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Volume: 2 Issue: 42 Oct 18th 2010

Technical View: Cash Market

Nifty made weekly shooting star candlestick pattern for consecutive second week, which shows bears are having control at the moment and lower prices might be seen. Profit booking may continue, if Nifty declines below 6050 levels. If Nifty manages to show respect for 6050 levels then bulls may try to come back. Sentiment to a large extent may depend upon July10-Sept10 quarter results.

For trading during the coming sessions, trend deciding level is 6050. If Nifty shows strength above 6050 levels then we may see rally to 6100/6150/6225/6300 levels. If Nifty doesn't sustain above 6050 levels then decline to 6000/5950/5900/5850 may also be seen.

Recommendation for Monday- Intra Day Trading

Scrip (LTP)	Action	At Price	For Target of	Stop Loss	Duration
GMRINFRA (56.20)	SELL	BELOW 56.50	53	58	1 day
TATA CHEM (431.05)	BUY	ABOVE 431	445	421	1 day

Technical View: NIFTY Future

Duration	Action	Entry Zone	For Target of	Stop Loss
For Monday	Sell	6148	6090/6050	6177
For the Week	Sell	6148-6220	6050/5950	6250

Fundamental Calls

Company	Recommendation	Buy Range	Target
TVS Motor Co. Ltd.	Buy	73.60	83
Coal India Ltd.	Subscribe	225-245	

News Roundup

- India's benchmark index ended the second consecutive week on lower note on the back of sustained profit booking and disappointing IIP numbers. Sensex lost 0.62 % and Nifty lost 0.67% for the week ending 15th October 2010.
- India's annual industrial output growth dropped to single-digit in August to 5.6 % compared to 15.2 % growth in July. Capital goods production fell by 2.6 % YoY, Consumer non –durable goods output grew by 1.2 % whereas factory output rose 5.9 % and mining output also up by 7%.
- India's wholesale price index (WPI) rose to 8.62% in Sep 2010 compared to 8.5 % in August. Manufacturing inflation was up by 4.59%. Food price inflation accelerated to 15.71% annually in September, and for the week ended on 2nd Oct 2010 it rose to 16.37 % as compared to 16.24 % in the previous week. The primary articles price index rose by 18.54%.
- India's forex reserves stood at US\$ 295.79bn as on 8th Oct 2010, with an increase of US\$ 1.63 bn over the reserves of US\$ 294.15bn as on 1st Oct'10.
- Indirect tax collection rose 44.4 percent to Rs.1, 50,686 cr in the first six months of the current fiscal, almost 67 percent increase in revenue from customs duties which stood at Rs 63,229 cr. Collections from central excise duties rose 40.7 percent to Rs.60,834 cr while revenue from service tax increased 14.8 percent to Rs.26,623 cr.
- Oil Ministry of India is expecting investments of USD 14 billion in its ninth licensing round for 34 exploration blocks. India is offering the oil and gas blocks in its latest exploration round and the blocks are offered under India's New Exploration and Licensing Policy (NELP) to offer better terms for contractors.
- China's trade surplus fell to US\$16.88bn in September 2010 from US\$20.03bn in August 2010. Exports for the month rose 25.1% from a year earlier, whereas Imports for September are up by 24.1% YoY.
- Singapore's GDP growth slowed to 10.3% YoY in the third quarter versus expectations of 10.8%. On QoQ basis GDP shrank at a 19.8% annual rate in the third quarter from the previous three months after climbing 27.3% in the April-to-June period. Manufacturing, which accounts for about a quarter of Singapore's economy, climbed 12.1% from a year earlier in the three months ended September.
- European exports increased in August by 1% from July. Meanwhile inflation also accelerated to 1.8 percent in September as compared to 1.6 percent in the previous month, this is highest since November 2008. A stronger Euro may put pressure on the exporters in Europe as appreciating Euro may make goods less competitive outside the currency region.
- U.S. trade deficit widened by 8.8 percent to \$46 billion in August from \$ 42 billion due to rise in trade with China. U.S. imports of Chinese goods jumped to \$35.2 billion from \$33.2 billion in July, while U.S. exports to China fell to \$7.2 billion from \$7.3 billion.
- US inflation unexpectedly slowed in September even as retail sales picked up, this will require an action to be taken by the Federal Reserve to minimize the risk of a downward price spiral. Federal Reserve Chairman Ben Bernanke said that the central bank would likely pump more money into the sagging economy.
- Market is expected to remain choppy in the coming week. Corporate results like HDFC bank, ACC, Kotak Bank, HCL Tech and Wipro are due in next week.

Market Indices

SECTORAL INDICES				
INDICES	8-Oct-10	15-Oct-10	Change (%)	Difference
BSE				
Sensex	20250.26	20125.05	-0.62	-125.21
Bankex	14185.47	14048.89	-0.96	-136.58
IT Index	6052.77	6075.17	0.37	22.4
Metal Index	17391.94	17493.39	0.58	101.45
FMCG Index	3626.49	3607.51	-0.52	-18.98
Cap. Goods Index	16248.50	15904.64	-2.12	-343.86
Realty Index	3891.78	3881.20	-0.27	-10.58
Consumer Durables Index	6484.31	6366.08	-1.82	-118.23
OIL & GAS	10805.66	10692.64	-1.05	-113.02
AUTO	9700.87	9751.91	0.53	51.04
Healthcare Index	6305.81	6302.02	-0.06	-3.79
PSU Index	10498.82	10332.43	-1.58	-166.39
Mid-Cap Index	8330.57	8311.66	-0.23	-18.91
NSE				
S&P CNX Nifty	6103.45	6062.65	-0.67	-40.80
Bank Nifty	12473.40	12346.45	-1.02	-126.95
CNX IT Index	6710.65	6730.10	0.29	19.45
S&P CNX 500	5032.65	4998.70	-0.67	-33.95

GLOBAL INDICES				
INDICES	8-Oct-10	15-Oct-10	Change (%)	Difference
US Market				
NASDAQ	2401.91	2468.77	2.78	66.86
Dow Jones	11006.48	11062.78	0.51	56.30
S & P 500	1165.15	1176.19	0.95	11.04
European Market				
FTSE 100	5657.61	5703.37	0.81	45.76
CAC 40	3763.18	3827.37	1.71	64.19
Asian Market				
Nikkei	9588.88	9500.25	-0.92	-88.63
Strait Times	3153.34	3204.27	1.62	50.93
Hang seng	22944.18	23757.63	3.55	813.45
Shanghai Comp.	2738.74	2971.16	8.49	232.42

Institutional Activity (Equity)

INSTITUTIONAL ACTIVITY (Equity)

			(Rs. In Cr)
Day Wise	Purchase	Sale	Net
FII Activity			
Friday	3602.80	2795.30	807.50
Monday	3545.40	2434.20	1111.20
Tuesday	3092.50	2392.40	700.10
Wednesday	6718.60	3618.20	3100.40
Thursday	5492.10	2597.70	2894.40
Friday(Provisional)	2281.71	2394.46	-112.75
Total	24733.11	16232.26	8500.85
DII Activity			
Friday	923.60	1925.61	-1002.01
Monday	1161.86	1736.67	-574.81
Tuesday	1106.80	1561.32	-454.52
Wednesday	1341.50	2696.31	-1354.81
Thursday	1325.59	2019.86	-694.27
Friday	1150.44	2203.89	-1053.45
Total	7009.79	12143.66	-5133.87

Weekly Sectoral Roundup

Out performer	Under performer	Neutral
METAL (+0.58%)	CAPITAL GOODS (-2.12%)	FMCG (-0.52%)
AUTO (+0.53%)	CONSUMER DURABLES (-1.82%)	
IT (+0.37%)	OIL&GAS (-1.05%)	
HEALTHCARE (-0.06%)	BANK (-0.96%)	
REALTY (-0.27%)		

Weekly Top Gainers

Name	close	pclose	%change
CHAMBLFERT	92.85	74.10	25.3
VIJAYABANK	106.20	90.55	17.28
NAGARFERT	35.80	31.5	13.65
ORCHIDCHEM	309.75	281.65	9.98
IOB	160.44	149.70	7.18

Weekly Top Losers

Name	close	pclose	%change
MUNDRAPORT	161.90	181.50	-10.8
PRAJIND	72.15	80.15	-9.98
ZEEL	270.25	294.60	-8.27
BPCL	695.15	747.05	-6.95
JISLJALEQS	1075.80	1155.85	-6.93

Outlook for the Week

Nifty opened the week on a positive note at 6105.95 levels and showed good strength during first half of the week and Nifty made new 52-week high at 6284.10 levels. However, selling pressure was seen from resistance near 6300 during Thursday-Friday trading days and Nifty made weekly low at 6050.35 levels. Nifty closed the week in red at 6062.65 levels with 0.67% loss. Volumes were lower than previous week. Majority of largecap stocks showed selling pressure during the week. Nifty made weekly shooting star candlestick pattern for consecutive second week, which shows bears are having control at the moment

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NIFTY Futures View

Nifty Sep Future opened at 6182 touched the new 52 week high of 6317.80 then due to profit booking tested the low of 6076.10 & closed at 6092. Technically speaking 5850 mark would act as a support for the coming week. Possible resistance would be around 6250. If Nifty future declines below 6050 level then selling pressure till 5850 level might be seen.

View for Medium term Traders: On Medium term basis, Nifty has support around 5850 mark. Medium term resistance will be around 6250.

Trading strategy for Short term Traders: We are recommending selling strategy for the short term traders. Short position may be taken in the zone of 6148-6220 with the SL of 6250 for the target of 6050/5950.

For day-trading purpose on Monday: Short position may be taken in resistance zone around 6148 with the SL of 6177, for the likely target of 6090/6050.

Nifty Trend Watch

Date	Nifty	Cash	October Future
15-10-2010	Close Today	6062.65	6092
Week Beginning 18-10-2010	R2	6225/6300	6225/6300
	R1	6100/6150	6100/6150
	Weekly Trend Deciding	6050	6050
	S1	6000/5950	6000/5950
	S2	5900/5850	5900/5850

Nifty Weekly

NSE Nifty [N59901] 6105.95, 6284.10, 6050.35, 6062.65, 4620322304 -0.67%
 Price



Investment Ideas

TVS Motor Company Ltd.

Buy

CMP: - ₹73.60

(Medium Risk – Medium Return)**Date: 15th Oct, 2010**

Company Background

TVS Motor Company, a TVS Group company, is the third largest two-wheeler manufacturer in India. The company has an annual production capacity of 2.5mn units across its four plants located in Hosur (Tamil Nadu), Mysore (Karnataka), Solan (Himachal Pradesh), and Indonesia.

TVS manufactures a wide range of two-wheelers ranging from mopeds to scooters to motorcycles. In recent past, it has also marked its entry into three wheeler segments. Currently, the company sells following models in different variants.

Motorcycles: Apache, Flame, Jive, Star City, Sports, Victor, Metro, Max 100

Variomatic Scooters: Wego, Scooty Streak, Scooty Pep+, Scooty Teenz

Mopeds: XL Super, XL Heavy Duty

Three Wheelers: TVS King

The company's first quarter performance was quite good. It posted growth both in Sales and Net Profit.

- TVS Motor recorded over 40% y-o-y growth in Net Sales to ₹1370 Crore in Q1FY11 compared to ₹975 Crore in Q1FY10 and ₹1192 Crore in Q4FY10. The growth was primarily attributed to a significant jump in sales volume led by new launches and strong contribution from existing portfolio. Volume growth was witnessed across all segments. However, motorcycle exports tumbled slightly on sequential basis.
- The company posted a growth of over 34% in PBDIT to ₹104 Crore in Q1FY11. Raw material expenses grew more than sales and created a dent on PBDIT margins. PBDIT margins fell by around 35 basis points to 7.6% in Q1FY11 compared to 7.9% in Q1FY10 and Q4FY10.
- Profit after tax (PAT) increased by over 120% to ₹40 Crore in Q1FY11 compared to ₹18 Crore a year ago. Depreciation and interest expenses remained almost flat; while other income jumped from ₹0.3 Crore in Q1FY10 to ₹4.0 Crore in Q1FY11. Tax expenses increased five-fold to ₹10 Crore. Net margin expanded by almost one percentage point to 2.9%.

Investment Rationale

Sales Volume on High: The Company has been able to increase its sales volume across all the segments. It is expected to maintain the increasing trend and achieve the targeted sales volume of 20 lakh units for this fiscal. In fact, the company is aiming for a monthly target of around 2 lakh by last quarter of this fiscal or first quarter of next fiscal. Apache, Wego and Jive are expected to drive the volume growth for TVS. In addition, volume growth will help company to achieve economies of scale leading to further expansion in margins.

(Sales Vol. in lakh)	Jul-Sep'10	Jul-Sep'09	Change,%	Apr-Jun'10	Change,%
Motorcycle	2.09	1.55	35.1	2.00	4.3

Mopeds	1.82	1.49	21.7	1.60	13.4
Scooter	1.24	0.87	43.6	0.95	30.2
Total 2-wheelers	5.15	3.91	31.8	0.54	12.9
o/w exports	0.58	0.35	66.6	0.54	8.2
Total 3-wheelers	0.10	0.03	205.5	0.08	27.7
o/w exports	0.035	0.002	1816.2	0.019	88.9
Total	5.25	3.94	33.3	4.64	13.2

Industry Expected to Grow: The two-wheeler industry is expected to maintain the sales momentum in next 1-2 years. With the healthy macro-economic environment expected to continue along with rising corporate and rural income, the industry is looking forward to continued robust consumer demand. In addition, the ensuing festive season will surely give a boost to the sales volume.

Increasing Market Share: TVS Motor has been able to increase its market share in overall two-wheeler sales (including exports) from 14.0% in Q3FY10 to 15.7% in Q2FY11. In motorcycle segment, TVS increased its share from 7.1% to 8.1% during the same period; while in scooters it has improved from 21% to 24%. The trend gives a favourable view on acceptance of TVS brand among the consumers.

Capacity Expansion to meet Increasing Demand: TVS is planning to invest ₹400 Crore in next 2 years to expand its production capacity to four million units per annum.

- According to the management, some investments are already on and some kind of capacity increase will happen on different products over a period of every second-third month. Scooters will witness the increase by this December and thereafter Mopeds in another 2-3 months. Wego capacity is to increase from 15,000 to 25,000 a month by this December. Capacity will increase by January for Apache.
- The company announced ₹200 Crore in April 2011 for a capacity expansion project for its Hosur plant. This will increase its annual capacity from 7 lakh units to 28 lakh units and is estimated to be completed by April 2014.

Indonesian Subsidiary to Breakeven: The Company is expecting its Indonesian Subsidiary to breakeven in the last quarter of this fiscal or first quarter of the next fiscal. TVS is also planning to set-up a design centre there.

Consistent Dividend Payment History: TVS has a history of consistently sharing earnings with its shareholders. The company has never skipped dividend payment in last 17 years. Recently, the company also paid bonus share in the ratio of 1:1 in addition to dividend of 120% (₹1.2 per share).

Peer Analysis

TVS Motor finds its competitor in Hero Honda which is the market leader in motor cycles and Bajaj Auto. However, in terms of sales, TVS is almost one-third of Bajaj Auto and a fourth of Hero Honda.

Peer Analysis

(in ₹ Crore)

(ttm ending Jun'10)	TVS Motor	Hero Honda	Bajaj Auto
Financial Analysis:			
Equity (Sep'10)	48	40	289
Sales	4,757	16,212	12,987
PBDIT	376	2,719	2,914
PBDITM, %	7.9%	16.8%	22.4%
PAT	110	2,223	1,998
PATM, %	3.3%	13.7%	16.4%
EPS (₹)	3.3	111.3	73.8
Face Value (₹)	1.0	2.0	10.0
Valuations (as on 15 Oct 2010)			
CMP (₹)	73.6	1785.0	1511.0
Market Cap	3,497	35,646	43,724
P/E (x)	22.3	16.0	20.5
Cash P/E (x)	10.9	14.7	19.3
M.Cap/Sales (x)	0.7	2.2	3.4
EV/EBITDA (x)	11.7	12.4	15.4

#: TVS and Bajaj issued bonus shares in September'10. Adjustments have been made accordingly. Debt and Cash position been taken as of March'10 end.

TVS Motor is relatively undervalued compared to its peers on EV/EBITDA and Market Cap/Sales multiple.

P/E multiple for TVS Motor is high owing to its low earnings. Earnings have been facing pressures pressure due to high depreciation and interest expenses. However, it has come down from 88% of EBITDA in FY09 to 65% in FY10. It is expected to decrease further in coming years.

Risk and Concerns

- Any increase in input costs can affect the profitability of the company.
- Company's Indonesian subsidiary is still under losses and any slippage will further dampen the parent's performance.
- High competition in the market poses a threat to sales volume for the company. M&M has also marked its entry into motorcycle segment. Any loss in the market share might adversely affect the performance of the company.
- Unfavourable macro-economic factors affecting buying power of consumer will have an adverse bearing on the sales volume.

Recommendation

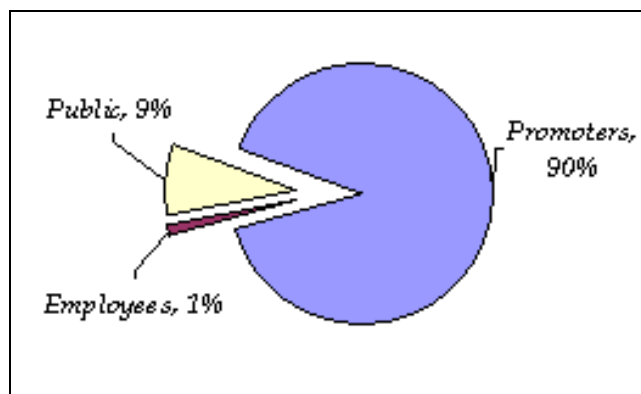
TVS Motor Company is the third largest two-wheeler manufacturer in the country. The company has been able to gain market share across all segments in last one year. With the favourable macro-economic factors and increasing rural and corporate earnings, industry is expected to maintain its growth momentum. TVS has outperformed the industry in terms of volume growth and is already expanding capacities for various models to meet the increasing demand. The stock is currently trading at ₹73.60 – at a forward P/E multiple of 17.0x on FY11 estimates. We recommend BUY with a medium term target of ₹83.00.

**Coal India Ltd.
IPO Coverage**

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Date: 16th Oct, 2010

Coal India Ltd	
Issue size (no. of shares)	631,636,440
Face Value	Rs 10
Equity Shares outstanding prior to the Issue	6,316,364,400
Equity Shares outstanding after the Issue	6,316,364,400
Issue opens	18 Oct 2010
Issue Closes	21 Oct 2010
Price band	Rs. 225 - Rs.245



Post-IPO

Company Background

Incorporated in 1973, Coal India Limited (CIL) is the largest coal producer and coal reserve holder in the world, contributing 82% of total coal production in India. It is producing non-coking coal and coking coal of various grades for diverse applications. CIL is controlled by Government of India and in the year 2008 it was awarded the status of Navratna. Additionally, its six wholly-owned subsidiaries out of nine have been accorded 'mini-Navratna' status giving operational autonomy.

With headquarters in Kolkata, Coal India Ltd is majorly catering to needs of power and steel sectors. Other consumers of the company includes cement, fertiliser, brick kilns etc. Most of the coal produced by the company is used by the thermal power sector in India. The top five customers of the company are power utility companies; NTPC leads the rank with 26.7% of sales.

It is responsible for the entire coal mining sector carrying out operations through 471 mines in 21 major coalfields across eight states in India, including 163 open cast mines, 273 underground mines and 35 mixed mines (includes both open cast and underground mines). Around 90% of coal is produced from open cast mines and the balance from underground mines.

Moreover the company is producing raw coal to facilitate the production of beneficiated coal thus operating in 17 coal beneficiation facilities with an aggregate designed feedstock capacity of 39.40 million tons per annum. In addition, they intend to develop an additional 20 coal beneficiation facilities with an aggregate additional proposed feedstock capacity of 111.10 million tons per annum.

As a dominant player in the Indian Coal Industry, CIL is playing a crucial role in facilitating the Indian economy by catering the needs of thermal power generation. India's energy needs are fast expanding with its increased industrialisation and capacity addition in power generation thereby requiring more and more inputs from the Coal India Ltd.

Coal Production & Sales Data of CIL

Company is involved in producing various grades of non coking and coking coal, the following table depicts the production figures for the year ending 2008, 2009, 2010 and for the quarter ending on June 2010.

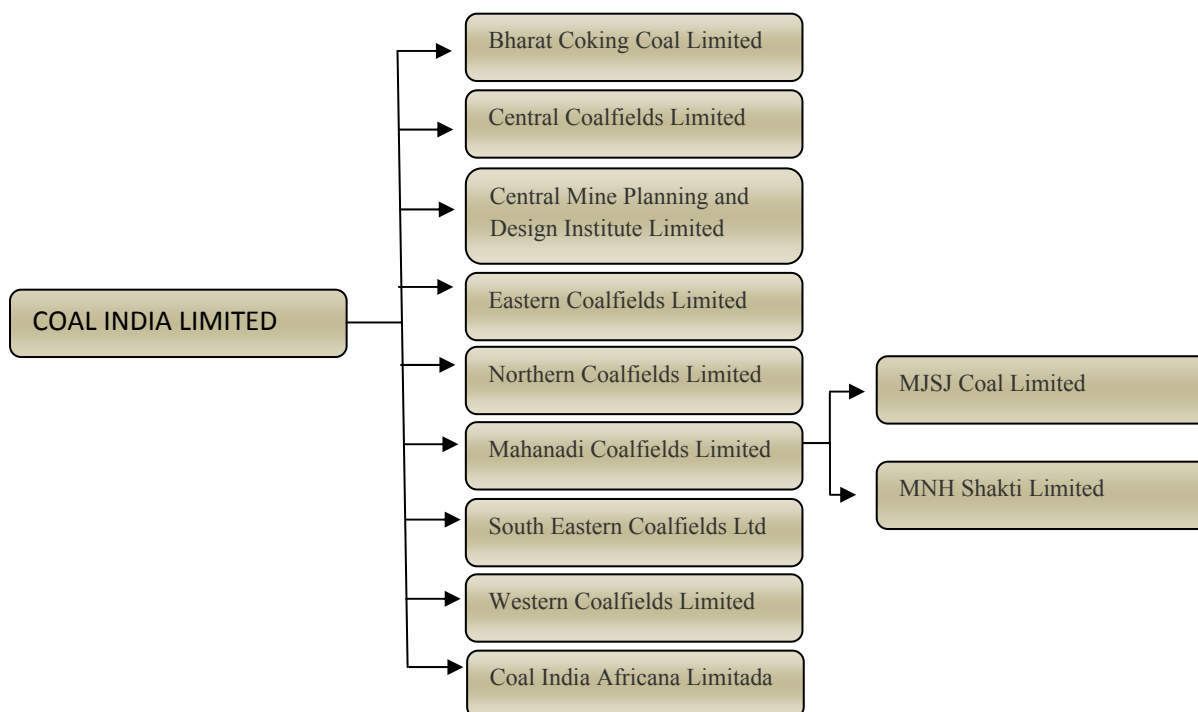
Production Data	2008		2009		2010		Three Months ended June 30,2010	
	Raw Coal Production	Raw Coal	Raw Coal Production	Raw Coal	Raw Coal Production	Raw Coal	Raw Coal Production	Raw Coal

	(MN Tonnes)	Production (%)	(MN Tonnes)	Production (%)	(MN Tonnes)	Production (%)	(MN Tonnes)	Production (%)
Non -coking Coal	353.30	93.1 %	377.19	93.4 %	395.13	91.6 %	86.12	90.5 %
Coking Coal	26.16	6.9 %	26.54	6.6 %	36.13	8.4 %	9.03	9.5 %
Total	379.46	100 %	403.73	100 %	431.26	100%	95.15	100%

Sales Data	2008		2009		2010		Three Months ended June 30,2010	
	Raw Coal Dispatch (MN Tonnes)	Raw Coal Dispatch (%)	Raw Coal Dispatch (MN Tonnes)	Raw Coal Dispatch (%)	Raw Coal Dispatch (MN Tonnes)	Raw Coal Dispatch (%)	Raw Coal Dispatch (MN Tonnes)	Raw Coal Dispatch (%)
Non -coking Coal	349.32	93.3 %	373.24	93.1 %	381.09	91.8 %	91.00	90.16 %
Coking Coal	25.25	6.7 %	27.51	6.9 %	34.13	8.2 %	9.93	9.98 %
Total	374.57	100 %	400.75	100 %	415.22	100%	100.93	100%

Coal is sold to the customers pursuant to long-term FSAs, separate memoranda of understanding entered into with customers or under the E-Auction scheme. Raw coal allotted under the E-Auction scheme is approximately 10.0% of the annual total raw coal production. In fiscal 2008, 2009, 2010 and the three months ended June 30, 2010, the volume of raw coal allotted under the E-Auction scheme was 28.79 million tons, 48.87 million tons, 45.73 million tons and 9.30 million tons, respectively.

Corporate Structure of the company



Objectives of the issue

The objects of the offer are to divest 631,636,440 equity shares held by Gol in the company and to realize the benefits of listing the equity shares on the stock exchanges. CIL will not receive any proceeds from the offer and all proceeds shall go to Gol.

Industry Highlights

India is the third largest producer as well as third largest consumer of coal in the world. Coal is one of the prime fuels in India and meets 52.4% of the energy needs of the country's all major sectors. Approximately 77.0% of the total coal in India is consumed only by the power sector for generation of electricity. In addition it is also used in other industries such as steel, cement, fertilizers, bricks manufacturing, textiles and chemicals etc.

The coal sector in India is primarily dominated by the PSUs under the central and the state governments. Most of the coal produced in India is fit for use in power generation. Of the total proven reserves in India, approximately 87.0% of non-coking coal is fit for use in the power sector and the remaining reserves (coking coal) are fit for steel production. As far as Coal reserves are concerned India's coal reserves are primarily low quality coal reserves with high ash and moisture content.

Globally also the coal is most widely available and well distributed fuel in the world. China is the world's largest producer of coal. It produced 3050 million tonnes (44% of the total worldwide production during the last fiscal year). The world coal reserves as per the rate of production in 2009 are estimated to suffice for the next 119 years.

Investment Rationale

- Largest producer and reserve holder of coal in the world, with no peers listed in India – CIL is the world's largest producer of coal with 48% of India's proven reserves. It contributes over 81% of the total coal production in India. Coal being the prime fuel available in India and with the abundant reserves, the company plays a significant role in catering the needs of the relevant sectors of Indian economy including power, electricity, steel, cement etc. Moreover company enjoys a dominant position with almost no comparable competitors in the industry. This is mainly because CIL's major production is from open cast mining which grant the company a significant cost advantage.
- Well positioned to capitalise the favourable demand outlook of coal – The Company is currently operating 163 open cast and 273 underground mines. The capabilities have helped the company grow its production at a CAGR of 5.2% from 260 MT in FY00 to 431 MT in FY10. Moreover 17 coal beneficiation facilities with an aggregate designed feedstock capacity of 39.40 million tons per annum are also functioning. Further CIL intends to develop additional 20 coal beneficiation facilities with an aggregate additional proposed feedstock capacity of 111.10 million tons per annum. The expansion is undertaken basically to cater the increasing demand of thermal power, iron and steel, cement and other manufacturing and industrial sectors. Hence going forward increased sale of beneficiated coal will enable the company to fulfill the requirements of all the relevant sectors, in turns driving the growth of Indian economy.
- Domestic and Overseas acquisition to improve its assets base- Demand for non-coking coal in India is projected at approximately 868 million tons in fiscal 2014, while the demand for coking coal is also likely to increase at same pace. Taking the increasing demand and lagging supply into consideration the company is acquiring new reserve base and also taking initiatives for overseas acquisitions in the near term. The company has obtained prospecting license for the coal blocks in Mozambique through its wholly owned subsidiary. It is also planning to make equity investments in strategic brown field and Greenfield coal assets and enter into long-term off take arrangements for the import of coal into India. They have also established a strategic joint venture ICVL with four large Indian PSUs namely SAIL, NTPC, NMDC and RINL for the acquisition of coal assets outside India specifically in Australia, the US, and Indonesia. The company has set aside Rs 5,300 crore in this financial year for foreign acquisitions.
- Strong financial performance – The Company had registered a net profit of Rs 9,833.69 crore in the last financial year (FY10), on a total income of Rs 52,592.29 crore. For the three months ended June 30, Coal India's total income was about Rs 13,110 crore, while profit for the period stood at Rs 2,521.78 crore. Its revenues grew at a two-year CAGR of 17.0% on account of 5.5% CAGR in sales volumes. It intends to enhance its profitability and maintain the

competitiveness by improving their operating efficiencies and increasing productivity. CIL is also aiming to reduce per unit production costs by implementing advanced mechanized production technologies and equipment. Considering all its future expansion plans, the company expects its profits to increase by 25 percent in the coming year.

Financial Highlights

Consolidated Profit & Loss Statement		(Rs crores)			
Particulars	FY08	FY09	FY10	FY11E	
Net Sales	34608	40810	46684	51352	
Other Income	3764	5147	5240	5906	
Total	38372	45957	51924	57258	
Total Expenses	27581	38377	36490	38514	
PBDIT	10791	7580	15434	18744	
Depreciation	1529	1663	1314	1643	
PBIT	9262	5917	14120	17100	
Interest & Finance Charges	169	178	156	169	
PBT (Excl extraordinary items)	9093	5739	13964	16931	
Extraordinary items	-375	5.43	0	0	
PBT	8718	5744	13964	16931	
Provision for tax	3475	3665	4342	4827	
PAT	5243	2079	9622	12104	
% Change		-60.3	363	25.8	
PBDITM, %	31.2%	18.6%	33.1%	36.5%	
PATM, %	15.1%	5.1%	20.6%	23.6%	

Risks & Concerns

- Lengthy process of regulatory approvals affects the project implementation – CIL, a GoI controlled company has to take various regulatory approvals for its coal mining projects. Foremost approval has to be taken from the Ministry of Environment and Forests (MoEF) which takes around 3-8 years. This not only extends the process of commissioning of new mines but also have an adverse effect on the growth plans of the company. Other issues such as land acquisition, resettlement of displaced population, environmental factors acts as a hurdle in carrying out the timely production.
- Change in Government policy is also a risk factor to the company – Policies and regulations regarding environmental issues, forest clearance also act as a barrier in the future plans of the company. Moreover the proposal for categorising forest areas into 'go' and 'no-go' areas for coal mining is currently under discussion with the GoI, Ministry of Environment and Forests, and Ministry of Coal. Also, the government of India is planning to set up an independent coal regulator which will again bring significant changes in the strategic moves of the company.
- Significant Dependence on a Single or Few Customers – CIL is majorly dependent of power sector and its clients. Most of the coal produced by the company is used for thermal power generation. Thus any change in business policies, expansion and capital expenditure plans as well as procurement strategies of the power generation companies will have a significant impact on the company's business, results of operations and financial conditions.

Valuation & Recommendation

CRISIL has assigned a CRISIL IPO Grade '5/5' to the proposed initial public offer (IPO) of Coal India Ltd. ICRA and CARE have also assigned the highest rating. The company is globally the largest coal producer and reserve holder. CIL enjoys the dominant position in Indian Coal Industry with no comparable peer group. This will be the largest IPO in the history of Indian capital market where the company is aiming to raise over 15000 crore. Employees and retail investors will get 5% discount to the issue price. The EPS for FY10 of the company works out to Rs 15.23 At the offer price band of Rs 225 - Rs 245 per share, PE works out to 14.76 – 16.08 times. Overall, the issue is attractively priced, taking into consideration the increasing demand for coal in India and the company is well positioned to capitalise the upcoming opportunities, we expect the company to perform well in the future on the back of good future prospects and healthy financials. Since this is a government owned company with good management and steady business model, those looking for steady growth can subscribe the issue for long term. Potential for listing gains also exists.

Derivatives Statistics

SYMBOL	PREV. WEEK	PCR OI CURR. WEEK	% CHANGE	TOTAL FUTURES OI		
				OI PREV. WEEK	OI CURR. WEEK	% CHANGE
BANKNIFTY	0.65	0.77	18.46	1,687,850	1,631,075	-3.36
MININIFTY	1.01	0.61	-39.60	1,426,460	1,502,420	5.33
NIFTY	1.3	1.28	-1.54	28,834,100	29,946,400	3.86
ACC	0.48	0.47	-2.08	2,985,250	3,121,500	4.56
AMBUJACEM	0.31	0.26	-16.13	24,082,000	26,742,000	11.05
AXISBANK	0.62	0.19	-69.35	3,007,250	3,439,000	14.36
BAJAJ-AUTO	0.24	0.17	-29.17	1,701,500	1,868,500	9.81
BHARTIARTL	0.23	0.24	4.35	16,953,000	20,246,000	19.42
BHEL	0.30	0.25	-16.67	2,774,250	2,591,250	-6.60
BPCL	0.32	0.22	-31.25	4,726,500	6,371,500	34.80
CAIRN	0.18	0.30	66.67	15,137,000	15,569,000	2.85
CIPLA	0.15	0.18	20.00	4,596,000	4,654,000	1.26
DLF	0.58	0.49	-15.52	13,302,000	14,804,000	11.29
DRREDDY	0.00	0.05	0.00	922,000	1,012,250	9.79
GAIL	0.34	0.41	20.59	2,768,500	2,843,000	2.69
HCLTECH	0.20	0.23	15.00	1,524,000	2,002,000	31.36
HDFC	0.13	0.17	30.77	8,540,625	8,660,000	1.40
HDFCBANK	0.44	0.40	-9.09	2,376,250	2,605,500	9.65
HEROHONDA	4.61	4.27	-7.38	3,629,875	3,588,250	-1.15
HINDALCO	0.90	0.81	-10.00	20,528,000	22,764,000	10.89
HINDUNILVR	0.36	0.36	0.00	13,242,000	12,130,000	-8.40
ICICIBANK	0.65	0.67	3.08	13,248,750	11,985,000	-9.54
IDFC	0.18	0.18	0.00	24,162,000	24,534,000	1.54
INFOSYSTCH	0.27	0.22	-18.52	3,646,250	3,898,875	6.93
ITC	0.23	0.25	8.70	25,608,000	26,214,000	2.37
JINDALSTEL	0.30	0.39	30.00	5,794,000	6,521,500	12.56
JPASSOCIAT	0.29	0.21	-27.59	30,464,000	33,482,000	9.91
KOTAKBANK	0.49	0.41	-16.33	3,411,000	3,734,000	9.47
LT	0.51	0.35	-31.37	2,420,625	3,077,500	27.14
M&M	0.23	0.26	13.04	9,023,250	9,949,000	10.26
MARUTI	0.78	0.84	7.69	2,235,750	2,450,250	9.59
NTPC	0.20	0.19	-5.00	18,894,000	23,415,000	23.93
ONGC	0.28	0.29	3.57	2,792,250	3,292,000	17.90
PNB	1.18	0.90	-23.73	1,747,000	1,980,250	13.35
POWERGRID	0.16	0.15	-6.25	23,150,000	25,756,000	11.26
RANBAXY	0.28	0.37	32.14	4,882,500	6,010,500	23.10

RCOM	0.23	0.26	13.04	31,292,000	32,656,000	4.36
RELCAPITAL	0.30	0.28	-6.67	9,663,500	10,111,000	4.63
RELIANCE	0.33	0.36	9.09	22,643,250	21,484,750	-5.12
RELINFRA	0.24	0.23	-4.17	7,689,750	7,743,750	0.70
RPOWER	0.29	0.26	-10.34	29,084,000	30,700,000	5.56
SAIL	0.50	0.45	-10.00	7,464,000	7,927,000	6.20
SBIN	1.23	0.92	-25.20	3,696,875	3,562,750	-3.63
SESAGOA	0.36	0.39	8.33	12,421,000	13,313,000	7.18
SIEMENS	0.21	0.24	14.29	1,399,500	1,449,000	3.54
STER	0.27	0.39	0.00	22,507,000	23,963,000	6.47
SUNPHARMA	0.19	0.12	-36.84	498,000	616,750	23.85
SUZLON	0.20	0.23	15.00	93,636,000	98,740,000	5.45
TATAMOTORS	0.52	0.69	32.69	11,045,000	11,153,000	0.98
TATAPOWER	0.07	0.07	0.00	1,031,000	985,000	-4.46
TATASTEEL	0.29	0.28	-3.45	22,661,000	22,565,000	-0.42
TCS	0.22	0.27	22.73	4,028,000	4,230,500	5.03
WIPRO	0.37	0.32	-13.51	6,330,800	6,263,327	-1.07

Nifty Stock Level (Cash)

SCRIPS	LTP	R1	R2	S1	S2	trend
A.C.C.	996.20	1029.00	1062.00	977.00	957.00	Downtrend
AMBUJACEM	138.75	146.00	154.00	133.00	127.00	Downtrend
AXISBANK	1502.05	1575.00	1649.00	1462.00	1422.00	Downtrend
BAJAJAUTO	1504.90	1553.00	1602.00	1478.00	1451.00	Downtrend
BHARTIARTL	333.65	350.00	366.00	324.00	313.00	Downtrend
BHEL	2524.85	2590.00	2655.00	2483.00	2440.00	Downtrend
BHARAT PETRO	695.15	744.00	793.00	667.00	638.00	Downtrend
CAIRN	337.90	350.00	363.00	330.00	322.00	Downtrend
CIPLA	331.70	340.00	349.00	326.00	320.00	Downtrend
DLF	373.90	389.00	404.00	364.00	353.00	Downtrend
DRREDDY	1585.25	1637.00	1690.00	1541.00	1497.00	Uptrend
GAIL	499.85	513.00	526.00	488.00	475.00	Uptrend
HCL TECHNOLO	431.40	450.00	469.00	419.00	406.00	Downtrend
HDFC	727.15	827.00	928.00	661.00	595.00	Downtrend
HDFC BANK	2386.25	2449.00	2512.00	2331.00	2275.00	Downtrend
HERO HONDA	1789.75	1864.00	1939.00	1746.00	1702.00	Downtrend
HINDALCO	212.60	219.00	226.00	206.00	199.00	Downtrend
HINDUNILVR	298.60	308.00	317.00	290.00	280.00	Uptrend
ICICI BANK	1124.65	1157.00	1190.00	1105.00	1085.00	Downtrend
IDFC	205.30	473.00	510.00	416.00	395.00	Downtrend
INFOSYS TECH	3076.30	3193.00	3310.00	3005.00	2933.00	Downtrend
ITC	171.95	177.00	182.00	168.00	163.00	Downtrend
JINDL STL&PO	710.65	729.00	748.00	700.00	689.00	Downtrend
JPASSOCIATEQ	130.55	136.00	142.00	127.00	123.00	Downtrend
KOTAK BANK	508.55	524.00	540.00	496.00	483.00	Downtrend
LT EQ	1988.60	2073.00	2158.00	1923.00	1857.00	Downtrend
MAH & MAH	710.65	737.00	763.00	693.00	674.00	Uptrend
MARUTI	1518.90	1569.00	1620.00	1475.00	1431.00	Uptrend
NTPC EQ	204.30	214.00	224.00	198.00	191.00	Downtrend
ONGC CORP.	1340.35	1377.00	1414.00	1317.00	1293.00	Downtrend
PNB	1305.15	1344.00	1384.00	1282.00	1259.00	Downtrend
POWERGRID	106.75	111.00	116.00	104.00	101.00	Downtrend
RANBAXY LAB.	582.70	604.00	626.00	570.00	557.00	Downtrend
RCOM	175.90	185.00	195.00	170.00	164.00	Downtrend
REL.CAPITAL	837.05	863.00	889.00	821.00	804.00	Downtrend
RELIANCE	1040.35	1070.00	1100.00	1023.00	1005.00	Downtrend
RELINFRA	1066.45	1098.00	1130.00	1045.00	1023.00	Downtrend
RPOWER	160.30	166.00	172.00	157.00	153.00	Downtrend
SAIL	220.15	228.00	236.00	216.00	211.00	Downtrend
STATE BANK	3165.65	3277.00	3389.00	3102.00	3038.00	Downtrend
SESAGOA	374.20	390.00	407.00	352.00	330.00	Uptrend
SIEMENS	818.70	838.00	858.00	805.00	791.00	Uptrend

STER EQ	178.35	185.00	192.00	173.00	167.00	Uptrend
SUN PHARMA.	2039.55	2099.00	2159.00	2006.00	1972.00	Downtrend
SUZLON	57.50	60.00	63.00	56.00	54.00	Downtrend
TATAMOTORSEQ	1156.05	1199.00	1243.00	1109.00	1062.00	Uptrend
TATA POWER	1429.95	1452.00	1475.00	1407.00	1384.00	Downtrend
TATASTEEL	635.85	656.00	677.00	620.00	604.00	Downtrend
TCS EQ	950.30	998.00	1047.00	915.00	880.00	Uptrend
WIPRO	473.45	496.00	519.00	455.00	436.00	Uptrend

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