



# EQUITY STRATEGISTS™

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## INVESTMENT PICK

**LOW RISK / HIGH RETURN**

**HOLDING PERIOD – SIX MONTHS PLUS**

### **SUNIL HITECH**

Present Price – **Rs.174.35**

Projected Price – **Rs.225**

Sunil Hitech Engineers (SHEL), an established player in the Balance of Plant (BOP) space, is involved in Fabrication, Erection, Testing & Commissioning and Maintenance of Power Plants. The company is equipped to perform civil work for thermal power stations up to 500MW as well as erect boilers and auxiliaries up to 660MW. SHEL, which has been primarily focusing on constructing steel structures and fabrication, now plans to move up the value chain by undertaking small EPC contracts.

*Increasing investments* committed by private and government power companies provides SHEL with an opportunity to garner sizeable business.

SHEL has a *presence along the whole chain of power plant requirements* from power generation to power transmission & distribution, and overhauling & maintenance of power plants. SHEL has capabilities to build transmission lines and substations upto 400kV levels.

After catering primarily to the infrastructure needs of the thermal power sector, SHEL is expanding its scope by *entering newer segments* like the Hydropower and Steel sectors. About, 5% and 10% respectively of the current order backlog is from these two segments.

SHEL has a list of *reputable clients* in the private sector such as Reliance Energy and JSW Steel and in the public sector such as NTPC and BHEL.

India's Eleventh Five-Year Plan Target for Power generation capacity addition stands at 78,577MW. Even after providing for slippages, actual capacity addition is expected to be in excess of 50,000MW. The power capacity addition is expected to throw up opportunities in excess of Rs1,00,000cr for players in the BOP space over FY2007-12E.

SHEL enjoys benefits of *backward integration* as it manufactures *pressure parts* for boilers under its 100% subsidiary, which is used in the construction work of power plants. This not only ensures timely and adequate availability for SHEL, but it also caters to the needs of other players in the power infrastructure space offering an *additional revenue stream*. Over the last three years, FY05 to FY07, SHEL has indeed gone from strength to strength, evident from a CAGR growth of 47.7% in revenues and 84.2% in bottomline.

It has an Equity Capital of Rs.12.3 cr and a Book Value of Rs.141. We expect the company to report an EPS of Rs.28 for FY10.

**BUYING IS ADVISED FOR MEDIUM TERM.**

**Note:** In case of any problem in receiving NEWSLETTER, kindly contact Mr Devesh Chauhan at 9350171231

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