

CIL rolls back recent price hikes partially

CIL rolls back recent price hikes partially; Maintain Neutral

CIL has cut the GCV based price hike announced recently. The revised prices imply 7-8% hike in blended ASP (from Dec levels) vs. our est. of 4% hike in FY13e. CIL has also agreed to a 25% wage hike & additional benefits for workers. We model 25% wage hike in FY13, but see upside to our wage cost est. due to additional benefits & provisions. A 1% increase in ASP lifts EPS by 1.7%, but 1% hike in wage cost hits EPS by 1.1%. Current price hikes should offset a wage hike of up to 30% (~Rs42bn), but further price hikes will be needed if wage costs increases are higher. However, this may be tough to implement given the recent rollback. We maintain our Neutral rating.

CIL revises coal price hikes downward by 4-51%

CIL has revised its recent price hikes downward due to protests from end users. Revised pricing implies 24-29% price increases for A, C & D grade coal (21% of volumes) & 7% decline for Grade B coal. Prices for grade E-G (72% of vols.) have been increased by 0-5% for power customers and 3-8% for non power customers.

ASP increase could be up 7-8% assuming no grade slippage

The revised pricing implies a price hike of 5-6% for the power sector and 10% for the non power sector based on our estimates. This assumes no grade slippage and avg. of pricing across GCV based slabs within a grade. Assuming minimum pricing within a slab, we est. blended ASP hike to be marginal at ~2%. Slippage in grades could lead to a decline in ASP. However, CIL plans to review pricing in March and is likely to revise upward should ASP decline due to grade slippage.

CIL has signed wage pact with workers union

CIL has agreed to 25% wage hike. It has also agreed to additional perks including a) special allowances (4% of basic) & b) higher house rent allowance (2% of basic. We think this could increase wage costs by ~30% (BofAMLe 25%). However, we look for more clarity from management.

Estimates (Mar)

(Rs)	2010A	2011A	2012E	2013E	2014E
Net Income (Adjusted - mn)	96,190	109,275	132,492	143,546	161,344
EPS	15.23	17.21	20.98	22.73	25.54
EPS Change (YoY)	362.9%	12.9%	21.9%	8.3%	12.4%
Dividend / Share	1.37	3.79	6.29	6.82	7.66
Free Cash Flow / Share	12.99	9.66	14.65	16.10	19.82

Valuation (Mar)

	2010A	2011A	2012E	2013E	2014E
P/E	20.81x	18.42x	15.11x	13.95x	12.41x
Dividend Yield	0.433%	1.19%	1.99%	2.15%	2.42%
EV / EBITDA*	12.81x	10.09x	8.62x	7.98x	7.01x
Free Cash Flow Yield*	4.10%	3.05%	4.62%	5.08%	6.25%

* For full definitions of *iQmethod*SM measures, see page 8.

Equity | India | Non-Ferrous-Mining
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Bank of America Merrill Lynch

Bhaskar N Basu, CFA >> +91 22 6632 8674

Research Analyst
DSP Merrill Lynch (India)
bhaskar.basu@baml.com

Bharat Parekh >> +91 22 6632 8656

Research Analyst
DSP Merrill Lynch (India)
bharat.parekh@baml.com

Stock Data

Price	Rs317.00
Price Objective	Rs370.00
Date Established	13-Nov-2011
Investment Opinion	C-2-7
Volatility Risk	HIGH
52-Week Range	Rs288.95-Rs422.35
Mkt Val / Shares Out (mn)	US\$40,495 / 6,316.4
Market Value (mn)	Rs2,002,288
Average Daily Volume	4,503,834
BofAML Ticker / Exchange	XOXCF / NSI
Bloomberg / Reuters	COAL IN / COAL.BO
ROE (2012E)	34.6%
Net Dbt to Eqty (Mar-2011A)	-127.7%
Est. 5-Yr EPS / DPS Growth	14.1% / 21.5%
Free Float	10.0%

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Refer to important disclosures on page 9 to 11. Analyst Certification on Page 6. Price Objective Basis/Risk on page 6. Link to Definitions on page 6. 11132588

01 February 2012

iQprofileSM Coal India Limited

Key Income Statement Data (Mar)	2010A	2011A	2012E	2013E	2014E
(Rs Millions)					
Sales	485,801	521,849	621,604	673,949	746,212
Gross Profit	143,019	182,160	214,772	233,093	264,933
Sell General & Admin Expense	(21,430)	(27,856)	(34,093)	(37,832)	(42,742)
Operating Profit	108,295	137,575	162,601	173,834	196,563
Net Interest & Other Income	31,891	27,659	34,854	40,094	43,890
Associates	NA	NA	NA	NA	NA
Pretax Income	140,186	165,234	197,455	213,928	240,453
Tax (expense) / Benefit	(43,996)	(55,959)	(64,963)	(70,382)	(79,109)
Net Income (Adjusted)	96,190	109,275	132,492	143,546	161,344
Average Fully Diluted Shares Outstanding	6,316	6,316	6,316	6,316	6,316

Key Cash Flow Statement Data

Net Income	96,190	109,275	132,492	143,546	161,344
Depreciation & Amortization	13,295	16,729	18,079	21,427	25,628
Change in Working Capital	22,963	(30,007)	(12,971)	(9,405)	1,708
Deferred Taxation Charge	NA	NA	NA	NA	NA
Other Adjustments, Net	(30,589)	(10,951)	(78)	(3,870)	(8,199)
Cash Flow from Operations	101,859	85,046	137,523	151,697	180,480
Capital Expenditure	(19,804)	(24,000)	(45,000)	(50,000)	(55,290)
(Acquisition) / Disposal of Investments	2,230	2,185	0	0	0
Other Cash Inflow / (Outflow)	27,070	28,450	35,664	40,848	44,617
Cash Flow from Investing	9,497	6,634	(9,336)	(9,152)	(10,673)
Shares Issue / (Repurchase)	0	0	0	0	0
Cost of Dividends Paid	(22,100)	(27,255)	(45,312)	(49,093)	(55,180)
Cash Flow from Financing	(17,532)	(33,379)	(47,098)	(50,822)	(56,883)
Free Cash Flow	82,055	61,046	92,523	101,697	125,190
Net Debt	(369,909)	(433,543)	(515,608)	(608,306)	(722,207)
Change in Net Debt	(90,343)	(63,634)	(82,065)	(92,698)	(113,901)

Key Balance Sheet Data

Property, Plant & Equipment	120,354	122,825	127,247	167,820	219,982
Other Non-Current Assets	31,712	35,641	58,141	46,141	23,641
Trade Receivables	21,686	30,256	35,763	38,775	42,933
Cash & Equivalents	390,778	449,079	530,167	621,890	734,814
Other Current Assets	143,601	165,719	173,815	174,691	181,932
Total Assets	708,132	803,519	925,133	1,049,317	1,203,302
Long-Term Debt	20,869	15,536	14,560	13,584	12,608
Other Non-Current Liabilities	14,774	16,213	8,190	7,813	7,307
Short-Term Debt	NA	NA	NA	NA	NA
Other Current Liabilities	414,316	432,180	475,612	506,696	555,999
Total Liabilities	449,959	463,928	498,362	528,093	575,914
Total Equity	258,173	339,591	426,771	521,224	627,388
Total Equity & Liabilities	708,132	803,519	925,133	1,049,317	1,203,302

iQmethodSM - Bus Performance*

Return On Capital Employed	36.2%	32.8%	32.2%	28.9%	27.1%
Return On Equity	42.8%	36.6%	34.6%	30.3%	28.1%
Operating Margin	22.3%	26.4%	26.2%	25.8%	26.3%
EBITDA Margin	25.0%	29.6%	29.1%	29.0%	29.8%

iQmethodSM - Quality of Earnings*

Cash Realization Ratio	1.1x	0.8x	1.0x	1.1x	1.1x
Asset Replacement Ratio	1.5x	1.4x	2.5x	2.3x	2.2x
Tax Rate (Reported)	31.4%	33.9%	32.9%	32.9%	32.9%
Net Debt-to-Equity Ratio	-143.3%	-127.7%	-120.8%	-116.7%	-115.1%
Interest Cover	NM	NM	NM	NM	NM

Key Metrics

* For full definitions of iQmethodSM measures, see page 8.

Company Description

Coal India, the world's largest coal producer, was established in 1973 as a wholly owned subsidiary of the Government of India and was listed in Nov 2010 post divestment of 10% stake by the Govt. It has raw coal production of 431mn tons and reserves of 18.8bn tons. It mines 81% of India's production and 80% of its coal output is sold to power utilities. Its coal reserves are lower grade. Open cast mines account for 90% of its output. Low strip ratio of 1.7x drives its low cost of production.

Investment Thesis

Coal India, the largest global producer is well positioned to gain from acceleration of domestic coal demand. We expect steady volume growth, mix gains and productivity gains to drive 15% EPS CAGR over FY10-13e. Discount to global prices offer flexibility and limits downsides. However post strong 31% rally since IPO, valuations are at a premium to coal peers and slight discount to utility peers limiting upsides to valuation. Hence Neutral.

Stock Data

Price to Book Value 4.7x

Coal India rolls back recent price hike partially

- Coal India has partially rolled back the recent hikes in coal prices led by a shift to a GCV based pricing system announced earlier in Jan. The revised pricing will be implemented retrospectively from January 1, 2012.
- Revised prices imply 24-29% price increase for A, C & D grade coal (21% of volumes) & 7% decline for Grade B coal. Prices for grade E-G (72% of vols.) have been increased by 0-5% for power customers and 3-8% for non power customers.
- Coal India expects the new GCV mechanism will be revenue neutral for Coal India. However, Coal India will review the new GCV based mechanism after assessing its 4QFY12 performance.
- It is hard to quantify the impact as CIL's volume mix in terms of GCV slabs is not available. However, the revised pricing implies a price hike of 5-6% for the power sector and 10% for the non power sector as per our estimates. This assumes no grade slippage & average of pricing across GCV based slabs within a grade. Assuming minimum pricing within a slab, we est. blended ASP hike to be marginal at ~2%. Slippage in grades could lead to decline in ASP (We estimate 1 grade slippage could lead to a 19% decline in ASP). However, CIL plans to review pricing in March and is likely to revise pricing upwards in case ASP declines due to grade slippage.

Table 1: Revised (new vs. old) pricing of non-coking coal based on GCV system

GCV Bands	Power*	Power*	Power*	ex Power**	ex Power**	ex Power**
	Revised (New) 31st Jan	Revised (Old) 31st Dec	New vs. Old	Revised (New) 31st Jan	Revised (Old) 31st Dec	New vs. Old
Kcal/Kg	Rs./ton	Rs./ton	% Chg	Rs./ton	Rs./ton	% Chg
>7000***	5095	4900	4%	5095	4900	4%
6700-7000	4870	4690	4%	4870	4690	4%
6400-6700	4420	4460	-1%	4420	4460	-1%
6100-6400	3970	4130	-4%	3970	4130	-4%
5800-6100	2800	3990	-30%	2800	3990	-30%
5500-5800	1450	2940	-51%	1960	3430	-43%
5200-5500	1270	2060	-38%	1720	2750	-37%
4900-5200	1140	1890	-40%	1540	2520	-39%
4600-4900	880	1680	-48%	1180	2230	-47%
4300-4600	780	970	-20%	1050	1460	-28%
4000-4300	640	880	-27%	870	1320	-34%
3700-4000	600	630	-5%	810	1010	-20%
3400-3700	550	630	-13%	740	1000	-26%
3100-3400	500	620	-19%	680	990	-31%
2800-3100	460	620	-26%	620	870	-29%
2500-2800	410	550	-25%	550	780	-29%
2200-2500	360	480	-25%	490	680	-28%

Source: Coal India, BofA Merrill Lynch Global Research estimates

*= Power Utilities (including IPPs), Fertilizer and Defense sector **= Sector other than Power Utilities (including IPPs), Fertilizer and Defense

***= Assuming 7150 Kcal/kg; For GCV exceeding 7000 Kcal/Kg, the price shall increase by Rs150/t over and above the price applicable for GCV band exceeding 6700 but not exceeding 7000Kcal/Kg, for increase in GCV by every 100 Kcal/Kg or part thereof.

Table 2: Revised (31st Jan) and old (pre 31st Dec) pricing of non-coking coal based on UHV and GCV (at 5% moisture) based classification

	UHV	GCV	Bands	Coal prices - Power*	Coal prices - Power*	Coal prices - Power*	Coal prices - ex Power**	Coal prices - ex Power**	Coal prices - ex Power**
				Revised (31st Jan)	Old (Pre 31st Dec)	Revised vs. Old	Revised (31st Jan)	Old (Pre 31st Dec)	Revised vs. Old
	Kcal/Kg	Kcal/Kg	Kcal/Kg	Rs./ton	Rs./ton	% Chg	Rs./ton	Rs./ton	% Chg
Grade A	>6200	>6401	>7000	5095	3722	37%	5095	3722	37%
			6700-7000	4870	3722	31%	4870	3722	31%
			6400-6700	4420	3722	19%	4420	3722	19%
Average				4795	3722	29%	4795	3722	29%
Grade B	5600-6200	5800-6401	6100-6400	3970	3621	10%	3970	3621	10%
			5800-6100	2800	3621	-23%	2800	3621	-23%
Average				3385	3621	-7%	3385	3621	-7%
Grade C	4940-5600	5400-5800	5500-5800	1450	1148	26%	1960	1496	31%
Average				1450	1148	26%	1960	1496	31%
Grade D	4200-4940	4800-5400	5200-5500	1270	972	31%	1720	1262	36%
			4900-5200	1140	972	17%	1540	1262	22%
Average				1205	972	24%	1630	1262	29%
Grade E	3360-4200	4200-4800	4600-4900	880	791	11%	1180	1029	15%
			4300-4600	780	791	-1%	1050	1029	2%
Average				830	791	5%	1115	1029	8%
Grade F	2400-3360	3600-4200	4000-4300	640	620	3%	870	805	8%
			3700-4000	600	620	-3%	810	805	1%
Average				620	620	0%	840	805	4%
Grade G	1300-2400	3200-3600	3400-3700	550	458	20%	740	597	24%
			3100-3400	500	458	9%	680	597	14%
			2800-3100	460	458	0%	620	597	4%
			2500-2800	410	458	-10%	550	597	-8%
			2200-2500	360	458	-21%	490	597	-18%
Average				456	458	0%	616	597	3%
Average Price				1031	968	6%	1301	1180	10%

Source: Coal India, BofA Merrill Lynch Global Research estimates

* = Power Utilities (including IPPs), Fertilizer and Defense sector

** = Sector other than Power Utilities (including IPPs), Fertilizer and Defense

*** = Assuming 7150 Kcal/kg. For GCV exceeding 7000 Kcal/Kg, the price shall increase by Rs150/t over and above the price applicable for GCV band 6700-7000 Kcal/Kg, for increase in GCV by every 100 Kcal/Kg or part thereof.

Table 3: Old (pre 31 Dec 2011) pricing of non-coking coal based on UHV system

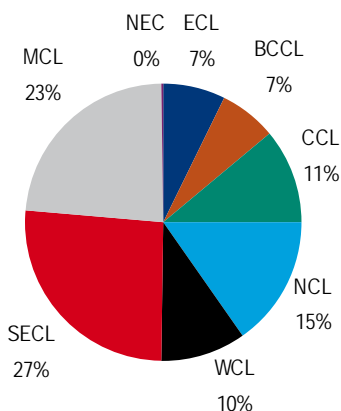
	UHV	GCV (at 5% moisture)	Coal prices - Power*	Coal prices - ex Power**
	Kcal/Kg	Kcal/Kg	Rs./ton	Rs./ton
Grade A	>6200	>6401	3722	3722
Grade B	5600-6200	5800-6401	3621	3621
Grade C	4940-5600	5400-5800	1148	1496
Grade D	4200-4940	4800-5400	972	1262
Grade E	3360-4200	4200-4800	791	1029
Grade F	2400-3360	3600-4200	620	805
Grade G	1300-2400	3200-3600	458	597

Source: Coal India, BofA Merrill Lynch Global Research estimates

* = Power Utilities (including IPPs), Fertilizer and Defense sector

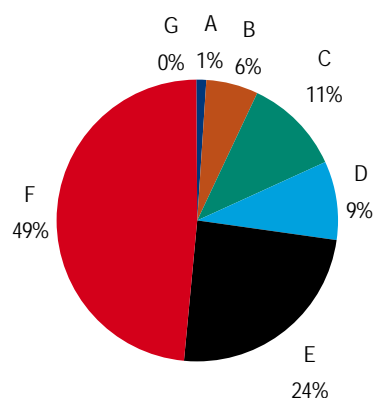
** = Sector other than Power Utilities (including IPPs), Fertilizer and Defense

Chart 1: Subsidiary wise volume break-up (FY11)



Source: Coal India, BofA Merrill Lynch Global Research estimates

Chart 2: Grade wise volume break-up



Source: Coal India, BofA Merrill Lynch Global Research estimates

Table 4: Summary Earnings Outlook (in mn Rs.)

	FY11A	FY12E	FY13E	FY14E
Revenue	521,849	621,604	673,949	746,212
% chg	7%	19%	8%	11%
EBITDA	154,304	180,680	195,261	222,190
Margins	30%	29%	29%	30%
EBITDA/ton	364	412	423	455
Depreciation	16,729	18,079	21,427	25,628
Non financial expense	-27659	-34854	-40094	-43890
PBT	165,234	197,455	213,928	240,453
Tax	55,959	64,963	70,382	79,109
Tax rate	34%	33%	33%	33%
PAT	109,275	132,492	143,546	161,344
EPS	17.3	21.0	22.7	25.5
% change	14%	21%	8%	12%

Source: Coal India, BofA Merrill Lynch Global Research estimates

Table 5: Summary of Key Assumptions

	FY11a	FY12e	FY13e	FY14e
Raw coal production (mt)	431.3	436.5	461.8	478.3
Raw coal dispatch (mt)	424.3	438.5	461.8	488.2
Non Coking	328.7	333.1	352.2	363.0
E Auction	46.6	54.4	57.3	60.5
Coking	30.3	30.9	29.4	23.2
Washed Coal (mt)	12.9	14.3	15.7	28.7
Coking	2.9	2.9	4.3	7.4
Non Coking	10.0	11.4	11.4	21.4
Net dispatches	418.5	432.8	454.5	475.4
% chg	2%	3%	5%	5%
Realisations (Rs/t)				
Raw coal	1,157	1,343	1,375	1,417
E-auction	1,959	2,214	2,302	2,394
Washed coal	2,399	2,656	3,113	3,187
Avg. dispatches	1,196	1,387	1,435	1,524
% chg	10.3%	15.9%	3.5%	6.2%

Source: Coal India, BofA Merrill Lynch Global Research estimates

Price objective basis & risk

Coal India Limited (XOXCF)

Our PO of Rs370 is set at our NPV estimate. Our NPV analysis assumes a WACC of 13% and a terminal growth of 2%. At our PO Coal India would trade at 10.5x FY12E EBITDA (8.9x FY12 OBR adjusted EBITDA) and 9.7x FY13E (8.3x FY13e OBR adjusted EBITDA). We forecast coal volumes to grow at a CAGR of 4% over next five years

Stronger volume growth, higher realisations and lower costs pose upside risks to our valuations. Downside risks to our valuations are slower pace of environmental approvals, prohibition of coal mining in areas where CIL reserves are located, sharper than expected increase in wage costs and inability to raise prices to pass thru wage cost hikes.

Link to Definitions

Basic Materials

Click [here](#) for definitions of commonly used terms.

Analyst Certification

I, Bhaskar N Basu, CFA, hereby certify that the views expressed in this research report accurately reflect my personal views about the subject securities and issuers. I also certify that no part of my compensation was, is, or will be, directly or indirectly, related to the specific recommendations or view expressed in this research report.

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Address – Mafatlal Centre, 8th Floor, Nariman Point, Mumbai, India. 400021

Tel : +91 22 6632 8000

01 February 2012

APR - Metals & Mining Coverage Cluster

Investment rating	Company	BofA Merrill Lynch ticker	Bloomberg symbol	Analyst
BUY				
	Banpu Pcl	BPULF	BANPU TB	Komsun Suksumrun
	Baosteel	BAOSF	600019 CH	Yongtao Shi
	China Coal Energy Ltd.	CCOZF	1898 HK	Yongtao Shi
	China Hongqiao	XCGQF	1378 HK	Bruce Wang
	China National Building Material Co Ltd.	CBUMF	3323 HK	Bruce Wang
	China National Materials	XFCHF	1893 HK	Bruce Wang
	China Resources Cement	CJRCF	1313 HK	Po Wei
	China Shanshui Cement	CCGLF	691 HK	Po Wei
	China Shenhua Energy Ltd.	CUAEF	1088 HK	Yongtao Shi
	CITIC Dameng Holdings Limited	XCDHF	1091 HK	Yongtao Shi
	Fushan International Energy	YULKF	639 HK	Yongtao Shi
	Hidili	XHILF	1393 HK	Yongtao Shi
	Hyundai Steel	XHDUF	004020 KS	Elli Lee
	Indo Tambangraya	PTIZF	ITMG IJ	Daisy Suryo
	Jiangxi Copper	JIAXF	358 HK	Yongtao Shi
	POSCO	PKXFF	005490 KS	Elli Lee
	POSCO -A	PKX	PKX US	Elli Lee
	Sakari Resources Ltd	SSGDF	SAR SP	Daisy Suryo
	Sterlite Industries India Limited	XTNDF	STLT IN	Bhaskar N Basu, CFA
	Sterlite Industries India Limited	SLT	SLT US	Bhaskar N Basu, CFA
	Winsway Coking Coal Holdings Limited	XWNYF	1733 HK	Yongtao Shi
	Yanzhou Coal	YZCHF	1171 HK	Yongtao Shi
	Zijin Mining Group Co Ltd.	ZIJMF	2899 HK	Timothy Bush
NEUTRAL				
	Aluminum Corp. of China	ALMMF	2600 HK	Bruce Wang
	Anhui Conch-H	AHCHF	914 HK	Bruce Wang
	Borneo Lumbung Energy	PBTLF	BORN IJ	Daisy Suryo
	Coal India Limited	XOXCF	COAL IN	Bhaskar N Basu, CFA
	Hindalco	HNDLF	HNDL IN	Bhaskar N Basu, CFA
	Hyundai Hysco	HYUPF	010520 KS	Elli Lee
	Shougang Concord International	SCGEF	697 HK	Yongtao Shi
	Tambang Batubara	PBATF	PTBA IJ	Daisy Suryo
	Zhaojin Mining Industry Company Limited	ZHAOF	1818 HK	Timothy Bush
UNDERPERFORM				
	Angang Steel	ANGGF	347 HK	Yongtao Shi
	Bumi Resources	PBMRF	BUMI IJ	Daisy Suryo
	Dongkuk Steel	DKUSF	001230 KS	Elli Lee
	Intl Nickel In	PTNDF	INCO IJ	Daisy Suryo
	Jindal Steel and Power Limited	XJDLF	JSP IN	Bhaskar N Basu, CFA
	JSW Steel	XJWJF	JSTL IN	Bhaskar N Basu, CFA
	Maanshan Iron & Steel	MAANF	323 HK	Yongtao Shi
	NALCO	NAUDF	NACL IN	Bhaskar N Basu, CFA
	PT Adaro Energy Tbk	PADEF	ADRO IJ	Daisy Suryo
	PT Bayan Resources Tbk	XBAYF	BYAN IJ	Daisy Suryo
	PT Indika Energy Tbk	XIDKF	INDY IJ	Daisy Suryo
	Sesa Goa Limited	XSGAF	SESA IN	Bhaskar N Basu, CFA
	Steel Authority of India	SLAUF	SAIL IN	Bhaskar N Basu, CFA
	Tata Steel	TAELF	TATA IN	Bhaskar N Basu, CFA
RVW				
	Aneka Tambang	XANEF	ANTM IJ	Daisy Suryo
	Medco Energi Itl	PTGIF	MEDC IJ	Daisy Suryo

iQmethodSM Measures Definitions

Business Performance

Return On Capital Employed

Return On Equity

Operating Margin

Earnings Growth

Free Cash Flow

Numerator

$\text{NOPAT} = (\text{EBIT} + \text{Interest Income}) * (1 - \text{Tax Rate}) + \text{Goodwill Amortization}$

Net Income

Operating Profit

Expected 5-Year CAGR From Latest Actual

Cash Flow From Operations – Total Capex

Denominator

Total Assets – Current Liabilities + ST Debt + Accumulated Goodwill Amortization

Shareholders' Equity

Sales

N/A

N/A

Quality of Earnings

Cash Realization Ratio

Asset Replacement Ratio

Tax Rate

Net Debt-To-Equity Ratio

Interest Cover

Cash Flow From Operations

Capex

Tax Charge

Net Debt = Total Debt, Less Cash & Equivalents

EBIT

Net Income

Depreciation

Pre-Tax Income

Total Equity

Interest Expense

Valuation Toolkit

Price / Earnings Ratio

Price / Book Value

Dividend Yield

Free Cash Flow Yield

Enterprise Value / Sales

Current Share Price

Current Share Price

Annualised Declared Cash Dividend

Cash Flow From Operations – Total Capex

$\text{EV} = \text{Current Share Price} * \text{Current Shares} + \text{Minority Equity} + \text{Net Debt} + \text{Sales}$

Other LT Liabilities

Enterprise Value

Diluted Earnings Per Share (Basis As Specified)

Shareholders' Equity / Current Basic Shares

Current Share Price

Market Cap. = Current Share Price * Current Basic Shares

Basic EBIT + Depreciation + Amortization

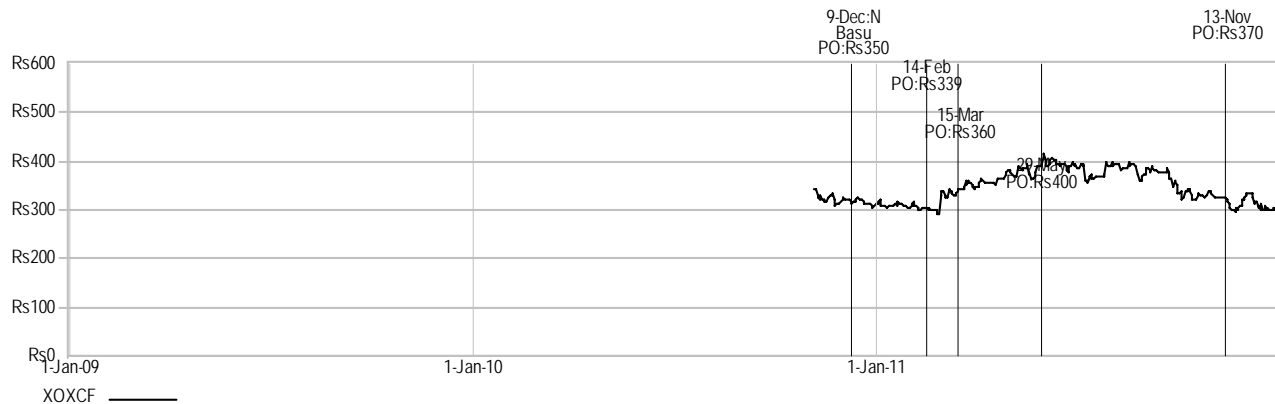
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XOXC Price Chart



B : Buy, N : Neutral, U : Underperform, PO : Price objective, NA : No longer valid, NR: No Rating

The Investment Opinion System is contained at the end of the report under the heading "Fundamental Equity Opinion Key". Dark grey shading indicates the security is restricted with the opinion suspended. Medium grey shading indicates the security is under review with the opinion withdrawn. Light grey shading indicates the security is not covered. Chart is current as of [December 31, 2011] or such later date as indicated.

Investment Rating Distribution: Non-Ferrous Metals/Mining & Minerals Group (as of 01 Jan 2012)

Coverage Universe	Count	Percent	Inv. Banking Relationships*	Count	Percent
Buy	104	59.09%	Buy	67	68.37%
Neutral	36	20.45%	Neutral	25	75.76%
Sell	36	20.45%	Sell	12	40.00%

Investment Rating Distribution: Global Group (as of 01 Jan 2012)

Coverage Universe	Count	Percent	Inv. Banking Relationships*	Count	Percent
Buy	2029	52.00%	Buy	1337	72.11%
Neutral	1009	25.86%	Neutral	657	71.34%
Sell	864	22.14%	Sell	487	60.20%

* Companies in respect of which BofA Merrill Lynch or one of its affiliates has received compensation for investment banking services within the past 12 months. For purposes of this distribution, a stock rated Underperform is included as a Sell.

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Investment rating	Total return expectation (within 12-month period of date of initial rating)	Ratings dispersion guidelines for coverage cluster*
Buy	≥ 10%	≤ 70%
Neutral	≥ 0%	≤ 30%
Underperform	N/A	≥ 20%

* Ratings dispersions may vary from time to time where BofA Merrill Lynch Research believes it better reflects the investment prospects of stocks in a Coverage Cluster.

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