

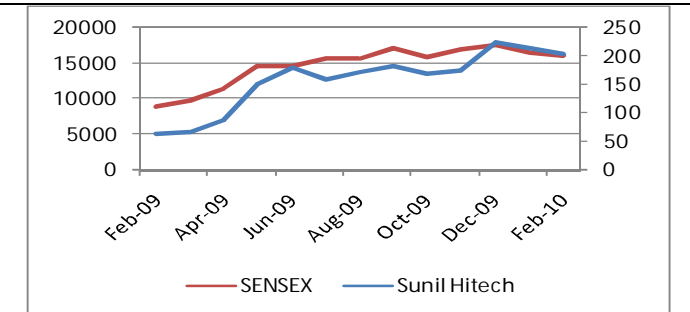
## Result Update

## Sunil Hitech Engineers Ltd.

Recommendation	BUY
CMP (09/02/2010)	Rs. 212
Sector	Power - Eng & Construction

<b>Stock Details</b>	
BSE Code	532711
NSE Code	SUNILHITECH
Bloomberg	SUHE IN
Market Cap (Rs. cr)	260
Free Float (%)	46.80
52- wk HI/Lo	254/49
Avg. volume BSE (Quarterly)	102508
Face Value	Rs.10.00
Dividend (FY09)	Nil
Shares o/s (No.)	1.23

<b>Relative Performance</b>	<b>1Mth</b>	<b>3Mth</b>	<b>1Yr</b>
Sunil Hitech	-12.38%	11.8%	199.85%
Sensex	-1.93%	-5.22%	80.42%



### Shareholding Pattern as of 31/12/2009

Promoters Holding	53.21%
Institutional (Incl. FII)	19.30%
Corporate Bodies	4.69%
Public & others	22.80%

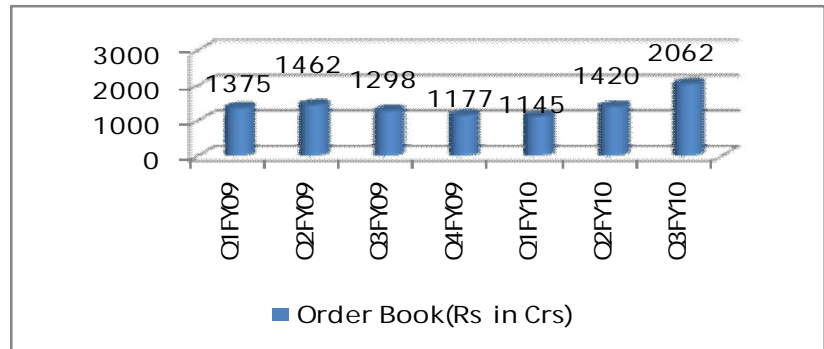
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### Result Analysis

Sunil Hitech came out with Q3FY10 results. Though the revenue was below our expectations but because of substantial increase in operating margin, the PAT was in line with our expectations.

- Revenues for the Q3FY10 stood at 154.61 crores against Rs 147.52 crores in Q3FY09, up by 4.8% on YoY basis, but declined by 23% on QoQ basis from Rs 200.92 crores in Q2FY10. QoQ decline in revenue is on account of delay in execution of two of the projects.
- EBIDTA for the Q3FY10 was Rs 20.06 crores as against Rs 21.72 crores in Q3FY09, down by 7.6% YoY and Rs 20.80 crores in Q2FY09, marginal decrease of 3.6% on QoQ basis. Though the revenues took steep decline, the marginal decline in EBIDTA is primarily due to execution of higher margin EPC contract of sugar & power plant relating to Gangakhed sugar & energy Pvt. Ltd., an associate company.
- EBIDTA margins stood at 13%, decreased by 175 bps YoY but increased by 262 bps on QoQ basis.
- Interest and Depreciation cost increased by 11.8% and 5.6% QoQ respectively.
- Adj PAT declined by 14.5% on YoY basis and 10.4% on QoQ basis.
- Adj EPS decreased to 5.11 from 5.70 on QoQ basis.

Year	Net Sales	Growth %	EBITDA	Margin %	PAT	EPS	PE	P/BV	ROE %
FY08A	317.56	114%	50.2	15.8%	23.2	18.1	11.7	1.6	21.0%
FY09A	611.84	93%	70.6	11.5%	10.3	19.7	10.7	1.5	14.3%
FY10E	799.57	31%	88.6	11.1%	37.1	25.3	8.4	1.3	16.2%
FY11E	1012.41	27%	111.1	11.0%	39.6	31.9	6.7	1.1	17.2%



- The order book as of 30 Jan 2010 stood at Rs 2062 Crores. In last quarter it has got order amounting to Rs 797 crores. (Rs. 642 crores net of Q3FY10 sales) The main orders were bagged from Mahagenco and L&T of Rs 488 crores and Rs 193 crores respectively. Inline with our expectation the order book has increased from Rs 1145 Cr at the end of Q1 to Rs 2000 Cr as of now.

#### Valuation & Outlook

- Sunil Hitech is possessing robust order book, The order book as of 30th Jan 2010 is 3.37 times of FY09 sales. The outlook for the industry has also improved as more power companies which had earlier deferred their plan, has also started to implement the projects. Thus, with its strong order book and improving outlook, we expect it to report healthy revenues in the coming quarters.
- We expect Sunil Hitech's revenue to grow at 31% & 27% respectively in FY10 & FY11.
- The stock discounts FY09, FY10E and FY11E adjusted earnings of Rs.19.7, Rs.25.26 & Rs.31.86 at 10.7x, 8.4x and 6.65x respectively.
- The stock trades at 1.5x for FY09, 1.3x FY10E and 1.1x for FY11E to book value. The ROE and ROCE for FY11E is 17.2% & 12.6% respectively.

We are positive on the growth prospects of the company and recommend BUY the stock with a price target of Rs.287 over a 12month horizon implying upside potential of 35%.

## Quarterly Result

Rs. in crores	Q3FY10	Q3FY09	Var	Q2FY10	Var
Net Sales including operating Inc	154.61	147.52	4.8%	200.92	-23.0%
Operating Profit	20.06	21.72	-7.6%	20.80	-3.6%
Other Income	2.51	1.02		2.62	
Depreciation	5.46	4.97	9.9%	5.17	5.6%
EBIT	17.11	17.77	-3.7%	18.25	-6.2%
Interest	6.72	6.71	0.1%	6.01	11.8%
PBT	10.39	11.06	-6.1%	12.24	-15.1%
Tax & Deferred Tax	4.12	3.73		5.24	
Extra ordinary Items	0.12	-13.77		5.60	
PAT	6.39	-6.44		12.60	
Adj. PAT	6.27	7.33	-14.5%	7.00	-10.4%
Equity shares Capital	12.28	12.28		12.28	
EPS (Rs.)	5.20	-5.24		10.26	
Adj EPS	5.11	5.97	-14.5%	5.70	-10.4%
Ratios			bps		bps
Operating profit margins (%)	12.97%	14.72%	-174.88	10.35%	262.22
NP Margin (%)	4.13%	-4.37%	849.85	6.27%	-213.82

## Financials:

Consolidated Profitability (Rs. In Cr)	FY 07A	FY 08A	FY 09A	FY 10E	FY 11E
Net Sales	148.3	317.6	611.8	799.6	1012.4
Expenditures					
Material Consumed	53.7	155.4	273.7	357.4	452.5
Material to Sales	36%	49%	45%	45%	45%
Staff Cost	7.8	17.5	23.8	32.7	41.4
Site & operational Exp.	63.4	83.2	228.8	301.7	383.6
Other Exp.	4.9	11.2	15.1	19.2	23.7
Total	129.9	267.3	541.3	711.0	901.3
EBIDTA	18.4	50.2	70.6	88.6	111.1
Interest(Net)	3.5	9.9	22.5	26.2	30.8
EBDT	14.9	40.3	48.0	62.3	80.3
Depreciation	4.5	8.5	17.4	21.7	25.3
PBT&Exceptions	10.4	31.8	30.6	40.6	55.0
Other Income	1.6	2.3	4.7	7.0	5.0
Exceptional	-0.2	0.0	-14.0	5.7	0.0
PBT	11.8	34.0	21.3	53.3	60.0
Tax	4.2	10.8	11.0	16.2	20.4
PAT	7.7	23.2	10.3	37.1	39.6
Minority Interest/ Associate Profit	0.0	0.1	0.1	0.4	0.5
PAT after Minority Interest	7.7	23.1	10.2	36.7	39.1
Adj. PAT	7.9	23.1	24.2	31.0	39.1
Dividend & Tax on Dividend	1.4	1.7	1.4	2.2	2.9
Profit Retained	6.3	21.3	8.8	34.6	36.2
Cash Profit	12.2	31.1	25.1	62.2	69.1

Consolidated Balance Sheet (Rs. In Cr)	FY 07A	FY 08A	FY 09A	FY 10E	FY 11E
Share Capital	10.0	12.3	12.3	12.3	12.3
Equity Warrant	0.0	5.5	5.5	0.0	0.0
Reserve & surplus	46.4	145.7	156.7	196.8	233.1
Net Worth	56.5	163.5	174.5	209.1	245.4
Minority Interest	0.1	0.8	0.9	1.3	1.8
Secured Loan	40.2	102.6	200.8	214.8	256.6
Unsecured Loan	9.9	0.0	0.0	0.0	0.0
Total Loan	50.1	102.6	200.8	214.8	256.6
Deferred Tax Liability	0.2	-0.4	-3.0	0.3	4.5
<b>Capital Employed</b>	<b>106.9</b>	<b>266.4</b>	<b>373.1</b>	<b>425.5</b>	<b>508.2</b>
Gross Block	53.9	96.3	147.3	172.3	207.3
Less:- Depreciation	14.3	22.8	40.8	62.5	87.9
Net Fixed Assets	39.6	73.4	106.5	109.7	119.4
WIP	4.2	11.4	14.6	10.0	12.0
Net Fixed Assets	43.8	84.9	121.1	119.7	131.4
Investment	1.0	49.4	27.6	28.0	30.0
Current Assets					
Debtors	50.5	87.4	163.3	203.2	257.3
Inventories	18.1	54.4	54.1	73.2	93.7
Other Current Assets	1.2	0.9	52.0	62.3	84.2
Loans & advances	23.8	63.9	108.4	138.3	169.6
Cash & Bank	15.3	20.6	37.2	28.1	20.8
Total Current assets	108.8	227.2	415.0	505.1	625.6
Current Liabilities	42.2	86.9	192.4	227.5	277.1
Provisions	5.6	10.1	1.7	2.4	3.1
Total Current Liability & Provisions	47.7	97.1	194.1	229.9	280.3
Net Current Assets	61.1	130.1	220.9	275.2	345.3
Misc exp not w/off	1.1	2.0	3.5	2.5	1.5
<b>Capital Deployed</b>	<b>106.9</b>	<b>266.4</b>	<b>373.1</b>	<b>425.5</b>	<b>508.2</b>

Cash Flow Statement (Rs. in Cr)	FY 07	FY 08	FY 09	FY 10E	FY 11E
Operating					
Operating Income	18.4	50.2	70.6	88.6	111.1
Change in Working Cap	-25.3	-63.7	-74.2	-63.5	-77.4
Other Adjustment	-0.6	-0.1	0.7	0.0	0.0
Cash Flow from Operation	-7.5	-13.6	-2.9	25.1	33.8
Investment					
Capex	-29.6	-49.7	-54.2	-20.4	-37.0
Other Investment	4.2	-48.4	21.9	-0.4	-2.0
Cash Flow From Investment	-25.4	-98.1	-32.4	-20.8	-39.0
Financing					
Dividend Paid	-1.4	-1.7	-1.4	-2.2	-2.9
Share Capital	0.0	2.3	0.0	0.0	0.0
Equity Warrant	0.0	5.5	0.0	-5.5	0.0
Reserve / Share Premium	0.0	78.6	2.2	5.6	0.0
Borrowing	36.3	52.5	98.1	14.0	41.8
Misc Exp W/off	-0.1	-0.9	-1.5	1.0	1.0
Other Income	1.6	2.3	4.7	7.0	5.0
Net Extraordinary Income	0.0	0.0	-14.0	5.7	0.0
Interest	-3.5	-9.9	-22.5	-26.2	-30.8
Tax Paid	-4.2	-11.5	-13.6	-12.9	-16.2
Total Financing	28.8	117.1	51.9	-13.5	-2.1
Net Change in Cash	-4.1	5.3	16.6	-9.2	-7.3
Cash at beginning	19.4	15.3	20.6	37.2	28.1
Cash at end	15.3	20.6	37.2	28.1	20.8

Ratios:

Growth Matrix	FY 07A	FY 08A	FY 09A	FY 10E	FY 11E
Sales Growth	11.7%	114.1%	92.7%	30.7%	26.6%
EBITDA Growth	41.2%	172.3%	40.5%	25.5%	25.5%
Adj PAT Growth	41.0%	186.7%	8.7%	28.1%	26.1%
Adj EPS Growth	41.0%	134.2%	8.7%	28.1%	26.1%

Profitability Ratio	FY 07A	FY 08A	FY 09A	FY 10E	FY 11E
EBITDA Margin	12.4%	15.8%	11.5%	11.1%	11.0%
Adj PAT Margin	5.2%	7.0%	4.0%	3.9%	3.9%
ROE	14.7%	21.0%	14.3%	16.2%	17.2%
ROCE	11.2%	13.7%	11.4%	12.1%	12.6%

Per Share Data (Rs)	FY 07A	FY 08A	FY 09A	FY 10E	FY 11E
Adj. EPS	7.8	18.1	19.7	25.3	31.9
Adj. Cash EPS	12.4	25.8	33.9	43.0	52.5
Book Value	55.3	131.6	139.3	168.3	198.6
DPS	1.0	1.2	1.0	1.5	2.0

Valuation Ratios	FY 07A	FY 08A	FY 09A	FY 10E	FY 11E
Price Earnings (x)	27.4	11.7	10.7	8.4	6.7
Price to Cash Earning (x)	17.1	8.2	6.3	4.9	4.0
Price / Book Value	3.8	1.6	1.5	1.3	1.1
EV / Sales	1.8	1.1	0.8	0.6	0.5
EV / EBIDTA	14.2	7.2	6.5	5.4	4.7

Financial Health Ratio	FY 07A	FY 08A	FY 09A	FY 10E	FY 11E
Debt Equity	0.9	0.6	1.2	1.0	1.0
Interest Cover	5.3	5.1	3.1	3.4	3.6

NOTE

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