has failed to reach an agreement on a collective output ceiling that could see production cut. Therefore, the price of crude oil is expected to remain at the current steady level (Data 2.5).

The oil price decline and the decrease in domestic and global oil demand had led the BOT to decrease the November headline inflation to -0.97%, falling from -0.77% YoY and core inflation at 0.88% YoY. Although the demand and inflation are expected to recover, the BOT has remarked that Thailand will have to cope with increased volatility because of the QE exit and divergent monetary policies and the slow growth, low commodity prices and sluggish EM exports. There may be low inflationary pressure, giving room for monetary policy to remain accommodating, but in the long term, with reforms, Thailand is expected to gain traction.

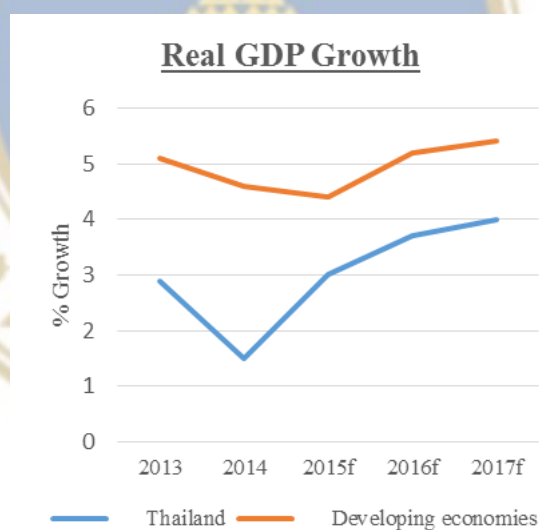
1.3.3 Strong US dollar and recovering global economic environment

Against the Thai baht, the US dollar has appreciated strongly, which is reflected by the confidence in the US economy (Data 2.5). Although the US central bank is expected to push up interest rates for the first time since 2006, increasing from 0.25% to 0.5%, the world economic recovery is expected to ease the impact of the rise in the cost of borrowing of US dollars. Japan is going ahead with its plan from Prime Minister Shinzo Abe, a mix of government spending, monetary stimulus and business reform. China's slowdown has bottomed out, and the yuan acceptance as one of the

IMF reserve currencies is a good sign for the country's economic reform. Lastly, the Eurozone countries have expected to continue their modest recovery over into 2016. The US can therefore continue its longer track record of growth for the time being, so the trend will be beneficial for Thailand's exporting firms.

1.3.4 ASEAN Economic Community (AEC) benefits to trade

The ASEAN Economic Community aims to create a single market and production bases concept. This would allow for free movement in the following five areas: services, products, investments, skilled labors and capitals. With no tariffs and tax barriers, companies that engage in trade within the AEC countries are expected to benefit greatly, especially as the opportunity to expand, transfer or allocation resources within the AEC countries can be achieved with less barrier. With the opportunity and the current strategies, the company should be able to maintain its long-term competitive advantages and solidify its strength in the market.



Source: World Bank & Bank of Thailand

Figure 1.5 Real GDP Growth

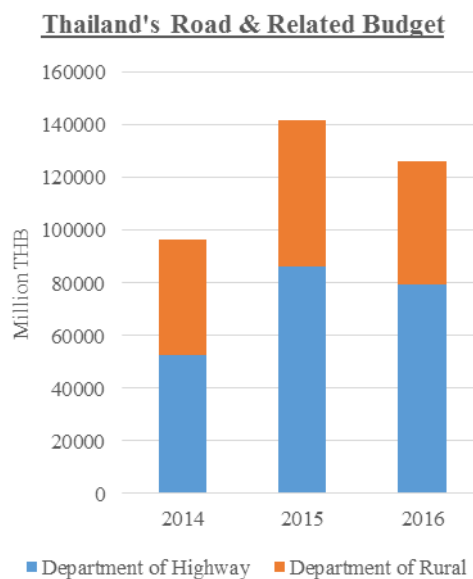


Figure 1.6 Thailand's Road and Related Budgets

1.4 Industry Analysis

Unpaved roads account for more than 40% of the world's roads. These unpaved roads can deteriorate quickly because of traffic, weather changes and bad driving behavior, leading to accidents in most of the cases. The need to have paved roads is considered as a priority for growing infrastructure development globally and has driven the demand to produce more asphalt pavers. Rising infrastructural and road development initiatives in emerging economies to develop smart cities are major driving factors, which accelerate the growth of the world asphalt market. Based on projections of demand by infrastructure segment globally, investment in road development and maintenance account to 25% of overall revenue share of the demand for asphalt around the world.

Although the price declined following the decline in crude oil prices (Figure 1.8), global demand for asphalt is projected to rise 3.6% annually to 121 million tons through 2017 (Figure 1.9). However, from the effect of the declining crude oil price, the price of asphalt has dropped significantly over the year; this, however, is one of the drivers for positive demand for asphalt. Asia remains the growth area and Asia-Pacific economic growth remains promising towards 2020.

Chinese and ASEAN economic policies focus on development of infrastructure and road networks, indicating good prospects for asphalt demand. With the declining crude oil price trend projected to continue over the next few years, demand in China is expected to surpass the USA in 2017. Moreover, the increasing Thai government budget implies more expenditure for road construction (Data 2.6).

1.4.1 Global asphalt market – Drivers & restraints

With the global growth in industrial and infrastructure sectors in the fast-paced economies, there has been heavy expenditure on the road maintenance and infrastructure projects, creating demand for asphalt throughout the world. According to Energy Technology Perspectives (ETP), it is estimated that the world will need to add nearly 25 million paved road lane kilometers, as only up to 60% of roads are paved globally. The enhancement and establishment of modern roads and development in emerging economies such as India and China are major growth drivers of the global asphalt market. Understanding the importance of road maintenance is proving to be very effective in reducing the number of accidents, ultimately driving the global asphalt market during the forecast period. Increasing demand from road traffic will require continuous construction and improvement of roads, in both urban and rural areas, and is likely to fuel the global asphalt market through 2025.

1.4.2 Future prospects

According to reports from the Argus Asian Bitumen Conference in Singapore this year, Asia's emerging economies will be building roads for the next two decades. This means there are big opportunities for suppliers of bitumen, related technology and risk management companies.

One of the strongest messages to emerge from the conference is the sheer volume of road building planned in the region. For many countries, there are political and financial hurdles to clear first, but in the medium and long term, these are important markets for companies supplying bitumen and associated products and technology.

China is by far the biggest user of bitumen, accounting for over 60% of Asia's demand according to the Argus Asphalt Report, which tracks bitumen prices around the world. However, according to reports and professionals in the bitumen

trading market, demand from China for imports is declining towards the 2016 year end, as China's domestic bitumen prices are low because of lower prices on crude oil to be refined for domestic consumption. China is also increasing its production of asphalt for export to Japan, Vietnam, the Philippines and Indonesia. Although they are still importing some bitumen from their main sources of supply, imports of bitumen to China will continue to decrease while exports from China will increase.

China is expected to turn its attention from road construction to maintenance, as investment in road construction was set to peak in the period between 2010 and 2015. After 2015, the volume of construction will decrease gradually, but import demand is expected to be around 4 million metric tons.

Meanwhile, Australia is closing its refineries, with imports of bitumen now accounting for between 80 and 85% of supply, according to Argus. Australia is starting to accept bitumen from South Korea and Taiwan, with production in Thailand increasing to meet Australian demand. The Australian government has planned USD 50 billion in infrastructure projects to improve roads and rail linkages in every state by 2020 (Data 2.6).

The increased demand for imports from Australia could possibly put pressure on shipping availability, as vessels making the journey are effectively 'out of action' for longer as they make the long return journeys from Australia. The shipping market is expected to get larger in the future, with operators looking at ways to carry other cargoes on return journeys.

Though India is largely self-sufficient when it comes to bitumen, importing only 150,000 tons, there are still opportunities for investors. In the past, importing bitumen into India has not been an attractive proposition. Some of the reasons include high discounts offered by domestic oil companies, high import duties and other taxes, and poor infrastructure at ports. However, there could be a place for imports into India, for example, during the peak season between February and June, when there is a mismatch between supply and demand. And chances to export bitumen during the monsoon period between July and October.

In Indonesia, the cabinet has approved USD 1.98 billion for road construction and USD 1.25 billion for road maintenance. The country has 38,750 km of roads in its national network, 34,004 km of which have asphalt surfaces; 1,209 km

is made by rolling layers of aggregate and spraying with bitumen), and 3,358 km gravel or earth. Its demand for bitumen each year is around 1.2 million tons, 750,000 of which is for maintenance.

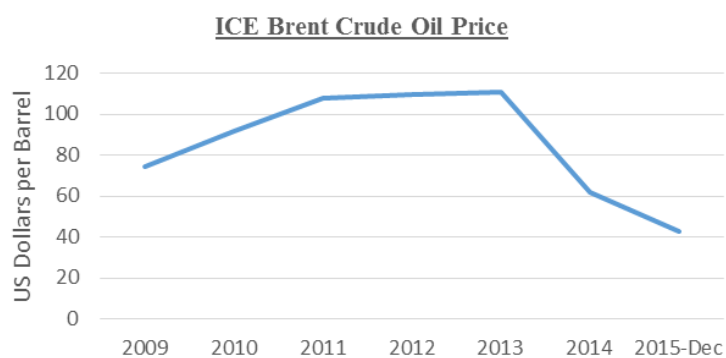
With domestic production of around 500,000 million tons/year, Indonesia needs to import bitumen. It is reported that cargo from China and India is now being accepted more often in Indonesia, in addition to its usual sources of supply (Singapore and Malaysia).

Indonesia also has a toll road network development program, with a further 4,619 km planned. The 720-km Sumatera highway will be delivered in four stages, starting from Bakaheuni in the South and finishing by the year 2025 at Banda Aceh in the North. The 617-km trans-Java toll road network must be finished by 2014, because of the economic importance of North Java. And the Great Jakarta toll road network, split into 10 sections, is also under development. Overall, asphalt volume is expected to reach 1.5 m tons.

According to the Bank for Investment and Development of Vietnam, only 32% of roads in Vietnam are in good condition, while the rest are below standard and need to be upgraded or rebuilt. The country will need around USD 48 billion from 2016 through to 2020 to improve the country's weak transportation by constructing 2,347 km of expressways.

TASCO produces up to 1 million tons of bitumen per year at its Kemaman refinery in Malaysia, supplying 20% of the volume used in the country. Malaysia's asphalt demand is expected to be stable at 700,000 tons, yet it is likely to grow further as the capacity of the refinery increases.

There will be opportunities over the next 10-20 years. Indonesia is one of the growing opportunities, and Vietnam and Bangladesh have some long-term road building projects, while most of these countries offer good opportunities as developing countries to develop and build roads on a long-term basis. Based on the industry growth expectation, the volume should be beneficial for TASCO's overall growth (Figure 1.10).



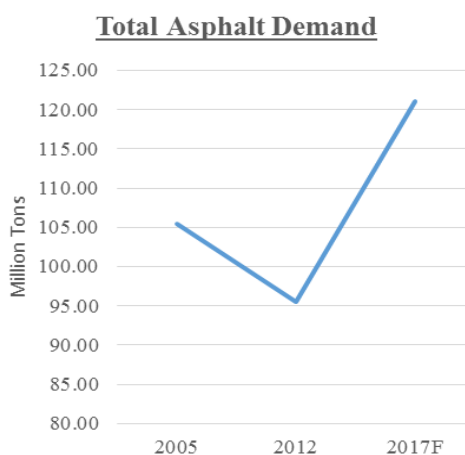
Source: Bloomberg

Figure 1.7 ICE-Brent Crude Oil Prices



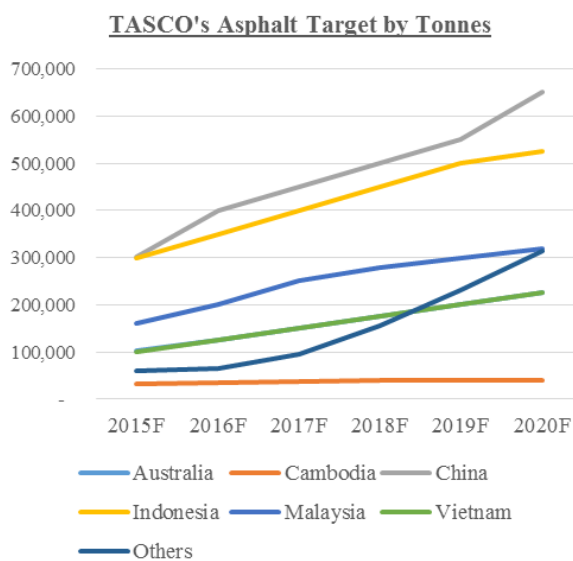
Source: Argus Report

Figure 1.8 Asphalt Prices



Source: AGGBUSINESS

Figure 1.9 Total Asphalt Demand



Source: Company

Figure 1.10 TASCO's Projected Asphalt Sales Volume (Metric Tons)

Table 1.1 Core Products

Product	Details
Asphalt cement	Crude oil refining and processing base lubricating oil
Asphalt emulsion (AE)	Asphalt cement, water and chemicals
Polymer modified asphalt (PMA)	Polymer and asphalt cement

Source: Company

1.5 Competition Analysis and Competitive Positioning

1.5.1 Favorable position in competitive environment

As TASCO's main product is bitumen, rather than a by-product, as is the case with oil refineries, it can produce in a volume that gives it a competitive advantage over its competitors. Moreover, it can produce bitumen which is right for a particular market, as the grade can be adjusted according to customer requirements and

needs, such as the particular viscosity. In the region, therefore, there is no direct competitor to TASC0 in terms of supplying its three core asphalt products: asphalt cement, asphalt emulsion (AE), and polymer modified asphalt (PMA) (Table 1.1).

1.5.2 Domestic market

In Thailand, TASC0 has three main competitors in asphalt distribution, which are PTT, Shell and ESSO. TASC0's domestic market share is around 40% (Figure 1.11) of the asphalt cement consumption and 70-80% (Figure 1.12) of asphalt emulsion and poly modified asphalt nationwide, which places the company as the number one distributor of asphalt-related products.

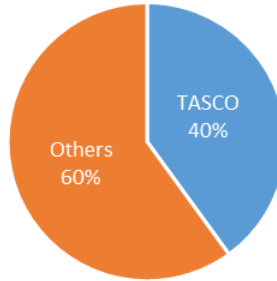
1.5.3 International market

There are quite a few asphalt producers (refineries) in Asia; some are bigger, similar and smaller, namely SK, S-Oil, GS Caltex and Hyundai in Korea; Sinopec in China; Simosa in Taiwan; Singapore Refinery, Shell and Exxon in Singapore; and Petronas in Malaysia, where TASC0's refinery is situated. TASC0's competitive advantage is that none of these refineries focus on asphalt as an output of the refining process, unlike what TASC0 does. Being the only asphalt-focus refinery in the region, it means that it has sufficient asphalt volume ready to supply to its customers whenever required, regardless of any seasonal demands.

1.5.4 Competitive positioning

TASC0 operates on a large scale in the region, thereby limiting the bargaining power of its customers, with a limited numbers of competitors and a low threat of new entrants. Our analysis suggests that it is quite a profitable environment for TASC0's core business (Figure 1.13 and Data 2.4).

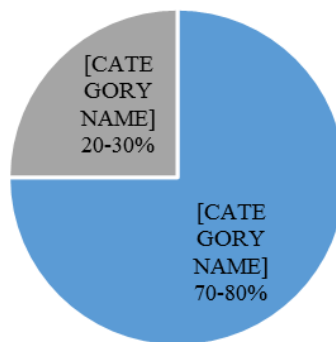
Local Market Share - Asphalt Cement



Source: Company

Figure 1.11 Local Market Share – Asphalt Cement

Local Market Share - Asphalt Emulsion & Poly Modified Asphalt



Source: Company

Figure 1.12 Local Market Share – Asphalt Emulsion & Poly Modified Asphalt

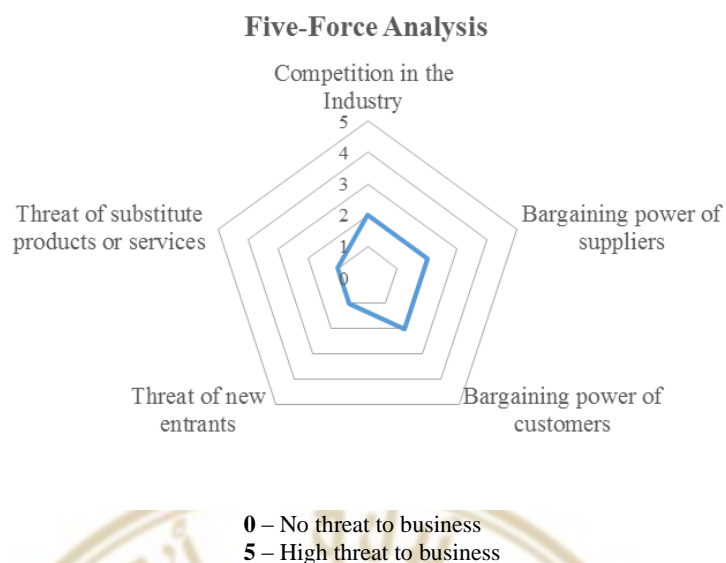
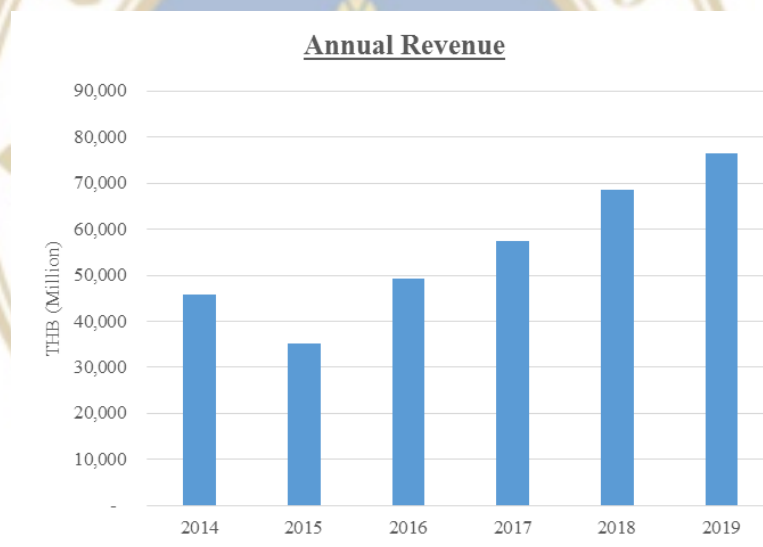


Figure 1.13 Five-Force Analysis



Source: Company

Figure 1.14 Annual Revenue

1.6 Investment Summary

We issue a BUY recommendation on Tipco Asphalt Public Company Limited (TASCO) with a target price of THB 51.00 using the Discounted Free Cash Flow to Firm method. This offers a 29.11% upside from its closing price of THB

39.50 on December 4, 2015. TASC0 has shown they are able to deliver on the growing demand in the asphalt market through solid business performance and improving operating cash flows from the higher margin of lower raw material costs. The synergy achieved from strategic partnerships and acquisitions allows the company to achieve a higher presence in the international markets, which can further maximize the firm's value.

1.6.1 Core asphalt products providing higher operating cash flows

TASC0 is able to deliver solid operations, as evidenced by its achieving the five-year performance goal plan of distributing over 2 million tons of asphalt, which is over a 100% increase from the 2010 volume. Industry data reveals that asphalt volumes have been consistently increasing over the years, and this trend is expected to continue, with the infrastructure projects announced for each country as discussed in the industry analysis. For 2016 onwards, there will be an increased market share from the acquisitions and strategic partnerships in key market, such as Vietnam and Indonesia, and additional volume of other petroleum products, such as bunker fuel oil and diesel oil, both of which are basic necessity fuel types. This growth is translated into a higher operating margin during the forecasted period. Moreover, with the lower cost of crude oils leading to a bigger net profit margin, the company's performance is expected to show an increase in the operating cash flow; the projected annual operating cash flow will likely exceed THB 20 billion for the period of 2015F to 2020F (Data 2.10).

1.6.2 Capitalizing on the asphalt market growth prospects

TASC0 will expand its refining capacity from 1.2 million to 2 million tons, as well as the fleet size. With insufficient capacity of only 1.2m tons (30,000 bbl/day), TASC0 will expand to 50,000 bbl/day or 2m tons/year. Capital expenditure is set at USD 100 million and construction should be completed by 2019.

Furthermore, in order to be more efficient in their production process, they also plan to make all the asphalt production plants fully automated by 2020. In addition, some plant relocation may be needed to be more suitable for their production and distribution structure. The capital expenditure for this project is around THB 50 million.

As their current truck fleet average age is quite high, the group recently planned to renew the existing fleet of trucks, which will result in capital expenditure of around THB 2 million per truck head and around THB 1 million per truck tail, altogether around THB 80 million. This project is to be completed in 2018. The capital expenditure for this project is around THB 240 million.

Based on their investment plans, in 2015-2020, TASCOCO would have a net capital expenditure of around THB 6.4 billion (Table 1.2).

From the favorable cash position shown by TASCOCO's EBITDA / year over THB 5 billion, it is expected that the company will not consider additional debt financing.

Table 1.2 TASCOCO CAPEX

Project	Estimates (THB)
Refinery	3,589,000,000
Trucks	80,000,000
Vessels	2,691,750,000
Plant automation and relocation	50,000,000
Total	6,410,750,000

Source: Company

1.6.3 Globally integrated asphalt and petroleum related producers in 2020

Despite the big market shares of Indonesia and Vietnam, TASCOCO has only approximately 10.0% and 19.0% market share through imports into Vietnam and Indonesia in 2014, respectively. The company has chosen to make strategic acquisitions, by acquiring COLAS company's AD Shipping Pte Ltd and Reta Link Pte Ltd. (Singapore). They have acquired two asphalt vessels, Asphalt Distribution Co., Ltd (Vietnam) with the country's 2nd largest asphalt market share, PT Asphalt Bangun Sarana and subsidiary (Indonesia) with the increase of 8% in country's asphalt market share and Raycol Asphalt Co., Ltd. (Thailand) who is the manufacturer and seller of local asphalt business, in order to enjoy synergy and benefit (Table 1.3) such as: 15%

sales increase for the company. We can expect the volume to increase by as much as 300,000 tons (200,000 tons and 100,000 tons increase from Vietnam and Indonesia respectively), larger shipping cargo carry capacity at 32,000 MT, wider margin integration, and taking advantages of 2015 AEC.

Table 1.3 Acquisition Synergies

Projects	Current	After Acquisition
Vessel Fleet Expansion		
No. of vessels	7	9
Carrying capacity (KTons)	26	32
Market Expansion		
Vietnam sales (KTons)	100	300
Indonesia sales (KTON)	300	390

Source: Company

1.6.4 Drivers of volatility in earnings

Based on the research, the cost of sales and the distributed volume will be the main drivers of volatility in TASCOS' earnings. As the acquisition plan for TASCOS goes through, we expect the additional volume to contribute significantly to the overall earnings performance of the company. The distributed volume of asphalt is driven by GDP growth of the country, such as government investment in road infrastructure. The cost of sales is driven mainly by the price of crude oil, as in 2014 the margin for sales averaged out to only 5%, but because of the lower crude oil price, the current margin on sales is as high as 20%. However, it should be noted that to a certain degree, the price of asphalt positively correlates with the price of crude oil, so the sales revenue is driven by the price of crude oil as well (Figure 1.15).

1.6.5 Possible investment risks

There is a variety of risks that investors must be aware of. One is regulatory risk, such as trade restriction, government regime change, and imposed product restrictions. Another is legal risk, which could delay expansion of the refinery capacity and vessel completions. Market risks include unfavorable market conditions, resulting in lower demand. Operational risks include downtime caused by unplanned breakdown of plant and equipment or uncertainty of the crude oil supply. A detailed

discussion of the risks, mitigation factors and their impact on value are discussed in the Investment Risk section.



Source: Bloomberg

Figure 1.15 TASC0 Share Prices and News Flow

1.7 Relative Valuation: Multiple Valuation Model

The multiple valuation methods discussed below are used to find the relative market value of the firm in order to value the indirect (or relative) price of the equity using key statistics that are assumed to relate to the value. In this report, we have used Price to Earnings (P/E) Ratio, Price to Book Value (PBV) Ratio and Enterprise Value to Earnings before Interest, Taxes, Depreciation and Amortization (EV/EBITDA) Ratio to find the value of TASC0 by using both trailing and forward P/E, P/BV and EV/EBITDA, comparing them with domestic and regional competitors or peers such as PTT, SK Innovation and Petronas.

1.7.1 Price/ Earnings (P/E) Ratio

The Price-to-Earnings or P/E Ratio is used for valuing the company; it measures TASC0's current share price relative to its earning per share (EPS). The P/E Ratio is calculated by having the market value per share divided by the EPS.

Trailing P/E of TASCOT is calculated by dividing its current stock price of THB 39.50 as of 4 December 2015 by the sum of trailing EPS from the last four quarters (4Q2014-3Q2015). We have calculated the trailing P/E at 13.76 times. This is the most commonly used P/E measurement because it is based on actual earnings; therefore, it is the most accurate.

Forward P/E of TASCOT used in this report to calculate price-earnings, which is sometimes called projected P/E, as it estimates earnings expected during the next four quarters (1Q2015-4Q2015). Although the trailing P/E is the most accurate, stock prices are moving constantly while earnings remain fixed. Therefore, forward P/E can sometimes be more relevant when evaluating a company. For TASCOT, we have arrived at 11.52 times, which is derived from the whole year forecast of year 2015's net income.

When comparing the firm's trailing P/E (13.76) with the average trailing P/E of its peers (28.19), TASCOT can perform two times better than the peer group. As for the target price from the trailing P/E multiple up to 3Q2015, we arrived at THB 80.90 which is much higher than the current stock price of THB 39.50. And comparing the firm's forward P/E (11.52) with the average forward P/E of peers (14.75), we can infer that TASCOT would still perform better than the peers. With forward P/E multiple 2015, we got the target price of THB 50.59, which is closer to the current stock price (than with trailing P/E). However, the target stock prices after multiplying the peers' average trailing P/E and forward P/E are still higher than the current stock price, by which we can infer that TASCOT's share price is still undervalued considering both trailing and forward P/E for peers.

Moreover, in the view of the P/E ratio, the issue is how much (how many baht) investors have to pay in order to receive one baht of the firm's earnings, and the firm's forward P/E of 11.52 appears to be quite high; however, the forward P/E can still be considered low when compared with the peers' P/E, and the firm's P/E would be considered even lower if we compared it with the SET's average P/E of 23.77 times as of end November 2015 (Table 1.4).

Table 1.4 Price/ Earning (P/E) Ratio Computation

TASCO					
PE Ratio	Q4, 2014	Q1, 2015	Q2, 2015	Q3, 2015	Q4, 2015E
TASCO PO - [4/12/15]	39.50				
EPS	0.34	0.73	0.86	0.94	0.90
trailing EPS	2.87	trailing PE	13.76	target PO	80.90
Forward EPS	3.43	Forward PE	11.52	target PO	50.59

Peer Average						Peer's PE		
EPS	Q4, 2014	Q1, 2015	Q2, 2015	Q3, 2015	Q4, 2015E	Price - [4/12/15]	trailing PE	forward PE
PTT	-9.33	7.89	8.31	-9.14	1.965	252	-111.01	27.92
Petronas	0.00	1.87	2.50	1.92	3.40	191	30.42	19.74
SK Innovation	-181	93.08	185.84	49	65	3,832	25.95	9.76
Average EPS	-63.28	34.28	65.55	14.00	23.30	Average	28.19	14.75

Source: SET & Bloomberg

When computing the P/E ratios as to whether or not TASCOS current stock is worth buying, we have also taken the following factors into account:

1) Valuations and growth rates of companies may vary wildly between sectors or in the same sector but with different businesses and different raw materials used, especially in the SET's Constructions & Materials (CONMAT) sector, owing both to the different ways companies earn money and to the different cycles during which companies earn that money. For these reasons, we have used P/E as a comparative tool when considering only companies that are domestic and regional enterprises that own refineries and that have asphalt as one of their core products traded in similar volumes yearly and in the same markets compared with TASCOS, as we believe that this kind of comparison is the only kind that will yield productive insight, rather than using companies in CONMAT sector as peers.

2) The company's P/E ratio is more meaningful when P/E ratios of other companies in the same sector are taken, but this may reflect a trend within the same sector rather than the performance of the company itself, since the concern over the high P/E of TASCOS may be ignored if the whole sector has a high P/E ratios as well. In this case, we would recommend basing the valuation on results derived from the DCF method in Table 2.13.

3) The debt of a company can affect both the prices of shares and the company's earnings, and leverage can skew the P/E ratio of the company. In this case, TASCOS has much lower debt than its peers and we could infer that this helps improve their forward P/E ratio.

1.7.2 Price/ Book Value Ratio (PBV)

The price-to-book valuation is used in this report to compare TASCOT's stock value to its book value. It is calculated by dividing the current stock's closing price of THB 39.50 by the latest quarter's book value per share.

The trailing PBV of TASCOT is calculated by dividing the current share price of THB 39.50 with the 3Q2015's book value per share. After computing, we see that TASCOT's trailing PBV is 6.37 times, which is three times higher than the peer average PBV of 2.19 times. We could infer that the company's current stock price is much too high at the moment when compared only with its current book value. This could be the result of TASCOT's share price increasing rapidly, especially after the stock split on 22 April in 2015, from THB 13.20 to THB 43.50 within six months.

The forward PBV of TASCOT is calculated by dividing the estimated book-value (BV) per share at the year end of 2015 (Q42015) instead of the 3Q2015's BV per share. After doing so, we have got TASCOT's forward PBV of 6.25 times, which is slightly lower than with the trailing BV, but this is still much higher than the peers' average forward PBV of 2.12 times.

From this PBV method, we can imply that TASCOT's stock price is currently much overvalued, as the target share prices from multiplying the firm's trailing and forward PBV with the peer's average trailing and forward PBV would be THB 13.58 and THB 13.38 respectively.

PBV is a conservative way to indicate how much shareholders are paying for the net assets of a company, since it provides investors with a comparison of the market value per share to the firm's equity value per share; for this reason, we could also consider this PBV valuation of TASCOT as a very conservative approach, when considering the market momentum, because, on the other hand, if the company is perceived with a low market opinion (from low share price considering their growth potential), it may prove to be a stagnant investment later. In addition, the P/E multiple is considered to be a more popular valuation of choice than the PBV multiple, and may be reflecting the share value of TASCOT better, at least over the foreseeable growth period (Table 1.5).

Table 1.5 Price/ Book Value (P/BV) Ratio Computation

TASCO					
PBV Ratio	Q3, 2015	Q4, 2015E			
TASCO PO - [4/12/15]	39.50				
BVPS	6.2	6.32			
trailing BV	6.2		trailing PBV		6.37
			target PO		13.58
forward BV	6.32		Forward PBV		6.25
			target PO		13.38

Peer Average			Peer's PBV		
BVPS	Q3, 2015	Q4, 2015E	Price - [4/12/15]	trailing PBV	forward PBV
PTT	244.82	252.5	252.0	1.03	1.00
Petronas	41.7	43.41	203.3	4.87	4.68
SK Innovation	5408.59	5386.50	3600.0	0.67	0.67
Average BVPS	1898.37	1894.14	Average	2.19	2.12

Source: SET & Bloomberg

1.7.3 Enterprise Value/EBITDA Ratio (EV/ EBITDA Ratio)

This enterprise multiple valuation can be used to determine the value of TASCO. In this method, we look at a firm as a potential acquirer would, because we take debt into account – an item that other multiples like the P/E ratio do not include. The enterprise value (EV) is calculated by adding the value of debt per share to the current share price of THB 39.50 and then deducing the non-operating asset per share. From this, we obtain the enterprise value of THB 42.42 – higher than the current share price.

The trailing EV/EBITDA of TASCO is calculated by dividing the enterprise value (EV) with the sum of EBITDA per share from the last four quarters (3Q2014 to 3Q2015). After calculating, we obtain the trailing EV/EBITDA of 10.93 times, which is higher than the peer average of 5.41 times. As a low ratio indicates that a company might be undervalued, we could infer that TASCO is two times overvalued in view of EV/EBITDA valuation compared to its peers.

After multiplying TASCO's EBITDA per share with the average EV/EBITDA of its peers, we find the target EV of 20.99 times, and to calculate the target share price, we add the non-operating asset per share to EV per share and subtract the value of debt per share. The target share price would be THB 18.07, which indicates that TASCO's current stock price is two times overvalued, considering its trailing EV/EBITDA multiple.

The forward EV/EBITDA of TASCOT is calculated using the same method as trailing EV/EBITDA above but changing from the last four quarters' EBITDA to the forward four quarters of EBITDA (1Q2015-4Q2015). Although the forward EV/EBITDA is an estimate and the company's financial result of 4Q2015 alone can make a big difference on the share price, it is still useful and in some cases considered appropriate. From this method, the target EV we obtain is 19.98 times, by multiplying the company's forward EBITDA with the peers' average EV/EBITDA. As a result, the target share price derived from this method would be THB 22.90, which is improved from the share price by the trailing EV/EBITDA but still much lower than the current stock price (THB 39.50). This suggests that with the EV/EBITDA multiple, TASCOT's current stock price is much overvalued.

The EV/EBITDA is an appropriate valuation method for a transnational comparison, which is the case of TASCOT compared with its regional peers, because it ignores the effects of the countries' taxation, and it is useful when considering whether or not the company is an attractive takeover candidate. However, this EV/EBITDA method does not take into account the market situations in different countries, which may affect the share prices of TASCOT and its peers, and enterprise multiples can vary depending on the industry; high growth industries tend to have high enterprise multiples (Table 1.6).

Table 1.6 EV / EBITDA Ratio Computation

TASCOT					
EV/EBITDA Ratio	Q4, 2014	Q1, 2015	Q2, 2015	Q3, 2015	Q4, 2015E
TASCOT P0 - [4/12/15]	39.50				
EBITDA per share	0.34	0.84	1.25	1.45	1.35
EV	42.42				
+ value of debt	4.37				
- non operating asset	1.45				
trailing EBITDA	3.88	target EV	20.99		
trailing EV/EBITDA	10.93	target P0	18.07		
forward EBITDA	4.89	target EV	19.98		
Forward EV/EBITDA	8.67	target Price	22.90		

*EV = P0 + value of debt - non-operating asset

*P0 = EV + non-operating assets - value of debt

Malee						Peer's EV/EBITDA		
EBITDA per share	Q4, 2014	Q1, 2015	Q2, 2015	Q3, 2015	Q4, 2015E	EV - [4/12/15]	T EV/EBITDA	F EV/EBITDA
PTT	8.33	25.81	30.74	23.26	27.00	399.9	4.54	3.74
Petronas	1.23	3.42	4.25	3.35	6.58	23.6	1.93	1.34
SK Innovation	-81.53	183.70	403.57	197.29	172.63	6863.4	9.76	7.17
Avg EBITDA per share	-23.99	70.98	146.19	74.63	68.74	Average	5.41	4.09

Source: SET & Bloomberg

In conclusion, from all the above relative valuation methods, we can see that the P/E multiple is the most suitable method to find TASCOT's share value, as it is perceived by the market as a 'growth stock,' despite the P/E ratio, which is on the high side. Relative valuation comes with a few important limitations that investors should take into account, as they may often be led to believe that there is a single method that will provide complete insight into an investment decision, which is virtually never the case; therefore, it is recommended that investors consider a number of valuation methods, rather than just one. And in the case of TASCOT, since the peer average P/E multiple is quite high as well, we would recommend that valuing the stock price based on the DCF method would be considered a more conservative approach.

1.8 Financial Statement Analysis

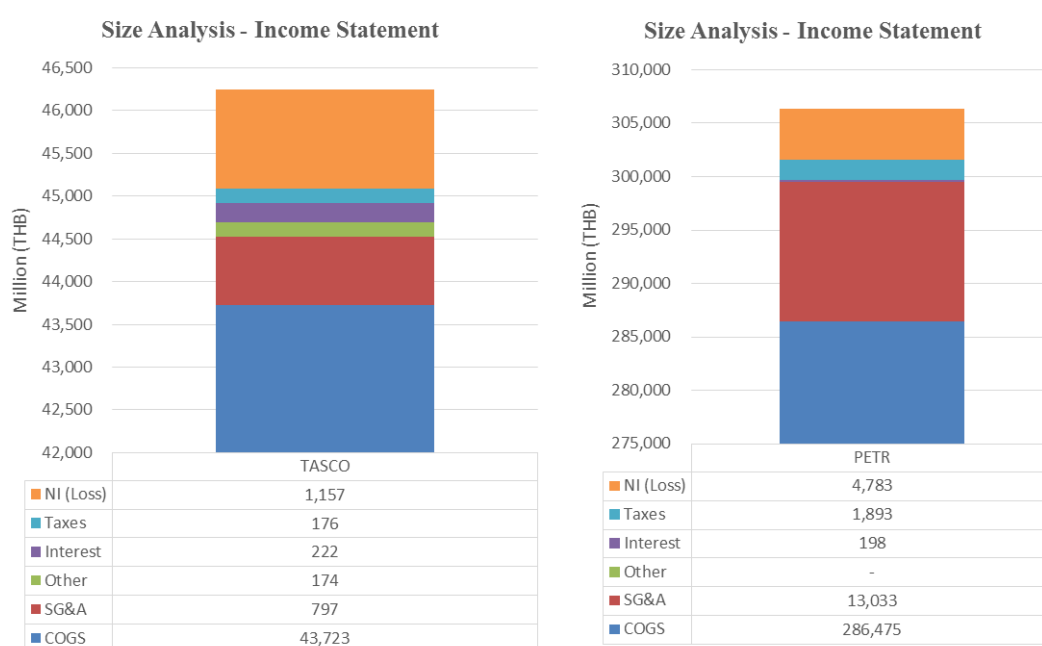
1.8.1 Summary figures from financial statements (size analysis)

As TASCOT does not have a direct competitor in the domestic market for asphalt distributor, to make a fair comparison, we will be comparing TASCOT with Petronas Dagangan Bhd (PETR), since both serve the same region with the same strategy of full integration of the supply chain in delivering downstream petroleum products to customers. Moreover, as there is a considerable size difference, we begin by comparing the QoQ of both companies; doing so, we found that there is an 80% correlation in terms of total revenue and 47% for the component of EBIT.

1.8.2 Income statement (size analysis)

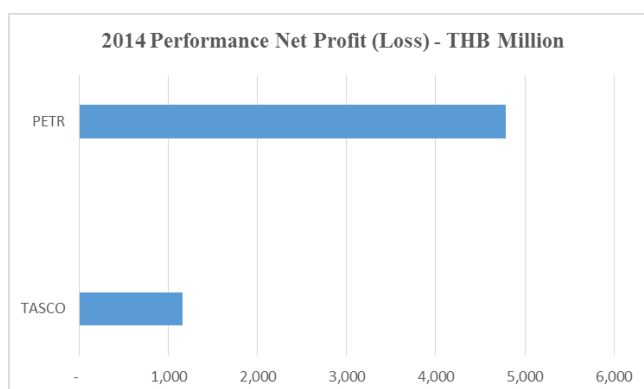
In 2014, total revenue of TASCOT is THB 46,200 million and net income is THB 1,157 million. The revenue from sales and services income grew YOY 35%, owing to the increased demand for asphalt caused by lower prices and the introduction of bitumen mix, which is a mixture of crude oil with bitumen, reducing the tank top problem and allowing a higher volume to be distributed in the year. In 2013, however, the revenue from sales and services had decreased YOY of 10%, caused by the decline in asphalt demand, which was due to the peaking of the crude oil prices; another major factor was that customers were postponing the delivery of products, which contributed

to tank topping in the Kemaman refinery. The gain on the exchange rate YOY from 2013 to 2014 is 1060%; this is attributed to the strong appreciating dollar trend, as TASCOS receives its international trade revenue in USD. The EBIT margin decreased from 3.46% in 2013 to 3.37% in 2014, because of the sudden decline in crude oil prices, leading to higher costs from oil hedging and lower asphalt selling margin, causing an increase in the COGS percentage from 95% in 2013 to 97% in 2014. Overall, performance of the firm is quite favourable (Figure 1.16).



Source: SET & Bloomberg

Figure 1.16 Income Statement – Size Analysis

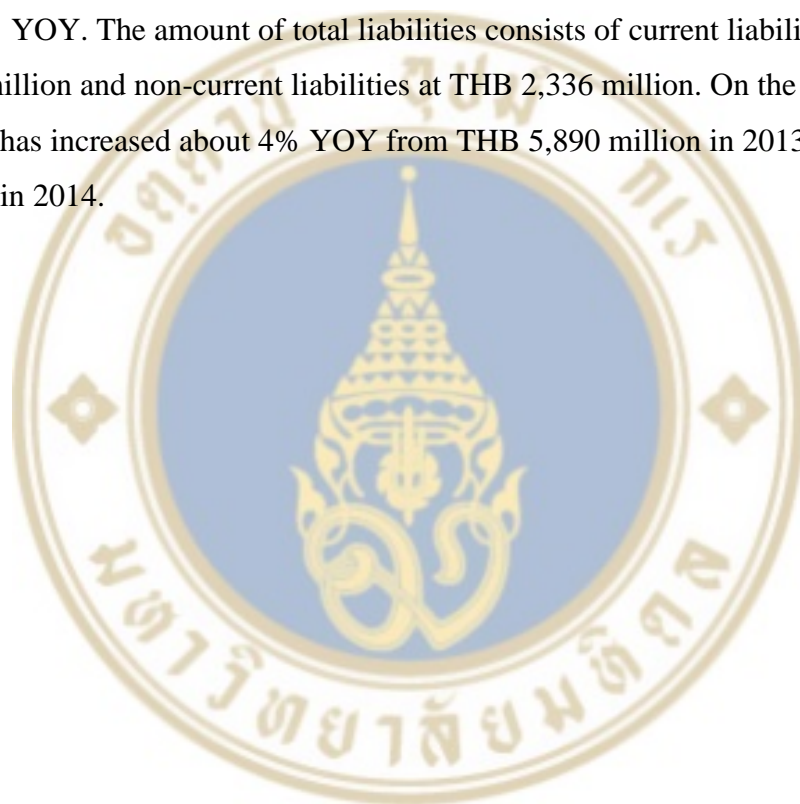


Source: SET & Bloomberg

Figure 1.17 2014 Performance – Net Profit (Loss)

1.8.3 Balance sheet (size analysis)

In 2014, the company's total assets were around THB 15,145 million; this was composed of current assets of THB 8,409 million and non-current assets of THB 6,736 million. The total assets have decreased 25% YOY, which is mainly attributed to the lower inventory the company held in 2014, having decreased from THB 9,349 million to THB 3,817 million from the bitumen mix and higher asphalt demand. Other components of assets have shown an increase, which related to the higher sales revenue. In terms of liability and equity, TASCOT has managed its debt with a decrease of -37% YOY. The amount of total liabilities consists of current liabilities at THB 6,683 million and non-current liabilities at THB 2,336 million. On the equity side, the portion has increased about 4% YOY from THB 5,890 million in 2013 to THB 6,125 million in 2014.





Source: SET & Bloomberg

Figure 1.18 Balance Sheet – Size Analysis

1.8.4 Dividend

In 2014, the company paid a dividend of THB 1 per share, which makes up to 13% payout ratio (Table 1.7).

Table 1.7 TASC0's Dividend

Year	Dividend	Payout Ratio
2010	-	-
2011	-	-
2012	190,684,210	28%
2013	152,578.968	18%
2014	153,276,257	13%

Source: SET & Bloomberg

1.8.5 Common size analysis

1.8.5.1 Income Statement – Revenue from sales and services income is 98.98% of the total revenue. Cost of sales makes up for 94.64%, and SG&A is at 1.73%. Gross profit margin is at 5.36%; EBIT is at 3.37%; and as TASC0 has benefited from a low interest rate and tax expenses, the net income is 2.50% (Table 1.8).

Table 1.8 Common Size - Income Statement

2014 - Income Statement (Million THB)					
	TASCO		PETR		
		%		%	
Total Revenue	46200	100%	304,440	100%	
COGS	43723	94.64%	286,475	94.10%	
SG&A	797	1.73%	13,033	4.28%	
Other	174	0.38%	-	0.00%	
Interest	222	0.48%	198	0.06%	
Taxes	176	0.38%	1,893	0.62%	
NI (Loss)	1157	2.50%	4,783	1.57%	

Source: SET & Bloomberg

1.8.5.2 Balance Sheet – TASC0's total assets comprise current assets at 55.53% and non-current assets at 44.47%. The major assets are trade and other receivables, inventories, and PPE, representing 26.53%, 25.21%, and 37.32%, respectively. Total liabilities and equity comprise total liabilities at 59.56%; this is composed of current liabilities at 44.13% and non-current liabilities 15.43%.; and total

equity at 40.44%, of which 24.51% is unappropriated retained earnings, issued and paid-up capital at 10.12%, and non-controlling interest at 1.12%. The major items for both TASC0 and PETR in current liabilities are trade and other payables, which for TASC0 is at 8.68% (Table 1.9).

Table 1.9 Common Size – Balance Sheet

2014 - Balance Sheet [Assets] (Million THB)					
	TASC0		PETR		
		%			%
Other Non-current Assets	760	4.05%	4,856	5.41%	
PPE - net	5,653	37.32%	37,946	42.25%	
LT Investment	323	2.14%	26.18	0.03%	
Other Current Assets	297	1.96%	-	0.00%	
Inventories	3,818	25.21%	9,714	10.82%	
Trade and Other Accounts Receivable	4,018	26.53%	19,948	22.21%	
Cash and Cash Equivalents	277	1.83%	17,318	19.28%	

2014 - Balance Sheet [Liabilities & Equity] (Million THB)					
	TASC0		PETR		
		%			%
Total Equity	6,125	40.44%	45,108	50.23%	
Other L-T liabilities	114	0.81%	1,594	1.77%	
L-T Debts	2,222	14.62%	1,268	1.41%	
S-T Debts	4,094	27.03%	3,385	3.77%	
Operating liabilities	2,589	17.10%	38,454	42.82%	

Source: SET & Bloomberg

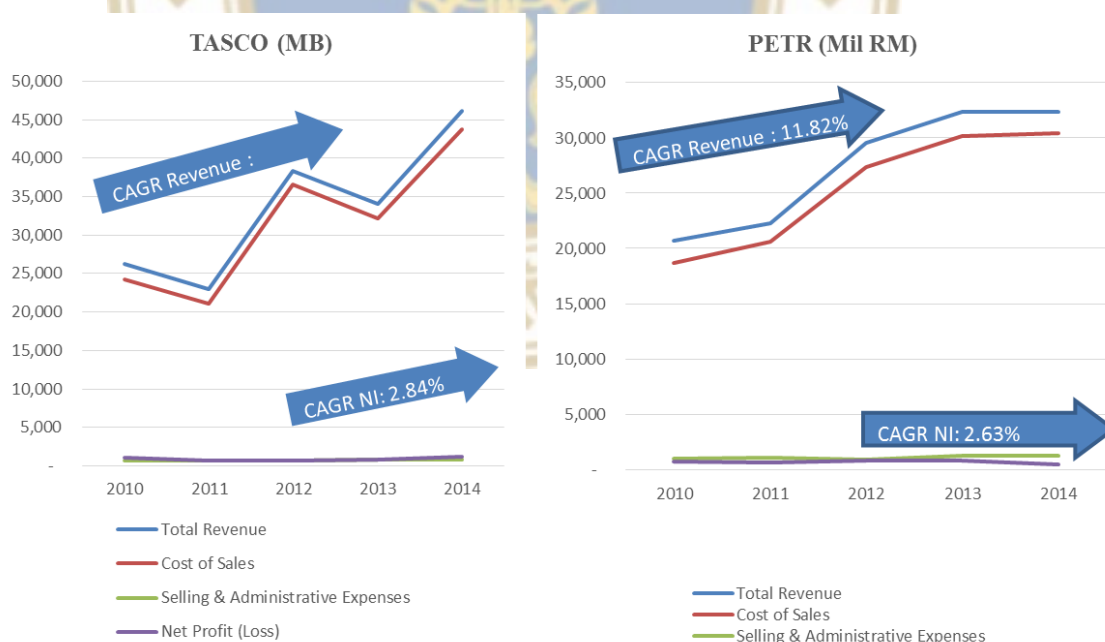
1.8.5.3 Comparison with competitors – In comparison with PETR, TASC0's income statement has similar COGS but lower SG&A than PETR, which suggest that TASC0 is more efficient in terms of cost management. Moreover, due to the lower tax expense and better cost management, TASC0 ended 2014 with a higher net income margin from sales, compared with PETR. On the asset side, TASC0, although improving, has a higher portion of trade and other receivables, as well as inventories, but a lower portion of cash and cash equivalents and PPE. On the liabilities and equity side, the portion does not show a significant difference in terms of leverage, while PETR relies heavily on short-term debt financing.

1.8.6 Trend analysis

Income Statement – As shown in TASC0's 2015 vision and mission, the company is committed to increasing the distribution volume of asphalt products from

1,000,000 tons to 2,000,000. During the last five years, the revenue of TASCOS has grown on the CAGR of 15.13%, as asphalt consumption in the region increased, based on the infrastructure projects and bitumen mix from the high-sulphur crude oil, which sold very well and contributed greatly to revenue in 2014. The cost of goods sold increased in relation to sales, which has a CAGR of 15.97%, which is also reflected in the increased price of crude oil. The selling and administrative expenses increase as they expand in the region, in order to provide the required demands, so the CAGR is 4.1%, but the cost does not impact much on the profit as its proportion is only around 1.73%. The CAGR of net profit has been about 2.8% over the past five years.

Revenue of PETR grew with a CAGR of 11.82%, with their growth period moving in the same direction, although the pattern suggests that it is reaching a stable level. Cost of sales is increasing in relation to sales at CAGR of 12.94%, and SG&A increases at a lower CAGR of 6.46%. As for net income, the CAGR of -9.5% suggests that the earnings are in a decline, while TASCOS is still stable, owing to the sudden decrease in the crude oil price (Figure 1.19).

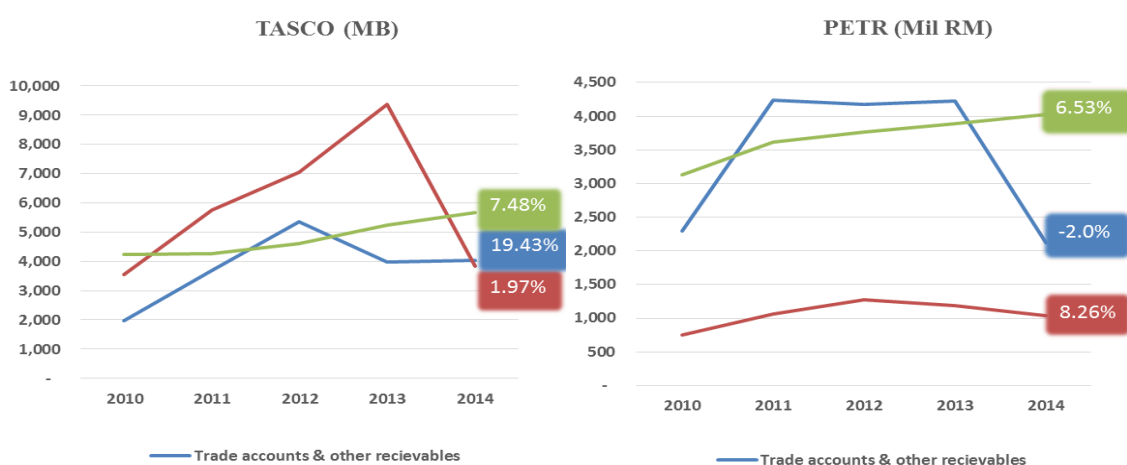


Source: SET & Bloomberg

Figure 1.19 Income Statement – Trend Analysis

Receivables increase with CAGR of 19.4% and inventories with CAGR of 2.0%. Inventories only slightly increase due to the improvement of inventory management in the recent years. Moreover, Net PPE increases with CAGR at 7.5%.

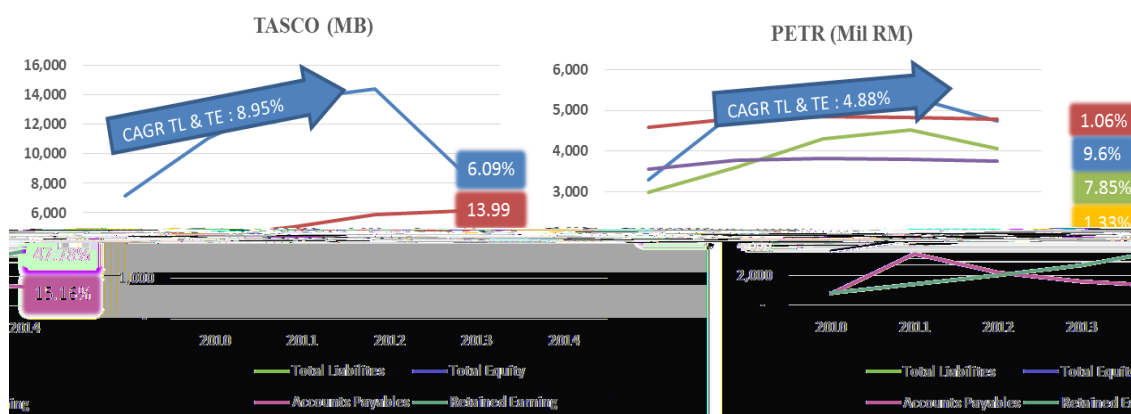
PETR's CAGR trade and other receivables decrease at -2.0% and inventories increase at 8.26% following the sales growth. A comparison indicates that TASCOS is becoming more efficient at managing its inventory. At the same time, the net-PPE increase at CAGR of 6.53% (for PETR) is similar to TASCOS's (Figure 1.20).



Source: SET & Bloomberg

Figure 1.20 Balance Sheet – Trend Analysis – Assets

As for the trend of liabilities and equity of TASCOS, we have chosen trade and other payables to identify their relationship with the COGS based on the trade trend and other payables, which increase by CAGR of 15.2%, while PETR has a lower CAGR for trade and other payables at 9.6% (Figure 1.21).



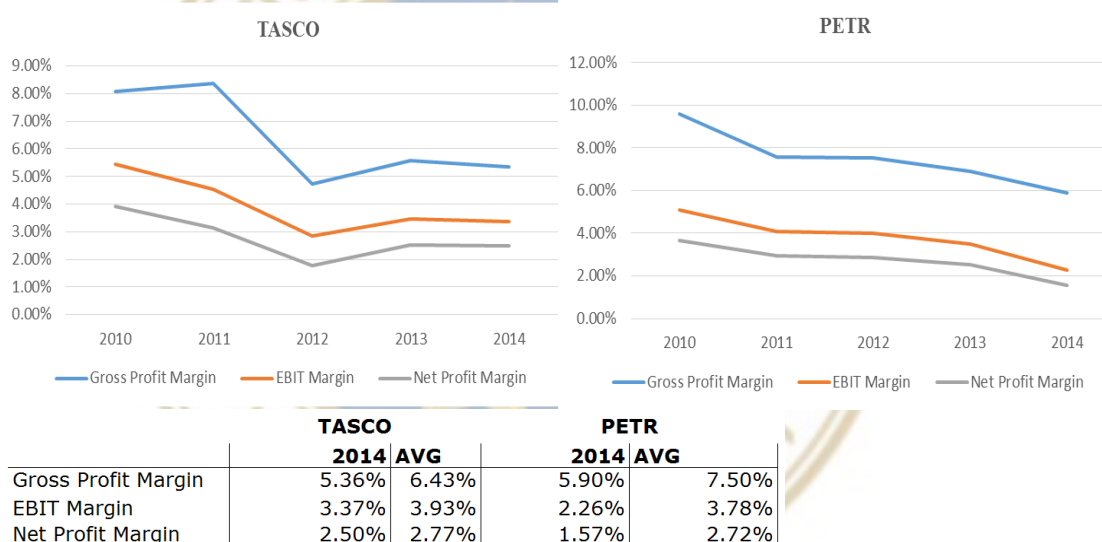
Source: SET & Bloomberg

Figure 1.21 Balance Sheet – Trend Analysis – Liabilities and Equity

1.8.7 Financial ratios

Profitability ratio is compared by using gross profit margin, EBIT margin and net profit margin between TASCOCO and PETR during the past five years.

TASCOCO's gross margin is stable between 8.4% - 4.7%, the EBIT margin between 5.5% - 2.8%, and net profit margin between 3.9% - 1.8%; this performance fluctuation is due to the fluctuation of crude oil prices, which is the main cost driver of the company. PETR's gross profit margin is stable similar range of 9.57% - 5.9%. The operating margin is also stable at around 5.07% - 2.26%, and the net profit margin is around 3.66% to 1.57%. In conclusion, as the most recent performance shows, TASCOCO has a better return on operating and net margin, suggesting it can manage expenses, COGS and SG&A better than PETR (Figure 1.22).



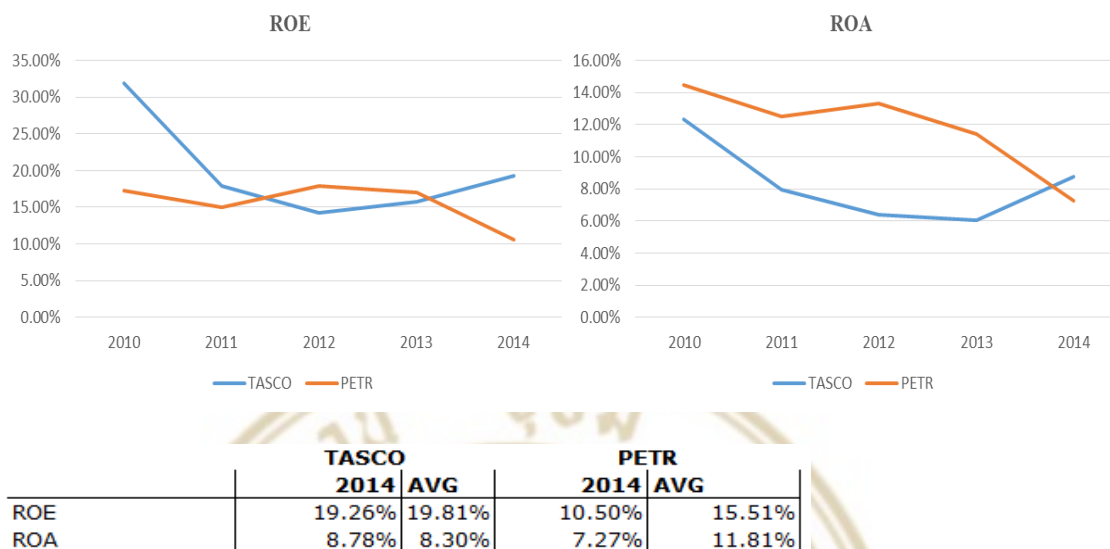
Source: SET & Bloomberg

Figure 1.22 Profitability Ratios

In terms of ROA, TASCOCO was operating at a lower percentage return than its competitor and recently has overtaken PETR; this implies that TASCOCO is able to manage the business operations better than its competitor.

The ROE of TASCOCO is also higher than that of PETR in recent years. TASCOCO's ROE is stable in the 15% to 20% range, while PETR's ROE is just above 10%. This indicates that TASCOCO can generate more return to the common

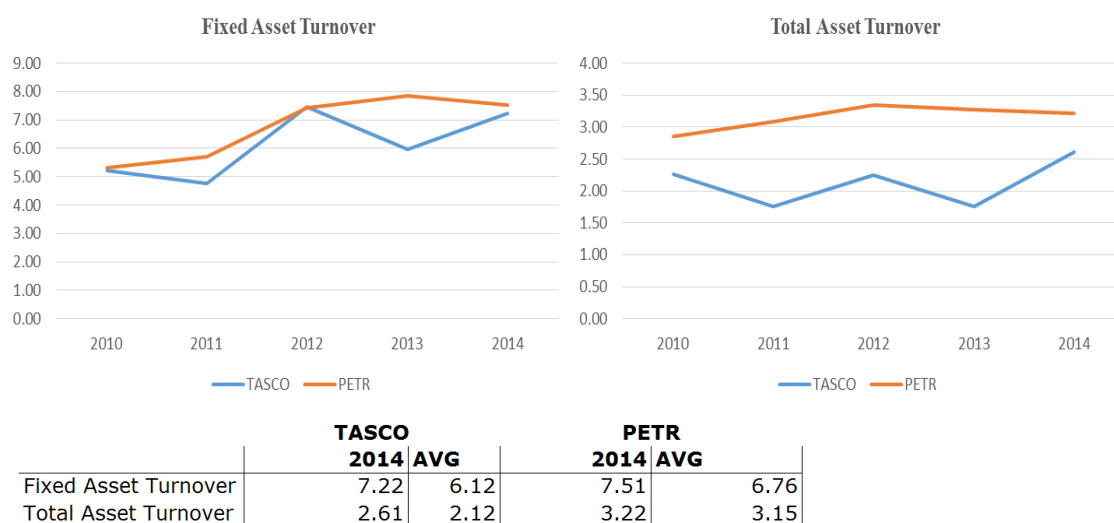
shareholders than its competitor. Moreover, with a decreasing debt ratio, it suggests that this good range is due to improvement in debt and monetizing (Figure 1.23).



Source: SET & Bloomberg

Figure 1.23 Efficiency Ratios

Fixed assets turnover and total assets turnover are moving in the same direction. Both ratios are used to explain the efficiency of assets to generate sales. Both companies' ratios are similar, which implies that both are able to utilize their assets to the market efficient standards (Figure 1.24).

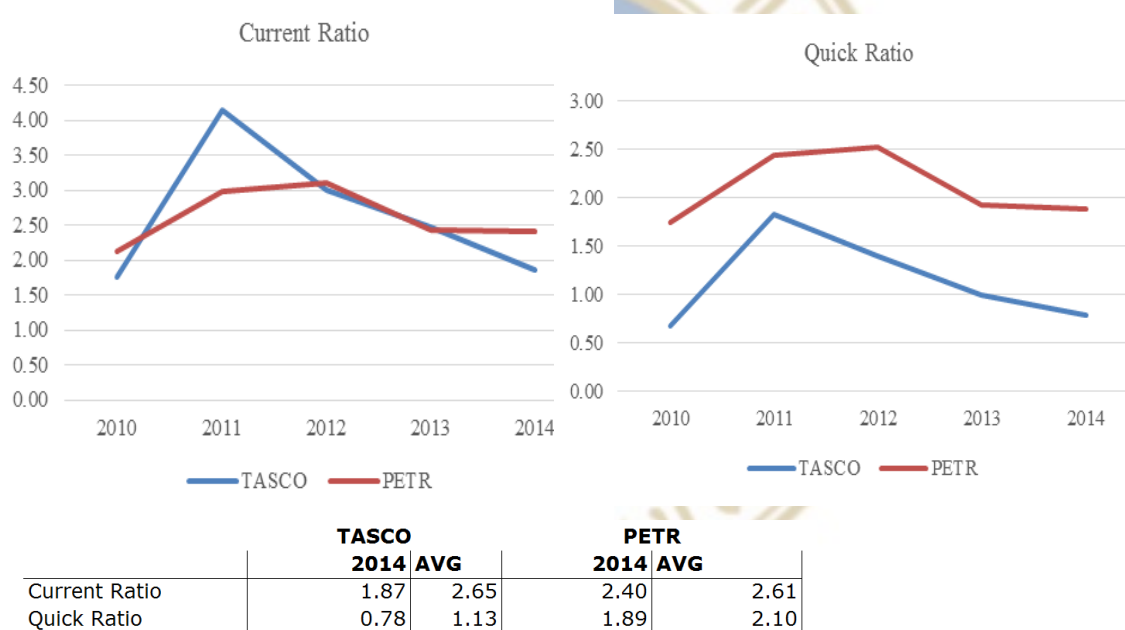


Source: SET & Bloomberg

Figure 1.24 Turnover Ratios

1.8.8 Financial ratios – Risk

1.8.8.1 Short-term liquidity risk – The current ratio of TASCOCO implies that the company does not have a liquidity problem, as the company's current assets are still higher than its current liabilities, but taking into account the quick ratio shows that there is a concern, as the current liabilities exceed the amount for the current asset, minus inventories. PETR, on the other hand, has a slightly better current and quick ratio than TASCOCO. The cash conversion cycle of TASCOCO is shown to be on a favorable trend, because with better inventory management they have reduced the inventory conversion period by as much as 46 days and nearly half of the previous years. However, the cycle of cash for TASCOCO is high, at 74.29 days, while for PETR it is only 11.51 days (Figure 1.25).

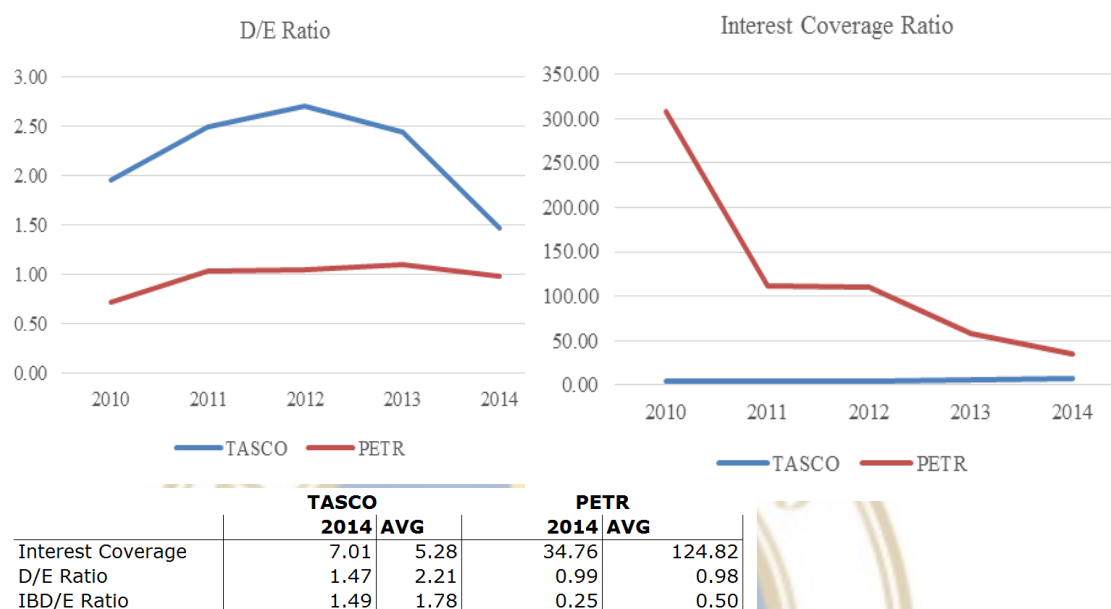


Source: SET & Bloomberg

Figure 1.25 Liquidity Ratios

1.8.8.2 Long-term solvency risk – The debt ratio of TASCOCO is on a decreasing trend at 59.56%, as it has growing equity from retained earnings. TASCOCO's source of fund is from both debt and equity; its capital structure policy is targeted at a D/E ratio below or close to 1x, and is currently at 1.47x; this indicates low long-term solvency risks. Moreover, based on the structure of PETR, the debt ratio at 49.77% and D/E ratio at 0.991 are quite similar, so both have low long-term

solvency risks. According to the interest coverage ratio, the cost of borrowing for both firms is quite low, with TASCOCO covering 7.01x and PETR covering 34.76x (Figure 1.26).



Source: SET & Bloomberg

Figure 1.26 Leverage Ratios

All key ratios can be referred to in Appendix 14.

1.9 Investment Risks and Downside Possibilities

Probability and consequences of various risks are presented in Table 1.10.

Table 1.10 Risk Matrix

C o n s e q u e n c e	Probability				
	<i>Rare</i>	<i>Unlikely</i>	<i>Possible</i>	<i>Likely</i>	<i>Almost Certain</i>
<i>Critical</i>	OR1, FR5	OR2, MR6	MR1, MR2 MR4, MR5	MR3	
<i>Major</i>			RR		
<i>Moderate</i>	FR2	FR3			
<i>Minor</i>	FR1	FR4			
<i>Insignificant</i>					

1.9.1 Regulatory risk

Global warming urges governments to regulate emission standards – which means that additional investment will be needed (RR). Concern over climate change and the increase in global temperatures has prompted governments in many countries, including Thailand, Malaysia, and China, to control CO₂ emission levels. The small amount of emissions released from refineries and plant control systems are closely monitored to ensure they stay well below any permitted level set by the governments. This positively affects asphalt refineries and plants, because the need for innovative control systems and manufacturing technology could lead to future large investment capital required for TASCOS refinery and plants to stay within the standard in order to be permitted to operate.

1.9.2 Market and competition risks

1.9.2.1 Global financial system recession presents a downside risk to asphalt demand (MR1). In mid-2015, the price of U.S. oil dropped below 38 dollars a barrel for the first time in six years. Michael Snyder of the Economic Collapse commented that the last time the oil price was this low, the global financial system was in a recession, and the U.S. economy was experiencing the worst recession since the Great Depression of the 1930s . Snyder warned that the crash in the oil price would be an extreme deflation and would have severe consequences for the global economy. Many countries such as Japan, Canada, Brazil and Russia have already gone into recession, and of all major global stock market indexes are down at least 10 percent year to date. It is possible that the first major global financial crisis since 2009 has begun, and conditions may get worse as the world moves through 2016. Therefore, if the global financial crisis is actually happening and/ or economies in TASCOS import and export destination countries are slower than expected, there may be a downside risk to asphalt demand.

1.9.2.2 Sources and prices of heavy crude supply could become an issue (MR2). According to the company's information, the company's refinery has been designed to process heavy crude oils, as this is best suited for the company's business model. Because of the geographical distribution of heavy crude oil, in terms of commercially viable sources of supply, crude oil availability is crucial to keep the refinery operative and for the company to meet its asphalt supply

obligations. Although the company managed to secure a long-term supply contract, which is supposed to be adequate to meet its refinery operations, there is still a downside risk to crude supply availability, since we understand from the company that they rely mainly on one crude supplier in Venezuela, which could be considered putting all the eggs in one basket. And we can see in the company's COGS history that when the crude prices were high, the company's earnings shrank significantly (although they currently have the hedging contracts in place); therefore, fluctuation of crude oil prices is the key risk factor to consider.

1.9.2.3 Volatile asphalt-selling prices has a downside effect (MR3). Since oil prices fluctuate all the time, so do the asphalt prices (although asphalt prices are not as volatile as oil prices). Lower-than-expected asphalt prices would have an adverse impact on TASC0's earnings. Moreover, domestic prices of asphalt in some countries may be cheaper than the prices of some imported asphalt products. This would have an impact on the asphalt demand or volumes imported into those countries (for example, China), which would have a consequential impact on TASC0's sales volume in those countries and definitely have an impact on TASC0's earnings.

1.9.2.4 Risk related to the domestic market (MR4). The domestic market relies mainly on government budgets, which are negatively affected by political instability. In early 2014, this resulted in reduction in market demand, followed by high-price competition, and oversupply of asphalt. However, in September 2014, the new government urged the Ministry of Transport (MOT) to disburse approximately 75% of the budget, which was below the target of 95%. The main cause of delay in disbursement was due to continuous political unrest from late 2013 to 2014. Therefore, from this view point, a downside risk on TASC0's domestic sales is unavoidable, should political unrest occur again.

1.9.2.5 Risk related to the international market (MR5). In 2014, TIPC0's asphalt product sales to the international market grew significantly by a year-on-year basis, achieving a historical high. However, difficult market conditions in specific countries, along with increased competition, created unfavorable conditions during the first half of the year. There were new players in the market with better trading strategies or more resources. With new merger and acquisition deals or joint

ventures in the market, the competition became more aggressive. Customers had more choices, so the risk of losing customers became more apparent.

1.9.2.6 The possibility of global expansion encourages opportunity but also comes with threats (MR6). It is possible to look at the other side of the coin and see that, if TASCOS is encouraged by the opportunity to expand its market share into other markets across the globe, so would companies from other sides. Players from other markets, who have competitive advantages over TASCOS, especially with regard to resources, pricing, cost of raw materials and shipping, can also exercise their cannibalization strategy into TASCOS's market shares in the regional existing markets as well. The recent lifting of Iranian sanctions, for example, is a scenario that we should take a closer look at.

1.9.3 Operational risks

1.9.3.1 Natural disasters would definitely affect asphalt sales volume (OR1). In the year 2013, there was a major flood that forced many factories and plants to close down for many days, so the operation process was not possible and the company's asphalt sales volume dropped drastically. We could possibly expect similar effects should there be another major flood.

1.9.3.2 Breakdowns or explosions are possible risks for refineries and plants (OR2). Although the company has continued its focus on managing the overall business risk relating to the operations of its refinery and has implemented the Safety Integrity Level (SIL) System in May of this year, which will improve the refinery's safety instrument standard, some parts of the operation process are still manually controlled by humans, and human errors can occur. The wear and tear or malfunction of the main equipment resulting from imbalanced maintenance could happen as well. The refinery's shut down would result in a shortage of storage tanks for the crude supply and the asphalt products, causing the production to stop.

1.9.4 Financial risks

The company's business activities are exposed to various financial risks, including those related to credit, liquidity, foreign currency, interest rates and oil prices.

1.9.4.1 Credit risk (FR1). We understand the company's credit policy is regularly reviewed, and exposure to credit risk is monitored on an on-going basis. Credit reviews and evaluations are performed on all customers, while credit approvals are based on delegated limits of authority. There was no significant exposure to any customer group in 2014, except that trading conditions in China had become more challenging, and this resulted in TASC0 having to compromise on the credit risk.

1.9.4.2 Liquidity risk (FR2). The company operates under unsecured and uncommitted short-term trade and working capital facility arrangements with reputable local and international banks, which have combined limits of over Baht 30 billion or USD 900 million. Financing associated with crude purchases is fully supported by their current asset ratio of 1.20 and is short-term in nature, with a short asset-to-cash conversion cycle of less than 120 days. Since the company has entered into a four-year crude purchase contract with a major oil supplier, the company continues its efforts to secure committed crude financing facilities in order to mitigate the risk associated with the uncommitted short-term trade facilities.

1.9.4.3 Currency risk (FR3). The company is exposed to foreign currency risk. This occurs as a result of purchases of raw materials and export revenue. This risk is adequately mitigated by the provision of financing and exporting revenue in the same currency. There are also forward contracts booked for known foreign currency expenses, all of which have maturities of less than six months. These methods already help the company in limiting the risk relating to currency rate changes.

1.9.4.4 Interest rate risk (FR4). As the company has projected quite large amounts of investment capital, they also need to borrow large amounts from banks. The floating interest rate is one of the main factors affecting the company's earnings, although it has entered into interest swaps to achieve fixed interest rate borrowing on its long-term loans, and a portion of permanent trust receipt loans under crude financing.

1.9.4.5 Hedging risk (FR5). Crude oil is a major cost component for TASC0, which means that a sharp or sustainable increase in crude oil

prices would have an adverse impact on earnings. Markets for petroleum products have been extremely volatile during the year. Crude prices fluctuated, ranging from the high level of USD 116 per barrel during the year, to the level of USD 58 per barrel at the end of 2015. Although the company has a hedging policy in order to mitigate the risks, there is a possibility of downside risk should the company's hedging strategy for crude cargo become inefficient for any reason.

1.9.5 Drivers of volatility in earnings

We performed a sensitivity analysis on the identified investment risks to determine their impact on the value of TASC0. To supplement this analysis, we evaluated the impact of change in these risk variables on the target price of TASC0. Table 1.11 shows the impacts of risk variables relating to the business, and Table 1.12 details the effects of risk variables from the price of crude oil and the effects of risk variables from the change in growth rate.

Table 1.11 Effects of Changes in GDP Growth and WACC on Target Share Price

		WACC				
		9.00%	10.00%	10.65%	11.00%	12.00%
GDP Growth	4.50%	84.52	67.11	58.81	55.10	46.32
	4.00%	76.37	61.75	54.59	51.35	43.57
	3.50%	69.70	57.22	50.96	48.10	41.15
	3.00%	64.14	53.33	47.81	45.25	39.00
	2.50%	59.43	49.96	45.04	42.74	37.08

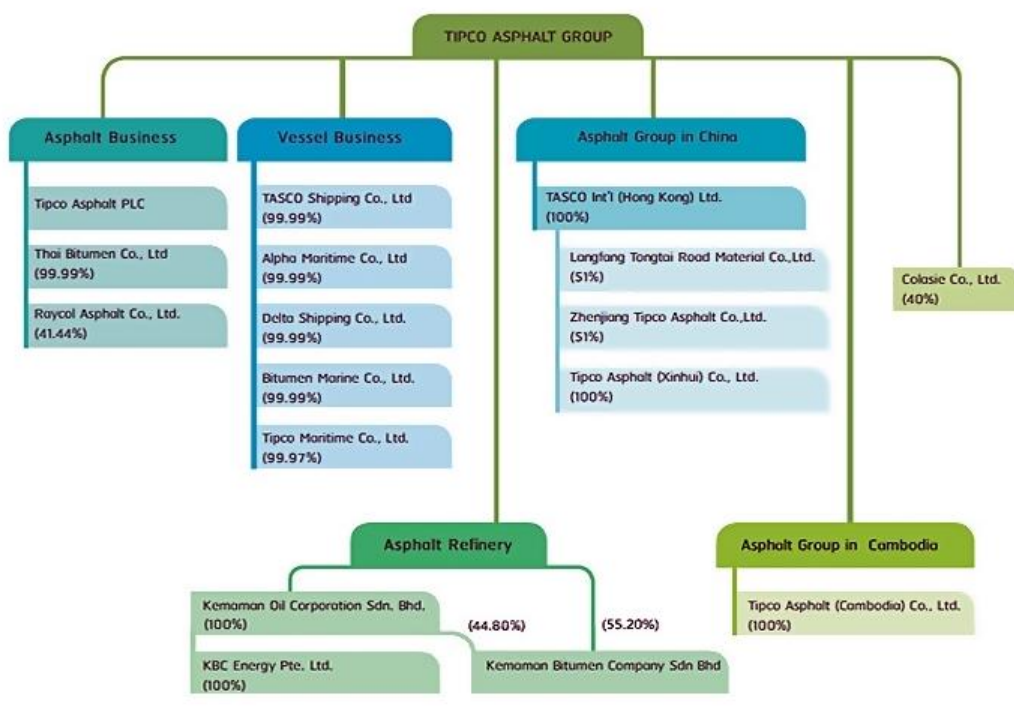
Table 1.12 Effects of Changes in Crude Oil Prices to COGS and Sales Growth to Earning Target Adjustments

		Sales Growth %				
		15.00%	19.00%	19.80%	20.00%	25.00%
COGS Change %	85.00%	33.73	41.70	43.41	43.85	55.71
	84.00%	37.30	45.89	47.73	48.21	61.00
	83.25%	39.96	49.02	50.96	51.47	64.95
	83.00%	40.86	50.07	52.05	52.57	66.29
	82.00%	44.42	54.26	56.37	56.92	71.57

CHAPTER II DATA

2.1 Business Structure (TASCO)

Shareholding Structure of the Group



Source: Company

Figure 2.1 Business Structure (TASCO)

Table 2.1 Revenue Structure (TASCO)

PRODUCT LINE/ BUSINESS CATEGORY	SHARE HOLDING (%)	2014		2013		2012	
		REVENUE	%	REVENUE	%	REVENUE	%
1. Asphalt Business							
Tipco Asphalt PLC		37,415.54	80.99	26,257.39	77.01	30,687.44	79.96
Thai Bitumen Co., Ltd.	99.99	1,412.84	3.06	1,303.78	3.82	1,584.37	4.13
Raycol Asphalt Co., Ltd.	41.44	994.62	2.15	992.84	2.91	1,259.65	3.28
Tipco Asphalt (Cambodia) Co., Ltd	100.00	701.23	1.52	524.84	1.54	599.74	1.56
Kemaman Oil Corp. Sdn. Bhd.	100.00	3,163.58	6.85	2,977.78	8.73	2,606.52	6.79
Total		43,687.81	94.56	32,056.63	94.02	36,737.72	95.72
2. Vessel Business							
Tipco Maritime Co., Ltd.	99.97	27.31	0.06	31.80	0.09	31.48	0.08
Delta Shipping Co., Ltd.	99.99	131.09	0.28	66.49	0.20	121.10	0.32
Alpha Maritime Co., Ltd.	99.99	138.58	0.30	68.39	0.20	66.78	0.17
Bitumen Marine Co., Ltd.	99.99	246.34	0.53	302.36	0.89	301.59	0.79
Tasco Shipping Co., Ltd.	99.99	357.57	0.77	352.06	1.03	217.28	0.57
Elimination		(863.49)	(1.87)	(746.25)	(2.19)	(727.61)	(1.90)
Total		37.40	0.08	74.85	0.22	10.62	0.03
3. Holding Companies							
Tasco International (Hong Kong) Ltd.	100.00	2,002.09	4.33	1,803.43	5.29	914.80	2.38
Total		2,002.09	4.33	1,803.43	5.29	914.80	2.38
Total Sales and Services		45,727.30	98.98	33,934.91	99.53	37,663.14	98.13
Other Revenue		472.91	1.02	159.25	0.47	715.81	1.87
Total Revenue		46,200.21	100.00	34,094.16	100.00	38,378.95	100.00

Source: Company



Table 2.2 Major Shareholders and Free Float

Free Float As of 11/03/2015	
Minor Shareholders (Free float)	3,050
% Shares in Minor Shareholders (% Free float)	36.14

Remark: Updated as of the latest book closing date.

Overview As of 31/08/2015 Rights Type : XD	
Total Shareholders	7,064
% Shares in Scripless Holding	75.31

Rank	Major Shareholders	# Shares	% Shares
1.	BNP PARIBAS SECURITIES (ASIA) LTD-FOR COLAS	490,731,040	31.81
2.	บริษัท ทีบีทีเอส จำกัด (มหาชน)	389,881,660	23.97
3.	บริษัท ไทยเอ็นวีดีอาร์ จำกัด	203,445,900	13.19
4.	AIA Company Limited-APEX	30,000,000	1.94
5.	นายสมจิตต์ เศรษฐิน	28,000,000	1.81
6.	นายวิวัฒน์ โภทวิไลกุล	19,542,000	1.27
7.	นายคุณชฎี เศรษฐิน	17,423,000	1.13
8.	น.ส.ลักขณา ทรัพย์สาคร	15,080,000	0.98
9.	AIA Company Limited-TIGER	15,000,180	0.97
10.	น.ส.รวมสิน ทรัพย์สาคร	15,000,000	0.97
11.	นางเรียม ทรัพย์สาคร	14,131,120	0.92
12.	นายสิทธิลาภ ทรัพย์สาคร	12,300,000	0.80
13.	นายพิชิต เลิศคำหรับ	10,650,000	0.69
14.	STATE STREET BANK AND TRUST COMPANY	10,124,800	0.66
15.	น.ส.ปิยะรัตน์ ทรัพย์สาคร	10,000,000	0.65
16.	นายคิดดีพงษ์ ภัทรชัยกุล	10,000,000	0.65
17.	นายกาญจน์ วิทธานวยกุล	8,750,000	0.57

Source: SET

Organization Chart



Source: Company

Figure 2.2 Management and Organizational Chart

2.2 Corporate Governance (CG)

CG Report: 

The company has been awarded a “Very Good” corporate governance rating by Thai Institute of Directors, a rating which is based on OECD Principles of Corporate Governance, which the company has won the fourth year in a row (2009-2012).

The Board of Directors has formulated the company’s corporate governance policy with guidelines covering governance structure, including roles and duties of the Board of Directors and Board committees, stakeholder rights, shareholder meetings, codes of business conduct, conflict-of-interest management, internal controls, and disclosure policy, as follows:

One share, One Vote – Basic rights, equality at acceptable and trusted standard available to shareholders (as investors and owners). This includes the right to freely trade or transfer their own shares, the right to receive dividends from the

Company, the right to attend the shareholders' meeting, the right to propose the agenda of the meeting, the right to nominate a person to be a director, the right to make decisions on important affairs of the company, e.g. the election of directors, and other matters.

- **Equitable Treatment of Shareholders** – Internal information control and conflict of interest prevention.

- **Role of Stakeholders in Corporate Governance** – All stakeholders – shareholders, employees, customers, suppliers, creditors, business partners and even competitors – are invited to work with the company toward shared goals and mutual benefits, while making Tipco Asphalt a competitive and successful business.

- **Structure, Roles, Duties, Responsibilities and Independence of the Board of Directors** – Six out of 15 members are independent directors; separation of position is also a principle, as the positions of chairperson and the Chief Executive Officer are not held by the same person.

- **Information disclosure and transparency**

- **Board of Directors' Sub-committees** – Four committees are appointed by the Board to study and review specific matters. They are the Executive Committee, the Audit Committee, the Nomination and Remuneration Committee, and the Risk Management Committee.

- **Business Ethics** - Tipco Asphalt Group (“The Group”) has long established under its philosophy up until now since it has a strong business ethics in which directors, management and employees have always abided and regularly followed throughout the years and thus harness synergies within the organization.

2.3 SWOT Analysis

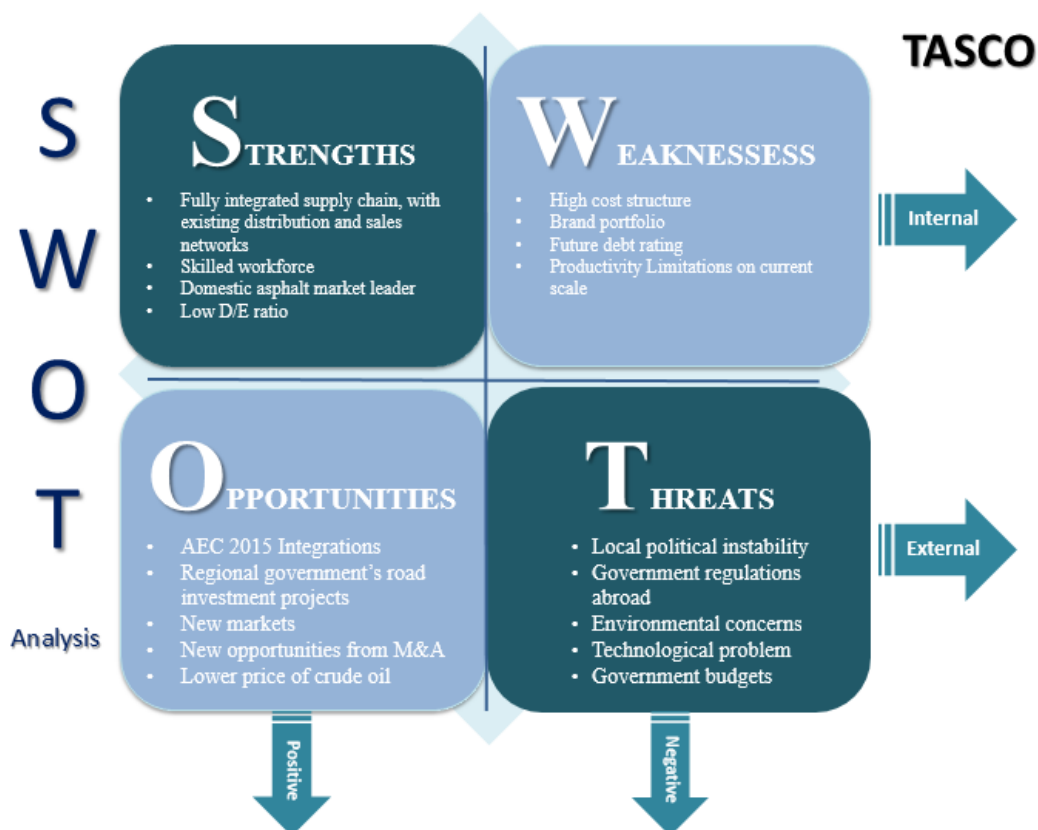


Figure 2.3 SWOT Analysis

2.4 Five-Force Analysis

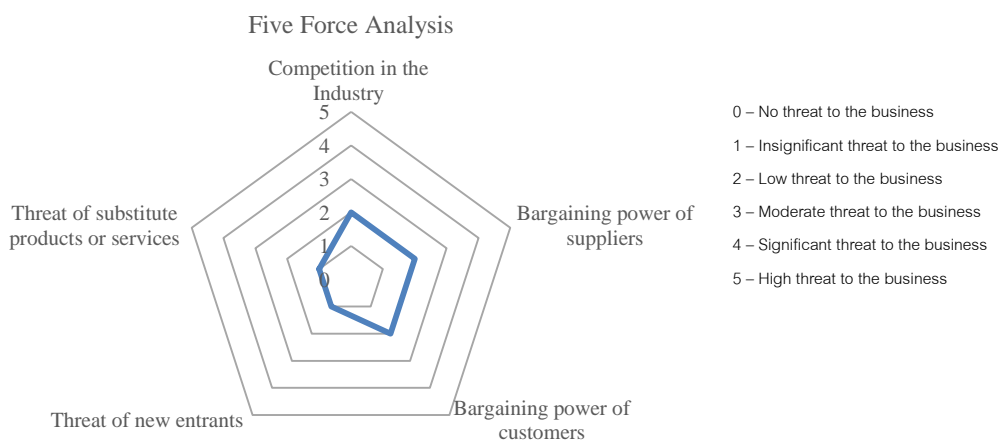


Figure 2.4 Five-Force Analysis

In order to construct a five-force analysis diagram, we have decided on a score factor for each force, according to the legend.

Competition in the Industry – Score: 2

There are a few players in the international and domestic asphalt markets; most of them are major oil companies or large commodity trading houses that have enough capital to invest in the expanded markets. As the competitors are unable to match the high volume of TASC0, the competitive advantage over competitors remain. Domestic competitors are mainly Shell and PTT, and TASC0 still plays a dominant role in the market. International competitors are SK (now an alliance), Simosa, Petronas, Shell Singapore, Exxon Singapore, and Singapore Refinery Company.

Bargaining power of suppliers – Score: 2

Crude

TASC0 did not have much bargaining power with suppliers in the past as the crude supply, especially the crude with higher bitumen yields, is limited. However, since there may be more crude supply in the market owing to the Iranian sanctions being lifted, and because TASC0 is expanding its capacity and buying volume, considering their increased sales target and expanded refining capacity, they may have more bargaining power in the near future.

Asphalt

TASC0 has moderate bargaining power over domestic suppliers as TASC0 is considered a big customer; however, as the domestic suppliers are national refineries, TASC0 still does not have a full bargaining power. As for international asphalt supply, TASC0 has less bargaining power since the asphalt volume being supplied by other refineries in the region is limited, and TASC0 is also considered their competitor; nonetheless, the product's nature, the storage capacity, and the heating capacity make the asphalt commodity less easy to sell since there are fewer players in both domestic and international markets.

Bargaining power of customers – Score: 2

There are few asphalt players in the market, unlike the makers of oil products. And TASCOCO appears to be the only asphalt focused refinery in the region. This should equip TASCOCO with much bargaining power. However, customers can easily switch to buying from competitors temporarily if they feel that TASCOCO's price is not competitive, and then they can come back to TASCOCO later when supply from other refineries in the region is short. In addition, at times when the asphalt supply is short, which is possible during times of increased demand, TASCOCO regains its bargaining power.

Threat of new entrants – Score: 1

Threat of new entrants is low because of the required high capital investment and the government specifications in each country that must be passed in order to be considered suitable for the market. However, there are other major oil companies and commodity trading companies from other regions, such as Europe or North America (who have access to ships and trucks), trying to enter the market or expand their asphalt market share. Trafigura, Gulf Petrochem, and others have tried hard to enter TASCOCO's existing market, but without a strategic partner in the area it would be difficult for these firms to break into the market.

Threat of substitute products or services – Score: 1

There may be a threat from cement producers, though it is unlikely, as the cost of roads built with cement is around 2-3 times more expensive than the ones built with asphalt. Cement roads are considered stronger, however, so this may influence the Ministry of Transport's decision to allocate funds for cement roads in some parts of Thailand, which may happen in other countries, as well. The new technology may also encourage the substitute products; however, TASCOCO, together with its alliance Colas, is also considered the leader in product innovation.

2.5 Macro-economic Analysis



Figure 2.5 Thailand GDP Growth Rate

REAL GDP GROWTH			
Actual figures and projections of Thailand real GDP growth for 2013-2015			
Category	2013	2014	2015 (percentage year on year)
GDP	2.9	1.5	3.5
Total consumption	1.0	0.8	1.7
Private consumption	0.2	0.3	1.5
Government consumption	4.9	3.4	2.5
Gross fixed capital formation (public and private investments)	1.9	2.8	6.9
Private Investment	2.8	3.0	6.0
Public Investment	1.3	1.9	10
Total domestic demand	1.3	2.3	3.9
Exports (volume)	4.2	0.7	6.4
Exports (value)	0.2	0.7	5.2
	(\$225.41 bn)	(\$227.21 bn)	(\$ 239.03 bn)
Exports of goods	0.2	1.8	5
Exports of services	19.7	2.9	11
Net foreign demand	12.4	23.8	1.6

Source: The Nation NATION GRAPHICS

Figure 2.6 Thailand's Real GDP Growth Rate

Table 2.3 GDP Growth

	2015F	2016F
GDP growth	3.0	3.7
Private consumption	2	2.7
Private investment	2.7	5.4
Government consumption	3.3	3.1
Government investment	16.3	4.2
Exports	2.2	3.3
Imports	2.7	4.4

Source: Bank of Thailand

Inflation

Thailand Economic Watch: Inflation dips further, but rate to be on hold

Announced: November inflation

Actual: -0.97% YoY Previous: -0.77% YoY

Consensus: -0.9% YoY Phatra: -0.74% YoY

November inflation -0.97% YoY

November headline inflation was -0.97% YoY, falling from -0.77% YoY in October and below expectations. Core inflation was 0.88% YoY.

Month-on-month, headline inflation also fell 0.32%, while core inflation rose only 0.05%. A fall in inflation was driven by weaker-than-expected vegetable and fruit prices, which declined by 4.5% MoM, and a drop in retail domestic oil prices (-2% MoM). Meanwhile other items, such as prepared food, apparel, medical and personal care, housing and recreation, increased modestly.

The policy rate is expected to be maintained at 1.5%

Subdued inflation and a slow pace of recovery in the economy would support a decision by the Bank of Thailand to keep its current accommodative stance. Therefore, we maintain our view that the policy rate will be kept unchanged at 1.5% at the Monetary Policy Committee meeting on 16 December, and we forecast the policy rate will be raised by only 25bps to 1.75% by end-2016.

Table 2.4 Consumer Price Index**Table 1: Consumer price index (% change YoY)**

	Weight	Jul-15	Aug-15	Sep-15	Oct-15	Nov-15
		%YoY	%YoY	%YoY	%YoY	%YoY
Headline CPI	100.00	-1.05	-1.19	-1.07	-0.77	-0.97
Food and beverages	33.48	1.10	1.27	1.31	1.75	0.88
Non-food and beverages	66.52	-2.22	-2.52	-2.36	-2.12	-1.99
Apparel and footwear	3.06	0.48	0.46	0.46	0.41	0.49
Housing and furnishing	24.14	0.44	0.30	0.12	0.10	0.08
Medical and personal care	6.54	0.87	0.71	0.89	1.01	0.94
Transportation and communication	25.54	-6.95	-7.58	-7.08	-6.50	-6.12
-Motor fuel		-22.5	-24.7	-23.6	-21.9	-21.1
Recreation and education	6.03	1.25	1.27	1.31	1.25	1.26
Tobacco and alcoholic beverages	1.20	2.01	2.01	2.15	2.14	1.78
Core CPI	73.09	0.94	0.89	0.96	0.95	0.88

Source: MoC

Table 2: Consumer price index (% change MoM)

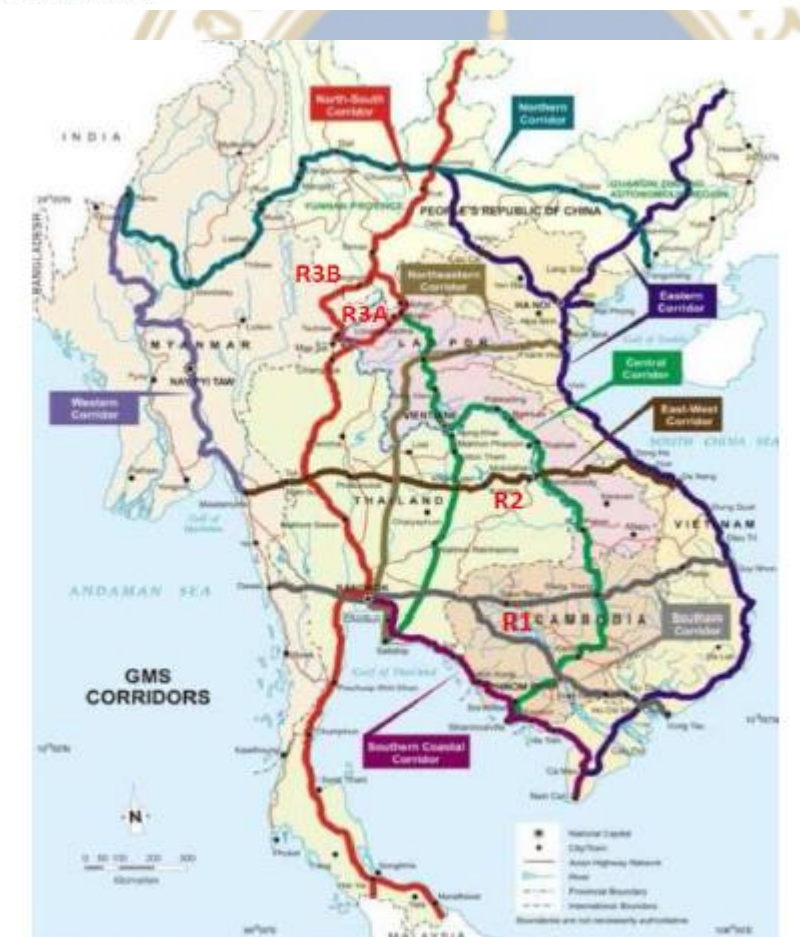
	Weight	Jul-15	Aug-15	Sep-15	Oct-15	Nov-15
		%MoM	%MoM	%MoM	%MoM	%MoM
Headline CPI	100.00	-0.07	-0.23	-0.05	0.20	-0.32
Food and beverages	33.48	0.41	0.09	0.11	0.45	-0.63
Non-food and beverages	66.52	-0.34	-0.39	-0.14	0.06	-0.16
Apparel and footwear	3.06	0.03	0.04	0.13	0.04	0.15
Housing and furnishing	24.14	0.00	-0.03	-0.15	0.03	0.05
Medical and personal care	6.54	-0.01	0.02	0.29	0.16	0.04
Transportation and communication	25.54	-1.05	-1.09	-0.31	0.06	-0.51
-Motor fuel		-3.92	-4.09	-1.25	0.28	-2.06
Recreation and education	6.03	0.52	0.06	0.02	0.02	0.01
Tobacco and alcoholic beverages	1.20	0.02	-0.01	0.08	0.02	0.03
Core CPI	73.09	0.10	0.03	0.07	0.05	0.05

Source: MoC

**Figure 2.7 Exchange Rate – (5 years THB/USD)**



Source: NESDB.



Source: Ministry of Transport

Figure 2.8 Government Investment – Thailand

Table 2.5 Motorway Projects

Motorway Projects	Distance (km)	Value (MB)
Bangpa-in/ Saraburi/ Nakorn Ratchasima	196	84,000
Bang Yai/ Baan Pong/ Kanchanaburi	96	56,000
Pattaya/ Maptaphut	32	20,200
Nakornpathom/ Cha-Am	118	44,000
Bangpa-in/ Nakorn Sawan	206	37,000
Total	648	241,200

Source: Department of Highways

Table 2.6 Budgets for Related Road Construction

	2011	2012	2013	2014	2015
Department of Highways	48,800	46,944	52,966	52,759	61,378
Rural Highways Department	26,178	25,296	33,951	38,045	40,597
Total	74,978	72,240	86,918	90,804	101,975
% Change	60.10%	-3.70%	20.30%	4.50%	12.30%

Source: Bureau of the Budget / Ministry of Transport



Figure 2.9 Crude Oil Price – ICE BRENT

Table 2.7 Inflation

	2015E		2016E	
	15-Jun	15-Sep	15-Jun	15-Sep
Headline inflation (% YoY)	-0.5	-0.9	1.6	1.2
Core inflation (% YoY)	-1.0	1.0	1.0	0.8

Source: Bank of Thailand

2.6 Industry Analysis

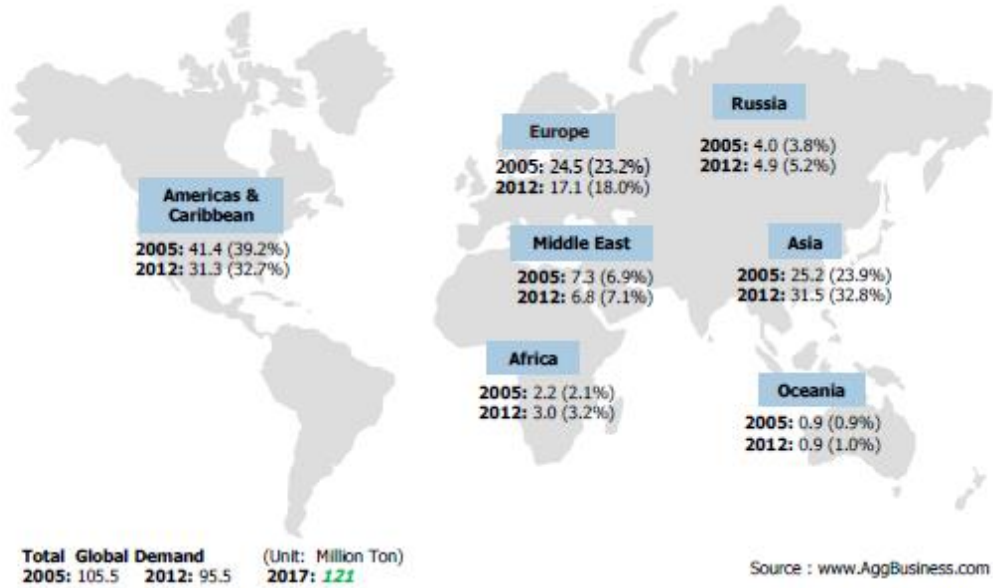


Figure 2.10 Global Asphalt Demand

The Government's \$50 billion infrastructure commitment is improving road and rail linkages in every state for 2020

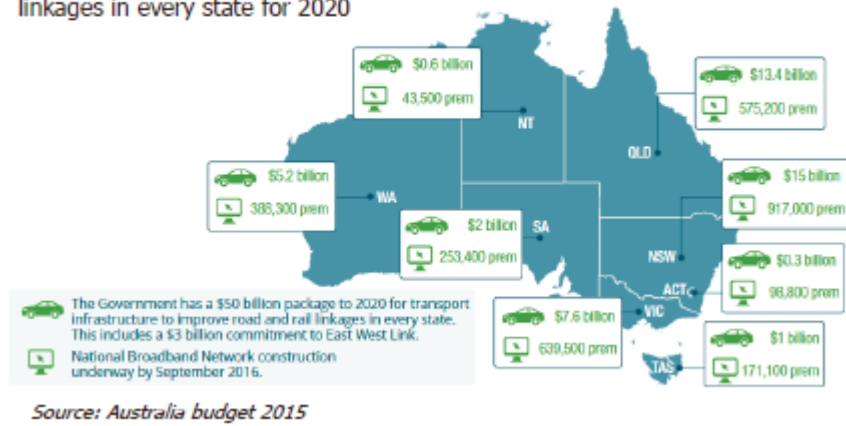
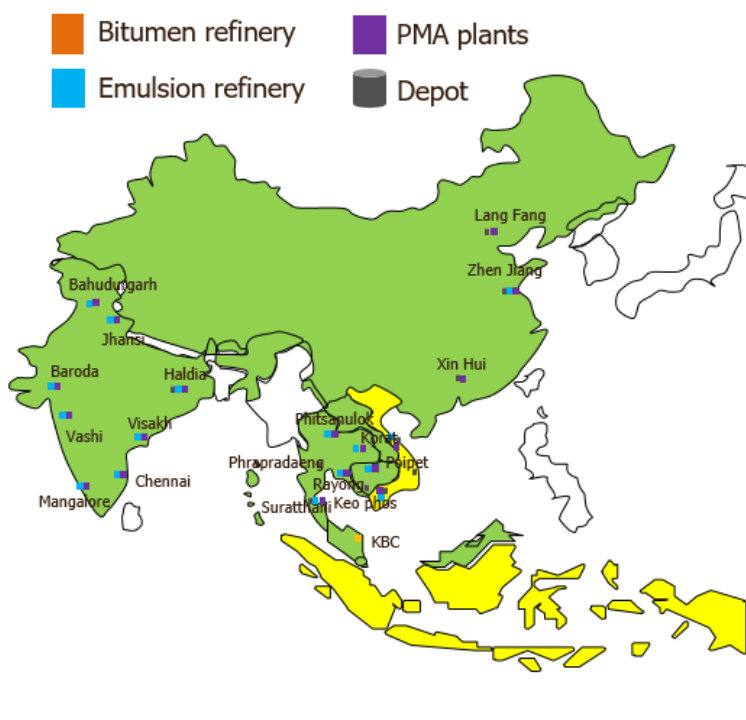


Figure 2.11 Australia Budget

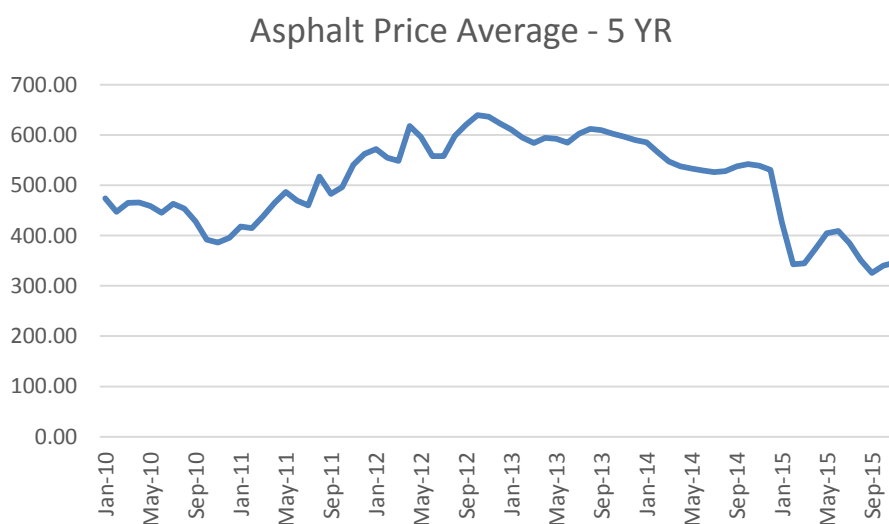
TASCO's Market Coverage



Source: Company

Figure 2.12 TASCO's Market Coverage

Asphalt Price – ex Sing to Malaysia



Source: Argus Report

Figure 2.13 Asphalt Price – ex Sing to Malaysia

2.7 DCF Assumptions

Table 2.8 Company's Supply Target

Supply Source 2020	Description
KBC Refinery	Production: 50,000 metric tons/ day Asphalt: 2,000,000 metric tons Other products: 1,000,000 metric tons
Asphalt supply (other refineries)	Current: 520,000 metric tons
Petroleum trading	1,000,000 metric tons
Bitumen mixed	1,200,000 metric tons
Total asphalt and petroleum (Rounded up)	6,000,000 metric tons

Source: Company

Table 2.9 Investment plan

In thousand THB

Tasco's Project	Estimates					
	2015	2016	2017	2018	2019	2020
Vessel	897,250	897,250	897,250			
Refinery	897,250	897,250	897,250	897,250		
Truck		80,000	80,000	80,000		
Plant automation and relocation					50,000	
M&A	2,218,002					

Source: Company

Table 2.10 Weighted Average Cost of Capital (WACC)

TTM (Yrs.)	Yield (%)	Key Assumptions	Year 2015 - 201	Year 2020 Going Forward
1	1.50	Sales Growth (%)	19.80%	3.5%
2	1.57	COGS (%)		83.25%
3	1.74	SG&A (%)		2.24%
4	1.96	Tax Rate (%)		20%
5	2.25	Cost of Debt		2.70%
6	2.43	1 - Effective Tax Rate		0.8
7	2.53	Effective Tax Rate		0.2
8	2.61	Total Pre-Tax Cost of Debt		2.393%
9	2.64	Note Rate x ST Debt to Total Debt		0.384%
10	2.7	ST Debt to Debt		25.60%
		x Note Rate		1.50%
		+ Bond Rate x LT Debt to Total Debt		2.0%
		LT Debt to Total Debt		74.40%
		x Bond Rate		2.70%
		x Debt Adjustment Factor		1.41
		Total Debt		3172.3
		ST Debt		812.13
		LT Debt		2360.2

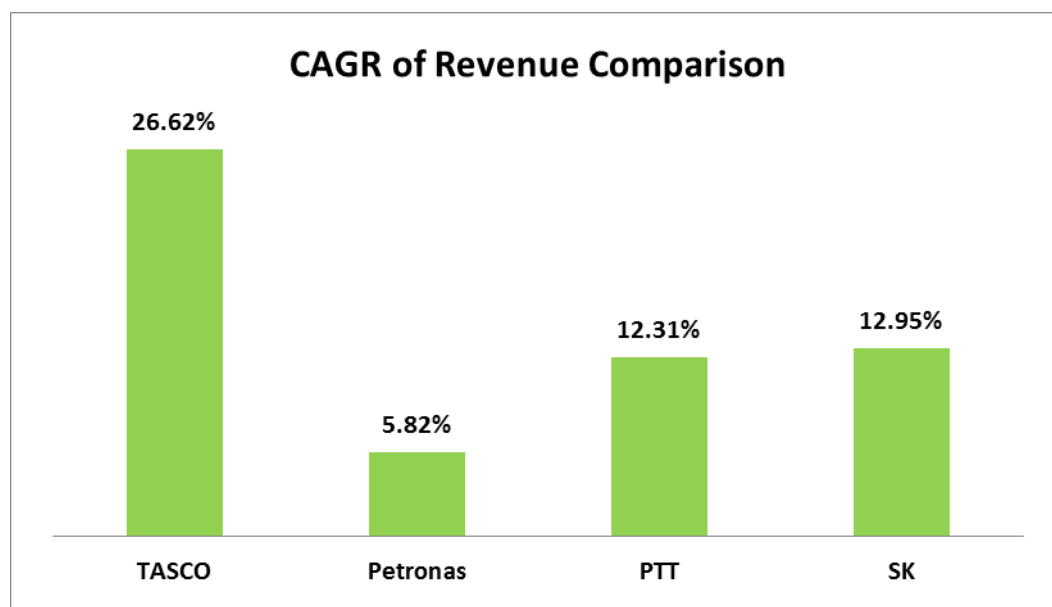
Source: Thai Bond Market Association

Table 2.11 Revenue Growth Assumptions – Volume by Country

Country	2014	2015F	Volume %
Australia	86,145	112,192	6.04%
China	286,958	283,040	20.14%
Indonesia	218,961	351,293	15.36%
Vietnam	80,895	161,978	5.68%
Thailand	484,394	507,381	33.99%
Malaysia	186,328	160,000	13.07%
Cambodia	28,923	30,000	2.03%
Others	52,558	34,972	3.69%
Total	1,425,162	1,640,856	

Source: Company

Table 2.12 CARG of Revenue Comparison



Source: Company

Table 2.13 DCF - Free Cash Flow to Firm (2014-2018)

Free cash flow to firm : FCFF

		1	2	3	4	5
EBIT	1,555,297,603	5,695,760,844	6,449,187,956	7,725,873,087	9,255,291,574	11,087,474,666
Tax	176,350,380	1,105,085,931	1,251,546,548	1,506,877,385	1,812,750,012	2,179,185,897
NOPAT		4,590,674,913	5,197,641,408	6,218,995,702	7,442,541,562	8,908,288,769
Dep		467,341,439	747,726,195	837,054,016	919,304,662	924,162,481
WC	6,331,195,054	5,235,045,998	6,312,821,184	7,564,619,642	9,055,712,089	10,840,889,221
chg. In WC	-	1,096,149,056	1,077,775,186	1,251,798,458	1,491,092,447	1,785,177,132
NET CAPEX		4,012,502,000	1,874,500,000	1,874,500,000	977,250,000	50,000,000
FCFF		2,141,663,408	2,993,092,417	3,929,751,260	5,893,503,778	7,997,274,118
Terminal value						115,701,328,665
FCFF		2,141,663,408	2,993,092,417	3,929,751,260	5,893,503,778	123,698,602,783
PVFCFF		1,935,460,974	2,444,480,242	2,900,445,228	3,931,030,156	74,564,276,044
PV of Firm	85,775,692,643					
Non-Operating Asset	-					
Net Debt	7,100,195,537					
EQUITY	78,675,497,106					
No. of Share	1,543,850,070					
Target Stock Price	50.96					

2.8 Income Statement

Table 2.14 Income Statement, Including Projections

	2010	2011	2012	2013	Unit: Baht 2014
Revenues	26,298,267,344	23,019,808,342	38,378,963,687	34,094,166,764	46,200,211,527
Revenue from sales and services income	25,790,959,610	22,303,811,809	37,663,155,183	33,934,919,398	45,727,305,483
Gain on exchange	431,000,474	26,143,187	567,189,427	35,305,530	409,440,044
Others	76,307,260	80,762,164	98,310,237	123,941,836	63,466,000
Compensation received from claims for damages		609,091,182	50,308,840		
Cost of sale	24,175,621,109	21,089,409,349	36,561,708,970	32,194,941,734	43,722,786,454
Cost of sales and services	24,185,256,425	20,764,374,987	35,754,713,865	32,271,716,606	44,816,416,396
(Gain) loss from price hedging contracts	(1,918,585)	325,980,217	805,913,511	(84,606,270)	(1,451,672,684)
Reduction of cost of inventory to net realisable value	(7,716,731)	(945,855)	1,081,594	7,831,398	358,042,742
Gross margin	2,122,646,235	1,930,398,993	1,817,254,717	1,899,225,030	2,477,425,073
Gross margin of sales and services income	2,122,646,235	1,930,398,993	1,817,254,717	1,899,225,030	2,477,425,073
Share of profit (loss) associates	5,069,659	33,952,035	35,323,425	46,207,339	48,851,296
Total other income	5,069,659	33,952,035	35,323,425	46,207,339	48,851,296
Selling and administrative expenses	679,512,023	713,057,207	702,920,934	785,330,333	797,288,826
- Allowance for doubtful accounts (reversal)	8,754,940	3,519,871	31,475,421	(19,669,545)	165,723,156
- Impairment loss of equipment and vessel			20,834,537	1,756,500	7,966,784
- Impairment loss of investment properties		198,935,174	4,767,500		
- Loss from claim under bank guarantee	5,313,374				
- Impairment loss of assets held for sales		1,182,718	4,800,298		
Total expenses	693,580,337	916,694,970	764,798,690	767,417,288	970,978,766
EBIT	1,434,135,557	1,047,656,058	1,087,779,452	1,178,015,081	1,555,297,603
Finance costs	280,935,403	238,334,556	282,340,477	194,704,205	221,838,007
Income tax expenses	118,735,498	88,353,746	129,589,957	121,703,983	176,350,380
Net profit (loss)	1,034,464,656	720,967,756	675,849,018	861,606,893	1,157,109,216

Table 2.14 Income Statement, Including Projections (cont.)

	<i>Unit: Baht</i>					
	2015	2016	2017	2018	2019	2020
Revenues	37,569,870,219	45,007,224,345	53,916,881,572	64,590,299,907	77,376,634,562	92,694,159,722
Revenue from sales and services income	37,226,538,202	44,595,926,116	53,424,162,497	64,000,041,868	76,669,528,686	91,847,074,742
Gain on exchange	240,224,379	287,779,342	344,748,314	412,994,898	494,751,616	592,692,944
Others	103,107,637	123,518,887	147,970,760	177,263,141	212,354,259	254,392,036
Compensation received from claims for damages	-	-	-	-	-	-
Cost of sale	31,052,175,941	37,573,392,518	45,011,443,921	53,921,936,458	64,596,355,461	77,383,888,877
Cost of sales and services	30,965,545,439	37,469,612,589	44,887,119,655	53,773,000,885	64,417,936,513	77,170,150,006
(Gain) loss from price hedging contracts	11,804,473	14,141,294	16,940,713	20,294,307	24,311,780	29,124,555
Reduction of cost of inventory to net realisable value	74,826,029	89,638,635	107,383,553	128,641,266	154,107,168	184,614,316
Gross margin	6,517,694,278	7,433,831,827	8,905,437,651	10,668,363,449	12,780,279,100	15,310,270,845
Gross margin of sales and services income	6,517,694,278	7,433,831,827	8,905,437,651	10,668,363,449	12,780,279,100	15,310,270,845
Share of profit (loss)						
Associates	56,879,000	68,138,801	81,627,599	97,786,648	117,144,552	140,334,557
Total other income	56,879,000	68,138,801	81,627,599	97,786,648	117,144,552	140,334,557
Selling and administrative expenses	841,400,595	1,007,964,764	1,207,502,075	1,446,539,913	1,732,897,825	2,075,943,322
- Allowance for doubtful accounts (reversal)	37,411,838	44,817,908	53,690,088	64,318,610	77,051,161	92,304,255
- Impairment loss of equipment and vessel	-	-	-	-	-	-
- Impairment loss of investment properties	-	-	-	-	-	-
- Loss from claim under bank guarantee	-	-	-	-	-	-
- Impairment loss of assets held for sale	-	-	-	-	-	-

Table 2.14 Income Statement, Including Projections (cont.)

Total expenses	878,812,433	1,052,782,672	1,261,192,163	1,510,858,523	1,809,948,986	2,168,247,577
EBIT	5,695,760,844	6,449,187,956	7,725,873,087	9,255,291,574	11,087,474,666	13,282,357,826
Finance costs	170,331,188.88	191,455,214.37	191,486,163.80	191,541,513.88	191,545,181.29	191,546,676.30
Income tax expenses	1,105,085,931	1,251,546,548	1,506,877,385	1,812,750,012	2,179,185,897	2,618,162,230
Net profit (loss)	4,420,343,724	5,006,186,193	6,027,509,538	7,251,000,048	8,716,743,588	10,472,648,920



2.9 Balance Sheet

Table 2.15 Balance Sheet, Including Projections

	2010	2011	2012	2013	<i>Unit: Baht</i> 2014
Balance sheet					
Cash and cash equivalents	299,920,234	1,001,818,734	739,597,042	495,434,890	276,988,052
Marketable securities (pro forma differentiated)					
Current investments	52,106,331	-	-	-	-
Trade and other receivables	1,974,906,078	3,687,503,063	5,347,921,360	3,966,572,674	4,017,943,397
Inventories	3,531,813,724	5,743,778,747	7,048,482,865	9,349,415,454	3,817,828,985
Price hedging contacts	-	67,791,020	27,359,301	134,593,745	199,321,453
Forward exchange contracts	33,191,002	3,845,478	7,801,110	1,625,030	1,520,238
Other current assets	111,562,705	70,073,650	104,971,269	270,943,416	95,864,518
Total current assets	6,003,500,074	10,574,810,692	13,276,132,947	14,218,585,209	8,409,466,643
Assets held for sales – Vessels			45,423,693		
Investment in associates' joint ventures and/or jointly controlled entities, equity method	26,728,900	41,639,567	60,648,740	110,520,585	124,002,346
Investment properties – Net	-	204,200,000	199,432,500	199,432,500	199,432,500
Property, plant and equipment – Net	4,235,614,150	4,247,666,676	4,595,800,707	5,246,623,305	5,652,535,869
Goodwill	146,293,504	146,293,504	146,293,504	146,293,504	146,293,504
Intangible assets – Net	10,489,063	7,735,064	19,972,993	21,790,227	28,932,785
Leasehold right – Net	212,589,564	220,175,110	207,872,195	217,812,961	382,414,570
Deferred tax assets	28,255,793	-	106,845,698	102,407,897	192,921,996
Other non-current assets	12,567,048	11,948,686	11,331,624	10,052,516	9,117,436
Deposits with financial institutions with restrictions	72,572,960	66,038,240	-	-	-
Total non-current assets	4,745,110,982	4,945,696,847	5,393,621,654	6,054,933,495	6,735,651,006
Total assets	10,748,611,056	15,520,507,539	18,669,754,601	20,273,518,704	15,145,117,649
Short-term loans from financial institutions	2,338,748,570	3,784,809,127	8,236,833,408	9,416,459,737	4,094,130,521
Trade accounts payable	747,225,288	3,485,909,495	2,202,837,490	1,611,815,321	1,314,381,616
Price hedging contracts	143,635,479	27,996,342	12,708,499	119,813,680	242,627,513
Forward exchange contracts	7,112,334	13,763,714	502,902	7,812,219	1,109,549
Current portion of long-term loans	440,672,549	480,388,584	596,304,373	688,820,992	783,842,280
Current portion of liabilities under finance lease agreements	10,645,976	12,230,076	8,595,644	7,009,538	4,173,305
Income tax payable	36,846,145	24,330,283	69,328,878	13,735,830	206,816,451

Table 2.15 Balance Sheet, Including Projections (cont.)

Cash received from former co-venture	50,765,211	-	-	-	-
Other current liabilities	207,915,071	86,572,337	26,039,584	228,942,475	36,348,408
Total current liabilities	3,983,566,623	7,915,999,958	11,153,150,778	12,094,409,792	6,683,429,643
LT loan (pro forma differentiated)					
Long-term loans from financial institutions	3,095,327,506	3,073,593,282	2,364,592,294	2,179,870,256	2,214,432,030
Long-term loan from related party	-	-	7,227,108	7,950,789	7,790,706
Liabilities under finance lease agreements	14,593,707	12,767,587	13,415,586	8,279,000	4,019,905
Interest rate swap contracts	27,112,769	10,082,962	19,445,155	22,250,378	22,794,355
Provision for long-term employee benefits	-	65,128,682	69,231,320	69,821,799	87,634,839
Total non-current liabilities	3,137,033,982	3,161,572,513	2,473,911,463	2,288,172,222	2,336,671,835
Total liabilities	7,120,600,605	11,077,572,471	13,627,062,241	14,382,582,014	9,020,101,478
<i>Authorized share capital</i>	<i>1,525,476,630</i>	<i>1,690,024,290</i>	<i>1,700,437,290</i>	<i>1,710,599,290</i>	<i>1,721,233,290</i>
Issued and paid-up share capital	1,525,476,630	1,525,480,680	1,525,480,680	1,525,808,680	1,532,779,570
Premium on ordinary shares	886,091,137	886,112,274	886,112,274	887,824,106	916,250,081
Share subscription	-	-	-	-	7,748,118
Non-controlling interests of subsidiary acquired at price lower than book value	6,237,755	6,237,755	6,237,755	6,237,755	6,237,755
Change in the Company's interest in subsidiary not resulting in loss of control	-	12,904,468	12,904,468	12,904,468	308,455,017
Capital reserve for share-based payment	-	4,644,652	13,140,737	23,254,939	38,432,931
Retained earnings	872,452,405	1,551,566,037	2,165,311,519	2,844,181,935	3,883,881,849
Retained earnings – Appropriated legal and statutory reserves	94,203,000	115,503,000	140,503,000	162,053,000	172,123,329
Retained earnings (deficit) – Unappropriated	778,249,405	1,436,063,037	2,024,808,519	2,682,128,935	3,711,758,520
Other components of equity – Other surplus (deficit)	244,109,349	136,995,709	184,521,435	58,505,345	121,553,723
Equity attributable to equity holders of parent	3,046,148,578	3,849,950,157	4,424,665,998	5,241,706,538	5,955,321,564
Non-controlling interests	581,861,873	592,984,911	618,026,362	649,230,152	169,694,607
Total equity	3,628,010,451	4,442,935,068	5,042,692,360	5,890,936,690	6,125,016,171
Total liabilities and shareholder equity	10,748,611,056	15,520,507,539	18,669,754,601	20,273,518,704	15,145,117,649

Table 2.15 Balance Sheet, Including Projections (cont.)

	2015	2016	2017	2018	2019	<i>Unit: Baht</i> 2020
Balance sheet						
Cash and cash equivalents	1,376,493,543	3,190,757,999	5,740,214,205	10,012,057,899	16,098,578,894	23,177,131,684
Marketable securities (pro forma differentiated)	-	-	-	-	-	-
Current investments						
Trade and other receivables	3,267,379,239	3,914,191,600	4,689,047,326	5,617,293,957	6,729,296,850	8,061,432,506
Inventories	3,104,646,813	3,719,244,565	4,455,508,459	5,337,523,595	6,394,142,980	7,659,931,373
Price hedging contracts	85,813,104	102,975,725	110,012,665	126,543,338	124,933,257	110,055,618
Forward exchange contracts	9,596,572	4,877,686	5,084,127	4,540,730	5,123,871	5,844,597
Other current assets	130,683,112	134,507,193	147,393,902	155,878,428	132,865,430	140,265,613
Total current assets	7,974,612,382	11,066,554,767	15,147,260,683	21,253,837,948	29,484,941,282	39,154,661,391
Investment in associates' joint ventures and/or jointly controlled entities, equity method	124,002,346	124,002,346	124,002,346	124,002,346	124,002,346	124,002,346
Investment properties – Net	199,433,000	199,433,000	199,433,000	199,433,000	199,433,000	199,433,000
Property, plant and equipment – Net	9,222,637,941	10,372,726,431	11,431,966,500	11,510,284,496	10,655,165,955	9,817,595,406
Goodwill	146,293,504	146,293,504	146,293,504	146,293,504	146,293,504	146,293,504
Intangible assets – Net	17,784,026	19,243,019	21,544,610	21,858,934	21,872,675	20,460,653
Leasehold right – Net	357,473,620	334,158,935	312,364,851	291,992,192	272,948,253	255,146,372
Deferred tax assets	192,921,996	192,921,996	192,921,996	192,921,996	192,921,996	192,921,996
Other non-current assets	11,003,462	10,690,745	10,439,157	10,260,663	10,302,292	10,539,264
Deposits with financial institutions with restrictions						
Total non-current assets	10,271,549,896	11,399,469,976	12,438,965,963	12,497,047,131	11,622,940,021	10,766,392,541
Total assets	18,246,162,278	22,466,024,743	27,586,226,646	33,750,885,079	41,107,881,302	49,921,053,932
Short-term loans from financial institutions						
Trade accounts payable	1,068,851,096	1,280,441,503	1,533,918,473	1,837,573,898	2,201,341,133	2,637,119,949
Price hedging contracts	100,786,509	100,786,509	115,344,542	135,871,750	139,083,364	118,374,535
Forward exchange contracts	6,060,144	5,849,706	4,266,904	5,019,704	4,461,201	5,131,532
Current portion of long-term loans						
Current portion of liabilities under finance lease agreements	4,173,305	4,173,305	4,173,305	4,173,305	4,173,305	4,173,305
Income tax payable	70,211,517	76,884,592	87,395,454	91,008,769	106,463,357	86,392,738

Table 2.15 Balance Sheet, Including Projections (cont.)

Cash received from former co-venture						
Other current liabilities	117,163,575	99,013,276	101,501,464	116,593,839	94,124,112	105,679,253
Total current liabilities	1,367,246,146	1,567,148,889	1,846,600,141	2,190,241,265	2,549,646,472	2,956,871,311
LT loan (pro forma differentiated)	7,090,933,865	7,092,080,141	7,094,130,144	7,094,265,974	7,094,321,344	7,093,146,294
Long-term loans from financial institutions						
Long-term loan from related party						
Liabilities under finance lease agreements	4,019,905	4,019,905	4,019,905	4,019,905	4,019,905	4,019,905
Interest rate swap contracts	22,794,355	22,794,355	22,794,355	22,794,355	22,794,355	22,794,355
Provision for long-term employee benefits	87,634,839	87,634,839	87,634,839	87,634,839	87,634,839	87,634,839
Total non-current liabilities	7,205,382,964	7,206,529,240	7,208,579,243	7,208,715,073	7,208,770,443	7,207,595,393
Total liabilities	8,572,629,110	8,773,678,129	9,055,179,384	9,398,956,338	9,758,416,916	10,164,466,703
<i>Authorized share capital</i>	<i>1,721,233,290</i>	<i>1,721,233,290</i>	<i>1,721,233,290</i>	<i>1,721,233,290</i>	<i>1,721,233,290</i>	<i>1,721,233,290</i>
Issued and paid-up share capital	1,532,779,570	1,532,779,570	1,532,779,570	1,532,779,570	1,532,779,570	1,532,779,570
Premium on ordinary shares	916,250,081	916,250,081	916,250,081	916,250,081	916,250,081	916,250,081
Share subscription	7,748,118	7,748,118	7,748,118	7,748,118	7,748,118	7,748,118
Non-controlling interests of subsidiary acquired at price lower than book value	6,237,755	6,237,755	6,237,755	6,237,755	6,237,755	6,237,755
Change in the Company's interest in subsidiary not result in loss of control	-	-	-	-	-	-
Capital reserve for share-based payment	308,455,017	308,455,017	308,455,017	308,455,017	308,455,017	308,455,017
Retained earnings	7,432,398,846	11,451,212,292	16,289,912,940	22,110,794,419	29,108,330,065	37,515,452,906
Retained earnings – Appropriated legal and statutory reserves	172,123,329	172,123,329	172,123,329	172,123,329	172,123,329	172,123,329
Retained earnings (deficit) – Unappropriated	7,260,275,517	11,279,088,963	16,117,789,611	21,938,671,090	28,936,206,736	37,343,329,577
Other components of equity – Other surplus (deficit)	-	-	-	-	-	-
Equity attributable to equity holders of parent company	9,503,838,561	13,522,652,007	18,361,352,655	24,182,234,134	31,179,769,780	39,586,892,621
Non-controlling interests	169,694,607	169,694,607	169,694,607	169,694,607	169,694,607	169,694,607
Total equity	9,673,533,168	13,692,346,614	18,531,047,262	24,351,928,741	31,349,464,387	39,756,587,228
Total liabilities and shareholder equity	18,246,162,278	22,466,024,743	27,586,226,646	33,750,885,079	41,107,881,302	49,921,053,932

2.10 Statement of Cash Flows

Table 2.16 Statement of Cash Flows, Including Projections

	2010	2011	2012	2013	2014
Operating Activities CF					
<i>Profit Before Income Tax</i>	1,153,200,154	809,321,503	805,438,975	983,310,876	1,333,459,596
<i>Adjustments to reconcile profit:</i>					
<i>Depreciation and amortization</i>	379,389,133	405,168,063	418,850,240	434,352,337	493,205,243
<i>Written-off withholding tax Allowance for doubtful accounts (reversal)</i>	142,676	172,881	1,177,404	10,751	352,233
<i>Reduction of cost of inventories to net realisable value (reversal)</i>	8,754,940	3,519,871	31,475,421	(19,669,545)	165,723,156
<i>Dividend income from subsidiaries</i>	(7,716,731)	(945,855)	1,081,594	7,831,398	358,042,742
<i>Dividend income from associate</i>	-	-	-	-	-
<i>Loss on disposal of investment in subsidiary</i>	-	-	-	-	-
<i>Unrealised (gain) loss on exchange rate</i>	-	-	-	-	-
<i>Realised gain on exchange from amendment of LT Loan Agreement</i>	425,560	(77,495,243)	(46,386,441)	249,370,473	26,899,952
<i>(Gain) loss on sales of equipment and vessel</i>	-	-	-	(28,988,684)	-
<i>Loss from write-off of equipment</i>	(8,366,101)	(26,364,266)	(2,761,185)	(8,318,007)	6,748,277
<i>Loss from claim under bank guarantee</i>	-	10,909,175	-	-	-
<i>Impairment loss of assets held for sales</i>	5,313,374	-	4,800,298	-	-
<i>Impairment loss of investment properties</i>	-	198,935,174	4,767,500	-	-
<i>Impairment loss of land</i>	-	1,182,718	-	-	-
<i>Impairment loss of equipment and vessel</i>	-	-	20,834,537	1,756,500	7,966,784
<i>Share of profit from investment in joint venture</i>	-	-	-	-	-
<i>Share of profit from investment in associate</i>	-	-	-	-	-
<i>Share-based payment transactions</i>	(5,069,659)	(33,952,035)	(35,323,425)	(46,207,339)	(48,851,296)
<i>Provision for long-term employee benefits</i>	-	4,644,652	8,496,085	10,114,202	15,177,992
<i>Change in fair value of forward exchange contracts</i>	-	10,136,168	10,269,170	9,397,208	14,092,171
<i>Change in fair value of price hedging contracts</i>	(35,467,665)	35,996,904	(17,216,444)	13,485,397	(6,597,878)
<i>Unrealised (gain) loss on price hedging contracts</i>	1,348,787	34,350,997	25,143,876	(129,263)	58,086,125
<i>Change in fair value of interest rate swap contract</i>	103,311,836	(183,430,156)	-	-	-
<i>Interest expenses</i>	(12,705,544)	(9,934,060)	22,637,827	3,550,518	3,114,567
<i>Interest expenses</i>	254,559,473	212,688,620	250,515,438	179,624,390	203,017,945
<i>Profit from operating activities before changes in NWC</i>	1,837,120,233	1,394,905,111	1,503,800,870	1,789,491,212	2,630,437,609
<i>Less: Change in net working capital</i>	1,472,740,993	(6,336,258,843)	(1,839,006,275)	(666,384,091)	5,359,476,119
<i>(Increase) decrease in operating assets</i>	1,297,650,580	(3,818,922,488)	(3,198,159,949)	(1,102,968,043)	4,888,809,397
<i>Trade and other receivables</i>	282,865,881	(1,617,595,903)	(1,737,761,316)	1,415,991,486	(215,078,259)

Table 2.16 Statement of Cash Flows, Including Projections (cont.)

<i>Inventories</i>	1,086,407,065	(2,211,019,168)	(1,293,721,153)	(2,308,969,227)	4,964,282,921
<i>Other current assets</i>	(58,912,243)	6,331,101	(73,572,920)	(210,018,640)	140,002,398
<i>Other non-current assets</i>	(12,710,123)	3,361,482	(93,104,560)	28,338	(397,663)
Increase (decrease) in operating liabilities	(175,090,413)	2,517,336,355	(1,359,153,674)	(436,583,952)	(470,666,722)
<i>Trade and other payables</i>	(197,025,311)	2,642,242,318	(1,280,789,497)	(631,176,805)	(271,414,413)
<i>Other current liabilities</i>	21,934,898	(124,905,963)	(78,364,177)	194,592,853	(199,252,309)
Cash flows from operating activities	2,959,680,400	93,318,978	(3,053,512,753)	249,939,217	7,048,580,284
<i>Cash paid for interest expenses</i>	(255,072,130)	(214,252,553)	(260,374,184)	(165,736,319)	(211,339,132)
<i>Cash paid for corporate income tax</i>	(125,322,689)	(110,008,915)	(38,476,765)	(162,329,515)	(73,529,835)
Net CF from Operating Activities	2,579,285,581	(230,942,490)	(3,352,363,702)	(78,126,617)	6,763,711,317

Investing Activities CF

<i>Decrease in restricted bank deposits</i>	(8,305,208)	56,133,919			
<i>Cash receipts from redemption of investment in amortising debentures</i>	2,467,240	1,341,120			
<i>Cash receipts from business transfer to subsidiary</i>	-	-	66,065,220	-	-
<i>Cash paid for investment in subsidiary</i>	-	-	-	-	-
<i>Cash receipts from disposal of investment in subsidiary</i>	-	-	-	-	-
<i>Dividend received from subsidiaries</i>	-	-	-	-	-
<i>Dividend received from associate</i>	-	18,920,803	16,789,105	-	32,569,417
<i>Increase (Decrease) in short-term loans to related party</i>	-	-	-	-	-
<i>Increase in long-term loans to related party</i>	-	-	-	-	-
<i>Acquisition of equipment</i>	(514,421,880)	(624,843,912)	(725,051,764)	(842,195,847)	(852,238,448)
<i>Acquisition of computer software</i>	(12,453,809)	(1,721,100)	(17,212,991)	(4,369,546)	(9,340,297)
<i>Acquisition of leasehold rights</i>	-	-	-	-	-
<i>Proceeds from sales of equipment and vessel</i>	12,376,220	32,932,298	6,612,691	57,957,383	14,925,939
<i>Cash received from claim under bank guarantee</i>	492,453,117				
Net CF from Investing Activities	(27,884,320)	(517,236,872)	(652,797,739)	(788,608,010)	(814,083,389)

Financing Activities CF

<i>Cash paid to acquisition of non-controlling interests of subsidiaries</i>					(727,065,000)
<i>Increase (decrease) in short-term loans from banks</i>	(3,270,339,075)	1,520,708,943	4,483,942,513	937,729,804	(5,344,207,626)
<i>Decrease in short-term loans from financial institutions</i>	-	-	-	-	-
<i>Increase in short-term loan from related party</i>	-	-	-	-	-
<i>Cash paid under finance lease agreements</i>	(12,696,525)	(9,376,057)	(9,452,812)	(8,674,693)	(7,816,035)

Table 2.16 Statement of Cash Flows, Including Projections (cont.)

<i>Cash receipt from long-term loans</i>	1,868,982,850	799,432,164	700,128,119	488,288,300	826,642,317	
<i>Repayment of long-term loans</i>	(888,602,013)	(841,287,735)	(1,244,331,016)	(622,410,446)	(706,974,360)	
<i>Cash receipts from increase in share capital</i>		25,187	-	2,039,832	35,396,865	
<i>Cash receipts from share subscription</i>			-	-	7,748,118	
<i>Dividend paid to shareholders</i>			(190,644,272)	(152,466,060)	(153,140,945)	
<i>Dividend paid to non-controlling interests of subsidiaries</i>	(36,921,215)	(33,802,320)	(6,220)	(22,750,000)	(22,750,240)	
Net CF from Financing Activities	(2,339,575,978)	1,435,700,182	3,739,636,312	621,756,737	(6,092,166,906)	
Exchange differences on translation of f/s in foreign currencies	(19,382,655)	14,377,680	3,303,437	815,738	(75,907,860)	
Net Increase in Cash	192,442,628	701,898,500	(262,221,692)	(244,162,152)	(218,446,838)	
Cash Balance: Beginning	107,477,606	299,920,234	1,001,818,734	739,597,042	495,434,890	
<i>Add: Net Increase in Cash</i>	192,442,628	701,898,500	(262,221,692)	(244,162,152)	(218,446,838)	
Cash Balance: Ending	299,920,234	1,001,818,734	739,597,042	495,434,890	276,988,052	
	2015F	2016F	2017F	2018F	2019F	2020F
Operating Activities CF						
<i>Net Profit (Loss)</i>	4,420,343,724	5,006,186,193	6,027,509,538	7,251,000,048	8,716,743,588	10,472,648,920
<i>Add: Depreciation & Amortization</i>	467,341,439	747,726,195	837,054,016	919,304,662	924,162,481	855,372,429
<i>Less: Change in Net Working Capital</i>	(1,096,149,056)	1,077,775,186	1,251,798,458	1,491,092,447	1,785,177,132	2,183,942,481
<i>Change in Current Asset</i>	(1,534,359,752)	1,277,677,929	1,531,249,710	1,834,733,571	2,144,582,339	2,591,167,319
<i>Change in Current Liabilities</i>	(438,210,696)	199,902,744	279,451,252	343,641,124	359,405,207	407,224,839
Net CF from Operating Activities	5,983,834,219	4,676,137,203	5,612,765,096	6,679,212,264	7,855,728,937	9,144,078,868
Investing Activities CF						
<i>Add Borrowing</i>	448,625,000					
<i>Less: Investment in PPE</i>	(4,012,502,000)	(1,874,500,000)	(1,874,500,000)	(977,250,000)	(50,000,000)	-
Net CF from Investing Activities	1,971,332,219	2,801,637,203	3,738,265,096	5,701,962,264	7,805,728,937	9,144,078,868
Financing Activities CF						
<i>Less: Dividend on Common</i>	(871,826,728)	(987,372,747)	(1,188,808,890)	(1,430,118,569)	(1,719,207,942)	(2,065,526,078)
Net CF from Financing Activities	(871,826,728)	(987,372,747)	(1,188,808,890)	(1,430,118,569)	(1,719,207,942)	(2,065,526,078)
Net Increase in Cash	1,099,505,491	1,814,264,456	2,549,456,206	4,271,843,694	6,086,520,995	7,078,552,790
Cash Balance: Beginning	276,988,052	1,376,493,543	3,190,757,999	5,740,214,205	10,012,057,899	16,098,578,894
<i>Add: Net Increase in Cash</i>	1,099,505,491	1,814,264,456	2,549,456,206	4,271,843,694	6,086,520,995	7,078,552,790
Cash Balance: Ending	1,376,493,543	3,190,757,999	5,740,214,205	10,012,057,899	16,098,578,894	23,177,131,684

2.11 Financial Ratios

Table 2.17 Summary of Key Financial Ratios

TASCO					
Financial Ratios	2010	2011	2012	2013	2014
Efficiency Ratio					
ROA	12.33%	7.98%	6.36%	6.05%	8.78%
ROE	31.92%	17.87%	14.25%	15.76%	19.26%
DuPont					
ROE	31.92%	17.87%	14.25%	15.76%	19.26%
= Profit Margin	3.93%	3.13%	1.76%	2.53%	2.50%
x Assets Turnover	2.26	1.75	2.25	1.75	2.61
x Equity Multiplier	3.59	3.25	3.60	3.56	2.95
Interest Burden %	0.80	0.77	0.74	0.83	0.86
Tax Burden %	0.90	0.89	0.84	0.88	0.87
WACC (%)	9.94%	8.39%	5.63%	6.51%	6.65%
ROIC (%)	16.01%	10.48%	10.87%	10.76%	13.64%
NOPAT (%)	4.36%	3.64%	2.27%	2.76%	2.69%
Profitability Ratios (%)					
Sales Growth	85.29%	-12.47%	66.72%	-11.16%	35.51%
Operating Growth	50.13%	-26.95%	3.83%	8.30%	32.03%
Operating EBITDA growth	32.87%	-19.46%	3.90%	6.74%	28.05%
Net profit growth	85.83%	-30.31%	-6.26%	27.49%	34.30%
EPS	6.78	4.73	4.43	5.65	7.55
Liquidity Ratio (x)					
Current Ratio	1.76	4.15	3.01	2.46	1.87
Quick Ratio (x)	0.67	1.83	1.39	0.99	0.78
Turnover Ratios					
Assets Turnover	2.26	1.75	2.25	1.75	2.61
Accounts Receivable Turnover	12.51	8.13	8.50	7.32	11.57
Inventory Turnover	5.94	4.55	5.72	3.93	6.64
Fixed Asset Turnover	5.21	4.75	7.46	5.98	7.22
Accounts Payable Turnover	38.61	9.96	12.85	16.88	29.88
Cash Conversion Cycle (CCC)					
= Inventory Conversion Period (ICP)	81.19	88.53	78.42	121.19	74.29
+ Receivable Collection Period (RCP)	61.47	80.27	63.85	92.95	54.96
- Payable Deferral Period (PDP)	29.18	44.89	42.97	49.86	31.54
	9.45	36.63	28.40	21.62	12.21
Leverage Ratio					
Debt Ratio	66.25%	71.37%	72.99%	70.94%	59.56%
Debt to Equity Ratio	1.963	2.493	2.702	2.441	1.473

Table 2.17 Summary of Key Financial Ratios (cont.)

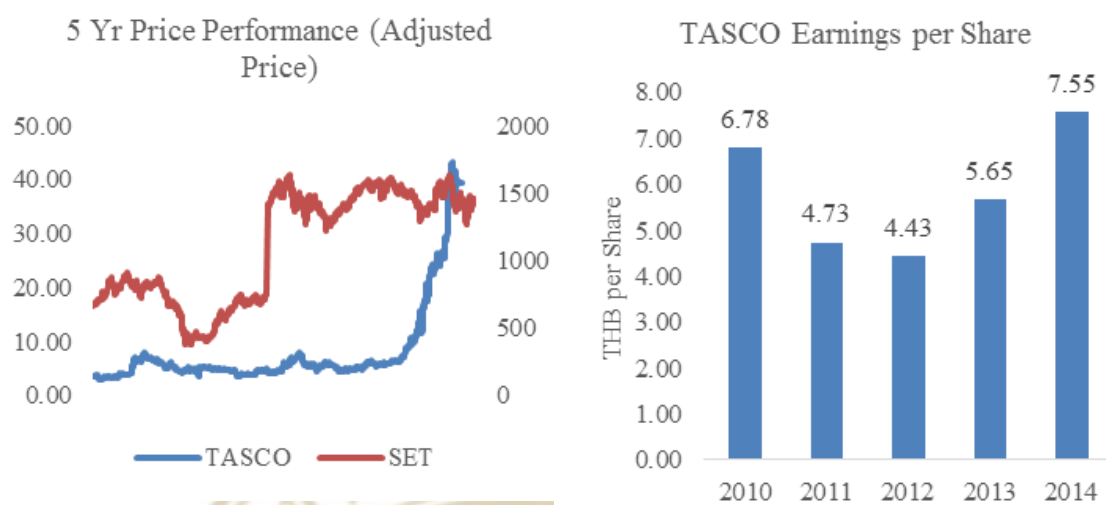
Dividend Payout	0.00%	0.00%	28.21%	17.71%	13.25%
Times Interest Earned (TIE)	5.10	4.40	3.85	6.05	7.01
Operating Performance (%)					
Gross Margin	8.07%	8.39%	4.74%	5.57%	5.36%
Operating Margin	5.45%	4.55%	2.83%	3.46%	3.37%
EBITDA Margin	6.68%	6.15%	3.83%	4.60%	4.35%
D/E (incl. minor) (x)	1.96	2.49	2.70	2.44	1.47
BV (bt)	2.38	2.91	3.31	3.86	4.00
Current Ratio (x)	1.76	4.15	3.01	2.46	1.87
Gearing Ratio (x)	0.66	0.71	0.73	0.71	0.60
Interest Coverage (x)	5.10	4.40	3.85	6.05	7.01

Petronas Dagangan Bhd					
Financial Ratios	2010	2011	2012	2013	2014
Efficiency Ratio					
ROA	14.51%	12.54%	13.30%	11.44%	7.27%
ROE	17.20%	14.97%	17.93%	16.96%	10.50%
DuPont					
ROE	17.20%	14.97%	17.93%	16.96%	10.50%
= Profit Margin	3.66%	2.96%	2.86%	2.53%	1.57%
x Assets Turnover	2.86	3.08	3.34	3.28	3.22
x Equity Multiplier	1.64	1.64	1.88	2.04	2.08
Interest Burden %	1.00	0.99	0.99	0.98	0.97
Tax Burden %	0.72	0.73	0.72	0.74	0.72
WACC (%)			5.34%	5.97%	6.50%
ROIC (%)	17.82%	14.48%	18.40%	17.72%	11.56%
NOPAT (%)	3.96%	3.18%	3.11%	2.72%	1.76%
Profitability Ratios (%)					
Sales Growth	-15.10%	7.64%	32.55%	9.58%	0.00%
Operating Growth	29.17%	-13.57%	29.64%	-4.01%	-35.29%
Operating EBITDA growth	25.30%	-17.59%	30.23%	-1.63%	-25.91%

Table 2.17 Summary of Key Financial Ratios (cont.)

Net profit growth	30.21%	-12.97%	27.90%	-2.88%	-37.95%
EPS	0.76	0.66	0.85	0.82	0.51
liquidity Ratio (x)					
Current Ratio	2.12	2.98	3.10	2.42	2.40
Quick Ratio (x)	1.74	2.45	2.52	1.93	1.89
Turnover Ratios					
Assets Turnover	2.86	3.08	3.34	3.28	3.22
Accounts Receivable Turnover	10.28	11.07	9.03	7.68	7.70
Inventory Turnover	34.62	37.26	32.52	27.61	26.17
Fixed Asset Turnover	5.30	5.71	7.42	7.85	7.51
Accounts Payable Turnover	8.03	8.64	8.94	8.19	7.32
Cash Conversion Cycle (CCC)	0.58	0.54	10.81	16.13	11.51
= Inventory Conversion Period (ICP)	10.54	9.80	11.22	13.22	13.95
+ Receivable Collection Period (RCP)	35.50	32.98	40.41	47.50	47.41
- Payable Deferral Period (PDP)	45.46	42.23	40.82	44.59	49.85
Leverage Ratio					
Debt Ratio	41.73%	50.90%	51.17%	52.50%	49.77%
Debt to Equity Ratio	0.716	1.037	1.048	1.105	0.991
Dividend Payout	16.00%	15.00%	31.00%	126.00%	0.00%
Times Interest Earned (TIE)	307.84	112.18	110.57	58.77	34.76
Operating Performance (%)					
Gross Margin	9.57%	7.58%	7.51%	6.91%	5.90%
Operating Margin	5.07%	4.07%	3.98%	3.49%	2.26%
EBITDA Margin	6.62%	5.07%	4.98%	4.47%	3.31%
D/E (incl. minor) (x)	0.72	1.04	1.05	1.11	0.99
BV (bt)	45.89	48.18	48.79	48.48	45.40
Current Ratio (x)	2.12	2.98	3.10	2.42	2.40
Gearing Ratio (x)	0.42	0.51	0.51	0.52	0.50
Interest Coverage (x)	307.84	112.18	110.57	58.77	34.76

2.12 TASC0's performance vs. share prices



Source: SET

Figure 2.14 Performances vs. Share Prices



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