

Beauty Community

Beautiful outlook

THAILAND | SET | COMM | COMPANY UPDATE

BLOOMBERG BEAUTY TB | REUTERS BEAUTY.BK

Multiple-product, multiple-channel strategy & o2o marketing approach in focus in FY18

The tone of the recent 'Opportunity Day' meeting on Mar 14, 2018 was generally positive and upbeat. Management guided for sales growth of at least 20% y-y in FY18. Same and new store sales growth would be one of the potential growth boosters as BEAUTY plans to add 34 new outlets, comprising 22 Beauty Buffet outlets and 12 Beauty Cottage shops to its domestic branch network this year. We predict its same store sales growth (SSSG) will continue to grow at a healthy pace of 15% y-y in FY18. If the above branch expansion plan goes as planned, BEAUTY is expected to have a total of 379 outlets at end-FY18, comprising 283 Beauty Buffet outlets, 87 Beauty Cottage shops and 9 Beauty Market stores. Domestic sales aside, overseas sales should also provide a further boost to the top-line sales on the back of a steady increase in point-of-sales count under different platforms of independent shop, sales counter and shop-in-shop. BEAUTY also plans to add new distribution agents in Cambodia and Malaysia this year. In the latest move, it is set to sign deals with two major wholesale distributors to set up cross border e-commerce platform in China. In addition, overall sales should get an additional lift from modern trade/convenience store sales after BEAUTY plans to increase its SKU and point-of-sales count. E-commerce sales should also benefit from advanced technologies. BEAUTY will continue to focus on its online to offline & offline to online (o2o) marketing strategy to rev up sales on the back of viral marketing in tandem with new product launches.

FY18 sales and profit set to rise 30% and 35% y-y on strong marketing strategies

With abundant room for market share gains given that BEAUTY currently commands a mere 2% share of the domestic cosmetics market in Thailand, and continued upbeat outlook for sales driven by a wide variety of distribution channels both at home and abroad and strong marketing strategies, we expect its FY18 sales growth will beat management's guidance of 20% y-y. We predict its FY18 sales will grow at a brisk pace of 30% y-y to Bt4,827mn. In addition to upbeat sales growth prospects, tight controls on costs and expenses should lead BEAUTY to extend its impressive run of record profits into FY18. We estimate its FY18 profit will rise further by 35% y-y to Bt1,663mn. Net margins are also expected to stay above 30% in FY18.

'BUY' rating unchanged with FY18 target price of Bt24.60/share

Notwithstanding that a partial stake sale by its major shareholders has of late put share prices under downward pressure, we see it as a good buying opportunity in light of its favorable growth profile supported by a plan to expand distribution channels both at home and abroad, its o2o marketing activities, and the popularity of its products among Thai and foreign consumers notably Chinese shoppers which contribute up to 30% of its total sales. For this reason, we leave our 'BUY' rating unchanged for BEAUTY with a FY18 target price of Bt24.60/share.

16 March 2018

Buy (Maintain)

Closing Price(Bt) 20.00
Target Price(Bt) 24.60 (+25.49%)

COMPANY DATA

O/S Shares (mn) :	3,005
Market Cap. (Btmn) :	60,097
Market Cap. (USDmn) :	1,928
52-WK Hi/Lo (Bt) :	22.9/9.05
3M Average Daily T/O (mn) :	43.65
Par Value (Bt) :	0.10

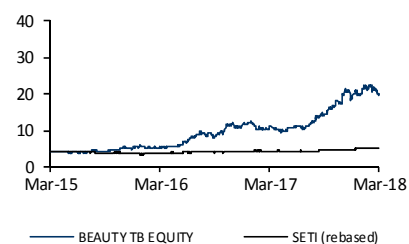
MAJOR SHAREHOLDERS (%) 28 August 2017

1. Kraibhubes Family	25.9
2. STATE STREET EUROPE LIMITED	8.8
3. Thai NVDR	7.9

PRICE PERFORMANCE (%)

	1MTH	3MTH	1YR
ABS	-11%	6%	85%
REL TO SET INDEX	-12%	0%	57%

PRICE VS SET INDEX



Source: Bloomberg, PSR

KEY FINANCIALS

FYE Dec	FY16	FY17	FY18E	FY19E
Sales(Btmn)	2,559	3,735	4,853	6,063
Net Profit(Btmn)	656	1,229	1,663	2,120
EPS (Bt)	0.22	0.41	0.55	0.71
P/E (X)	91.5	48.9	36.1	28.3
BVPS (Bt)	0.44	0.57	0.62	0.70
P/B (X)	45.4	35.2	32.1	28.8
DPS (Bt)	0.22	0.41	0.50	0.64
Dividend Yield (%)	1.1	2.0	2.5	3.2
ROE (%)	53.15	81.27	92.97	107.09

Source: Company, PSR Est.

**Multiples and yields are based on latest closing price

VALUATION METHOD

DCF (WACC: 7.9%; terminal g: 3.0%)

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Capital Market Investment Analyst # 41993
Tel: 66 2 635 1700 # 532

Ref. No.: CO2018_0250

Financials

Income Statement

FYE Dec, Btmn	FY16	FY17	FY18E	FY19E
Revenue	2,559	3,735	4,853	6,063
EBITDA	881	1,594	2,146	2,733
Depreciation & Amortisation	-59	-61	-67	-82
EBIT	821	1,533	2,079	2,651
Net Finance (Expense)/Inc	0	0	0	0
Other items	19	22	26	29
Associates & JVs	0	0	0	0
Exceptional items	0	0	0	0
Profit Before Tax	821	1,533	2,079	2,651
Taxation	165	304	416	530
Profit After Tax	656	1,229	1,663	2,120
Non-controlling Interest	0	0	0	0
Net Income, reported	656	1,229	1,663	2,120
Net Income, adj.	656	1,229	1,663	2,120

Per share data

FYE Dec, Bt	FY16	FY17	FY18E	FY19E
EPS, reported	0.22	0.41	0.55	0.71
EPS, adj.	0.22	0.41	0.55	0.71
DPS	0.22	0.41	0.50	0.64
BVPS	0.44	0.57	0.62	0.70

Balance Sheet

FYE Dec, Btmn	FY16	FY17	FY18E	FY19E
Cash	217	506	560	671
Investments	680	800	800	800
Accounts Receivables	42	146	96	119
Inventories	374	410	565	714
Others	0	0	0	0
Total current assets	1,313	1,861	2,021	2,304
PPE	304	289	372	439
Intangibles	16	21	29	36
Associates & JVs	0	0	0	0
Investments	10	0	0	0
Others	108	165	210	262
Total non-current assets	438	474	611	738
Total Assets	1,751	2,335	2,632	3,042
Short term loans	0	0	0	0
Accounts Payables	316	434	522	660
Others	98	178	209	261
Total current liabilities	413	612	731	920
Long term loans	0	0	0	0
Others	17	19	28	35
Total liabilities	430	630	759	955
Non-controlling interests	0	0	0	0
Shareholder Equities	1,320	1,705	1,873	2,087

Source: Company Data, PSR est

**Based on latest closing price

Latest closing price

Cash Flow

FYE Dec, Btmn	FY16	FY17	FY18E	FY19E
CFO				
PBT	821	1,533	1,663	2,120
Adjustments	67	77	67	82
WC changes	888	1,611	1,730	2,203
Cash generated from ops	-55	-49	-30	-36
Others	-130	-226	0	0
Cashflow from ops	703	1,337	1,700	2,167
CFI				
CAPEX, net	-53	-33	-150	-150
Others	-63	-164	0	0
Cashflow from investments	-116	-197	-150	-150
CFF				
Share issuance	0	0	0	0
Loans, net of repayments	0	0	0	0
Dividends	-489	-864	-1,495	-1,907
Others	0	14	0	0
Cashflow from financing	-489	-851	-1,495	-1,907
Net change in cash	98	289	55	110
Effects of exchange rates	0	0	0	0
CCE, end	217	506	560	671

Valuation Ratios

FYE Dec	FY16	FY17	FY18E	FY19E
P/E (X), adj.**	91.6	48.9	36.1	28.3
P/B (X), adj.**	45.4	35.2	32.1	28.8
Dividend Yield (%)	1.1	2.0	2.5	3.2

Growth

FYE Dec, %	FY16	FY17	FY18E	FY19E
Revenue	42.79	45.98	29.92	24.93
EBITDA	59.67	81.02	34.62	27.36
EBIT	63.32	86.73	35.60	27.47
Net Income, adj.	62.99	87.39	35.31	27.47

Margins

FYE Dec, %	FY16	FY17	FY18E	FY19E
EBITDA margin	34.41	42.67	44.22	45.08
EBIT margin	32.09	41.05	42.84	43.72
Net Profit Margin	25.64	32.91	34.28	34.97

Key Ratios

FYE Dec	FY16	FY17	FY18E	FY19E
ROE (%)	53.15	81.27	92.97	107.09
ROA (%)	40.45	60.17	66.97	74.74
Net Debt/(Cash) (Btmn)	-217	-506	-560	-671
Net Gearing (X)	0.36	0.32	0.35	0.40

Fact Sheet

GENERAL INFORMATION

Address: 10/915 NUANCHAN 34, NUANCHAN, BUNGKUM Bangkok 10230

Tel: 0-2946-0700-6

Fax: 0-2946-1571

URL: www.beautycommunity.co.th

Market/Sector: SET/Services/Commerce

BUSINESS DESCRIPTION

BEAUTY is engaged in the retail distribution of cosmetics and skincare both at home and abroad through a wide variety of distribution channels. Its products range from makeup, skincare to accessories for both males and females.

RISK FACTORS

1. Economic slowdown which could sap consumer spending
2. Short product life cycle given that products are normally in line with fashion trends.
3. Fierce competition which may cut into profitability

KEY DEVELOPMENT

-Yr 2018: The Kraibhubes family reduced its stake in BEAUTY to 21.23% from 25.89% through book-building process with both local and foreign institutional investors.

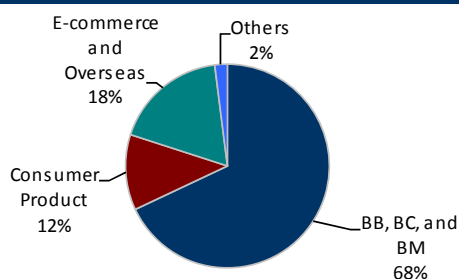
-Yr 2017: BEAUTY operated a domestic network of 345 outlets in Thailand, comprising 261 Beauty Buffet stores, 75 Beauty Cottage shops and 9 Beauty Market outlets at end-FY17.

-Yr 2016: The Kraibhubes family lowered its stake in BEAUTY to 25.94% from 35.94% through book-building process with both local and foreign institutional investors.

-Yr 2016: Its board gave a nod to the issuance of up to 22.6mn units of ESOP warrant-1 to its executive directors and/or employees.

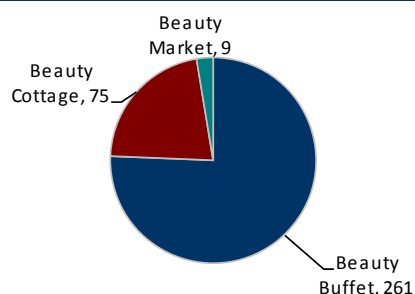
-Yr 2016: Its board approved a change in stock par value to Bt0.10/share from Bt1.00/share. The par split increased its total number of outstanding shares by 300mn to 3bn.

REVENUE BREAKDOWN as of 31 December 2017



Source: Company, PSR

SHOP BREAKDOWN as of 31 December 2017



Source: Company, PSR

KEY FINANCIAL SUMMARY

Btmn	4Q17	3Q17	2Q17	1Q17	4Q16
Sales	1,091	1,059	881	683	697
Gross profit	735	713	612	455	469
Net profit	408	348	273	200	178
Assets	2,335	1,980	2,018	1,995	1,751
Liabilities	630	685	630	468	430
Equities	1,705	1,295	1,387	1,526	1,320
EPS (Bt)	0.14	0.12	0.09	0.07	0.06
BVPS (Bt)	0.57	0.43	0.46	0.51	0.44
GPM (%)	67%	67%	69%	67%	67%
NPM (%)	37%	33%	31%	29%	26%

Source: Company, PSR

PEER COMPARISON * updated on 15 March 2018

Company name	as of	Mkt Cap. (Btmn)	P/E (x)	P/BV (x)	Div Yield (%)
Beauty Community PCL					
BEAUTY TB	12/17	60,097	48.1	35.5	1.4
MC Group PCL					
MCTB	12/17	11,040	18.1	2.7	6.9
Karmarts PCL					
KAMART TB	12/17	6,028	23.0	6.9	3.8
Big Camera Corp PCL					
BIG TB	12/17	10,445	13.4	5.8	2.4

Source: Bloomberg, PSR

*Data based on trailing 12 months earnings, book value and dividend per share

Companies participating in Thailand's Private Sector Collective Action Coalition Against Corruption programme (Thai CAC) under Thai Institute of Directors (as of July 31, 2017)

Declared

A	AI	AIE	AIRA	AJ	ALUCON	AMATAV	AOT	APCO	AQUA
ARROW	ASIA	ASK	AU	BCH	BJC	BJCHI	BLAND	BR	BROCK
BRR	CEN	CGH	CHEWA	CHG	CHOTI	CHOW	CIG	COL	COM7
CPALL	CPF	CPR	CSC	EKH	EPCO	FC	FER	FPI	FSMART
GEL	GFPT	GGC	GIFT	GJS	GLOBAL	GOLD	GPSC	GREEN	GSTEL
GUNKUL	HARN	IFS	ILINK	INET	IRC	J	JMART	JMT	JUBILE
JUTHA	KASET	KBS	KCAR	KTECH	KWC	KYE	L&E	LEE	LIT
LVT	MAKRO	MATCH	MATI	MBAX	MC	MFEC	MIDA	MILL	ML
MTLS	NBC	NCL	NEP	NINE	MMG	NNCL	NTV	NUSA	NWR
OGC	PACE	PAF	PAP	PATO	PCSGH	PIMO	PK	PL	PLANB
POST	PRINC	PRO	PSTC	PYLON	QTC	ROH	ROJNA	RWI	SANKO
SAUCE	SC	SCCC	SCN	SEAOIL	SE-ED	SENA	SIRI	SMART	SPACK
SPPT	SPRC	SR	SRICHA	SST	STA	SUPER	SUSCO	SWC	SYMC
TAKUNI	TBSP	TFI	THE	TICON	TIP	TKN	TLUXE	TMILL	TMT
TNP	TPA	TRUE	TSE	TTI	TU	TVD	TVO	TVT	TWPC
U	UPA	UREKA	UWC	VGI	VIBHA	VIH	VNT	WAVE	WHA
WICE	WIIK								

Certified

ADVANC	AKP	AMANAH	AP	ASP	AYUD	BAFS	BANPU	BAY	BBL
BCP	BKI	BLA	BROOK	BTS	BWG	CENDEL	CFRESH	CIMBT	CM
CNS	CPI	CPN	CSL	DCC	DEMCO	DIMET	DRT	DTAC	DTC
EASTW	ECL	EGCO	FE	FNS	FSS	GBX	GCAP	GLOW	HANA
HMPRO	HTC	ICC	IFEC	INTUCH	IRPC	IVL	K	KBANK	KCE
KGI	KKP	KSL	KTB	KTC	LANNA	LHBANK	LHK	LPN	MBK
MBKET	MCOT	MFC	MINT	MONO	MOONG	MSC	MTI	NKI	NSI
OCC	OCEAN	PB	PDI	PE	PG	PHOL	PLAT	PM	PPP
PPS	PRANDA	PREB	PRG	PSH	PSL	PT	PTG	PTT	PTTEP
PTTGC	Q-CON	QH	QLT	RATCH	RML	ROBINS	S & J	SABINA	SAT
SCB	SCC	SCG	SGT	SINGER	SIS	SITHAI	SMIT	SMPC	SNC
SNP	SORKON	SPC	SPI	SSF	SSI	SIV	SVI	SYNTEC	TAE
TCAP	TCMC	TFG	TGCI	THANI	THCOM	THRE	THREL	TIPCO	TISCO
TKT	TMB	TMD	TNITY	TNL	TOG	TOP	TPCORP	TRU	TSC
TSTH	TTCL	TVI	UOBKH	WACOAL					

Non-participation

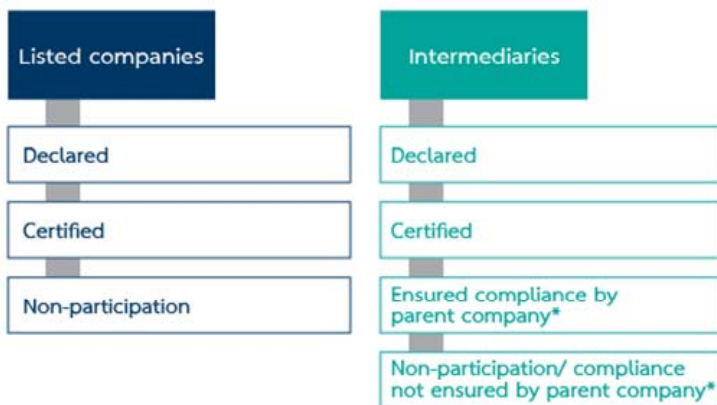
2S	AAV	ABICO	ACAP	ACC	ADAM	AEC	AEONTS	AF	AFC
AGE	AH	AHC	AIT	AJA	AKR	ALLA	ALT	AMA	AMARIN
AMATA	AMC	ANAN	APCS	APEX	APURE	AQ	ARIP	AS	ASAP
ASEFA	ASIAN	ASIMAR	ASN	ATP30	AUCT	BA	BAT-3K	BCPG	BDMS
BEAUTY	BEC	BEM	BFIT	BGRIM	BGT	BH	BIG	BIZ	BKD
BLISS	BM	BOL	BPP	BSBM	BSM	BTC	BTNC	BTW	BUI
CBG	CCET	CCP	CGD	CHARAN	CHO	CHUO	CI	CITY	CK
CKP	CMO	CMR	CNT	COLOR	COMAN	CPH	CPL	CRANE	CRD
CSP	CSR	CSS	CTW	CWT	D	DCON	DCORP	DELTA	DIGI
DNA	DTCI	EA	EARTH	EASON	ECF	EE	EFORL	EIC	EMC
EPG	ERW	ESSO	ESTAR	ETE	EVER	F&D	FANCY	FMT	FN
FOCUS	FORTH	FTE	FVC	GC	GENCO	GL	GLAND	GRAMMY	GRAND
GTB	GYT	HFT	HOTPOT	HPT	HTECH	HYDRO	ICHI	ICN	IEC
IHL	III	INGRS	INOX	INSURE	IRCP	IT	ITD	ITEL	JAS
JCT	JSP	JTS	JWD	KAMART	KC	KCM	KDH	KIAT	KKC
KOOL	KTIS	KWG	LALIN	LDC	LH	LOXLEY	LPH	LRH	LST
LTX	M	MACO	MAJOR	MALEE	MANRIN	MAX	M-CHAI	MCS	MDX
MEGA	METCO	MGT	MJD	MK	MM	MODERN	MPG	MPIC	NC
NCH	NDR	NETBAY	NEW	NEWS	NFC	NOBLE	NOK	NPK	NPP
NVD	NYT	OHTL	OISHI	ORI	OTO	PAE	PDG	PERM	PF
PICO	PJW	PLANET	PLE	PMTA	POLAR	POMPU	PPM	PRAKIT	PRECHA
PRIN	PRM	PTL	RAM	RCI	RCL	RICH	RICHY	RJH	ROCK
RP	RPC	RPH	RS	S	S11	SAFARI	SALEE	SAM	SAMART
SAMCO	SAMTEL	SAPPE	SAWAD	SAWANG	SCI	SCP	SDC	SE	SEAFCO
SELIC	SF	SFP	SGF	SHANG	SIAM	SIMAT	SKN	SKR	SKY
SLP	SMK	SMM	SMT	SOLAR	SPA	SPALI	SPCG	SPG	SPORT
SPVI	SQ	SSC	SSP	STANLY	STAR	STEC	STHAI	STPI	SUC
SUTHA	SVH	SVOA	SYNEX	T	TACC	TAPAC	TASCO	TC	TCB
TCC	TCCC	TCH	TCOAT	TEAM	TFD	TFMAMA	TGPRO	TH	THAI
THANA	THIP	THL	TIC	TIW	TK	TKS	TM	TMC	TMI
TMW	TNDT	TNH	TNPC	TNR	TOA	TOPP	TPAC	TPBI	TPCH
TIPL	TIPIP	TPOLY	TPP	TR	TRC	TRITN	TRT	TRUBB	TSF
TSI	TSR	TST	TTA	TTL	TTTM	TTW	TUCC	TWP	TWZ
TYCN	UAC	UBIS	UEC	UKEM	UMI	UMS	UNIQ	UP	UPF
UPOIC	UT	UTP	UV	UVAN	VARO	VI	VNG	VPO	VTE
WG	WHAUP	WIN	WINNER	WORK	WORLD	WP	WPH	WR	XO
YCI	YNP	YUASA	ZIGA	ZMICO					

Companies participating in Thailand's Private Sector Collective Action Coalition Against Corruption programme (Thai CAC) under Thai Institute of Directors (as of July 31, 2017)

The SEC has a policy to promote listed companies and intermediaries, i.e. securities companies, asset management companies, derivative business companies (“intermediaries”) to establish anti-corruption measures as part of their business operation. The SEC has supported Thaipat Institute in developing the Anti-corruption Progress Indicator of listed companies and intermediaries. The Indicator comprises five levels: Level 1: Committed, Level 2: Declared, Level 3: Established, Level 4: Certified, and Level 5: Extended.

The SEC continues to develop business sustainability among listed companies and intermediaries with a focus on anti-corruption by supporting them to join Thailand’s Private Sector Collective Action Coalition Against Corruption (CAC) and to disclose their corporate governance progress on <http://www.cgthailand.org>.

Levels of Commitment



* Only parent companies subject to the Bribery Act or other similar laws that requires parent companies be accountable for bribery of its overseas subsidiaries. Parent companies’ responsibilities include the establishment of policies and guidelines and the monitoring of their subsidiaries’ regular compliance therewith.

Industry Group

Name	Sector Name	Sector Index
Agro & Food Industry[AGRO]	Agribusiness	AGRI
	Food & Beverage	FOOD
Consumer Products[CONSUMP]	Fashion	FASHION
	Home & Office Products	HOME
	Personal Products & Pharmaceuticals	PERSON
Financials [FINCIAL]	Banking	BANK
	Finance & Securities	FIN
	Insurance	INSUR
Industrials [INDUS]	Automotive	AUTO
	Industrial Materials & Machinery	IMM
	Packaging	PKG
	Paper & Printing Materials	PAPER
	Petrochemicals & Chemicals	PETRO
	Steel	STEEL
Property & Construction[PROPCON]	Construction Materials	CONMAT
	Construction Services	CONS
	Property Development	PROP
	Property Fund & REITs	PF&REIT
Resources [RESOURC]	Energy & Utilities	ENERG
	Mining	MINE
Services [SERVICE]	Commerce	COMM
	Media & Publishing	MEDIA
	Health Care Services	HELTH
	Tourism & Leisure	TOURISM
	Professional Services	PROF
	Transportation & Logistics	TRANS
Technology [TECH]	Electronic Components	ETRON
	Information & Communication Technology	ICT

PSR Rating System

Capital Gain	Recommendation
> 15%	BUY
> 5% - 15%	ACCUMULATE / TRADING BUY
> 0% - 5%	NEUTRAL
0 <=	SELL

Remarks

We do not base our recommendations entirely on the above quantitative return bands. We consider qualitative factors like (but not limited to) a stock's risk reward profile, market sentiment, recent rate of share price appreciation, presence or absence of stock price catalysts, and speculative undertones surrounding the stock, before making our final recommendation

Research Team

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Naree Apisawaittakan	Securities Investment Analyst #17971	662 635 1700 Ext 484	Agribusiness, Food&beverage, Electronic Components, Energy, Petrochemicals, ICT
Siam Tiyanont	Securities Investment Analyst #17970	662 635 1700 Ext 483	Transportation, Media & Publishing
Adisorn Muangparnchon	Securities Investment Analyst #18577	662 635 1700 Ext 497	Banking, Securities & Finance,
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Pachara Yenpaisarn	Assistant Analyst		

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Domestics Offices

Bangkok Offices

Head Office	849 Vorawat Bldg., 11st Fl., Unit 1101,1102,1104, 14th Fl., Unit 1403, 1404 and 15th Fl., 22nd Fl., Unit 2202 Silom Rd. Silom,Bangrak, Bangkok 10500
Srinakarindr	699 Modernform Tower, 17th Fl., Srinakarindr Rd., Suan Luang, Suan Luang, Bangkok 10250
Viphavadee	333 Lao Peng Nguan Tower 1, 15th Fl., Soi Chuaypuang, Viphavadi-Rangsit Rd., Jomphon, Chatuchak, Bangkok 10900
Yaowaraj	308 Kanchanadhat Bldg., 19th Fl., Yaowarat Rd., Jakawat, Sampantawong, Bangkok 10100
Bangkapi 1	3522 The Mall Office Tower-Bangkap, 8th Fl., Lad Prao Rd., Klongchan, Bangkapi, Bangkok 10240
Bangkapi 2	3522 The Mall Office Tower-Bangkap, 8th Fl., Lad Prao Rd., Klongchan, Bangkapi, Bangkok 10240
Hualumphong	320 Tang Hua Pak Bldg., 4th Fl., Rama 4 Rd., Mahaprutharam, Bangrak, Bangkok 10500
Rangsit	94 Future Park Rangsit, G Fl., Room#PLZ.G.SHP065A, Paholyothin Rd., Prachathipat, Thunjaburi, Pathumthani 12130
Siam Discovery	989 Siam Tower Building, 11th Fl., Unit A2, Rama I Rd., Pathumwan, Pathumwan, Bangkok 10330
Central World	999/9 The Offices at CentralWorld, 17 FL. Unit ML 1707, Rama I Rd, Pathumwan, Pathumwan, Bangkok 10330
Sindhorn	130-132 Sindhorn Tower 3 Building, 19 Floor, Wireless Rd., Lumpini, Pathumwan, Bangkok 10330
EmQuartier	689 Bhiraj Tower at EmQuartier, 39th floor, Unit 3909-10, Sukhumvit Rd., Klongton Nuea, Vadhana, Bangkok 10110
Amarin	496-502 Amarin Tower, 8 Floor, Unit 6-7 Ploenchit Rd., Lumpini, Pathumwan, Bangkok 10330

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