

Construction Sector – Overweight

News update

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MRTA delays the South Purple Line bids

- **TOR was canceled given some requirements were not followed.**
 - **MRTA expect to announce the new TOR in October this year.**
 - **The bid results are rescheduled to announce in February 2022.**
 - **Maintain an Overweight rating as bad news look priced in.**
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- The share prices in the construction sector were hit on last Friday and we believe this was due to the Mass Rapid Transit Authority of Thailand (MRTA) announced the cancelation of the planned bidding for the Bt79bn-construction-value South Purple Line due to requirements under the integrity pact were not properly followed. Given the Covid-19 pandemic, it was unable to deliver some bidding documents to third-party observers.
 - The canceled terms of reference (TOR) were announced in July and the construction work was divided into six contracts. The bids were to be scored based on the bidders' technical (30%) and financial (70%) proposals which were expected in late this year.
 - However, MRTA believe that the issuance of the new TOR will not take long as most details will be the same. MRTA schedules to announce it in October this year, the submission of bidders' proposals in December and the announcement of the bid results in February next year.
 - The construction sector has faced many negative news since last year. Many waves of Covid-19 pandemic have caused labor shortage, construction site closure and delays in new project bids. We thus see a downside risk to our earnings forecast.
 - However, a plunge in the contractors' share prices looks to have priced in bad news and, given the ease of the government's lockdown and their existing backlog value, we still expect the contractors' earnings to turn around next year. We also see delays in mega project bids to just delay the sector's growth cycle to 2023F.
 - We thus maintain our Overweight rating for the sector and Ch. Karnchang (CK TB, Bt19.5, BUY) remain our top sector pick. We also have a BUY rating on Sino-Thai Engineering (STEC TB, Bt13.0) and SEAFCO (SEAFCO TB, Bt4.66).

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