

Downgrade—no significant catalysts ahead

■ Event: no major catalysts; mining tax policy uncertainty an overhang

YTD Coal India (CIL) has been one of the best performers on the MSCI India/S&P CNX Nifty (outperformance of 25%/26%). Incrementally, we do not expect significant positive developments over the next 6-12 months, especially on coal price increases/coal volumes. The recent mining tax bill has created uncertainty about the potential earnings impact on Coal India (see *India Metals and Mining: GoM approves draft mining tax bill*, published 11 July 2011).

■ Impact: no material change in operating estimates; adjust 'OBR charges'

We maintain our volume/ASP estimates for FY12/13 (details below). We remove 'overburden removal' (non cash provision in P&L) from our FY12 assumptions (based on recent management guidance); this increases our FY12/13 EPS estimates c14%/12%. However, we also increase our operating cost estimates due to high inflation (largely employee expenses in FY13). We therefore increase our FY12/13 EPS estimates 6%/1%. There could be downside risk to earnings due to the proposed new mining tax policy.

■ Action: downgrade to Neutral after 25% outperformance; cut PT to Rs400

We downgrade our rating from Buy to Neutral (after a 25% outperformance YTD) and cut our price target to Rs400.00 (from Rs435.00) as we believe it will difficult for CIL to: 1) exceed its volume guidance; and 2) raise prices before completing wage negotiations. Uncertainty on the mining bill (CSR setoffs/price increases) will also remain an overhang.

■ Valuation: lowering target multiple to factor in increasing uncertainty

We continue to value CIL on FY13E EPS but we lower our valuation multiple from 16.5x (in line with our valuation multiple of China Shenhua) to 15x due to removal of OBR provisions and the mining bill overhang.

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	-	-	14.8	10.5	9.1
PE (UBS) x	-	-	21.1	15.9	13.6
Net dividend yield %	-	-	1.1	1.4	1.7

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 Rs365.20 on 12 Jul 2011 23:38 HKT

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India

Mining

12-month rating **Neutral**
Prior: Buy

12m price target Rs400.00/US\$8.95
Prior: Rs435.00/US\$9.73

Price Rs365.20/US\$8.17

RIC: COAL.BO BBG: COAL IB

13 July 2011

Trading data (local/US\$)

52-wk range	Rs414.70-291.90/US\$9.25-6.44
Market cap.	Rs2,307bn/US\$51.6bn
Shares o/s	6,316m (ORD)
Free float	10%
Avg. daily volume ('000)	4,479
Avg. daily value (m)	Rs1,705.9

Balance sheet data 03/11E

Shareholders' equity	Rs333bn
P/BV (UBS)	6.9x
Net Cash (debt)	Rs443bn

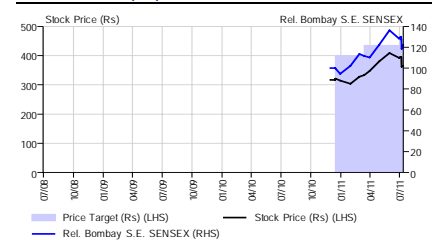
Forecast returns

Forecast price appreciation	+9.5%
Forecast dividend yield	1.1%
Forecast stock return	+10.6%
Market return assumption	13.2%
Forecast excess return	-2.6%

EPS (UBS, Rs)

	03/11E		03/10	
	From	To	Cons.	Actual
Q1E	4.54	4.33	4.49	3.89
Q2E	4.54	4.33	4.49	3.89
Q3E	4.54	4.33	4.49	3.89
Q4E	4.54	4.33	4.49	3.89
03/11E	18.16	17.30	18.16	
03/12E	21.51	22.90	21.51	

Performance (Rs)



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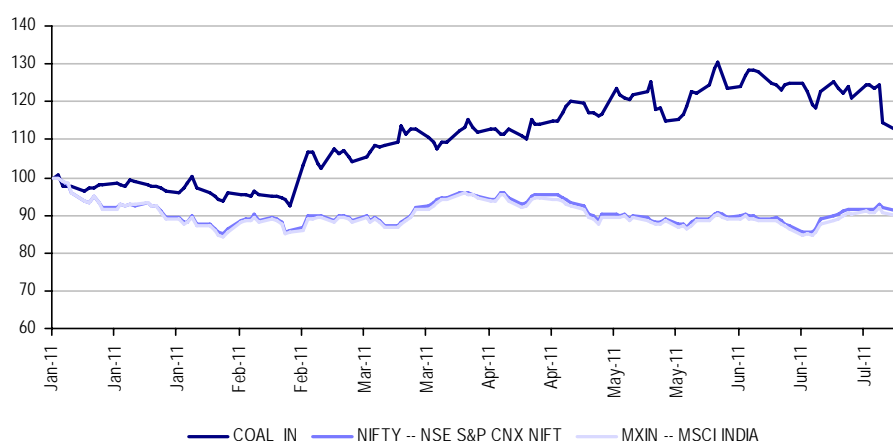
ANALYST CERTIFICATION AND REQUIRED DISCLOSURES BEGIN ON PAGE 9.

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No major positive catalysts ahead

- **Upside to volume guidance looks difficult:** CIL has been citing railway wagon availability as a key issue hindering volume growth. We need to see meaningful and sustained improvement in wagon availability before increasing our volume assumptions. Historically, CIL has disappointed on volume guidance.
- **Higher than expected wage hike/no accompanying price hike:** Wage negotiations for CIL (due once every five years) are expected to begin in July 2011—CIL will make wage provisions from Q1 FY12.
 - We have factored in an incremental wage bill of Rs45bn (US\$1bn, +25% YoY) for FY12, but no offsetting coal price increase.
 - In addition, wage negotiations may take time (the last wage negotiations started in early 2007 and took about 2.5 years —CIL was able to raise coal prices only after the full negotiations were complete).
- **Mining tax an overhang:** According to media reports, the GoM has approved the mining tax bill (please refer to our note *India Metals and Mining: GoM approves draft mining bill*, dated 11 July 2011) which proposes a 26% tax on PAT for coal mining.
 - There is still no clarity on whether CIL will be allowed to set off the CSR expenses (in FY10/11 the company spent c20% of PAT on CSR) against this 26% profit share proposal.
 - Management has been saying since the IPO that it would be able to increase prices to offset any negative impact due to an additional mining tax. We estimate an across the board price increase of 6-7% in FY12/13 would be sufficient to offset the potential 26% tax on PAT.
 - In the worst case, if we assume CIL is not allowed any CSR setoffs and if coal prices are not allowed to be increased, then we estimate the impact on PAT could be -26%/-26% for FY12/13.
- **YTD outperformance:** Coal India has been one of the best performing stocks in India YTD, outperforming the S&P CNX Nifty/MSCI India by 26%/25%.

Chart 1: Coal India's YTD outperformance vs Nifty/MSCI India



Source: Bloomberg, UBS estimates

Change in earnings estimates

- We maintain our volume/ASP assumptions for FY12/13.

Table 1: Change in key operating parameters

	New		Old		Change	
	FY11E	FY12E	FY13E	FY12E	FY13E	FY13E
Total coal sales volume (mt)*	419	447	467	447	467	0%
	2%	7%	5%	4%	5%	
Net realisation /t	1,200	1,347	1,400	1,344	1,397	0%
YoY growth %	10%	12%	4%	13%	4%	
EBITDA/t	322	415	442	379	431	9%
YoY growth %	26%	29%	7%	17%	14%	
PAT/t	260	324	362	304	359	6%
YoY growth %	8%	25%	12%	13%	18%	

Source: UBS estimates

- However, we remove overburden expense from our P&L assumptions. Management recently indicated it is likely to discontinue providing for OBR provision from FY12. OBR provisions in P&L for FY10/11 were Rs30.5bn/Rs26bn. Coal India was earlier supposed to discontinue Overburden provisioning after the adoption of IFRS (expected earlier to be adopted in FY13).
- The impact on our PAT estimates of removing OBR provisions was c14%/c12%. However, we marginally increase our operating expense estimates for FY12/13. The net increases in our EPS estimates for FY12/13 are c6%/1%.

Table 2: Change in earnings estimates

			New		Old		Change
	FY11	FY12E	FY13E	FY12E	FY13E	FY12E	FY13E
Net Revenue (Rs mn)	502,336	601,359	653,214	600,313	651,849	0%	0%
	13%	20%	9%	18%	9%		
EBITDA (Rs mn)	134,791	185,143	206,168	169,107	200,942	9%	3%
YoY growth %	29%	37%	11%	22%	19%		
PAT (Rs mn)	108,674	144,642	169,001	135,855	167,720	6%	1%
YoY growth %	11%	33%	17%	18%	23%		
EPS (Rs mn)	17.2	22.9	26.8	21.5	26.6	6%	1%
YoY growth %	11%	33%	17%	18%	23%		
EBITDA margin	27%	31%	32%	28%	31%		

Source: UBS estimates

Valuation

We previously valued Coal India at 16.5x FY13E EPS to arrive at our price target of Rs435.00. Our target PE multiple is broadly in line with the UBS target multiple for China Shenhua Energy, Coal India's largest regional peer.

We believed this was conservative, as: 1) Coal India's accounting practices were more conservative than peers (for example, it accounted for overburden provision in its P&L: Rs31bn in FY10); 2) it is the largest coal company in the world and the only listed coal company in India; and 3) China Shenhua's forecast ROE is lower than Coal India's—for example, for FY12/13 UBS estimates Shenhua's ROE at 15%/14% compared with 38%/34% for Coal India.

Some of the strong fundamentals that warranted a rich PE multiple for Coal India are now being outweighed by concerns (mining bill uncertainty, rake availability) discussed above. In addition, CIL is returning to normal accounting policy from a conservative one (with regard to overburden expenses). Hence we now believe Coal India deserves a 10% lower PE multiple, at 15x FY13E earnings.

Table 3: Price target derivation

Valuation	
EPS - March 2013 (Rs/share)	26.76
PE multiple	15.00
Target price - (Rs/share)	401*

* Rounded off to Rs400.

Source: UBS estimates

- Our estimates are marginally lower than consensus earnings estimates.

Table 4: UBS vs consensus

Rs m	UBSe		Consensus		Difference	
	FY12	FY13	FY12	FY13	FY12	FY13
Sales	601,359	653,214	613,071	676,359	-1.9%	-3.4%
EBITDA	185,143	206,168	192,328	221,151	-3.7%	-6.8%
PAT	144,642	169,001	148,750	171,410	-2.8%	-1.4%

Source: Bloomberg, UBS estimates

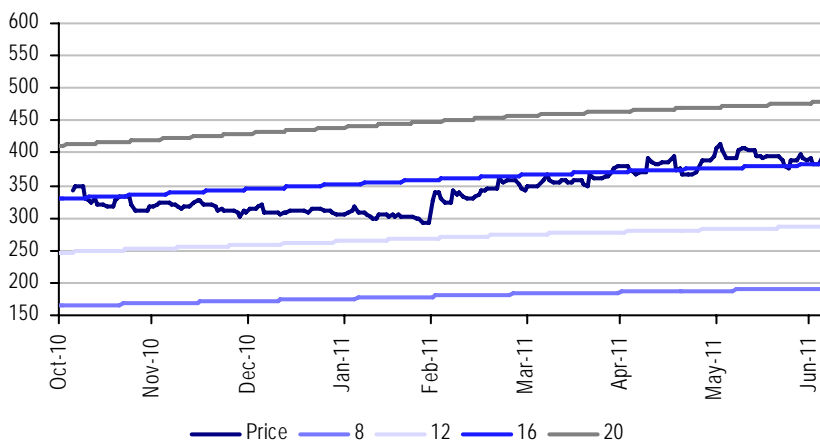
Table 5: Global valuation table - coal

Company Name	Rating	Price	Price	Mkt Cap (US\$m)	Pre-exp PE(x)		EV/EBITDA		P/B		ROE%	
		Target (LC)	LC		FY12E	FY13E	FY12E	FY13E	FY12E	FY13E	FY12E	FY13E
Asia - India												
Coal India	Buy	400	357	50,673	15.6	13.3	9.3	9.1	5.2	4.1	37.8	34.4
Asia - Indonesia												
Bumi Resources	Buy	3,500	3,000	7,302	27.2	13.5	4.7	5.9	30.6	8.7	42.2	101.1
Adaro Energy	Buy	3,000	2,575	9,651	15.9	12.1	6.3	8.4	3.7	3.1	26.2	27.8
Bukit Asam (PTBA)	Buy	25,000	21,400	5,778	16.4	12.2	8.2	10.0	6.3	5.1	43.1	46.1
Asia - China												
China Shenhua Energy	Buy	41	38	96,817	16.4	15.0	7.8	7.2	2.2	1.9	15.2	13.6
China Coal Energy	Buy	14	11	17,914	12.6	8.3	4.2	3.6	1.4	1.3	12.0	16.1
Yanzhou Coal Mining	Neutral	30	30	18,825	11.2	11.2	7.2	6.6	3.2	2.8	32.2	27.0
Global - others												
Wesfarmers Limited	Buy	35	31	38,720	14.0	13.4	7.5	7.2	1.4	1.3	9.9	10.1
Xstrata Plc	Buy	1,590	1,366	63,455	10.1	9.4	5.5	5.9	1.2	1.0	12.1	11.6
BHP Billiton Plc	Buy	2,840	2,437	215,711	8.8	9.1	5.7	5.8	2.8	2.3	36.8	27.9
Anglo American	Neutral	3,300	3,040	58,228	7.5	7.7	5.7	5.6	1.5	1.4	21.2	18.5
Rio Tinto Plc	Buy	5,600	4,450	138,803	7.8	7.6	4.6	4.4	1.8	1.5	26.8	21.8
CONSOL Energy, Inc.	Buy	74	49	11,035	14.7	10.9	6.7	7.8	3.1	2.4	23.1	25.1
Arch Coal, Inc.	Buy	43	25	4,136	9.3	4.4	2.7	3.0	1.2	1.0	16.8	26.2
Teck Resources Ltd.	Buy	62	50	30,850	9.3	10.1	5.7	5.5	1.6	1.4	18.2	14.4
Walter Energy Inc	Buy	163	111	5,947	6.6	8.2	4.1	5.1	4.2	2.9	92.4	42.4
India Average					15.6	13.3	9.3	9.1	5.2	4.1	37.8	34.4
Indonesia average					18.4	12.5	6.6	8.6	11.5	5.3	38.8	53.5
China Average					15.1	13.5	7.2	6.6	2.3	1.9	17.3	15.9
Global - others average					9.1	9.0	5.5	5.6	2.1	1.8	27.2	21.9
Global average					10.7	10.0	6.1	6.1	2.5	2.0	25.5	21.9

Above data as at 12 July 2011.

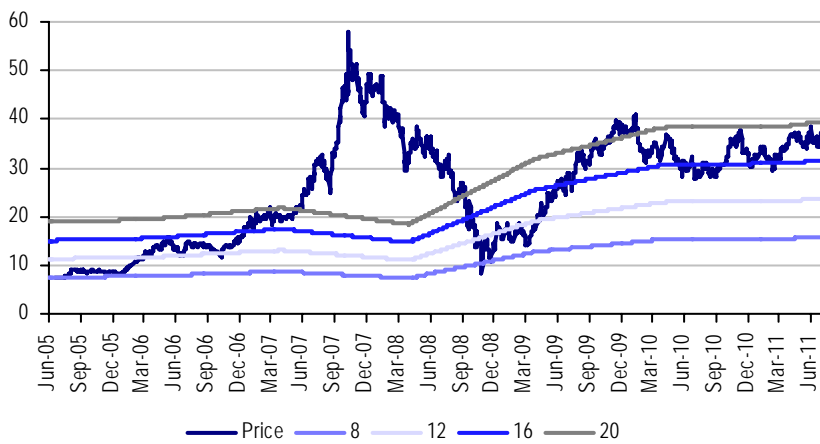
Source: UBS estimates

Chart 2: Coal India PE Band Chart



Source: Bloomberg, company data, UBS estimates

Chart 3: China Shenhua Energy PE Band Chart



Source: Bloomberg, 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 deprn)	(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)	-	-	-	21.2	15.9	13.6
P/E (UBS)	-	-	-	21.1	15.9	13.6
P/CEPS	-	-	-	18.3	14.2	12.3
Net dividend yield (%)	-	-	-	1.1	1.4	1.7
P/BV	-	-	-	6.9	5.3	4.2
EV/revenue (core)	-	-	-	3.8	3.1	2.7
EV/EBITDA (core)	-	-	-	14.8	10.5	9.1
EV/EBIT (core)	-	-	-	16.9	11.6	10.0
EV/OpFCF (core)	-	-	-	16.2	11.3	9.8
EV/op. invested capital	-	-	-	NM	NM	9.7

Enterprise value (Rsm)	03/09	03/10	03/11E	03/12E	03/13E
Average market cap	-	-	2,306,603	2,306,603	2,306,603
+ 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	-	-	1,995,409	1,947,900	1,870,283

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

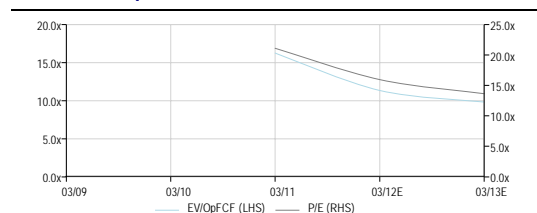
Investment ratios (x)	5Yr Avg	03/09	03/10	03/11E	03/12E	03/13E
OpFCF / EBIT	1.1	1.2	1.0	1.0	1.0	1.0
Capex / revenue (%)	4.6	4.6	4.2	4.7	7.4	10.0
Capex / depreciation	1.2	1.1	1.5	1.5	2.6	3.6

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	-	-	-	(20.4)	(25.4)	(31.4)

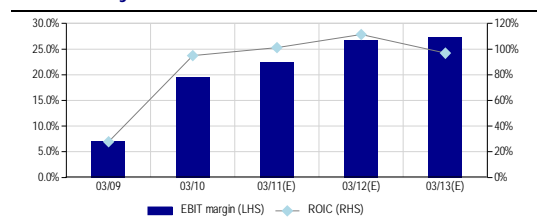
Source: Company accounts, UBS estimates. (UBS) valuations are stated before goodwill, exceptionals and other special items.

Valuations: based on an average share price that year, (E): based on a share price of Rs365.20 on 12 Jul 2011 23:38 HKT Market cap(E) may include forecast share issues/buybacks.

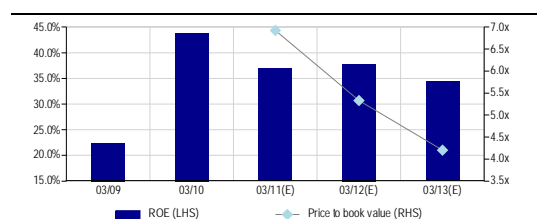
Value (EV/OpFCF & P/E)



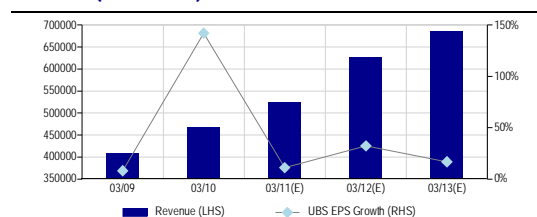
Profitability



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.

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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.

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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.

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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).

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Equity Price Targets have an investment horizon of 12 months.

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UBS Securities India Private Ltd: Navin Gupta, CFA.

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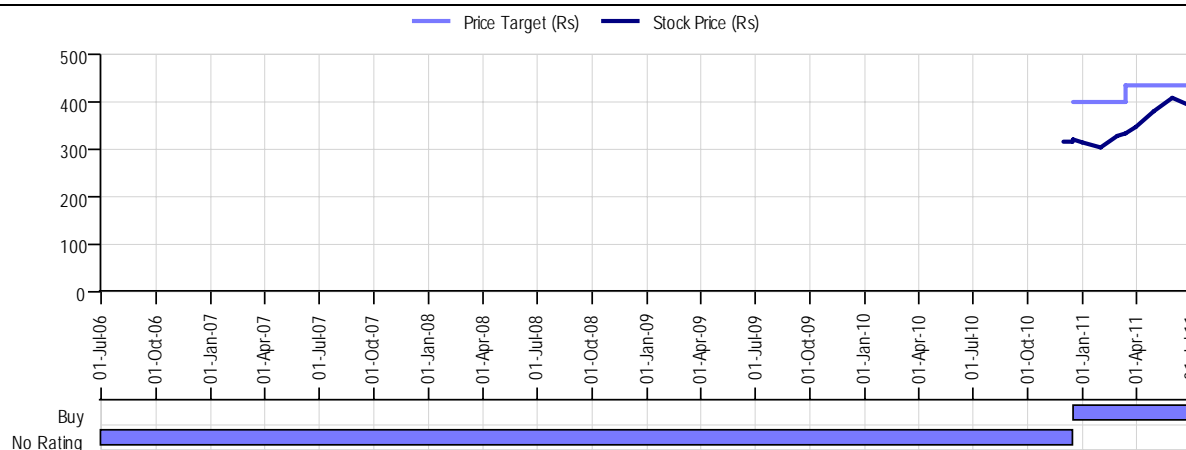
Company Name	Reuters	12-mo rating	Short-term rating	Price	Price date
Coal India	COAL.BO	Buy	N/A	Rs365.20	12 Jul 2011

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 12 Jul 2011

Additional Prices: China Shenhua Energy, HK\$36.60 (12 Jul 2011); Source: UBS. All prices as of local market close.

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