

6 February 2020

Construction & Engineering | Construction

Construction

Overweight (Maintained)

Project Bid Episode Still Ongoing; Maintain O/W

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

- **Maintain sector OVERWEIGHT, with CH Karnchang as our Top Pick.** Bids for ordinary infrastructure projects in Bangkok and its vicinity, as well as in major provincial areas, should be outstanding for this year. We believe that these projects will be put up for bids ahead, especially after the national budget is unlocked after the delay.

Top Pick

CH Karnchang (CK TB) - BUY

Target Price

THB26.00

- **Sino-Thai Engineering & Construction to book earnings growth in 4Q19.** 4Q19 earnings for both CH Karnchang and Sino-Thai should be dependent on their current orderbooks, especially on major MRT construction projects. As such, their core revenue trends should differ. Sino-Thai's growth has been supported by revenue from three MRT routes under construction – the Orange, Pink and Yellow Lines – on top of other major projects in its abundant orderbook worth THB90bn. Meanwhile, CH Karnchang's diminishing orderbook has pressured its turnover – and revenue growth has been trending downwards. There was also an absence of gains from selling investments. That said, we expect its strengths – stable, high GPMs from construction, and solid earnings from associate companies – to help shore up 4Q19 earnings.

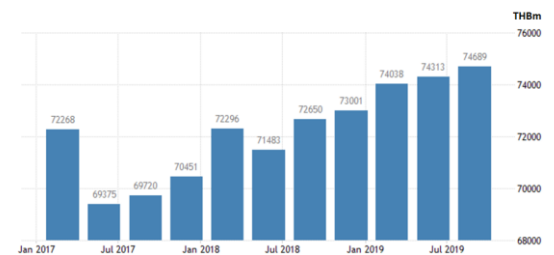
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- **Newly signed contracts soon.** For these two large players, each has almost secured new construction orders, awarded by consortiums winning infrastructure concessions in Thailand's eastern region. The Charoen Pokphand-led consortium – in which CH Karnchang has a 5% stake – is in the midst of intra-consortium negotiations for distributing jobs to each construction partner. This is after the consortium signed the concession agreement with State Railway of Thailand in Oct 2019. The BBS consortium (Sino-Thai has a 20% stake) is negotiating with the U-Tapao airport project owner for more clear-cut details on the concession, after the consortium was announced officially as the bid winner on 30 Jan.

Thailand's GDP from construction on a quarterly basis



Source: Tradingeconomics.com, NESDB

- **New jobs led by Eastern Economic Corridor (EEC) projects.** Contrary to FY19 when both companies were facing headwinds in winning new awarded projects, and mitigating the negative impact with accumulating new small-sized projects instead, we expect the situation to reverse in FY20. Starting with two infrastructure projects under negotiation mentioned above, CH Karnchang and Sino-Thai should see their orderbooks grow in 3Q20, by one-fold and 20%.

- **Not all future bids being locked by the budget delay.** As depicted in Figure 3, there are several projects worth a total of THB588bn which we expect to be open for bids in FY20. Although the case that resulted in the delay of the THB3.2trn budget bill for FY2020 (which also led to concerns of budget disbursements) will be adjudicated by the Constitutional Court this Friday, the Orange-Line MRT is considered as the top-priority project regardless of the court's final judgement – the project was approved by the Cabinet on 28 Jan. Bidding for projects is expected to occur in 3Q20. As we believe the two consortiums regularly involved in MRT bids will not miss out on winning some contracts, either CH Karnchang or Sino-Thai will gain additional orders of THB96bn from this development.

- **Prefer CH Karnchang.** For the Orange-Line MRT, the consortium between CH Karnchang and its affiliates has the best potential to win the construction of the Orange-Line MRT extension, as well as the concession to operate this route. As such, it should be at an advantage to score other bids in the pipeline.

Company	Rating	TP (THB)	% Upside (Downside)	P/E (x) Dec-20F	P/BV (x) Dec-20F	Yield (%) Dec-20F
CH Karnchang	BUY	26.00	29.3	19.8	1.1	2.2
Sino-Thai	BUY	20.00	29.9	16.8	1.7	2.4

Source: Company data, RHB

Figure 1: We expect CH Karnchang to book weaker 4Q19 earnings, on lower core revenue from construction, the lack of dividends received from related companies, and no gains from the sale of investments

FYE Dec (THBm)	4Q18	1Q19	2Q19	3Q19	4Q19F	QoQ (%)	YoY (%)	FY18	FY19F	YoY (%)
Total turnover	7,187	7,546	5,564	4,889	4,650	-4.9	-35.3	29,564	22,649	-23.4
Gross profit	625	711	513	493	483	-2.1	-22.8	2,588	2,200	-15.0
<i>Gross profit margin (%)</i>	8.7	9.4	9.2	10.1	10.4			8.8	9.7	
Dividend Income	0	0	232	232	0	-100.0	NM	465	465	0.0
EBITDA	442	552	403	417	258	-38.1	-41.6	2,661	1,630	-38.7
<i>EBITDA margin (%)</i>	6.2	7.3	7.2	8.5	5.6			9.0	7.2	
EBIT	294	421	263	306	114	-62.7	-61.0	1,955	1,105	-43.5
<i>EBIT margin (%)</i>	4.1	5.6	4.7	6.3	2.5			6.6	4.9	
Interest expense	(295)	(287)	(300)	(333)	(347)	4.2	17.8	(1,248)	(1,268)	1.6
Equity income	140	258	971	284	297	4.6	112.1	1,658	1,809	9.1
Pre-tax profit	(1)	135	(38)	(27)	(233)	NM	NM	708	(163)	-123.0
<i>Pre-tax profit margin (%)</i>	0.0	1.8	-0.7	-0.6	-5.0			2.4	-0.7	
Tax	(38)	(41)	(10)	(43)	(4)	-91.3	-90.0	(139)	(98)	-29.2
Minority interest	7	4	(10)	(8)	(11)	NM	NM	8	(25)	NM
Extraordinary items	260	0	48	0	0	NM	-100.0	260	48	-81.7
Net profit	368	355	961	205	49	-76.2	-86.7	2,494	1,571	-37.0
EPS (THB)	0.22	0.21	0.57	0.12	0.03	-76.2	-86.7	1.47	0.93	-37.0

Source: Company data, RHB

Figure 2: Sino-Thai's core profit in 4Q19 and FY19 should grow in tandem with the construction progress of three MRT routes. GPM should remain narrow, after delivering high-margin construction works on power plants to clients

FYE Dec (THBm)	4Q18	1Q19	2Q19	3Q19	4Q19F	QoQ (%)	YoY (%)	FY18	FY19F	YoY (%)
Total turnover	9,321	7,500	7,296	9,037	8,708	-3.6	-6.6	27,537	32,542	18.2
Gross profit	705	547	375	488	492	0.9	-30.2	2,117	1,902	-10.1
<i>Gross profit margin (%)</i>	7.6	7.3	5.1	5.4	5.6			7.7	5.8	
EBITDA	720	628	533	627	582	-7.3	-19.2	2,318	2,370	2.2
<i>EBITDA margin (%)</i>	7.7	8.4	7.3	6.9	6.7			8.4	7.3	
EBIT	556	456	343	422	403	-4.5	-27.4	1,719	1,625	-5.5
<i>EBIT margin (%)</i>	6.0	6.1	4.7	4.7	4.6			6.2	5.0	
Interest expense	(8)	(10)	(13)	(14)	(6)	-60.2	-30.9	(29)	(43)	45.8
Equity income	8	(1)	(4)	(2)	(2)	9.4	-123.0	25	(8)	NM
Pre-tax profit	548	446	330	408	398	-2.6	-27.4	1,690	1,582	-6.4
<i>Pre-tax profit margin (%)</i>	5.9	5.9	4.5	4.5	4.6			6.1	4.9	
Tax	(166)	(100)	(56)	(67)	(67)	0.4	-59.3	(397)	(290)	-27.0
<i>Effective tax rate (%)</i>	30.2	22.3	17.0	16.4	16.9			23.5	18.3	
Minority interest	(15)	(2)	(2)	(3)	(1)	NM	NM	(20)	(8)	NM
Extraordinary items	263	0	0	(65)	0	-100.0	-100.0	319	(65)	NM
Net profit	638	343	268	272	327	20.2	-48.7	1,617	1,211	-25.1
EPS (THB)	0.42	0.23	0.18	0.18	0.21	20.2	-48.7	1.06	0.79	-25.1

Source: Company data, RHB

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Figure 3: Our selection of project bids in FY20, along with potential bid winners

Project owner	Project type	Route or Location	Project value (THBm)	Potential beneficiary
SRT	Double-track railway	Pak Nam Pho- Den Chai	62,614	Unique
		Jira-Ubon Ratchathani	37,523	CH Karnchang
		Khon Kaen-Nong Khai	26,654	CH Karnchang
		Chumphon-Surat Thani	24,287	Sino-Thai
		Surat Thani-Songkhla	57,369	Any
		Hat Yai-Padang Besar	8,116	Any
		Den Chai-Chiang Mai	59,915	Any
		Red-Line MRT	Rangsit – Thammasat	6,570
MRTA	MRT	Taling Chan-Siriraj and Taling Chan-Salaya	17,671	Unique, Italian-Thai
		Orange-Line MRT extension	120,459	CH Karnchang, Sino-Thai
DOH	Motorway	Nakhon Pathom-Cha Am	79,000	CH Karnchang, Sino-Thai
EXAT	Expressway	Kasetsart – Eastern Outer Ring Road	17,550	CH Karnchang
AOT	Airport	Third runway at Suvarnabhumi Airport	21,795	Any
		Don Mueang International Airport's expansion (Phase 3)	37,590	Any
THAI	MRO centre	U-Tapao International Airport	10,588	Any
Total			587,701	

Source: RHB

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ช่วงคะแนน Score	สัญลักษณ์ Rang Number of Logo	ความหมาย	Description
90 - 100		ดีเลิศ	Excellent
80 - 89		ดีมาก	Very Good
70 - 79		ดี	Good
60 - 69		พอใช้	Satisfactory
50 - 59		ผ่าน	Pass
ต่ำกว่า 50	No logo give	N/A	N/A

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ผลสำรวจการกำกับดูแลกิจการบริษัทจดทะเบียนที่แสดงไว้นี้ เป็นผลที่ได้จากการสำรวจและประเมินข้อมูลที่บริษัทจดทะเบียนในตลาดหลักทรัพย์แห่งประเทศไทย และตลาดหลักทรัพย์ เอ็ม เอ ไอ (“บริษัทจดทะเบียน”) เปิดเผยต่อสาธารณะและเป็นข้อมูลให้ผู้ลงทุนทั่วไปสามารถเข้าถึงได้ ผลสำรวจดังกล่าวจึงเป็นการนำเสนอข้อมูลในมุมมองของบุคคลภายนอกต่อมาตรฐานการกำกับดูแลกิจการของบริษัทจดทะเบียน โดยไม่ได้เป็นการประเมินผลการปฏิบัติงานหรือการดำเนินการของบริษัทจดทะเบียนอื่นทั้งมิได้ใช้ข้อมูลภายในของบริษัทจดทะเบียนในการประเมิน ดังนั้นผลสำรวจที่แสดงนี้จึงไม่ได้เป็นการรับรองถึงผลการปฏิบัติงานหรือการดำเนินการของบริษัทจดทะเบียนและไม่ถือเป็นการให้คำแนะนำในการลงทุนในหลักทรัพย์ของบริษัทจดทะเบียนหรือคำแนะนำใดๆ ผู้ใช้ข้อมูลจึงควรใช้วิจารณญาณของตนเองในการวิเคราะห์และตัดสินใจในการใช้ข้อมูลใดๆ ที่เกี่ยวกับบริษัทจดทะเบียนที่แสดงในผลสำรวจนี้

ทั้งนี้บริษัทหลักทรัพย์ อาร์เอชบี (ประเทศไทย) จำกัด (มหาชน) มิได้ยืนยันหรือรับรองถึงความครบถ้วนและถูกต้องของผลสำรวจดังกล่าวแต่อย่างใด

ข้อมูล Anti-Corruption Progress Indicator 2560

ประกาศเจตนาธรรม CAC

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

ได้รับการรับรอง CAC

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

N/A

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

Source: Thai Institute of Directors

ข้อมูลบริษัทที่เข้าร่วมโครงการแนวร่วมปฏิบัติของภาคเอกชนไทยในการต่อต้านทุจริต (Thai CAC) ของสมาคมส่งเสริมสถาบันกรรมการบริษัทไทย (ข้อมูล ณ วันที่ 17 ต.ค.)

- ได้ประกาศเจตนาธรรมนี้เข้าร่วม CAC
- ได้รับการรับรอง CAC

การเปิดเผยการประเมินดัชนีชี้วัดความคืบหน้าการป้องกันกรมีส่วนเกี่ยวข้องกับการทุจริตคอร์รัปชัน (Anti-Corruption Progress Indicators) ของบริษัทจดทะเบียนในตลาดหลักทรัพย์แห่งประเทศไทยที่จัดทำโดยสถาบันที่เกี่ยวข้องซึ่งมีการเปิดเผยโดยสำนักงานคณะกรรมการกำกับหลักทรัพย์และตลาดหลักทรัพย์นี้เป็นการดำเนินการตามนโยบายและตามแผนพัฒนาความยั่งยืนสำหรับบริษัทจดทะเบียนโดยผลการประเมินดังกล่าว สถาบันที่เกี่ยวข้องอาศัยข้อมูลที่ได้รับจากบริษัทจดทะเบียนตามที่บริษัทจดทะเบียนได้ระบุในแบบแสดงข้อมูลเพื่อการประเมิน Anti-Corruption ซึ่งอ้างอิงข้อมูลมาจากแบบแสดงรายงานข้อมูลประจำปี แบบ (56-1) รายงานประจำปีแบบ (56-2) หรือในเอกสารหรือรายงานอื่นที่เกี่ยวข้องซึ่งเป็นบุคคลภายนอก โดยมีได้เป็นการประเมินการปฏิบัติของบริษัทจดทะเบียนในตลาดหลักทรัพย์แห่งประเทศไทยและมิได้ใช้ข้อมูลภายในเพื่อการประเมิน เนื่องจากผลการประเมินดังกล่าวเป็นเพียงผลการประเมิน ณ วันที่ ปรากฏในผลการประเมินเท่านั้น ดังนั้นผลการประเมินจึงอาจเปลี่ยนแปลงได้ภายหลังวันดังกล่าว หรือรับรองความถูกต้องครบถ้วนของผลประเมินดังกล่าวได้อย่างใด