

Construction Sector – Overweight

News update

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The Bt29bn double-track railway project bid

- **The Khonkaen – Nong Khai railway project is in progress.**
 - **Public hearing for the TOR was done on 27 Mar. – 1 Apr.**
 - **SRT expects to open for bidding in May-Jul.**
 - **CK is our top sector pick. STEC is also a BUY.**
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- The public hearing for the term of reference (TOR) of the Bt29bn Khonkaen - Nong Khai double-track project was done during 27 March – 1 April 2024 and the State Railway of Thailand (SRT) expects to sell the official TOR to contractors and open for bidding in May-July 2024. It also expects to announce the bidding winner in August 2024.
 - The project has only one construction work contract, so there will be only one contractor who win the bid. Given the high qualification requirements, we expect a small number of contractors who can bid for the project.
 - The re-implementation of the government's infrastructure projects after they were halted during the COVID-19 period in 2020-22 is good news for the construction sector. We expect the government to restart the implementation of Bt536bn of infrastructure projects in 2024-26F (see our construction sector report, *Improving earnings outlook*, on 9 February 2024).
 - We maintain our Overweight rating on the construction sector and Ch. Karnchang (CK TB, Bt22.9, BUY) is our top sector pick with a TP of Bt26/share given its secured earnings growth in at least the next four years due to **1)** its record-high Bt130bn backlog value at end-2023, **2)** high potential new work from the Bt109bn West Orange Line project, **3)** strong earnings turnaround from its associates and **4)** attractive valuation with the share trading at a 35% discount on its investment portfolio's market value and the construction business for free.
 - We also have a BUY on Sino-Thai Engineering (STEC TB, Bt10.5, BUY) to a TP of Bt12/share as we believe its earnings have already bottomed out while its share price already fell by 27% from its peak last year. We forecast its earnings growth of 10/15% y-y in 2024-25F, driven by 1) higher revenue recognition from its Bt69bn backlog at end-2023, 2) high potential new work from the Bt27bn U-tapao Airport expansion project, and 3) margin recovery from completion of its low-margin Pink and Yellow Line projects.

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