



Company Report

Sany Int'l (631 HK)

February 26, 2013

Rating: Hold

TP: HK\$3.42

Key data

Share price (HK\$)	3.22
Upside potential (%)	6.2
52Wk H/L(HK\$)	6.89/3.27
Issued shares (mn)	3,105
Market cap (HK\$m)	9,998
30-day avg daily vol (HK\$m)	44.1
Auditors	Ernst & Young
Major shareholder (%)	
Liang Wengen ¹	72.29

¹: Directly plus indirectly holds

Source: Company & Bloomberg

Revenue breakdown by product (%)

Roadheaders	63.0
Combined coal mine units	17.1
Others	19.9

*Based on 1HFY12 results

Source: Company

Share performance (%)

	Absolute	Relative ¹
1-mth	-11.2	-8.0
3-mth	-14.8	-18.1
6-mth	-22.7	-32.6

¹: Relative to Hang Seng Index

Source: Bloomberg

1 year price performance



Source: Bloomberg

Analyst Information

Steve Wong

Tel: (852) 2147 8869

Email: stevecwwong@abci.com.hk

Previous report

Date: January 21, 2013

Rating: Under review

Target price: Under review

Wining Time Not Coming Yet

We believe a sales growth blooming to come with the successful market share capturing of CCMU market, as well as supplementary coal mining equipment. However, the lukewarm coal mining machineries market creates pressure on the Group to cut the selling price in FY2013. We believe 2013 would be a harsh time for the Group. Our earnings forecasts of the Group were cut for FY2013 and 14. We downgrade the Sany Int'l to "Hold", with TP:HK\$3.42.

Sluggish coal price. The sluggish coal price discourages the coal mining operators to grow the capex and purchases of mining equipment in 2013. The slowdown of coal mining machineries industry brings turmoil to Sany Int'l in 2013. We expect a sales decline on the Group during 1HFY2013. So far, we do not see any recovery signal from the latest monthly coal mining FAI unveiled by NBS.

Expansion schedule postpone. Aggressive M&A of international giants like Caterpillar (CAT US) and Joy Global (JOY US) created hurdles for the Group to push out its boundaries from roadheader in FY2013. CCMU is still in low profitability as lack of economies of scales. We believe that Sany Int'l will slow down the pace of expansion in 2013 under for the sake of stabilizing its earnings margins.

The ultimate winner. We believe the Group is able to capture market shares and become leading player in CCMU market as well as the other supplementary coal mining equipment markets because of the proven track records of Sany Heavy (its sister company) beating up Caterpillar and Komatsu as the largest excavator makers in China in 2011 and 2012.

Down grade to "Hold". Sany Int'l is trading at 14.1x FY2013E PER. We have put the Group at "Under review" from "Buy" rating on January 21, 2012. Although we believe the current valuation has already reflected the negative factors, there is lack of positive catalyst in short run. Therefore we down grade Sany Int'l to "Hold" with target price HK\$3.42, based on FY2013E PER of 15.0x (40% discount on average PER in the past 3-Yr).

Risk factors: Competition from international players; Concentration of product type; Prolong downturn of coal mining industries

Results and valuation

(FY ended Dec 31)	FY10A	FY11A	FY12A	FY13E	FY14E
Revenue (Rmb mn)	2,684	3,780	3,641	4,156	4,333
Chg (%YoY)	41.1	40.9	(3.7)	14.2	4.2
Net Income (Rmb mn)	671	774	500	571	678
Chg (%YoY)	36.7	15.5	(35.5)	14.2	18.9
EPS (Rmb)	0.215	0.249	0.160	0.183	0.218
Chg (%YoY)	36.7	15.5	(35.5)	14.2	18.9
PER (x)	-	10.52	16.12	14.11	11.87
PBR (x)	-	1.52	1.45	1.35	1.23
Yield (%)	-	1.73	2.00	1.42	1.68
ROAA (%)	11.8	11.6	6.5	6.9	7.8
ROAE (%)	15.0	15.3	9.1	9.8	10.7
Net gearing (%)	Net cash	Net cash	Net cash	Net cash	Net cash

Source: Company, ABCI Securities estimates



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ABC INTERNATIONAL

ABCI SECURITIES COMPANY LIMITED

Sany Heavy Equipment International Holdings

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Sluggish Coal Price Discouraging Capex Growth

Weakening coal price, the major challenge for recovery of coal mining operators' capex

The business of the Group in 2HFY2012 was adversely affected by the significant decline of capex of coal miners due to weak coal prices. Qinhuangdao 5800kc index (reflecting China coal price) was falling from the peak at USD156.2/ton in November 2011 to USD115.7/ton in January 2013.

The growth of fixed assets investment ("FAI") of coal mining industries decelerated from 13.1% YoY in 3Q2012 to 0.2% YoY in 4Q2012. The weak coal prices trampled down the growth of coal mining FAI and hence the coal mining machinery makers which discourage the mine operators to increase capex.

So far, we do not see any recovery signal from the latest monthly coal mining FAI unveiled by NBS. We expect that the purchases of machineries from coal mine operators during 1H2013 will be prudent. A slow recovery on mining activities may appear in 2H2013 following the recovery of manufacturing activities.

Slow Recovery on Roadheader

Roadheader is the key product of the Group. We estimate that it accounts for 62.2% of total revenue and 79.5% of total gross profit in FY2012.

Based on our replacement cycle analysis, we estimate that the sales volume growth of roadheader is 10.5% YoY in 2013. Because of the leading position of Sany Int'l in roadheader market with market share of est. 31.2% based on our estimated sales volume in 2012, we expect the sales recovery of the Group will be in line with the market pace at 10.5% YoY in FY2013.

We assume the average selling price to stay flat in 2013. Therefore, we estimate the roadheader segment revenue to increase by 10.5% YoY in FY2013, slowly recover from est. -10.1% YoY in FY2012.

Hurdles for Diversification via CCMU

We estimate that the sales revenue growth of combined coal mining unit ("CCMU") will decelerate from est. 11.8% YoY in FY2012 to 10.2% YoY in FY2013. We expect the product diversification process of the Group will face two major hurdles in the coming years.

Hurdle from international giants

The aggressive expansion of Caterpillar and Joy Global create challenges

The juicy China's market has attracted the appetite of international players, such as Joy Global (JOY US) and Caterpillar (CAT US). With M&A activities in China, the international machinery makers not only engulf the sales channels from domestic players, but also the production bases such that they can lower the production cost via localization.

The challenge from expansion of international players in China creates hurdle for Sany Int'l to push its boundaries from roadheader to CCMU.

Low profitability of CCMU

Harsh business environment block the profitability improvement

As the lack of economies of scales, the profitability of CCMU is low in the Group. The gross profit margin (“GPM”) of CCMU was estimated at -5.5% in FY2011 and 1.0% in FY2012. The low GPM of CCMU will drag down the Group’s overall profitability. We believe the management of the Group will slow down the pace of development of CCMU in 2013 under the harsh business environment for the sake of stabilizing the Group’s earnings capabilities.

We are positive in long run

Indeed, CCMU of Sany Int’l is a combo of hydraulic roof support, armored-face conveyor and coal face shearer. According to China National Coal Mining Machinery Industry Association, the total revenue of hydraulic roof support is estimated to be 51.9% as percentage of total revenue of the industry.

We believe the Group is able to capture the market share in long run by leveraging the R&D capabilities, the reputation of the brand of “Sany” and the comprehensive sales channel and supporting network.

Positive in long run as the proven track record of Sany Group

Given that Sany Heavy (600031 CH), a sister company of Sany Int’l, has successfully capture the market share from international players in the excavator market since 2009, and becomes the largest players in China market based on sales volume in 2011 and 2012, we believe the effective managing and execution power of Sany Group with long track record of marketing campaigns will bring success to the expansion of CCMU of Sany Int’l ultimately.

Other Segments

Leveraging on Sany Group’s R&D capabilities

Besides, the Group seeks product diversification from supplementary coal mining machineries as well, other than CCMU. We believe that the development of products, such as coal mine concrete pump, can leverage on the technological knowhow from Sany Heavy. The market share of truck mounted concrete pump of Sany Heavy is estimated at 40.3% based on sales revenue in FY2012 after acquiring Putzmeister Holding GmbH (“Putzmeister”) in 2012. Putzmeister is a developer and manufacturer of concrete machineries for the construction industries with over 50 years of experience based in Germany.

The other segments of the Group include sales of spear parts of underground mining machineries, underground coal mine vehicle and coal mine concrete pump. The total revenue from other segments contributed 16.8% of total Group’s revenue in FY2011 and 19.9% in 1HFY2012.

Based on the sales of roadheader in FY2009 to FY2011, we believe the growth of spear parts and after sales services will maintain at a relatively high level at 30.2% YoY in FY2013.

However, we estimate that the segments growth will be in line with the growth of roadheader segment and CCMU segment in long run. We estimate it to grow at a CAGR of 17.2% from FY2012 to FY2014.

GPM Expected to Remain Downtrend in FY2013

Weakening GPM is expected during the market downturn

During the harsh time of coal mining machineries industry, we believe it is difficult to enhance the product selling price in 2013. We expect the average selling price of the Group will stay flat in 2013. However, with the demand for low-end products overwhelming the high-end products during the capex slowdown from downstream industries, we expect the GPM of the Group to remain at a relatively low level in 2013. We estimate that the GPM of the Group will be 36.9% in FY2013, which is similar to GPM in FY2012 at 36.5%, but lower than that in FY2010 at 46.2% and in FY2011 at 40.4%.

Good Assets Quality

Low debt level lowers the financial burden

The Group was in net cash position and low debt level as of December 31, 2012, which represents that the Group can source financing in an easier way in the future. The asset quality is one of the comparative advantages of the Group comparing with other machinery markers.

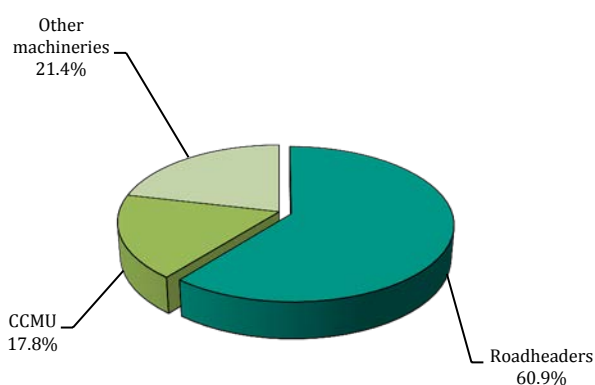
Cash flow taking time to improve

Cash flow takes time to improve under the growth stage

The cash flow of Sany Int'l is relatively weak peers'. The average operating cash flow / net income ratio of the Group during FY2006 to 1HFY2012 was 9.1%, which is lower than that of ZMJ at 61.2%, Caterpillar at 160.9% and Joy Global at 99.0%. We believe that the weak cash flow of Sany Int'l is because of the expansion of businesses. Sany Int'l is now staying at fast growing stage, where the CAGR of top line of Sany Int'l were 69.2% during FY2007 to FY2011. The CAGR of ZMJ's top line and bottom line were 36.1% during the same period of time.

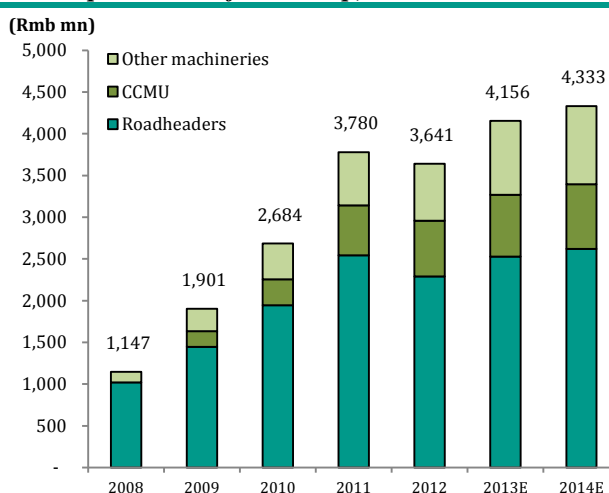
We believe the cash flow of the Group to be improved gradually with the stabilization of the new businesses.

Estimated product mix of the Group, FY2013E



Source: Company

Revenue production of the Group, FY2008-FY2014E



* The breakdown of revenue is estimated by ABCI Securities for FY2012
Source: Company, ABCI Securities estimates



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ABC INTERNATIONAL

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Sany Heavy Equipment International Holdings

Financial highlights of the Group

	1H10	FY10	1H11	FY11	1H12	FY12	1H11 (% YoY)	FY11 (% YoY)	1H12 (% YoY)	FY12 (% YoY)
Revenue (Rmb mn)	1,310	2,684	1,782	3,780	2,345	3,641	36.02	40.87	31.61	-3.69
Roadheaders	930	1,943	1,338	2,544	1,477		43.93	30.92	10.36	
CCMU	225	312	225	599	402		0.00	92.02	78.62	
Others	155	428	219	637	467		40.83	48.74	113.23	
Gross Profit	590	1,238	810	1,526	952	1,329	37.21	23.19	17.54	-12.91
Roadheaders	474	997	709	1,310	745		49.58	31.43	5.07	
CCMU	26	36	12	(33)	20		-51.75	-192.64	62.38	
Others	90	206	88	248	187		-3.18	20.59	113.23	
GPM (%)	45.05	46.15	45.45	40.36	40.59	36.50	0.40ppts	-5.79ppts	-4.86ppts	-3.87ppts
Roadheaders	51.00	51.30	53.00	51.50	50.46		2.00ppts	0.20ppts	-2.54ppts	
CCMU	11.40	11.40	5.50	-5.50	5.00		-5.90ppts	-16.90ppts	-0.50ppts	
Others	58.18	48.10	40.00	39.00	40.00		-18.18ppts	-9.10ppts	0.00ppts	
Major cost (Rmb mn)										
Selling cost	(152)	(335)	(215)	(465)	(307)	(566)	41.90	38.73	42.92	21.66
Administrative cost	(95)	(249)	(172)	(382)	(167)	(375)	80.72	53.56	-2.70	-1.84
Net finance cost	-	(6)	(3)	(5)	(1)	(5)	N/A	-19.02	-80.65	-0.02
Cost ratio (%)										
Selling cost	11.57	12.50	12.07	12.31	13.11	15.55	0.50ppts	-0.19ppts	1.04ppts	3.24ppts
Administrative cost	7.26	9.27	9.64	10.11	7.13	10.30	2.38ppts	0.84ppts	-2.51ppts	0.19ppts
Net finance cost	0.00	0.22	0.17	0.12	0.03	0.13	0.17ppts	-0.09ppts	-0.15ppts	0.00ppts
Net profit (Rmb mn)	342	671	416	774	484	500	21.64	15.48	16.35	-35.49
Net profit margin (%)	26.11	24.99	23.35	20.48	20.64	13.72	-2.76ppts	-4.50ppts	-2.71ppts	-6.76ppts
Operating cash flow (Rmb mn)	(887)	280	(364)	(220)	(147)	86	-58.96	-178.44	-59.62	-139.16
OCF/Net income (%)	-259.36	41.75	-87.50	-28.36	-30.37	17.22	171.86ppts	-70.11ppts	57.13ppts	45.57ppts

Source: Company

Major change of our forecast

	Forecast	FY12A Actual	Diff (%)	Previous	FY13E New	Chg (%)	Previous	FY14E New	Chg (%)
Revenue (Rmb mn)	3,681	3,641	-1.09	5,471	4,156	-24.03	6,921	4,333	-37.40
Roadheaders	2,288	2,288	0.01	3,546	2,529	-28.68	4,543	2,622	-42.28
CCMU	670	670	-0.02	817	738	-9.62	1,010	773	-23.42
Others	723	683	-5.57	1,108	889	-19.78	1,369	938	-31.51
Gross profit (Rmb mn)	1,397	1,329	-4.89	2,257	1,532	-32.10	2,920	1,678	-42.54
GPM (%)	37.95	36.50	-1.46ppts	41.26	36.87	-4.38ppts	42.19	38.72	-3.46ppts
Net income (Rmb mn)	507	500	-1.47	979	571	-41.71	1,284	678	-47.18
Net margin (%)	13.77	13.72	-0.05ppts	17.89	13.73	-4.16ppts	18.55	15.65	-2.90ppts
EPS (Rmb)	0.160	0.160	0.29	0.314	0.183	-41.71	0.412	0.218	-47.18
BVPS (Rmb)	1.840	1.787	-2.90	2.202	1.916	-12.97	2.550	2.095	-17.86
DPS (Rmb)	0.033	0.052	56.86	0.063	0.037	-41.71	0.082	0.044	-47.18

Source: ABCI Securities estimates

Down grade to “Hold”

Disappointing results FY2012

Pain in short term as the market downturn

The Group managed to post disappointing results for FY20102. Its half-year net income in 2HFY2012 tumbled 95.7% YoY, dragging down annual net income by 35.5% YoY. So far, we have not observed any recovery signal of coal mining machinery industry from the latest coal mining FAI. The coal mining machinery sector will remain sluggish in the 1Q2013.

We believe the coal mining industry to longer time to recover, and we cut our earnings forecasts of the Group for FY2013 and FY2014. Net income estimation was cut from Rmb979mn to Rmb589mn in FY2013, and from Rmb1,284mn to Rmb695mn in FY2014.

Positive in mid-to-long run

But positive in long run as the leading market position with strong Sany Group's reputation and R&D capability

With the strong R&D and product production capability and leveraging on the operating and business expansion experience of Sany Group, we believe Sany Int'l is likely to push its boundaries from Roadheader to other coal mining machineries successfully. The product diversification not only increases the sources of income of the Group, but also enhances the comprehensiveness to the product portfolio. We are positive to the Group in long run.

Down grade to “Hold” with TP: HK\$3.42

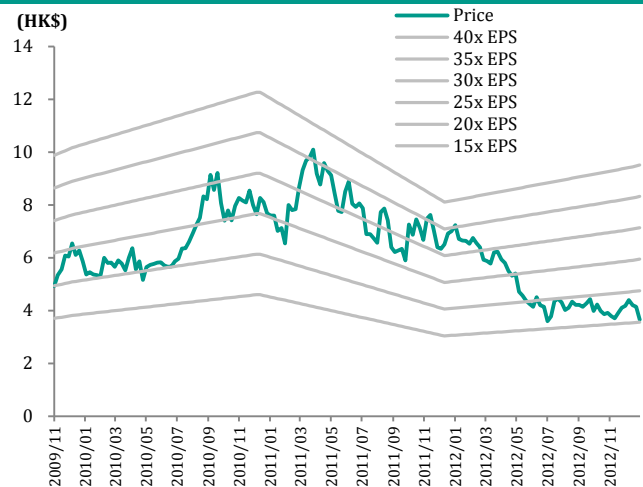
Sany Int'l is trading at 14.1x FY2013E PER, which is 29.4% premium to the mean of its peers (mining machinery makers) at 10.9x. The valuation of the stock is at the bottom since it has been listed in 2009. We have put the Group at “Under review” from “Buy” rating on January 21, 2012. Although we believe the current valuation has already reflected the negative factors, there is lack of positive catalyst to drive the counter up. Therefore we down grade Sany Int'l to “Hold” with target price HK\$3.42, based on FY2013E PER of 15.0x (40% discount on the average PER in the past 3-Yr).

PB band of the Group



Source: Company, Bloomberg, ABCI Securities estimates

PE band of the Group



Source: Company, Bloomberg, ABCI Securities estimates



Peer Groups Valuation

Peer group valuation and earnings forecasts summary of construction and farm machinery sectors

Company	Ticker	MKT CAP ¹ (HKD mn)	Share Price	PER (x)		EPS Change (%)		PBR (x)		ROAE (%)	
				FY2012	FY2013	FY2012	FY2013	FY2012	FY2013	FY2012	FY2013
Construction Machinery Makers											
CATERPILLAR INC	CAT US	453,026	USD 89.16	10.99	9.35	-6.89	17.58	2.67	2.22	36.22	28.19
KOMATSU LTD	6301 JP	188,455	JPY 2286	12.24	11.99	7.64	2.08	2.01	1.83	18.53	13.15
SANY HEAVY INDUS	600031 CH	107,102	CNY 11.30	12.18	10.27	-18.53	18.53	3.66	2.86	34.53	30.21
ZOOMLION HEAVY-H ²	1157 HK	14,643	HKD 10.24	7.15	6.01	10.02	18.81	1.62	1.33	23.10	22.70
ZOOMLION HEAVY-A ²	000157 CH	71,772	CNY 9.19	7.99	6.72	10.02	18.81	1.81	1.48	23.10	22.70
XCMG CONSTRUCT-A	000425 CH	31,291	CNY 12.19	9.11	8.16	-18.41	11.58	1.48	1.29	14.77	15.60
GUANGXI LIUGONG	000528 CH	13,779	CNY 9.84	27.26	17.70	-69.15	54.02	1.18	1.12	3.86	5.42
TEREX CORP	TEX US	26,409	USD 30.98	15.28	11.62	394.63	31.46	1.44	1.27	10.56	13.61
TADANO	6395 JP	9,856	JPY 908	66.45	23.10	-44.83	187.62	1.40	1.31	2.30	6.70
SHANTUI CONST-A	000680 CH	6,986	CNY 4.93	-12.67	13.62	-192.62	-193.06	1.56	1.46	1.25	5.15
XIAMEN XGMA-A	600815 CH	7,924	CNY 6.64	11.69	15.16	-23.24	-22.89	1.22	1.14	10.45	7.51
LONKING HOLDINGS ²	3339 HK	8,731	HKD 2.04	15.64	8.36	-74.07	86.96	1.04	0.96	6.80	12.00
Sector Weighted Average				11.84	10.09	3.70	15.94	2.42	2.03	28.26	23.02
Agricultural Machinery Makers											
DEERE & CO	DE US	257,387	USD 85.55	9.98	9.48	11.06	5.27	3.45	2.78	38.74	39.34
MAHINDRA & MAHIN	MM IN	78,916	INR 894.80	14.11	11.60	19.25	21.67	2.63	2.24	21.10	20.14
CNH GLOBAL NV	CNH US	80,029	USD 43.04	8.87	8.38	3.68	5.79	1.05	0.93	11.99	12.79
FIRST TRACTOR-H ²	38 HK	3,015	HKD 7.50	13.82	9.30	-10.22	48.58	1.31	1.33	9.30	13.00
FIRST TRACTOR-A ²	601038 CH	8,071	CNY 10.92	25.05	16.86	-10.22	48.58	2.38	2.41	9.30	13.00
ESCORTS LTD	ESC IN	1,098	INR 62.35	6.95	5.10	44.88	36.44	0.40	0.40	6.43	7.21
Sector Weighted Average				10.83	9.79	10.73	9.59	2.81	2.31	29.65	30.08
Mining Machinery Makers											
JOY GLOBAL INC	JOY US	49,084	USD 59.70	9.61	9.20	-13.74	4.49	2.07	1.74	34.20	26.91
ZHENGZHOU COAL-H ²	564 HK	2,360	HKD 9.71	7.98	8.61	14.58	-7.32	1.43	1.29	21.09	15.21
ZHENGZHOU COAL-A ²	601717 CH	17,715	CNY 10.33	10.57	11.40	14.58	-7.32	1.89	1.70	21.09	15.21
TIAN DI-A	600582 CH	16,586	CNY 10.98	11.73	9.63	24.66	21.79	2.31	1.91	22.27	21.80
SANY HEAVY EQUIP ²	631 HK	9,998	HKD 3.22	16.12	14.11	-35.50	14.21	1.45	1.35	9.08	9.78
LINZHOU HEAVY-A	002535 CH	5,125	CNY 7.65	14.30	10.48	54.56	36.45	1.51	1.35	10.86	13.28
SUNWARD INTELL-A	002097 CH	3,687	CNY 7.03	50.21	29.29	-71.03	71.43	1.69	1.61	3.36	5.51
Sector Weighted Average				12.36	10.87	-2.96	9.83	1.96	1.69	25.16	20.79
Machinery Part Makers											
CUMMINS INC	CMI US	163,824	USD 111.25	12.68	10.77	0.29	17.66	2.67	2.24	26.17	22.64
WEICHAI POWER-H	2338 HK	60,798	HKD 29.35	13.33	10.99	-36.79	21.30	1.59	1.41	12.19	13.69
TAIYUAN HEAVY-A	600169 CH	10,588	CNY 3.51	351.00	21.94	-93.79	1500.00	1.55	1.44	0.44	6.58
CHINA YUCHAI	CYD US	4,683	USD 16.20	6.00	5.45	-22.64	10.00	0.64	0.60	10.74	11.07
Sector Weighted Average				27.64	11.22	-13.71	83.86	2.31	1.96	21.19	19.43
Industrial Machinery Makers											
VOLVO AB-B	VOLVB SS	251,497	SEK 98.60	14.95	10.80	21.25	38.43	2.25	2.01	14.15	15.54
ATLAS COPCO-A	ATCOA SS	265,106	SEK 185.90	16.33	15.27	-0.59	6.93	5.58	4.78	43.17	36.34
HYUNDAI HEAVY	009540 KS	116,505	KRW 215000	9.50	8.21	-28.68	15.69	0.84	0.77	9.98	8.47
SANDVIK AB	SAND SS	159,406	SEK 106.00	14.29	12.62	13.96	13.18	3.36	2.94	25.42	24.20
DOOSAN HEAVY	034020 KS	32,945	KRW 43650	7.08	5.43	222.60	30.28	0.89	0.83	11.95	13.70
MANITOWOC CO	MTW US	18,328	USD 17.87	14.00	10.21	65.71	37.15	3.10	2.55	18.33	24.89
ANHUI HELI CO-A	600761 CH	5,629	CNY 8.80	11.81	10.03	-0.67	17.72	1.49	1.35	12.08	12.48
Sector Weighted Average				14.16	11.96	14.84	20.26	3.26	2.84	24.74	22.80
Weighted Average				13.94	10.80	6.67	22.42	2.74	2.33	26.54	23.70
Median				12.21	10.38	-0.63	18.67	1.57	1.43	12.14	13.65

* The data in the table is as at February 25, 2013;

1: The market capital value of the companies are translated into HKD;

2: ABCI Securities estimates;

Source: Bloomberg, ABCI Securities estimates



Financial Statements Projection

Consolidated income statements forecast

FY ended Dec 31 (Rmb mn)	FY10A	FY11A	FY12A	FY13E	FY14E
Revenue	2,684	3,780	3,641	4,156	4,333
Roadheaders	1,943	2,544	2,288 ¹	2,529	2,622
CCMU	312	599	670 ¹	738	773
Other machineries	428	637	683 ¹	889	938
Cost of sales	(1,445)	(2,255)	(2,312)	(2,624)	(2,655)
Gross profit	1,238	1,526	1,329	1,532	1,678
Other income	89	217	231	226	253
Selling and distribution	(335)	(465)	(566)	(626)	(649)
Administrative expenses	(128)	(196)	(271)	(303)	(320)
Research and development cost	(121)	(186)	(104)	(125)	(130)
Other expenses	(18)	(11)	(22)	(22)	(20)
EBIT	726	884	597	684	812
Finance costs	(6)	(5)	(5)	(5)	(6)
Associates	-	-	-	-	-
Pre-tax profit	720	880	593	679	806
Tax expenses	(49)	(105)	(93)	(106)	(126)
Minority interests	-	-	(1)	(2)	(2)
Net income	671	774	500	571	678

1: Estimated by ABCI Securities

Source: Company, ABCI Securities estimates

Income statement key ratios forecast

FY	FY10A	FY11A	FY12A	FY13E	FY14E
Sales mixed (%)					
Roadheaders	72.4	67.3	62.9 ¹	60.9	60.5
CCMU	11.6	15.8	18.4 ¹	17.8	17.8
Other machineries	16.0	16.8	18.8 ¹	21.4	21.6
Total	100.0	100.0	100.0	100.0	100.0
Profit & loss ratios (%)					
Gross profit margin	46.2	40.4	36.5	36.9	38.7
EBIT margin	27.0	23.4	16.4	16.4	18.7
Pre-tax margin	26.8	23.3	16.3	16.3	18.6
Net margin	25.0	20.5	13.7	13.7	15.7
Selling & distribution cost / revenue	12.5	12.3	15.5	15.1	15.0
Admin cost / revenue	4.8	5.2	7.4	7.3	7.4
Effective tax rate	4.5	4.9	2.9	3.0	3.0
	6.8	12.0	15.6	15.6	15.6
Growth (%)					
Revenue	41.1	40.9	(3.7)	14.2	4.2
Gross profit	36.8	23.2	(12.9)	15.3	9.5
EBIT	38.4	21.9	(32.5)	14.5	18.7
Net income	36.7	15.5	(35.5)	14.2	18.9

1: Estimated by ABCI Securities

Source: Company, ABCI Securities estimates



Consolidated balance sheets forecast

As of Dec 31 (Rmb mn)	FY10A	FY11A	FY12A	FY13E	FY14E
Current assets	4,527	4,826	4,608	5,186	5,406
Cash and equivalent	1,940	802	949	905	1,478
Restricted cash	38	55	94	103	113
Trade and other receivables	1,156	2,298	2,334	2,904	2,556
Inventories	384	719	860	865	808
Other current assets	1,009	951	372	409	450
Non-current assets	1,357	2,641	3,371	3,273	3,612
Property, plant and equipment	838	1,657	2,234	2,221	2,471
Land use rights	326	435	529	518	510
Intangible assets	-	-	43	143	213
Other non-current assets	193	549	565	391	418
Total assets	5,883	7,466	7,979	8,459	9,017
Current liabilities	850	1,763	1,809	1,824	1,757
Trade and other payables	278	738	723	715	595
Other payables	447	726	704	869	919
Short term borrowings	-	-	189	189	189
Other	126	299	194	52	55
Non-current liabilities	281	330	474	523	577
Long term borrowings	-	-	-	-	-
Other	281	330	474	523	577
Total liabilities	1,132	2,092	2,284	2,347	2,334
Minority interests	-	-	67	73	81
Shareholders' equities	4,752	5,374	5,629	6,038	6,602

Source: Company, ABCI Securities estimates

Balance sheets key ratios forecast

FY	FY10A	FY11A	FY12A	FY13E	FY14E
Balance sheet ratios					
Current ratio (x)	5.3	2.7	2.5	2.8	3.1
Quick ratio (x)	4.9	2.3	2.1	2.4	2.6
Cash ratio (x)	2.3	0.5	0.6	0.6	0.9
Total receivables turnover days	134.2	166.8	232.2	230.0	230.0
Trade and bill receivables days	134.2	166.8	232.2	230.0	230.0
Total payables turnover days	205.3	177.2	228.2	209.4	212.9
Trade and bill payables turnover days	83.0	82.2	115.3	100.0	90.0
Inventory turnover days	119.0	89.3	124.6	120.0	115.0
Total debt / equity ratio (%)	-	-	3.3	3.1	2.8
Net debt / equity ratio (%)	Net cash	Net cash	Net cash	Net cash	Net cash
Returns (%)					
ROAA	11.8	11.6	6.5	6.9	7.8
ROAE	15.0	15.3	9.1	9.8	10.7
Payout ratio	19.8	18.2	32.3	20.0	20.0
Per share data (Rmb)					
EPS	0.215	0.249	0.160	0.183	0.218
BVPS	1.527	1.727	1.787	1.916	2.095
DPS	0.043	0.045	0.052	0.037	0.044

Source: Company, ABCI Securities estimates

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ABC INTERNATIONAL

ABCI SECURITIES COMPANY LIMITED

Sany Heavy Equipment International Holdings**Consolidated cash flow statements forecast**

FY ended Dec 31 (Rmb mn)	FY10A	FY11A	FY12E	FY13E	FY14E
Profit before tax	720	880	593	679	806
DD&A	12	(46)	91	(20)	(127)
Change in working capital	(440)	(928)	(213)	(419)	335
Income tax paid	(27)	(125)	(36)	(41)	(48)
Others	15	-	(349)	8	11
CF Operating	280	(220)	86¹	207	977
Increase in PP&E	(435)	(819)	(577)	13	(250)
Increase in intangible assets	7	(152)	(151)	(102)	(42)
Other	(1,844)	1,083	966	-	-
CF Investing	(2,273)	112	238¹	(89)	(292)
Capital injection	-	-	-	-	-
Net debt financing	-	-	189	-	-
Dividend payout	(110)	(133)	(141)	(161)	(114)
Others	20	(25)	(1)	-	1
CF Financing	(89)	(158)	47¹	(161)	(113)
Net change in cash	(2,082)	(265)	371	(44)	572
Cash at the beginning	3,096	1,940	802	949	905
Adjustment for pledge deposit	926	(873)	(224)	(0)	1
Cash at the end	1,940	802	949	905	1,478

1: Actual data based on the result announcement

Source: Company, ABCI Securities estimates



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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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**Office address: ABCI Securities Company Limited, 13/F Fairmont House, 8 Cotton Tree Drive, Central, Hong Kong.
Tel: (852) 2868 2183**