

1QFY12 EBITDA in line; PAT higher

■ Event: 1QFY12 operational results in line; PAT higher than estimates

Pre-ex PAT of Rs41.4bn (-2% QoQ, +63% YoY) was higher than UBS-e/consensus of Rs37.7bn / Rs36.4bn. EBITDA at Rs48.2bn (-7% QoQ, +55% YoY) was in line with UBS-e/consensus of Rs48.4bn/Rs48.6bn. Net sales was marginally higher at Rs144.99bn (-3% QoQ, +27% YoY, UBS-e/consensus of Rs144.2bn/Rs144.3bn). PAT was higher than estimates due to lower depreciation, marginally higher other income and lower tax rate (30.4%). EBITDA margin was 33.3% (UBS-e 33.6%).

■ Impact: Short term positive impact though remain cautious on the stock

While higher than expected PAT could have a short term positive impact on the stock we remain cautious on CIL with a one year view given concerns on execution. Sales volume was up 5% YoY to 106.25mt while ASP rose 3% QoQ to Rs1,365/t (US\$30/t). EBITDA/t was Rs454/t (US\$10/t, -1% QoQ, +48% YoY).

■ Action: Maintain current estimates; execution/wagon supply remains key

As highlighted in our recent 'Asia on the Ground' note 'What's happening on the execution side' dated 28th July 2011, we remain cautious on CIL as: 1) Progress on washeries is slow - only one out of 20 has been contracted. 2) Production /despatch target of 452mt /477mt for FY12 could disappoint due to execution/wagon availability issues. 3) Railway wagon ordering is delayed— Budget 2012 had targeted 18,000 new wagons in FY12—ordering expected by Sept. 4) Delay in start of wage negotiations (due in July). CIL is hosting an analyst meet tomorrow.

■ Valuation: Maintain Buy and PT of Rs400

We continue to value CIL on 15x PE on FY13E EPS & maintain our price target.

Highlights (Rsm)	03/09	03/10	03/11E	03/12E	03/13E
Revenues	408,108	466,843	524,121	626,640	685,220
EBIT (UBS)	28,653	91,523	118,062	167,250	187,263
Net Income (UBS)	40,595	98,294	109,275	144,642	169,001
EPS (UBS, Rs)	6.43	15.56	17.30	22.90	26.76
Net DPS (UBS, Rs)	2.70	3.50	3.90	5.19	6.07

Profitability & Valuation	5-yr hist av.	03/10	03/11E	03/12E	03/13E
EBIT margin %	13.9	19.6	22.5	26.7	27.3
ROIC (EBIT) %	-	95.0	101.2	111.4	96.8
EV/EBITDA (core) x	-	-	15.8	11.2	9.7
PE (UBS) x	-	-	22.3	16.9	14.4
Net dividend yield %	-	-	1.0	1.3	1.6

Source: Company accounts, Thomson Reuters, UBS estimates. (UBS) valuations are stated before goodwill, exceptional and other special items. Valuations: based on an average share price that year, (E): based on a share price of Rs386.25 on 11 Aug 2011 23:38 SGT

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India

Mining

12-month rating **Neutral**
Unchanged

12m price target **Rs400.00/US\$8.84**
Unchanged

Price **Rs386.25/US\$8.54**

RIC: COAL.BO BBG: COAL IB

12 August 2011

Trading data (local/US\$)

52-wk range	Rs414.70-291.90/US\$9.25-6.44
Market cap.	Rs2,440bn/US\$53.9bn
Shares o/s	6,316m (ORD)
Free float	10%
Avg. daily volume ('000)	4,411
Avg. daily value (m)	Rs1,693.6

Balance sheet data 03/11E

Shareholders' equity	Rs333bn
P/BV (UBS)	7.3x
Net Cash (debt)	Rs443bn

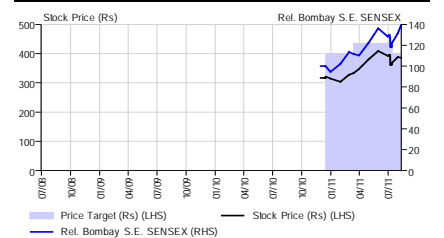
Forecast returns

Forecast price appreciation	+3.6%
Forecast dividend yield	1.0%
Forecast stock return	+4.6%
Market return assumption	13.3%
Forecast excess return	-8.7%

EPS (UBS, Rs)

	03/11E		03/10
	UBS	Cons.	Actual
Q1E	4.33	4.49	3.89
Q2E	4.33	4.49	3.89
Q3E	4.33	4.49	3.89
Q4E	4.33	4.49	3.89
03/11E	17.30	18.16	
03/12E	22.90	22.90	

Performance (Rs)



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ANALYST CERTIFICATION AND REQUIRED DISCLOSURES BEGIN ON PAGE 6.

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Table 1: 1QFY12 consolidated results – Coal India Ltd

Rs m	Q1FY11	Q4FY11	Q1FY12	QoQ	YoY
Net Sales	114,356	150,162	144,991	-3%	27%
Decreton/(Accretion) in Stock	146	(13,229)	3,690	-128%	2420%
Consumption of Stores & Spares	10,764	15,360	11,325	-26%	5%
Employees' Remuneration & Benefits	45,143	45,979	48,721	6%	8%
Power & Fuel	4,319	4,295	4,627	8%	7%
Social Overhead	2,539	7,190	2,933	-59%	16%
Repairs	1,096	1,262	1,173	-7%	7%
Contractual Expenses	10,208	13,655	11,059	-19%	8%
Other Expenditure	4,030	8,560	4,379	-49%	9%
Overburden Removal Adjustment	4,334	11,466	5,881	-49%	36%
Provision made / Written Back	728	3,637	2,965	-18%	307%
Total Expenses	83,306	98,174	96,752	-1%	16%
EBITDA	31,050	51,987	48,239	-7%	55%
EBITDA %	27.2%	34.6%	33.3%	-4%	23%
Depreciation	4,280	4,780	4,308	-10%	1%
Other Income	10,812	11,778	15,589	32%	44%
EBIT	37,582	58,985	59,520	1%	58%
EBIT %	32.9%	39.3%	41.1%	5%	25%
Interest	68	(317)	55	-117%	-20%
Finance Charges/Commitment Charges	46	39	43	9%	-8%
PBT	37,468	59,263	59,423	0%	59%
Less: Exceptional items	(111)	170	132	-23%	-219%
PBT	37,357	59,433	59,555	0%	59%
Provision for Income Tax	12,098	17,224	18,115	5%	50%
Tax Rate	32.4%	29.0%	30.4%	5%	-6%
PAT	25,259	42,209	41,439	-2%	64%
Pre-ex PAT	25,333	42,095	41,351	-2%	63%
Reported EPS	4.00	6.68	6.56	-2%	64%
Pre-ex EPS	4.01	6.66	6.55	-2%	63%

Source: Company Data, UBS estimates

Table 2: Key financial metrics

	Q1FY11	Q4FY11	Q1FY12	QoQ	YoY
Production (mt)	95.2	131.3	96.3	-27%	1%
Sales (mt)	101.1	113.2	106.3	-6%	5%
Average ASP (Rs/t)	1,132	1,326	1,365	3%	21%
Average EBITDA (Rs/t)	307	459	454	-1%	48%
Average ASP (US\$/t)	25	29	30	3%	21%
Average EBITDA/t (US\$/t)	6.8	10.2	10.1	-1%	48%

Source: Company Data, UBS estimates

Table 3: Cost structure progression

Per production ton analysis: Rs/t	Q1FY11	Q4FY11	Q1FY12	QoQ	YoY
Net Sales	1,132	1,326	1,365	3%	21%
Consumption of Stores & Spares	107	136	107	-21%	0%
Employees' Remuneration & Benefits	447	406	459	13%	3%
Power & Fuel	43	38	44	15%	2%
Social Overhead	25	63	28	-57%	10%
Repairs	11	11	11	-1%	2%
Contractual Expenses	101	121	104	-14%	3%
Other Expenditure	40	76	41	-45%	3%

Source: Company Data, UBS estimates

Coal India

Income statement (Rsm)	03/06	03/07	03/08	03/09	03/10	03/11E	% ch	03/12E	% ch	03/13E	% ch
Revenues	307,559	315,427	346,084	408,108	466,843	524,121	12.3	626,640	19.6	685,220	9.3
Operating expenses (ex deprecn)	(233,329)	(261,879)	(294,168)	(362,546)	(362,026)	(389,330)	7.5	(441,497)	13.4	(479,052)	8.5
EBITDA (UBS)	74,230	53,547	51,916	45,562	104,817	134,791	28.6	185,143	37.4	206,168	11.4
Depreciation	(13,473)	(13,578)	(15,606)	(16,909)	(13,295)	(16,729)	25.8	(17,893)	7.0	(18,905)	5.7
Operating income (EBIT, UBS)	60,757	39,969	36,310	28,653	91,523	118,062	29.0	167,250	41.7	187,263	12.0
Other income & associates	21,669	15,478	12,986	26,142	28,277	20,609	-27.1	23,621	14.6	24,798	5.0
Net interest	8,022	12,726	17,818	25,314	24,239	26,564	9.6	33,380	25.7	41,125	23.2
Abnormal items (pre-tax)	0	0	0	0	0	0	-	0	-	0	-
Profit before tax	90,448	68,174	67,113	80,109	144,039	165,234	14.7	224,251	35.7	253,185	12.9
Tax	(29,655)	(26,283)	(29,537)	(39,514)	(45,745)	(55,959)	22.3	(79,609)	42.3	(84,184)	5.7
Profit after tax	60,793	41,890	37,576	40,595	98,294	109,275	11.2	144,642	32.4	169,001	16.8
Abnormal items (post-tax)	343	162	5,274	33	0	(602)	-	0	-	0	-
Minorities / pref dividends	0	0	0	0	0	0	-	0	-	0	-
Net income (local GAAP)	61,136	42,053	42,850	40,628	98,294	108,674	10.6	144,642	33.1	169,001	16.8
Net Income (UBS)	60,793	41,890	37,576	40,595	98,294	109,275	11.2	144,642	32.4	169,001	16.8
Tax rate (%)	33	39	44	49	32	34	6.6	36	4.8	33	-6.3
Pre-abnormal tax rate (%)	33	39	44	49	32	34	6.6	36	4.8	33	-6.3
Per share (Rs)	03/06	03/07	03/08	03/09	03/10	03/11E	% ch	03/12E	% ch	03/13E	% ch
EPS (local GAAP)	9.68	6.66	6.78	6.43	15.56	17.21	10.6	22.90	33.1	26.76	16.8
EPS (UBS)	9.63	6.63	5.95	6.43	15.56	17.30	11.2	22.90	32.4	26.76	16.8
Net DPS	2.00	2.37	2.70	2.70	3.50	3.90	11.5	5.19	33.1	6.07	16.8
Cash EPS	11.76	8.78	8.42	9.10	17.67	19.95	12.9	25.73	29.0	29.75	15.6
BVPS	22.57	25.67	27.23	30.10	40.92	52.74	28.9	68.50	29.9	86.89	26.9
Balance sheet (Rsm)	03/06	03/07	03/08	03/09	03/10	03/11E	% ch	03/12E	% ch	03/13E	% ch
Net tangible fixed assets	114,515	116,543	120,071	129,283	142,416	150,557	5.7	179,165	19.0	228,899	27.8
Net intangible fixed assets	0	0	0	0	0	0	-	0	-	0	-
Net working capital (incl. other assets)	26,983	11,547	6,748	(26,024)	(25,912)	(2,677)	-89.7	6,574	-	7,091	7.9
Other liabilities	(9,328)	(9,212)	(11,259)	(12,238)	(14,774)	(16,214)	9.7	(17,024)	5.0	(17,876)	5.0
Operating invested capital	132,170	118,878	115,559	91,020	101,730	131,667	29.4	168,715	28.1	218,114	29.3
Investments	22,445	20,259	17,179	15,052	12,823	10,637	-17.1	10,637	0.0	10,637	0.0
Total capital employed	154,615	139,137	132,738	106,072	114,553	142,303	24.2	179,352	26.0	228,751	27.5
Shareholders' equity	142,536	162,131	172,007	190,081	258,453	333,120	28.9	432,622	29.9	548,820	26.9
Minority interests	0	0	0	19	221	292	32.3	240	-17.8	240	0.0
Total equity	142,536	162,131	172,007	190,100	258,673	333,412	28.9	432,862	29.8	549,060	26.8
Net debt / (cash)	(111,082)	(137,854)	(190,776)	(275,465)	(369,909)	(443,087)	19.8	(546,154)	23.3	(627,584)	14.9
Other debt-deemed items	123,161	114,859	151,507	191,436	225,789	251,978	11.6	292,644	16.1	307,275	5.0
Total capital employed	154,615	139,137	132,738	106,072	114,553	142,303	24.2	179,352	26.0	228,751	27.5
Cash flow (Rsm)	03/06	03/07	03/08	03/09	03/10	03/11E	% ch	03/12E	% ch	03/13E	% ch
Operating income (EBIT, UBS)	60,757	39,969	36,310	28,653	91,523	118,062	29.0	167,250	41.7	187,263	12.0
Depreciation	13,473	13,578	15,606	16,909	13,295	16,729	25.8	17,893	7.0	18,905	5.7
Net change in working capital	9,559	10,938	(5,053)	14,377	(12,170)	(22,945)	88.5	(9,252)	-59.7	(516)	-94.4
Other (operating)	21,526	6,046	53,307	59,847	56,130	46,987	-16.3	65,303	39.0	40,183	-38.5
Operating cash flow (pre tax/interest)	105,315	70,532	100,170	119,786	148,777	158,833	6.8	241,194	51.9	245,835	1.9
Net interest received / (paid)	8,022	12,726	17,818	25,314	24,239	26,564	9.6	33,380	25.7	41,125	23.2
Dividends paid	(14,154)	(18,875)	(19,953)	(17,054)	(22,100)	(33,954)	53.6	(45,192)	33.1	(52,803)	16.8
Tax paid	(29,661)	(23,325)	(29,297)	(27,907)	(39,990)	(56,230)	40.6	(79,609)	41.6	(84,184)	5.7
Capital expenditure	(12,446)	(15,342)	(18,350)	(18,746)	(19,804)	(24,870)	25.6	(46,500)	87.0	(68,640)	47.6
Net (acquisitions) / disposals	0	0	0	0	0	0	-	0	-	0	-
Other	-	1,056	2,534	3,296	3,321	3,626	9.2	811	-77.6	851	5.0
Share issues	0	0	0	0	0	0	-	0	-	0	-
Cash flow (inc)/dec in net debt	58,705	26,771	52,922	84,690	94,444	73,968	-21.7	104,083	40.7	82,185	-21.0
FX / non cash items	-	0	0	0	0	(790)	-	(1,016)	28.6	(754)	-25.8
Balance sheet (inc)/dec in net debt	-	26,771	52,922	84,690	94,444	73,178	-22.5	103,067	40.8	81,430	-21.0
Core EBITDA	74,230	53,547	51,916	45,562	104,817	134,791	28.6	185,143	37.4	206,168	11.4
Maintenance capital expenditure	(9,239)	(9,589)	(10,028)	(10,552)	(11,147)	(11,893)	6.7	(13,288)	11.7	(15,347)	15.5
Maintenance net working capital	0	0	0	0	0	0	-	0	-	0	-
Operating free cash flow, pre-tax	64,992	43,958	41,888	35,010	93,670	122,898	31.2	171,855	39.8	190,821	11.0

Source: Company accounts, UBS estimates. (UBS) valuations are stated before goodwill, exceptionals and other special items. Note: For some companies, the data represents an extract of the full company accounts.

12-month rating **Neutral**

12m price target **Rs400.00**

Company profile

Coal India is the largest coal company in the world (primarily thermal coal). The government owns 90% of the company. It sells its entire output (415Mt in FY10) in the domestic market. Coal India sells coal at a significant discount (55-60%) to international coal prices.

Valuation (x)	5Yr Avg	03/09	03/10	03/11E	03/12E	03/13E
P/E (local GAAP)	-	-	-	22.4	16.9	14.4
P/E (UBS)	-	-	-	22.3	16.9	14.4
P/CEPS	-	-	-	19.4	15.0	13.0
Net dividend yield (%)	-	-	-	1.0	1.3	1.6
P/BV	-	-	-	7.3	5.6	4.4
EV/revenue (core)	-	-	-	4.1	3.3	2.9
EV/EBITDA (core)	-	-	-	15.8	11.2	9.7
EV/EBIT (core)	-	-	-	18.0	12.4	10.7
EV/OpFCF (core)	-	-	-	17.3	12.1	10.5
EV/op. invested capital	-	-	-	NM	NM	NM

Enterprise value (Rsm)	03/09	03/10	03/11E	03/12E	03/13E
Average market cap	-	-	2,439,555	2,439,555	2,439,555
+ minority interests	19	221	292	240	240
+ average net debt (cash)	(233,120)	(322,687)	(406,498)	(494,621)	(586,869)
+ pension obligations and other	101,647	105,648	105,648	146,314	160,945
- non-core asset value	(15,052)	(12,823)	(10,637)	(10,637)	(10,637)
Core enterprise value	-	-	2,128,361	2,080,852	2,003,234

Growth (%)	5Yr Avg	03/09	03/10	03/11E	03/12E	03/13E
Revenue	11.0	17.9	14.4	12.3	19.6	9.3
EBITDA (UBS)	9.0	-12.2	130.1	28.6	37.4	11.4
EBIT (UBS)	10.8	-21.1	NM	29.0	41.7	12.0
EPS (UBS)	12.8	8.0	142.1	11.2	32.4	16.8
Cash EPS	10.7	8.1	94.1	12.9	29.0	15.6
Net DPS	15.0	0.0	29.6	11.5	33.1	16.8
BVPS	16.0	10.5	36.0	28.9	29.9	26.9

Margins (%)	5Yr Avg	03/09	03/10	03/11E	03/12E	03/13E
EBITDA / revenue	17.9	11.2	22.5	25.7	29.5	30.1
EBIT / revenue	13.9	7.0	19.6	22.5	26.7	27.3
Net profit (UBS) / revenue	15.0	9.9	21.1	20.8	23.1	24.7

Return on capital (%)	5Yr Avg	03/09	03/10	03/11E	03/12E	03/13E
EBIT ROIC (UBS)	-	27.7	NM	NM	NM	NM
ROIC post tax	-	14.1	64.8	66.9	71.8	64.6
Net ROE	-	22.4	43.8	36.9	37.8	34.4

Coverage ratios (x)	5Yr Avg	03/09	03/10	03/11E	03/12E	03/13E
EBIT / net interest	-	-	-	-	-	-
Dividend cover (UBS EPS)	3.3	2.4	4.4	4.4	4.4	4.4
Div. payout ratio (% , UBS EPS)	33.3	42.0	22.5	22.5	22.7	22.7
Net debt / EBITDA	NM	NM	NM	NM	NM	NM

Efficiency ratios (x)	5Yr Avg	03/09	03/10	03/11E	03/12E	03/13E
Revenue / op. invested capital	-	4.0	4.8	4.5	4.2	3.5
Revenue / fixed assets	-	3.3	3.4	3.6	3.8	3.4
Revenue / net working capital	-	NM	NM	NM	NM	NM

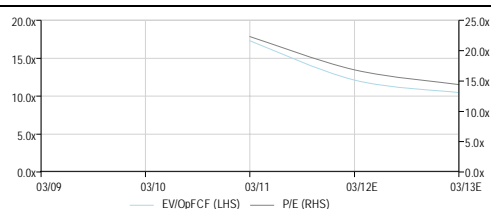
Investment ratios (x)	5Yr Avg	03/09	03/10	03/11E	03/12E	03/13E
OpFCF / EBIT	1.1	1.2	1.0	1.0	1.0	1.0
Capex / revenue (%)	4.6	4.6	4.2	4.7	7.4	10.0
Capex / depreciation	1.2	1.1	1.5	1.5	2.6	3.6

Capital structure (%)	5Yr Avg	03/09	03/10	03/11E	03/12E	03/13E
Net debt / total equity	NM	NM	NM	NM	NM	NM
Net debt / (net debt + equity)	NM	NM	NM	NM	NM	NM
Net debt (core) / EV	-	-	-	(19.1)	(23.8)	(29.3)

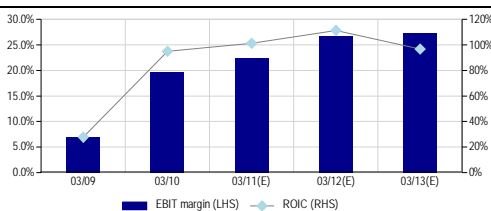
Source: Company accounts, UBS estimates. (UBS) valuations are stated before goodwill, exceptionals and other special items.

Valuations: based on an average share price that year, (E): based on a share price of Rs386.25 on 11 Aug 2011 23:38 SGT Market cap(E) may include forecast share issues/buybacks.

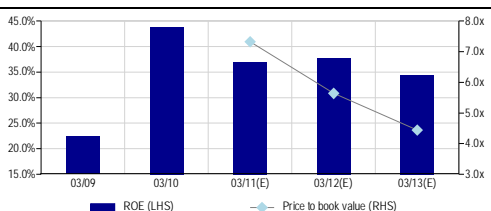
Value (EV/OpFCF & P/E)



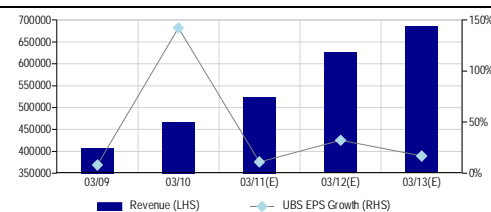
Profitability



ROE v Price to book value



Growth (UBS EPS)



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■ Coal India

Coal India is the largest coal company in the world (primarily thermal coal). The government owns 90% of the company. It sells its entire output (415Mt in FY10) in the domestic market. Coal India sells coal at a significant discount (55-60%) to international coal prices.

■ Statement of Risk

Coal India is a public sector enterprise and hence, may not be able to raise coal prices in line with input costs (given inflation concerns), negatively impacting earnings. Coal India is expanding capacity significantly; any delay in capacity is likely to impact earnings. Valuation: We value Coal India on 15x FY13E EPS.

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UBS Investment Research: Global Equity Rating Allocations

UBS 12-Month Rating	Rating Category	Coverage ¹	IB Services ²
Buy	Buy	54%	39%
Neutral	Hold/Neutral	39%	35%
Sell	Sell	7%	14%
UBS Short-Term Rating	Rating Category	Coverage ³	IB Services ⁴
Buy	Buy	less than 1%	33%
Sell	Sell	less than 1%	25%

1:Percentage of companies under coverage globally within the 12-month rating category.

2:Percentage of companies within the 12-month rating category for which investment banking (IB) services were provided within the past 12 months.

3:Percentage of companies under coverage globally within the Short-Term rating category.

4:Percentage of companies within the Short-Term rating category for which investment banking (IB) services were provided within the past 12 months.

Source: UBS. Rating allocations are as of 30 June 2011.

UBS Investment Research: Global Equity Rating Definitions

UBS 12-Month Rating	Definition
Buy	FSR is > 6% above the MRA.
Neutral	FSR is between -6% and 6% of the MRA.
Sell	FSR is > 6% below the MRA.
UBS Short-Term Rating	Definition
Buy	Buy: Stock price expected to rise within three months from the time the rating was assigned because of a specific catalyst or event.
Sell	Sell: Stock price expected to fall within three months from the time the rating was assigned because of a specific catalyst or event.

KEY DEFINITIONS

Forecast Stock Return (FSR) is defined as expected percentage price appreciation plus gross dividend yield over the next 12 months.

Market Return Assumption (MRA) is defined as the one-year local market interest rate plus 5% (a proxy for, and not a forecast of, the equity risk premium).

Under Review (UR) Stocks may be flagged as UR by the analyst, indicating that the stock's price target and/or rating are subject to possible change in the near term, usually in response to an event that may affect the investment case or valuation.

Short-Term Ratings reflect the expected near-term (up to three months) performance of the stock and do not reflect any change in the fundamental view or investment case.

Equity Price Targets have an investment horizon of 12 months.

EXCEPTIONS AND SPECIAL CASES

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UBS Securities India Private Ltd: Navin Gupta, CFA.

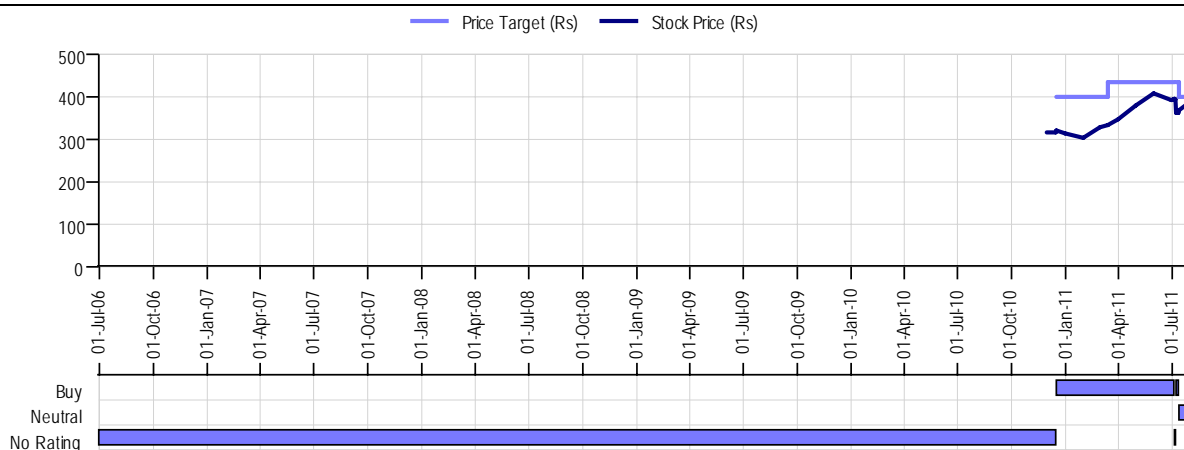
Company Disclosures

Company Name	Reuters	12-mo rating	Short-term rating	Price	Price date
Coal India	COAL.BO	Neutral	N/A	Rs386.25	11 Aug 2011

Source: UBS. All prices as of local market close.

Ratings in this table are the most current published ratings prior to this report. They may be more recent than the stock pricing date

Unless otherwise indicated, please refer to the Valuation and Risk sections within the body of this report.

Coal India (Rs)

Source: UBS; as of 11 Aug 2011

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