

8 December 2023

Construction

Comprehensive Infrastructure Plan On The Table

Construction & Engineering | Construction

Neutral (Maintained)

Stocks Covered 2
Rating (Buy/Neutral/Sell): 2 / 0 / 0
Last 12m Earnings Revision Trend: Positive

- **Sector Top Pick: CH Karnchang.** According to the Transport Ministry's quick-win policy, new public infrastructure investment is an area which the Government focuses on, and there are currently several major infrastructure projects in the pipeline awaiting construction. Based on this active stance from the Government, it is quite certain that new infrastructure project bids should arrive from FY24 onwards following a noticeable absence of new bidding process under the current administration. We maintain our NEUTRAL weighting for the sector.
- **Opportunity for new infrastructure bids in FY24.** As the Transport Ministry is planning to conduct the project selection workshop in December, we expect the infrastructure projects in Figure 1 to be the best candidates for the Government to kick-off the bidding process in FY24 and begin construction thereafter. The majority of the projects have the potential to start construction process from 3Q24 onwards. In our view, this implies the Government's strong intention to kick off a new cycle of infrastructure bids in FY24.
- **Within this comprehensive list of 23 new infrastructure projects** involving road networks, rail transit, and air transport, 14 are planned to progress in FY24 while another nine are set to begin in FY25. Major projects are concentrated within Bangkok and its vicinities, North East Region, and Phuket. In-line with our expectation, road and railway networks dominate the candidates list while there is only one air transportation project – the third phase of Don Muang Airport expansion.
- **Among the major projects with >THB10bn investment value,** two new double-track railway routes, the Don Muang airport expansion, motorway number 9, two extensions of expressways in Bangkok, and one new expressway in Phuket seems to trigger the interest among large construction players. The abovementioned projects should be the key highlights for the construction sector in FY24-25.
- **Sino-Thai Engineering & Construction,** with an orderbook on-hand worth more than THB70bn, has to endure the current absence of new infrastructure bids. In addition to its good chances of winning new infrastructure bids to be launched by the Government in FY24-25, the company already has the U-Tapao Airport expansion project worth c.THb27bn under a consortium (20% invested by STEC) as a proprietary project which will begin construction in FY24. Therefore, core revenue momentum should not be a major concern in the medium-term, and we expect its FY24 core to grow more than 10%YoY to THB31bn, mainly from U-Tapao Airport project. However, there should be loss from the operations of Yellow and Pink Line MRT during the starting period, which will pressure STEC's improving GPM trend. We maintain our view that FY24 earning should grow moderately +16% YoY.
- **Our top pick CH Karnchang** is another construction player with abundant orderbooks on hand worth more than THB140bn. It is targeting three transportation projects that can be launched for bidding soon. These are: i) Red Line MRT extension, ii) new double-track railway route (Khon Kaen-Nong Khai), and iii) the Chalong Rat Expressway extension from Chatuchot to the Bangkok Outer Ring Road. All these are reaching the final stages of pre-bidding processes, with the Transport Ministry expected to start the three projects' construction within FY24.

Top Pick

CH Karnchang (CK TB) – BUY

Target Price

THB24.50

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Company Name	Rating	Target (THB)	% Upside (Downside)	P/E (x) Dec-24F	P/B (x) Dec-24F	ROAE (%) Dec-24F	Yield (%) Dec-24F
CH Karnchang	Buy	24.50	14.0	20.3	1.5	7.7	2.2
Sino-Thai Engineering & Construction	Buy	14.00	58.2	15.9	1.0	6.4	3.7

Source: Company data, RHB

Figure 1: Infrastructure projects in the pipeline awaiting start of construction

	Investment (THBm)	Distance (km)	Construction start
FY2024			
Double-track railway (Khon Kaen – Nong Khai)	29,748	167	Apr 24
Orange Line MRT extension (Bang Khun Non – Cultural Center)	140,000	13.4	May 24
Lane expansion for highway no 4027 (Phuket)	510	-	Aug 24
Rest area for motorway no 7 (Chonburi – Pattaya)	1,615	-	Aug 24
Rest area for motorway no 7 (Pattaya – Map Ta Phut)	766	-	Aug 24
Motorway no 7 extension to U-Tapao Airport	4,508	1.92	Sep 24
Interchange among highway no 402, 4027 and 4025 (Phuket)	2,380	-	Sep 24
Red Line MRT extension (Rangsit – Thammasat University Rangsit)	6,469	8.84	Sep 24
Red Line MRT extension (Talingchan – Salaya)	10,670	14.80	Sep 24
Red Line MRT extension (Talingchan – Siriraj)	4,694	5.70	Sep 24
Double-track railway (Jira – Ubonratchathani)	37,527	308	Sep 24
Phuket expressway (Kathu – Patong)	16,190	3.98	Sep 24
Chalong Rat expressway extension (Chatuchote – Outer Ring Road)	24,060	17	Oct 24
Second phase of high-speed railway (Nakhonratchasima – Nong Khai)	310,000	356	Dec 24
FY2025			
15 smart piers on Chao Phraya River	305	-	
New route between Muang Mai and Phuket Airport entrance	1,068	1.95	
15 rest areas for motorway no 6 (Bang Pa In – Nakhonratchasima)	3,270	-	
6 rest areas for motorway no 81 (Bang Yai – Kanchanaburi)	2,355	-	
Third-stage expressway (Prasert Manukij – Outer Ring Road)	16,960	11.3	
Lanta island bridge	1,800	2.2	
Songkhla lake bridge	4,700	7	
Motorway no 9 (Bang Bua Thong – Bang Pa In)	23,025	36	
Third phase of Dong Muang International Airport	37,000	-	
	679,620		

Source: Transport Ministry

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