

Construction Sector – Overweight

News update

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Uncertainty over the South Purple Line damages

- **Road collapsed near the South Purple Line site.**
 - **A JV between CK and STECON is the contractor.**
 - **Causes and damages are still under investigation.**
 - **The incident could put their share prices under pressure.**
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- Yesterday, the Mass Rapid Transit Authority of Thailand (MRTA) ordered a temporary halt to construction of a section of the South Purple Line as the road collapsed, causing a gaping sinkhole measuring 30x30 meters and more than 15 meters deep. No one was injured in the incident.
 - That section is being constructed by a JV which 55% is held by Ch. Karnchang (CK TB, Bt16.9, BUY) and 45% by STECON (STECON TB, Bt8.85, BUY).
 - According to CK and STECON, the tunnel excavation work at that section was completed 3-4 months ago, so they thought that the incident was caused by a broken water pipe in that area and several days of rainfall which created underground cavities.
 - Even though this project is covered by insurance, the proof that the damages were not caused by construction errors and the extent of damages that CK and STECON can claim remain uncertain.
 - Thus, we see this uncertainty could put CK and STEC's share prices under pressure until more details regarding the insurance payout and other related matters are provided.
 - We currently have BUY calls on both CK and STECON as we expect their sizable backlogs at Bt292bn in total as of 2Q25, or 4x of their 2025F revenue, sustained high gross margins and rising equity income to drive their earnings by 34/16/6% y-y in 2025-27F while their valuations are inexpensive with the shares trading on 13x PE and 1x P/BV in 2026F.

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