



Industry: Engineering General

Price Target	268
% Upside	22%
Last Traded Price	220
BSE Sensex	17344

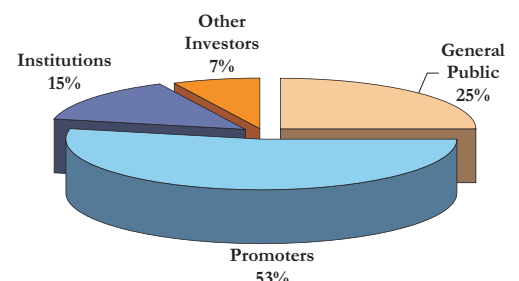
Market Price	220.4
Market Cap (Cr.)	270.2
Reuters Code	SUHT.NS
BSE Scrip Code	532711
NSE Scrip Code	SUNILHITEC
52 Week High	229.4
52 Week Low	48.0
FV/Share	10.0
Book Value/Share	135.7

1 Yr Stock / Index Performance



Company	FY 08	FY 09	FY 10E	FY 11E
Net Revenue	318.6	611.8	870.0	1138.0
Operating Exp.	268.4	541.3	767.9	999.7
EBITDA	52.4	75.3	107.6	143.8
Profit after Tax	23.2	24.4	38.5	52.5
EPS	18.9	19.9	31.4	42.7

Share Holding Pattern as on Sep 30, 2009



Initial Recommendation	Accumulate
Current Recommendation	Hold

Sunil which we recommended at 161 in Nov, 09 has reached our Initial target of Rs 224 (39% appreciation). Based on the improved prospects of the Economy and the stellar performance of the company lately, we are recommending to Hold the stock with a modified 1 Year Target price of Rs 268.

Sunil Hitech Engineers Limited or “Sunil” was integrated in 1998 with a prime focus on Fabrication, Erection, Testing and Commissioning of coal and ash handling plants & bunkers in the Power sector. Over the last two decades the company has diversified itself to Power Transmission and Distribution, Hydropower and Steel plant related work for both Private and Public sector companies.

Sunil has 125,000 TPA of steel fabrication capacity and specializes in building steel structures for Thermal power plants and has also established a 1,00,000 TPA of equipment installation capacity in Power plants. It also takes up overhauling and maintenance services for Boiler and Auxiliaries up-to 500 MW with the supply of spares.

Investment Rationale

Strong growth in Order book enhances revenue stability of the company

During the quarter under review, Sunil registered a 50% increase in its order book which confirms its excellent execution capability and technical expertise. Its order book increased to Rs 1420 Crore as of Sep 30, 2009 aided by new orders of Rs 476 Crore. The order backlog of Rs 1420 Crore provides healthy Sales visibility, while the Order Book to Sales ratio stands at more than 1.7X its FY10E Sales. The management expects further expansion and growth within in the company in the coming quarters with stability of Government at the centre and GOI focus on Power sector.

Projections and Valuation

Sunil will continue with its excellent financial performance and clock a 36% CAGR in Net Sales in the next two years. The Sales of the company will grow to Rs 1138 Crore (FY 11E) compared to Rs 612 Crore (FY 09). The Operating profit is expected to register a CAGR of 38% and jump from Rs 71 Crore (FY 09) to Rs 144 Crore (FY 11E). The Operating margins are expected to stabilize around the 12.5% mark owing to higher increase in salaries & wages and other expenses offset by fall in raw material costs. The Net Profit of the company will expand at a CAGR of 47% from Rs 24 Crore (FY 09) to 53 Crore (FY 11E).

Financial Projections - Sunil Hitech Engineering Limited				
Units: in Rs Crore	FY 08	FY 09	FY 10E	FY 11E
Total income	320.8	616.6	875.5	1143.5
% Growth	112.5%	92.2%	42.0%	30.6%
Operating Expenses	268.4	541.3	767.9	999.7
% of Sales	83.7%	87.8%	87.7%	87.4%
EBITDA	52.4	75.3	107.6	143.8
OPM	16.3%	12.2%	12.3%	12.6%
Interest cost	9.9	22.5	28.0	36.8
Depreciation	8.6	17.4	22.5	29.3
Taxes & Provision	10.7	11.0	18.5	25.3
% of Tax	31.6%	31.1%	32.5%	32.5%
Net Profit	23.2	24.4	38.5	52.5
NPM	7.2%	4.0%	4.4%	4.6%

Sunil is present in the segment of Fabrication, Erection & Testing and in Commissioning of Bunkers, ESP's (Electrostatic Precipitator), Boilers, TG sets (Turbo Generator) in the Power Plants and is expected to be a huge beneficiary of the Developments and the Investment in the Power sector in India. At the trailing market price of Rs 220, the stock is trading at 5.2X its FY 11E, EPS of Rs 42.7 which provides healthy investment opportunity. We recommended the stock at 161 for a target of Rs 224 which has been achieved. Based on the improved prospects of the Economy and the stellar performance of the company lately, we are modifying our 1 Year Target price to Rs 268.

JRG

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