



**Key Data**

Share price (HK\$)	4.45
52Wk H/L(HK\$)	8.13 / 3.49
Issued shares (mn)	3,113
Share market cap (HK\$m)	13,853
30-day avg vol (HK\$m)	20.9
Major shareholder (%):	
Sany Heavy Equipment	72.94
Investment Company Limited*	

\*: Domestic shares

Source: Company, Bloomberg, ABCI Securities

**Sales breakdown in 1HFY12 (%)**

Roadheader	63.0
CCMU	17.1
Spare parts	15.1
Others	4.8

Source: Company

**Share performance (%)**

	Absolute	Relative*
1-mth	3.6	(0.2)
3-mth	(18.2)	(22.4)
6-mth	(34.5)	(29.5)

\*Relative to Hang Seng Index

Source: Bloomberg

**1 year price performance**



Source: Bloomberg

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**Sany Int'l (631 HK) – Unrated  
Construction & Farm Machinery Industry**

**An outperforming machinery maker**

Its half-year net profit grew by 16.7% YoY in 1HFY12, benefiting from the strong coal mining FAI. The total FAI for the coal mining industries gained 23.1% YoY in 1H12. However, we worry the strong growth of coal mining FAI in 1H is unable to sustain in 3Q in view of falling coal prices last several months. The counter is trading at 12.0x FY12E PE, lower than its historical mean at 14.8x.

**GPM was improving.** Its revenue and net profit grew by 31.6% YoY and 16.7% YoY to Rmb2.35bn and Rmb485mn (vs consensus Rmb481mn) for 1HFY12 respectively. Gross profit margin (“GPM”) improved by 4.8ppts from 35.8% in 2HFY11 to 40.6% in 1HFY12. The profitability improvement was mainly due to 1) launch of new products with enhancing the technological edge; and 2) economies of scale lowering the production cost. The GPM of CCMU improved from -5.5% in FY11 to 5% in 1H12.

**Product diversification strategy is rewarded.** To lower the product concentration risk, the Group has diversified its products from roadheader to CCMU and coal mining vehicles. The proportion of sales of roadheader to total revenue decreased from 72.4% in FY10 to 67.3% in FY11 and 63.0% in 1HFY12. The proportion of sales of CCMU to total revenue increased from 11.6% in FY10 to 15.8% in FY11 and further up to 17.1% in 1HFY12.

**New orders flow is our concern.** Its share price started to slide from May when domestic coal prices started to fall. Market worries falling coal prices will discourage coal miners to increase capex. The Group indicates that new orders from mid-to-large coal miners remain strong. The total orders on hand were Rmb1.5bn at the end of Jun. The management expects domestic coal prices to rebound in 4Q12 and coal miners will increase their capex subsequently.

**Risk factors:** Slowdown of coal mining FAI growth; Capex schedule of coal miners affected by the expectations of coal prices; Intensifying market competition; Shares buy-back.

**Forecast and Valuation**

FY ended Dec 31	FY07A	FY08A	FY09E	FY10A	FY11A
Revenue (Rmb mn)	462	1,147	1,901	2,683	3,780
Chg (%YoY)	188.8	148.4	65.8	41.1	40.9
Net Income (Rmb mn)	106	189	490	671	774
Chg (%YoY)	966.3	78.2	159.4	36.7	15.5
EPS (Rmb)	0.047	0.084	0.210	0.215	0.249
Chg (%YoY)	966.3	78.2	150.4	2.4	15.5
PE (x)	-	-	-	-	14.5
PB (x)	-	-	-	-	2.1
Yield (%)	-	-	-	-	1.3
ROAA (%)	10.3	7.9	11.4	11.8	11.6
ROAE (%)	86.4	21.6	17.0	15.0	15.3
Net debt/total equity (%)	91.0	20.7	Net Cash	Net Cash	Net Cash

Source: Company, Bloomberg, ABCI Securities estimates



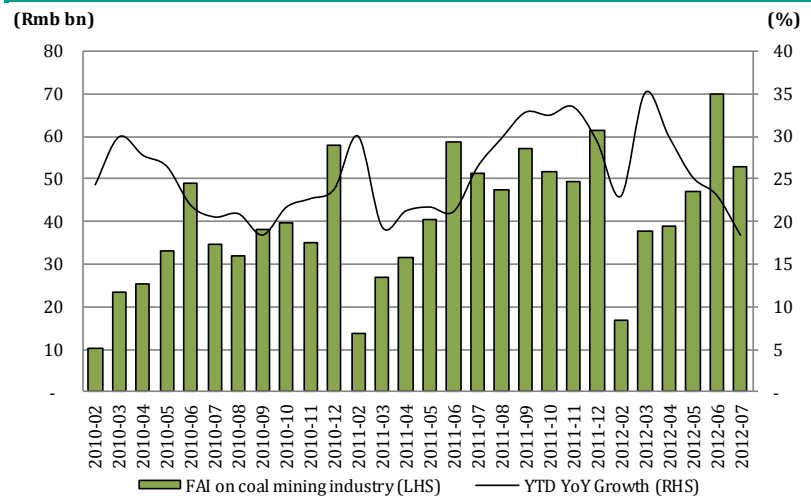
Gross profit margin breakdown of the Group

	FY10	FY11	1H12E
<b>GPM (%)</b>			
Roadheader	51.3	51.5	52.0
CCMU	11.4	-5.5	5.0
Spare parts	58.7	40.1	40.0
Others	8.6	27.9	20.0
<b>Overall GPM</b>	<b>46.2</b>	<b>40.4</b>	<b>40.6</b>

\*CCMU: Combined coal mining Units

Source: Company, ABCI Securities estimates

Monthly FAI on coal mining industry



Source: NBSC



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