

## Sany Int'l (631 HK) – Buy Construction & Farm Machinery Industry

### Key Data

Share price (HK\$)	3.62
Target price (HK\$)	5.79
Upside potential (%)	59.9
52Wk H/L(HK\$)	8.05 / 3.49
Issued shares (mn)	3,105
Share market cap (HK\$m)	11,240
30-day avg vol (HK\$m)	29.3
Major shareholder (%): Liang Wengen*	72.3

\* Directly plus indirectly holds

Source: Company, Bloomberg, ABCI Securities

### Sales breakdown in 1HFY12 (%)

Roadheaders	63.0
Combined coal mine units	17.1
Others	19.9

Source: Company

### Share performance (%)

	Absolute	Relative*
1-mth	(10.4)	(10.1)
3-mth	(4.3)	(15.0)
6-mth	(19.5)	(32.2)

\*Relative to Hang Seng Index

Source: Bloomberg

### 1 year price performance



Source: Bloomberg

### Analyst

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Previous report  
Date: 22 October 2012  
Rating: Buy  
Target price: HK\$5.79

### Expect stable capex on Coal mining industry next year

After discussing with Shenhua (1088 HK), the largest downstream coal mine operators in China, we expect that it will have a capex growth of 20% YoY in 2013, which will support the sales growth of the Group in FY13. We maintain our positive attitude on business outlook of Sany Int'l. Although the counter has dropped by 10.4% in a month mainly due to the slowdown of coal production volume growth in China, with the recovery of manufacturing activities, we expect the rerating to be carried out by the market in 1Q2013 after the accomplish of capex budget plans from mine operators. We maintain "Buy" to the Group.

**A stable capex on coal mining industry 2013.** After our discussion with Shenhua (1088 HK), one of the largest customer of the Group contributing 10% of revenue in FY12, we expect the capex of Shenhua to grow from Rmb58,753mn in FY12 to Rmb70,503mn in FY13, up 20.0% yoy. According to the Shenhua, capex budget plan 2013 will be finished in Jan 2013. We expect the increase in their capex will be a catalyst of Sany Int'l.

**Short term pressure on share price.** The share price of the Group has declined by 10.4% in a month mainly due to the decline in growth of production volume of coal in China and the removal of the stock from MSCI China. We believe the share price at this level (9.4x FY13E PE, or 61.0% discounted from median since it listed in Nov-2009) has largely discounted the bad news. With the improvement of manufacturing PMI, we expect the growth on the demand for coal will recover in 2013 and demand for coal mining machinery will pick up subsequently.

**Maintain "Buy" rating.** Sany Int'l, as the largest manufacturers of roadheader, one of the key underground coal mining machineries, with market share of 32.2% based on sales revenue in 2011, can be effectively capture the benefit from the downstream coal mining industry. We maintain "Buy" to the Group with target price HK\$5.79, representing 15.0x of FY13E PE.

**Risk factors:** Competition from international players; Concentration of product type; Prolong economic downturn

### Forecast and Valuation

FY ended Dec 31	FY10A	FY11A	FY12E	FY13E	FY14E
Revenue (Rmb mn)	2,684	3,780	4,471	5,471	6,921
Chg (%YoY)	41.1	40.9	18.3	22.4	26.5
Net Income (Rmb mn)	671	774	831	979	1,284
Chg (%YoY)	36.7	15.5	7.3	17.8	31.2
EPS (Rmb)	0.215	0.249	0.267	0.314	0.412
Chg (%YoY)	36.7	15.5	7.3	17.8	31.2
PE (x)	-	11.83	11.03	9.36	7.14
PB (x)	-	1.70	1.52	1.34	1.15
Yield (%)	-	1.54	1.81	2.14	2.80
ROAA (%)	11.8	11.6	10.6	11.2	13.0
ROAE (%)	15.0	15.3	14.5	15.1	17.3
Net debt/total equity (%)	Net cash	Net cash	Net cash	Net cash	Net cash

Source: Company, ABCI Securities estimates



## Disclosures

### Analyst Certification

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### Definition of equity rating

Rating	Definition
Buy	Stock return $\geq$ Market return rate
Hold	Market return - 6% $\leq$ Stock return < Market return rate
Sell	Stock return < Market return - 6%

Stock return is defined as the expected % change of share price plus gross dividend yield over the next 12 months

Market return: 5-year average market return rate from 2007-2011

Time horizon of share price target: 12-month

### Definition of share price risk

Rating	Definition
Very high	$2.6 \leq 180$ day volatility/180 day benchmark index volatility
High	$1.5 \leq 180$ day volatility/180 day benchmark index volatility < 2.6
Medium	$1.0 \leq 180$ day volatility/180 day benchmark index volatility < 1.5
Low	180 day volatility/180 day benchmark index volatility < 1.0

We measure share price risk by its volatility relative to volatility of benchmark index. Benchmark index: Hang Seng Index.

Volatility is calculated from the standard deviation of day to day logarithmic historic price change. The 180-day price volatility equals the annualized standard deviation of the relative price change for the 180 most recent trading days closing price.

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