Coal India (COAL)

Neutral (V)

Target price (INR)	425
Share price (INR)	392
Potential return (%)	9.1

Mar	2011a	2012e	2013e
HSBC EPS	17.30	25.25	28.37
HSBC PE	22.7	15.5	13.8

Performance	1M	3M	12M
Absolute (%)	-0.4	7.0	
Relative^ (%)	-2.1	12.1	

Note: (V) = volatile (please see disclosure appendix)

8 July 2011

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N(V): Huge demand; will supply keep pace?

- **Power projects solely relying on COAL will require incremental c150mt by FY17e; MoEF needs to expedite clearances**
- **Our indepth analysis of current and new mines suggests COAL will produce at least an incremental 127mt by FY17e**
- **Remain Neutral (V) with target price of INR425; stock needs fresh catalysts**

MoEF needs to expedite clearances — demand-side pressure mounting. Our analysis of demand from incremental power projects over FY12-17 (depending solely on COAL supplies) suggests incremental demand for c150mt (from c347mt to over 500mt pa by FY17). We believe the Ministry of Environment and Forests (MoEF) will need to expedite clearances for this demand to be met.

Incremental coal production of c127mt possible by FY17e — c110mt will have to be from new projects. We believe better utilisation of existing mines can add c20mt of incremental supplies (specifically from Singrauli, Talcher and Central Coal fields), but a large part of incremental supply will have to come from new projects. Our detailed analysis of approved large projects for COAL (see pages 8-13) suggests that this is possible (from mines under MCL, CCL and NCL) if clearances are expedited (most mining projects are at some stage of environmental or forest clearance). The recent lifting of the moratorium on projects in IB Valley and Singrauli coal fields is a case in point. We however note that even if these capacities get commissioned on time, imports will still increase to 330mt by FY17 (currently 93mt) as coal demand from power projects will outstrip supplies. In addition, if the MMDR Bill gets implemented as reported in the media, COAL would have to raise product prices 8-9% over three years to offset the costs.

We like the company, but the stock needs fresh catalysts. Given the strong price movement since its IPO (up c60% while the Sensex is down 10%), we believe valuations are stretched and the stock needs fresh catalysts — such as higher-than-expected price rises in FY12, improved logistics, or a higher proportion of coal sold through e-auctions — but given the lack of visibility, we have not factored these into our earnings estimates.

Maintain Neutral (V) rating and target price of INR425 based on a combination of DCF and earnings-multiple-based valuation. At our target price, COAL would trade at 15x FY13e EPS (current PE of 15.5x) and 9.2x FY13e EV/EBITDA. Upside risks include higher-than-expected price increases, sale of beneficiated and e-auction coal; downside risk is lower-than-expected offtake due to logistics constraints.

Index^	BOMBAY SE SENSITIVE INDEX
Index level	18,727
RIC	COAL.BO
Bloomberg	COAL IN

Source: HSBC

Enterprise value (INRm)	1917447
Free float (%)	10
Market cap (USDm)	55,786
Market cap (INRm)	2,476,962

Source: HSBC

HSBC

Financials & valuation

Financial statements

Year to	03/2011a	03/2012e	03/2013e	03/2014e
Profit & loss summary (INRm)				
Revenue	528,958	645,965	709,214	761,774
EBITDA	161,410	225,738	249,820	278,310
Depreciation & amortisation	-16,729	-18,226	-19,844	-21,256
Operating profit/EBIT	144,681	207,512	229,976	257,054
Net interest	18,963	32,169	39,567	49,819
PBT	164,626	241,266	271,128	308,458
HSBC PBT	165,228	241,266	271,128	308,458
Taxation	-55,954	-81,752	-91,963	-104,713
Net profit	108,673	159,514	179,165	203,745
HSBC net profit	109,275	159,514	179,165	203,745
Cash flow summary (INRm)				
Cash flow from operations	128,224	188,827	228,312	255,298
Capex	-24,750	-40,000	-30,000	-31,094
Cash flow from investment	-22,566	-38,000	-28,000	-29,094
Dividends	-33,995	-42,712	-51,428	-60,145
Change in net debt	-73,178	-108,115	-148,883	-166,059
FCF equity	76,306	119,197	165,513	188,206
Balance sheet summary (INRm)				
Intangible fixed assets	0	0	0	0
Tangible fixed assets	150,611	172,385	182,541	192,379
Current assets	643,960	757,981	915,875	1,089,420
Cash & others	458,623	566,738	715,621	881,680
Total assets	813,973	947,768	1,113,817	1,295,201
Operating liabilities	408,178	430,171	473,484	511,267
Gross debt	15,536	15,536	15,536	15,536
Net debt	-443,087	-551,203	-700,086	-866,145
Shareholders funds	333,172	449,974	577,711	721,311
Invested capital	-72,230	-66,543	-90,690	-111,148

Ratio, growth and per share analysis

Year to	03/2011a	03/2012e	03/2013e	03/2014e
Y-o-y % change				
Revenue	12.6	22.1	9.8	7.4
EBITDA	23.5	39.9	10.7	11.4
Operating profit	23.2	43.4	10.8	11.8
PBT	14.1	46.6	12.4	13.8
HSBC EPS	11.2	46.0	12.3	13.7
Ratios (%)				
Revenue/IC (x)	-8.6	-9.3	-9.0	-7.5
ROIC	-154.7	-197.7	-193.3	-168.2
ROE	36.9	40.7	34.9	31.4
ROA	14.3	18.2	17.4	17.0
EBITDA margin	30.5	34.9	35.2	36.5
Operating profit margin	27.4	32.1	32.4	33.7
EBITDA/net interest (x)				
Net debt/equity	-132.9	-122.4	-121.1	-120.0
Net debt/EBITDA (x)	-2.7	-2.4	-2.8	-3.1
CF from operations/net debt				
Per share data (INR)				
EPS reported (fully diluted)	17.20	25.25	28.37	32.26
HSBC EPS (fully diluted)	17.30	25.25	28.37	32.26
DPS	3.90	4.90	5.90	6.90
Book value	52.75	71.24	91.46	114.20

Key forecast drivers

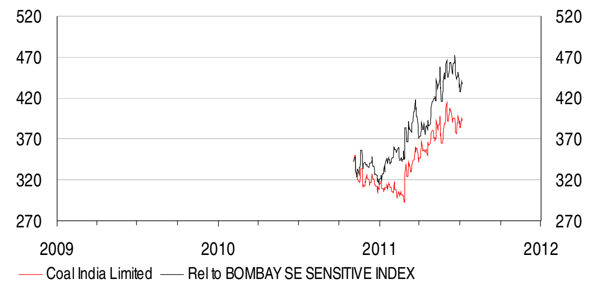
Year to	03/2011a	03/2012e	03/2013e	03/2014e
Production (MT)	431	440	466	490
Sales (MT)	424	440	458	478
ASP (INR/t)	1,178	1,387	1,465	1,505

Valuation data

Year to	03/2011a	03/2012e	03/2013e	03/2014e
EV/sales	3.8	3.0	2.5	2.1
EV/EBITDA	12.5	8.5	7.1	5.8
EV/IC				
PE*	22.7	15.5	13.8	12.2
P/Book value	7.4	5.5	4.3	3.4
FCF yield (%)	3.1	4.8	6.7	7.6
Dividend yield (%)	1.0	1.2	1.5	1.8

Note: * = Based on HSBC EPS (fully diluted)

Price relative



Source: HSBC

Note: price at close of 06 Jul 2011

Can supply increase?

- Improved capacity utilisation at existing mines can add an additional c20mt to COAL's annual production in the next 3 years
- Reviewing the progress on 263mt currently approved projects, we expect an additional c110mt pa increase in production by FY17
- COAL has a large commitment for supply, which puts additional pressure on MoEF to clear its expansion projects

COAL can beat our production estimate in the medium term

While we see COAL facing numerous challenges in increasing production, we believe downside risk to our estimate of COAL's production is limited while upside to our estimate is a strong possibility. We have analysed the supply and demand drivers for COAL and give three key reasons for our conclusions:

1. Headroom for increase in production available through better capacity utilisation

COAL has some headroom from its currently operational mines. Our mine-level analysis suggests that the company should be able to increase annual production by 20mt in the next three years through improved capacity utilisation. While some of the mines are operating at higher than 100% capacity, some of the other major mines at Singrauli, Talcher and Central coal fields are operating below 90% of their capacity. These mines, in our view, can be operated at higher capacities to achieve higher production by COAL.

2. Capacity expansion plans in place, to contribute at least c110mt of production annually by FY17e

COAL currently has 263mt of large size approved projects along with capex approval of INR127bn. However, some of these projects are stuck either at the forest clearance or environmental clearance stage or fall under the no-go areas. Since the projects have incurred capex in excess of 20-25%, we believe they will be operational by FY17. Analysing the last update provided by the Ministry of Coal (MOC) and the issues surrounding the production increase, especially related to no-go areas, we believe the bulk of the increased production will come from the coal fields of MCL, CCL and NCL. These currently account for 191mt of expansion projects with a capex plan of INR88bn, of which 24% was incurred by December 2010. We expect these expansion plans to contribute at least c110mt of production annually by FY17. Exhibit 1 provides a summary of capacity expansion by the major subsidiaries of COAL.

Exhibit 1: Summary of capacity expansion in major subsidiaries of COAL

Company	Incr Capacity (mt)	Capex (INRm)	Capex (till Dec 2010)	%
MCL	115	33,000	3,878	12%
CCL	51	24,418	6,758	28%
SECL	45	34,205	2,833	8%
NCL	25	30,774	10,483	34%
Total	**236**	**122,396**	**23,951**	**20%**
Excl. SECL	**191**	**88,192**	**21,118**	**24%**

Source: Ministry of Coal

3. Unprecedented demand to put pressure on MoEF

COAL's current commitment to the power sector is 347mt in FY12. If we consider its commitment for supplies to the proposed power capacity in the 12th Plan (even assuming 40% of the c130GW projects materialise), this would mean additional demand for 150mt at current supply ratios. Note that this is purely demand from domestic linkage-based power plants dependent on COAL for supplies and excludes demand from captive and imported coal-based plants. Thus, in our view, demand pressure on COAL is huge as we expect demand from the power sector dependent on COAL for its supplies to exceed 500mt pa by FY17.

We expect issues related to clearances to get resolved in the medium term as a significant production increase by COAL is stuck due to these issues and hence a production ramp up is likely. Therefore, we are reasonably certain that COAL will be able to increase its production from 431mt in FY11 to 559mt in FY17 (unchanged).

Implementation of the 26% sharing of net profits

On 8 July, the media reported that the Group of Ministers (GoM) had approved the draft bill of the Metals and Mining (Development and Regulation) Act, (MMDRA) and that coal companies would be required to share 26% of their net profits with people affected by the dislocation (applicable to existing mines as well). The Bill will reportedly go before parliament during the monsoon session (after having been approved by the Cabinet). We are yet to see the final draft of the Bill as it is not in the public domain. Nevertheless, we expect this to be a drawn-out process as it has implications with respect to both a) applicability and b) implementation.

However, in the scenario that this provision is as "plain vanilla" as the media reports, COAL would likely need to increase prices across products to compensate for these levies. On our estimates, COAL will have to increase product prices by c8-9% over the next three years to offset the increase in costs due to these payments (see Exhibit 2). We assume that these royalty payments (like other royalties) will be tax-deductible.

Exhibit 2: Scenario analysis in case of the MMDR bill gets cleared in its existing form, FY13

INRm	Pre duty	Post duty	% Diff
Revenue (net)	673,518	729,764	8.4%
Less: Costs before tax	-402,390	-402,390	
Profit before tax and royalty	271,128	327,374	
26% royalty (profit sharing)	0	56,247	
PBT	**271,128**	**271,127**	
Less: Tax	91,963	91,963	
Net profit	**179,165**	**179,165**	

Source: HSBC estimates

Exhibit 2A provides our sensitivity analysis of the impact of price and volume increases on EPS for FY13.

Exhibit 2A: Sensitivity analysis of FY13e EPS to change in volume and price growth

		Volume				
	Change	**-10%**	**-5%**	**Base**	**5%**	**10%**
Prices	**-10%**	-45%	-34%	-24%	-13%	-2%
Prices	**-5%**	-35%	-23%	-12%	0%	11%
Prices	**Base**	-24%	-12%	0%	12%	24%
Prices	**5%**	-13%	-1%	12%	24%	37%
Prices	**10%**	-3%	10%	24%	37%	50%

Source: HSBC estimates

HSBC

Maintain Neutral (V) rating and target price of INR425

COAL is likely to benefit from a surge in coal demand in India, but supply constraints and logistical challenges limit volume growth. Given the strong price movement since its IPO (up c60% while the Sensex is down 10%), we believe valuations are stretched and the stock needs fresh catalysts – such as a higher-than expected price rise in FY12, improved logistics or higher proportion of coal sold through e-auctions – but given the lack of visibility, we have not factored these into our earnings estimates (see Exhibit 3).

We value COAL at INR425/share based on a combination of DCF and earnings-multiple-based valuation (see Exhibits 4-6A). At our target price, COAL would trade at 15x FY13e EPS (current 15.5x FY12e EPS) and 9.2x FY13e EV/EBITDA.

Under our research model, for stocks with a volatility indicator, the Neutral band is 10 percentage points above and below the hurdle rate for Indian stocks of 11%. COAL is classified as a volatile stock in our research model, which implies a Neutral band of 1-21%. We maintain our Neutral (V) rating as the potential return of 9.1% falls in the Neutral band.

Key risks

Upside risks include higher-than-expected price increases or sale of beneficiated and e-auction coal. A downside risk to our view is lower-than-expected offtake due to logistics constraints.

Exhibit 4: Calculation of target price

Method	Weight	INR/Share
DCF	0.50	428
PE	0.25	425
EV/EBITDA	0.25	417
Target price		**425**

Source: HSBC estimates

Exhibit 5: COAL - DCF summary table

Particulars	INRm	INR/Share
Enterprise value	**2,320,829**	**367**
Less: Gross Debt	15,536	2
Add: Cash & Bank excluding OBR provision	392,367	62
Add: Investments	8,637	1
Less: Minorities	326	0
Equity value	**2,705,971**	**428**

Source: HSBC estimates, OBR= Overburden Removal

Exhibit 6: COAL PE-based valuation

PE	
Multiple	15.0
FY13e EPS	28.4
Value per share	**425**

Source: HSBC estimates

Exhibit 3: Summary of sensitivity to various factors not accounted for by us

Factor	Base case	Potential upside/ (downside)	Probability	Impact on FY13e EPS	Impact on 12m target price
Upside					
Price hike for DEFG coal in 2HFY12 is more than expected by us	10%	Incremental 10%	Low	14.3%	14.4%
MoC allows increased off take of coal through e-auction from current levels	11.6%	Incremental 3.4%	Low	8.0%	7.2%
Production for FY13e is higher than anticipated if classification of No-Go area is dispensed off	466	Incremental 20mt	Very low	7.9%	7.6%
Inventory of c60-70mt is disposed off over FY13-15	Off-take of 10mt	Incremental 50mt	Medium	7.5%	4.9%
Downside					
Wage cost higher than expected	+30% in 2QFY12	Hiked by another 10%	Low	-7.5%	-7.0%

Source: HSBC estimates, MoC=Ministry of Coal

HSBC

Exhibit 6A: COAL EV/EBITDA- based valuation

EV/EBITDA		INR/Share
Multiple	**9.0**	
EBITDA (24m fwd)	249,820	
Enterprise value	2,248,377	356
Less: Gross Debt	15,536	2
Add: Cash & bank adj for OBR	392,367	62
Add: Investments	8,637	1
Less: Minorities	326	0
Equity value	**2,633,519**	**417**

Source: HSBC estimates

Headroom for increase in production through better capacity utilisation

We expect COAL to increase its production by an additional 20mt per annum by increasing productivity at some of its underutilised mines. As of March 2010, COAL operated 471 mines under 21 coal fields. Of those 21 coal fields, capacity utilisation is more than 100% for the top-six coal producing fields (namely Korba, IB Valley, Wardha Valley, North Karnapura, Rajmahal and East Bokaro) with little headroom for any further increase in production. However, for the other six larger fields, the average utilisation is only around 86%, leaving headroom for an increase in production. Exhibit 7 has more details.

But is the increase in production possible?

We understand that increasing production in underground mines is relatively more difficult than in opencast mines. Hence we look at the coal fields that are largely opencast and can possibly increase production. Our detailed analysis of the various coal fields suggests that COAL could increase production at two of the large coal fields, namely Singrauli (10mt) and Talcher (10mt), due to production coming largely from opencast mines. Similarly, we could expect a possible increase in production at Central India Coal Fields (4mt), which is operating at 86% (see Exhibit 8).

Exhibit 7: Details of capacity utilisation by mines (as of FY10)

Coal fields	Capacity (mt)	Production (mt)	Utilisation %
Korba	75	78	104%
Singrauli	77	68	87%
Talcher	69	60	86%
IB-Valley	45	44	98%
Wardha Valley	29	29	100%
Jharia	33	27	84%
North Karanpura	24	24	100%
Central India Coalfields	29	25	86%
Raniganj	21	17	81%
Rajmahal/ Deogarh	11	13	118%
East Bokaro	10	13	121%
West Bokaro	7	5	79%
Kamptee	5	5	105%
Mand Raigarh	5	5	92%
Umrer Nand Bander	4	4	99%
South Karanpura	5	4	80%
Pench-Kanhan	5	4	77%
Pathakhera	4	3	92%
Makum	1	1	96%
Ramgarh	1	1	81%
Giridh	1	1	62%
Total	**462**	**431**	**93%**
Top 12 coal producing fields	**431**	**403**	**94%**
Break up			
- Utilisation of 100% or more at six fields	195	201	103%
- Rest six fields	236	202	86%

Source: Company data

Exhibit 8: List of the mines where COAL can possibly increase production

Coal fields	Utilisation %	Headroom in Prod (mt)	UG	OC	M	T	Company	Grades of coal
Singrauli	87%	10	0	10	0	10	NCL	C, D, E
Talcher	86%	10	4	9	0	13	MCL	B, C, E, F
Jharia	84%	5	38	17	23	78	BCCL	ST I, ST II, W I, W II, W III, W IV, B, C, D
Central India Coalfields	86%	4	56	15	1	72	SECL	SC II, A, B, C, D, F
Raniganj	81%	4	84	16	7	107	ECL/BCCL	SC I, ST I A, B, C, D
West Bokaro	79%	1	6	9	0	15	CCL	W III, W IV, C, E
Total		**34**	**188**	**76**	**31**	**295**		

Source: Company data, UG-underground, OC-opencast, M-Mixed, T-Total

Exhibit 9: Capacity utilisation at opencast mines higher (at end FY10)

Company	Capacity (mt)	Production (mt)	Utilisation %
Underground			
ECL	11	8	76%
BCCL	5	4	75%
CCL	2	1	65%
NCL	0	0	na
WCL	11	10	88%
SECL	18	18	99%
MCL	2	2	90%
NEC	0	0	na
Sub total	**50**	**43**	**87%**
Open cast			
ECL	21	22	104%
BCCL	28	24	85%
CCL	46	46	100%
NCL	77	68	87%
WCL	36	36	100%
SECL	91	90	99%
MCL	112	102	91%
NEC	1	1	89%
Sub total	**412**	**388**	**94%**
Overall			
ECL	32	30	94%
BCCL	33	28	84%
CCL	48	47	98%
NCL	77	68	87%
WCL	47	46	98%
SECL	109	108	99%
MCL	115	104	91%
NEC	1	1	89%
Total	**462**	**431**	**93%**

Source: Ministry of Coal, Annual Plan FY11

Exhibit 9 has details of capacity utilisation at underground mines and opencast mines by various companies. As expected, capacity utilisation is better for opencast mines than for underground mines.

Exhibit 10 shows details of the capacity utilisation of machinery by various companies.

Exhibit 10: % utilisation of machinery in opencast mines (FY11e) w.r.t Standard Norms of CMPDIL

Company	Dragline	Shovel	Dumper	Drill	Dozer
ECL	110%	85%	70%	55%	67%
BCCL	85%	88%	64%	58%	52%
CCL	na	80%	71%	64%	60%
NCL	99%	57%	59%	37%	39%
WCL	100%	90%	73%	70%	69%
SECL	100%	105%	88%	102%	67%
MCL	92%	85%	62%	94%	74%
NEC	na	na	na	na	na
Total	**98%**	**83%**	**69%**	**64%**	**59%**

Source: Ministry of Coal, Annual Plan FY11

HSBC

Capacity expansion plans in place, to contribute >c110mt of production pa by FY17

We expect COAL to increase production by 127mt over FY11-17, which is based on the assumption that it will be able to develop most of its approved projects it is currently pursuing (c110mt) and increase productivity at its existing mines (c20mt). Exhibits 11 and 12 have more details of our production forecasts and the projects being pursued by COAL.

Exhibit 11: COAL production forecasts

In mt	Production	Inc.	% growth
FY11	431	0	0.0%
FY12e	440	9	2.0%
FY13e	466	26	6.0%
FY14e	490	23	5.0%
FY15e	512	22	4.5%
FY16e	535	23	4.5%
FY17e	559	24	4.5%
Inc (FY11-17e)	**127**	**127**	**4.4%**

Source: Company data, HSBC estimates

Exhibit 12: Incremental production pa over FY11-17e

Details	m tons pa
HSBC forecasts (A)	**127**
COAL firm expansion plans	
Ramp-up of existing 32 recently completed projects	47
25 projects to be completed by FY12	48
20 projects to be completed over FY13-18	33
Total (B)	**128**
Diff (A-B)	**-1**

Source: HSBC estimates

COAL guides to produce about 560mt by FY17 assuming it gets environmental clearances for most of its planned projects barring blocks in 'no-go' areas, which is in line with our forecasts.

What is the probability of COAL beating our forecast?

Our mine-wise analysis of COAL's capacity expansion plans suggests that there is little chance of supply being lower than our forecasts while faster-than-expected execution of its plans poses upside risks to our forecasts.

COAL has approved 69 projects in the 11th Plan until August 2010, aggregating to incremental capacity of 240mt pa by FY17. For this, COAL expects to incur capex of INR128bn, of which it had incurred about INR21bn (16% of total) till August 2010, indicating decent progress at these projects. Exhibit 13 has more details.

We have analysed the status of 30 such large projects with incremental capacity of more than 2.5mt (total 199mt) and also large projects approved prior to FY08 (total 64mt), so overall for 263mt. As per the MOC, most of the projects are on schedule and are likely to be implemented over FY13-17. Exhibit 19 has more details.

COAL had earlier envisaged incremental production of c80mt at the end of FY12 in the 11th Plan, however delays due to environmental clearances, forest clearances and land issues not fully in the company's control have led to lower-than-expected capacity expansion. Also the classification of 'go' and 'no-go' areas as well as Comprehensive Environmental Pollution Index (CEPI) have made matters worse and limited growth.

Exhibit 13: Details of year-wise projects sanctioned along with the funds allocated and expenditure incurred

Year	Nos. of projects sanctioned	Capacity (mt)	Capex (INRm)	Capex (till Aug 2010)	Of which large projects (>2.5mt)	Capacity (mt)	% to total capacity	Capex (INRm)	Capex (till Aug 2010)
FY08	22	106	33,230	5,748	9	89	84%	26,255	3,392
FY09	34	97	60,202	8,178	15	79	82%	41,199	3,551
FY10	13	38	34,728	6,877	6	31	83%	27,217	5,110
FY11 (until Aug 10)	0	0	0	0	0	0	0%	0	0
Total	**69**	**240**	**128,159**	**20,804**	**30**	**199**	**83%**	**94,671**	**12,053**

Source: Ministry of Coal

HSBC

Majority of expansion by MCL and CCL

We note that the majority of the expansion is by MCL (115mt), CCL (51mt), SECL (45mt) and NCL (25mt). Exhibit 14 has details of capacity expansion in various coal fields taken up by subsidiaries of COAL. We provide the status of each of the mines under these companies in detail in the following pages.

Exhibit 14: Summary of capacity expansion at various coal fields - MCL, CCL, SECL and NCL have majority of expansion

Coal Fields	Company	Incr Capacity (mt)
Raniganj		
Mugma-Salanpur		
Rajmahal		
Sub Total - West Bengal & Jharkhand	**ECL**	**9.4**
Jharia		
Ranigunj		
Sub Total - West Bengal & Jharkhand	**BCCL**	**0.0**
Giridih		
East Bokaro		
West Bokaro		
Ramgarh		
South Karanpura		
North Karanpura		
Sub Total - Jharkhand	**CCL**	**51.0**
Singrauli – MP & UP	**NCL**	**25.0**
Wardha Valley		
Umrer		
Patharkhera		
Pench-Kanhan		
Kamptee		
Sub Total – Maharashtra & MP	**WCL**	**3.0**
Central India Coalfields		
Korba		
Raigarh		
Sub Total – Chhattisgarh & MP	**SECL**	**45.0**
IB Valley		
Talcher		
Sub Total - Orissa	**MCL**	**114.6**
North Eastern CF - Assam	**NEC**	**0.0**
Others		15.0
COAL Total		**263.0**

Source: Ministry of Coal, Highlighted fields represents large expansion

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Mahanadi Coal Fields (115mt)

MCL operates its mines in two large fields namely IB Valley and Talcher in Orissa. Exhibit 15 provides details of the current status at some of its mines.

Central Coal Fields (51mt)

CCL operates its mines in six large coal fields in the state of Jharkhand. Exhibit 16 provides details of the current status at some of its mines.

Exhibit 15 Status review of approved projects having capacity of 2.5mt and above under MCL

Project name	Incr Capacity (mt)	Capex (INRm)	Capex (till Dec 2010)	%	Ant DoC	Status as of March 2011
Bhubaneswari	20	4,901	573	12%	Mar-16	1. EC is still awaited. 2. Work order issued on July-2010 for 269.50 Mte of coal and 193.40 Mcum of OB for 15 years to ESSEL Mining Industries Limited & Consortium. Mobilization of equipment fleet, construction of other infrastructure and employment work is under process. Land allotted for construction of work shop & residential building. 3. Due to an appeal by one of the bidders, a Stay Order was issued by the High Court of Orissa on carrying out the work by M/s. ESSEL Mining from 29.10.2010 to 18.3.2011. Subsequently, the stay was lifted. 4. Rehabilitation of Jilinda, Hensmul and Naraharipur villages are to be expedited for which issue of employment and payment of compensation need to be sorted out on priority basis. 5. Acquisition of tenancy land is the main bottleneck in the implementation of the project.
Talabira	20	4,477	30	1%	NA	Stage I Forest Clearance pending
Gopal Prasad	15	3,959	243	6%	Mar-15	1. EAC meeting held on 29-03-2011 but clearance is awaited. 2. The process of acquisition of Forest and non-forest land is to be expedited. 3. A total of 1018 PAFs needs to be rehabilitated. Assessment of PAFs and compensation etc are under progress. 4. Socio-economic study report has been completed by IRDMS (Industrial Rural Dev.& Mgt. Study). Bhubaneswar. The Report is to be authenticated by the Collector.
Kaniha	10	4,578	514	11%	Mar-13	1. Nagarjuna Construction has started removing OB. LOI issued to Jalaram Transport Company on 07.02.11 and started production of coal from the month of March-11. 2. The issue of rehabilitation of PAFs and employment of eligible candidate need to be expedited as it involves 1715 PAPs. 3. Stage-I clearance for 155.18 Ha of forest land needs to be expedited.
Hingula Expn.	7	4,795	375	8%	NA	NA
Lakhanpur Expn.Ph-II	5	1,165	860	74%	NA	Stage I Forest Clearance pending
Basundhara (W) Expn.	5	465	234	50%	NA	NA
Ananta Expn. Ph-II	3	2,073	294	14%	NA	Stage I Forest Clearance pending
Lingaraj Expn. (Ph-III)	3	523	0	0%	NA	NA
Bharatpur Phase-III	9	1,314	0	0%	Mar-11	Stage I Forest Clearance pending
Balaram Extension	8	1,721	0	0%	Mar-11	Stage I Forest Clearance pending
Kulda	10	3,030	754	25%	Mar-12	1. Acquisition of land required for construction of Gopalpur-Manoharpur railway line is under progress. State Authorities to be persuaded for acquisition of land. 2. Shifting of PAFs to be expedite. Barpali villagers are resisting tree felling at site for identified rehabilitation. Government of Orissa is going to allot alternate site in lieu of this plot for Barpali villagers. The issue may be sorted out accordingly.
Total	**115**	**33,000**	**3,878**	**12%**		

Source: Ministry of Coal, Ant DoC= Anticipated Date of Commissioning

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Exhibit 16 Status review of approved projects having capacity of 2.5mt and above under CCL

Project name	Incr Capacity (mt)	Capex (INRm)	Capex (till Dec 2010)	%	Ant DoC	Status as of March 2011
Ashok Expn.	10	3,416	1,010	30%	Mar-13	1. Forest land: Joint enumeration report completed and was submitted to DFO, Chatra South on 27-09-10. DFO was requested on January 06, 2011 and 09-02-2011 to expedite the clearance under ST & OTFD Act. Clearance under ST & OTFD would be obtained within a month's time. 2. PR/ EC (15 mt per year): On 27-11-2010 CCL has accorded 'in-principle' approval for the revised combined PR for Ashok OCP (15 mt per year). Also, a capital provision of Rs 13.35 Crores for approach road from GM office to the project has been approved under Advance Action. It was also advised to expedite EC for 15 mt per year. 3. OB Outsourcing: Proposal for OB outsourcing of 28.810 MCum has been approved by CCL for 3 years from 22-01-2011 onwards and has been awarded.
North Urimari	3	1,799	595	33%	Mar-14	1. Forest Land (226.51 Ha): Stage-I clearance was obtained on 23-02-09. Proposal for Stage-II sent to MOEF, GOI in October 2010. MOEF raised some queries. DC, Hazaribagh was requested on 09.02.2011 to expedite the clearance under ST&OTFD Act, 2006. Compliance of queries except clearance certificate under ST&OTFD Act, 2006 submitted to Nodal Officer, Jharkhand on 26.02.2011. Clearance under ST & OTFD would obtained shortly. 2. Non Forest Land: Constant persuasion with State officials is being done for title related papers to PAFs. Camp held from 29-07-2010 to 31-07-2010. Compensation payment of Rs 55.00 lakhs has already been made. Next camp is likely to be held in April-2011. 3. About 50% PAPs are to be rehabilitated in first 5 years out of total PAPs involved in the project. Action has been initiated for Base Line Economic Survey of PAPs. 4. The project likely to get delayed by about 2 years. 5. The targeted coal production of 0.50 mt per year for 2010-11 could not be met as possession could not be taken of forest land involved.
Magadh Expn.	20	7,064	122	2%	Mar-14	1. Forest land: Stage-II clearance for initial 8 yrs. Requirement of 96.72 Ha received on 18-10-2010. Box cut will be made in this forest land and possession of this land is required essentially. 2. Non-Forest land: Authentication of entire tenancy land to be completed at the earliest and to be possessed to coal transportation road. 3. Base Line Survey: Work awarded to Rural Improvement Charity, Ranchi on 09-08-2010. Work in progress. However, work is being hindered due to resistance from locals. 4. In view of difficulties faced for implementation of 20 mt per year PR due to coal evacuation problem, Project Implementation plan for first 5 years as a part phase wise implementation Plan for Magadh OC, restricting its rated production to 4.5 mt per year in Phase-I has been prepared by CMPDIL, wherein interim arrangement for coal evacuation through road to Tori railway siding has been suggested. 5. In view of delay in completion of Tori-Shivpur railway line, an interim arrangement for evacuation of coal is to be made so that coal production can be maintained.
Purnadih	3	2,110	185	9%	Mar-13	1. Forest Land: Action has been initiated for acquisition of 111.89 Ha of forest land. Authentication of land including GMK (Jungle-Jhari) land is not yet complete. Government of Jharkhand requested on 01-12-10 to expedite the issuance of NOC of GMK Jungle Jhari land. D.C, Chatra was requested on 19.03.2011 to expedite the clearance. 2. Non-Forest land: 648.86 (Tenancy-389.32 + GMK- 259.54) Ha: Assessment of land compensation is complete and approval of competent authority has been obtained. 3. Rehabilitation: Assessment of PAPs is likely to be completed by July-2011. 4. 107 employments have been given out of 116 employments approved by CCL. Rehabilitation scheme for 149 PAFs at an estimated cost of INR 22.65 Lakhs approved by CCL. 5. Coal OS by Surface Miner and OB is departmental and OB removal has already been started and Coal production during 2010-11 is 0.112 Mte till June-2010. 6. Consultation with PAFs is being done regularly to expedite physical possession of land. Proposal for construction of temporary approach road has been approved.
Tapin	3	2,647	669	25%	NA	Stage II Forest Clearance pending
Amlo Expn.	3	563	524	93%	NA	NA
Rajrappa (RCE)	3	5,109	2,961	58%	Mar-16	1. Stage-I clearance for release of 277.15 Ha of forest land to be expedited. 2. Acquisition of balance 434.17 Ha non forest land is to be expedited. 3. In first phase 57 PAFs are to be shifted. PAFs have agreed for compensation of INR 1 Lakh as per R&R Policy of CIL. Compensation for 31 PAFs is being processed for approval.
Karo	4	965	397	41%	Mar-15	1. Stage-I clearance for release of balance 228.67 Ha of forest land to be expedited. 2. Acquisition of balance 174.96 Ha non forest land is to be expedited. 3. The environmental clearance is still awaited. Fauna report is also awaited from wild life department.
Konar	4	745	296	40%	Mar-15	1. Stage-I I clearance for release of balance 288.26 Ha of forest land to be expedited. 2. Non-Forest (89.95 Ha): All land has been acquired under CBA Act. But after authentication, it is found to be GMK Jungle Jhari land and taken as Forest Land. The compensation is to be paid to both Forest Deptt as well as tenants in whose name it was settled earlier. 32.29 Ha (out of 89.95 Ha) of GMK Jangal/ jhari Land, under possession as GMK Land, is to be released by Forest Dept.
Total	**51**	**24,418**	**6,758**	**28%**		

Source: Ministry of Coal, Ant DoC= Anticipated Date of Commissioning

South Eastern Coal Fields (45mt)

SECL operates its mines in three large coal fields in the states of Chattisgarh and Madhya Pradesh. Exhibit 17 provides details of the current status at some of its mines.

Northern Coal Fields (25mt)

NCL operates its mines in one large coal field namely Singrauli in the states of Madhya Pradesh and Uttar Pradesh. Exhibit 18 provides details of the current status at some of its mines.

Exhibit 17 Status review of approved projects having capacity of 2.5mt and above under SECL

Project name	Incr Capacity (mt)	Capex (INRm)	Capex (till Dec 2010)	%	Ant DoC	Status as of March 2011
Chhal	3	504	427	85%	NA	NA
Peima	10	4,483	0	0%	NA	Bud. Exp of INR0.8bn in FY11 (17%)
Kusmunda Expn.-II	5	4,506	0	0%	NA	Stage I Forest Clearance pending
Baroud Expn (Rai West)	3	1,356	288	21%	NA	Stage I Forest Clearance pending
Jagannathpur (Mahan-III&IV)	3	1,524	0	0%	NA	Stage I Forest Clearance pending
Kartali East	3	1,784	0	0%	NA	Stage I Forest Clearance pending
Gevra Expn.	10	10,081	0	0%	NA	Stage II Forest Clearance pending
Dipka Expn.	5	6,751	0	0%	NA	Stage II Forest Clearance pending, Bud. Exp of INR0.9bn in FY11 (14%)
Manikpur Expn.	4	3,215	2,118	66%	NA	Stage II Forest Clearance pending
Total	**45**	**34,205**	**2,833**	**8%**		

Source: Ministry of Coal, Ant DoC= Anticipated Date of Commissioning

Exhibit 18 Status review of approved projects having capacity of 2.5mt and above under NCL

Project name	Incr Capacity (mt)	Capex (INRm)	Capex (till Dec 2010)	%	Ant DoC	Status as of March 2011
Nigahi Expn.Ph-II	5	2,594	0	0%	Mar-12	Action for acquisition of 386 Ha of forest land and 210 Ha non-forest land to be expedited. 2. Procurement action for 2 Nos. 160 MM drill is to be expedited 3. It was also advised to expedite construction of East and West OB Sub-stations. Action for construction of CHP (5 mt per year) is to be expedited Bud. Exp of INR1.4bn in FY11 (53%).
Dudhichua Expn.	5	3,266	0	0%	NA	Bud. Exp of INR0.5bn in FY11 (16%)
Krishnashila	4	7,416	1,371	18%	Mar-13	1. Procurement of balance HEMM to be expedited. 2. CMPDI has suggested arrangement for tapping coal through a transfer point located after the ground bunker from where RPD, HINDALCO can carry coal through their conveyor system. NCL has agreed to the proposal in its meeting held in Feb - 2011. 3. On 04-10-2010 NCL approved construction of main CHP. Tender for construction of Main CHP floated on 15-02-2011 by CMPDIL. Due date of opening of tender is 14th April-2011.
Amlohri Expansion	6	11,435	6,334	55%	Mar-16	1. Construction of Main CHP: LOA issued to L&T Ltd on 20-05-2010. Site handed over on 16th Aug-2010. Work started on 17th Nov-2010. Overall progress of work is 7% as on Dec-10. 2. Supply order placed to HEC for 1 No. of Dragline on 30-09-2009 and Commissioning of 1st dragline is going on as per mutually agreed schedule and supply order for 2nd Dragline placed to HEC on 28-12-2010
Block B	4	4,373	1,370	31%	Mar-15	1. Action for acquisition of balance forest and non-forest land to be expedited. 2. Rehabilitation of PAFs and employment issues is to be expedited. Procurement of balance HEMM is to be expedited
Bina Extn.	2	1,690	1,409	83%	Mar-14	1. Acquisition of balance forest land, 22 Ha in UP State and 279 Ha in MP State, is to be expedited. 2. EMP clearance for higher capacity is to be expedited. 3. Draft NIT for 3 mt per year CHP submitted by CMPDIL and scrutiny completed. Proposed CHP is under review in light of Bina-Kakri Amalgamation Project Report under preparation by CMPDIL. It is advised to sort out the matter at the earliest.
Total	**25**	**30,774**	**10,483**	**34%**		

Source: Ministry of Coal, Ant DoC= Anticipated Date of Commissioning

Exhibit 19: Summary of approved projects having capacity of 2.5mt and above for COAL

Project name	Type of Mine	Company	Incr Capacity (mt)	Capex (INRm)	Capex (till Dec 2010)	Rev. Sanc Date	Ant DoC	Initial target for FY12	Year FY12	FY13	FY14	FY15	FY16	FY17	FY18	Delay (yrs)	Comments
Projects sanctioned from FY08 till Aug 2010																	
Sonepur-Bazari Block Sec.1	OC	ECL	2.9	27	0	FY08	NA	NA									
Ashok Expn.	OC	CCL	10.0	3,416	1,010	FY08	Mar-13	2.0			10.0					2	
North Urimari	OC	CCL	3.0	1,799	595	FY08	Mar-14	0.0				3.0				3	
Nigahi Expn.Ph-II	OC	NCL	5.0	2,594	0	FY08	Mar-12	5.0		5.0						0	Bud. Exp of INR1.4bn in FY11 (53%)
Bhubaneswari	OC	MCL	20.0	4,901	573	FY08	Mar-16	4.0						20.0		0	Acq. of tenancy land is the bottleneck
Talabira	OC	MCL	20.0	4,477	30	FY08	NA	NA									
Gopal Prasad	OC	MCL	15.0	3,959	243	FY08	Mar-15	NA					15.0			0	
Kaniha	OC	MCL	10.0	4,578	514	FY08	Mar-13	4.0			10.0					0	
Chhal	OC	SECL	3.0	504	427	FY08	NA	NA									
Subtotal			**88.9**	**26,255**	**3,392**			**15.0**	**0.0**	**5.0**	**20.0**	**3.0**	**15.0**	**20.0**	**0.0**		
Magadh Expn.	OC	CCL	20.0	7,064	122	FY09	Mar-14	0.0				4.5				1	
Purnadih	OC	CCL	3.0	2,110	185	FY09	Mar-13	0.7			3.0					0	
Tapin	OC	CCL	2.5	2,647	669	FY09	NA	1.0									
Amlo Expn.	OC	CCL	2.5	563	524	FY09	NA	2.5									
Dudhichua Expn.	OC	NCL	5.0	3,266	0	FY09	NA	5.0									Bud. Exp of INR0.5bn in FY11 (16%)
Hingula Expn.	OC	MCL	7.0	4,795	375	FY09	NA	5.0									
Lakhanpur Expn.Ph-II	OC	MCL	5.0	1,165	860	FY09	NA	5.0									
Basundhara (W) Expn.	OC	MCL	4.6	465	234	FY09	NA	4.6									
Ananta Expn. Ph-II	OC	MCL	3.0	2,073	294	FY09	NA	NA									
Peima	OC	SECL	10.0	4,483	0	FY09	NA	0.0									Bud. Exp of INR0.8bn in FY11 (17%)
Kusmunda Expn.-II	OC	SECL	5.0	4,506	0	FY09	NA	5.0									
Baroud Expn (Rai West)	OC	SECL	3.0	1,356	288	FY09	NA	2.1									
Jagannathpur (Mahan-III&IV)	OC	SECL	3.0	1,524	0	FY09	NA	0.2									
Kartali East	OC	SECL	2.5	1,784	0	FY09	NA	0.0									
Penganga	OC	WCL	3.0	3,398	1	FY09	NA	0.1									
Subtotal			**79.1**	**41,199**	**3,551**			**31.2**	**0.0**	**0.0**	**3.0**	**4.5**	**0.0**	**0.0**	**0.0**		
Rajmahal Expn (17)	OC	ECL	6.5	1,538	32	FY10	Mar-14	NA				6.5				0	
Rajrappa (RCE)	OC	CCL	3.0	5,109	2,961	FY10	Mar-16	NA						1.0		0	
Lingaraj Expn. (Ph-III)	OC	MCL	3.0	523	0	FY10	NA	3.0									
Gevra Expn.	OC	SECL	10.0	10,081	0	FY10	NA	10.0									
Dipka Expn.	OC	SECL	5.0	6,751	0	FY10	NA	5.0									Bud. Exp of INR0.9bn in FY11 (14%)
Manikpur Expn.	OC	SECL	3.5	3,215	2,118	FY10	NA	NA									
Subtotal			**31.0**	**27,217**	**5,110**			**18.0**	**0.0**	**0.0**	**0.0**	**6.5**	**0.0**	**1.0**	**0.0**		
Grand total			**199.0**	**94,671**	**12,053**			**64.2**	**0.0**	**5.0**	**23.0**	**14.0**	**15.0**	**21.0**	**0.0**		
Projects sanctioned prior to FY08																	
Bharatpur Phase-III	OC	MCL	9.0	1,314	NA	NA	Mar-11	7.5	9.0							1	Delay in obtaining forest clearance and due to R&R issues.
Balaram Extension	OC	MCL	8.0	1,721	NA	NA	Mar-11	8.0	8.0							1	Delay in land acquisition.
Kulda	OC	MCL	10.0	3,030	754	FY05	Mar-12	NA		10.0						0	
Karo	OC	CCL	3.5	965	397	FY07	Mar-15	NA					3.5			5	Delay in land acquisition.
Konar	OC	CCL	3.5	745	296	FY07	Mar-15	NA					3.5			4	
Krishnashila	OC	NCL	4.0	7,416	1,371	FY07	Mar-13	NA			4.0					3	Delay in land acquisition.
Amlohri Expansion	OC	NCL	6.0	11,435	6,334	FY07	Mar-16	NA						6.0		2	
Block B	OC	NCL	3.5	4,373	1,370	FY07	Mar-15	NA					3.5			3	
Bina Extn.	OC	NCL	1.5	1,690	1,409	FY07	Mar-14	NA				1.5				0	
Grand total			**49.0**	**32,689**	**11,930**			**15.5**	**17.0**	**10.0**	**4.0**	**1.5**	**10.5**	**6.0**	**0.0**		
Others			15.0	NA	NA				5.5	5.9	0.9	1.3	0.0	0.0	1.3		
Overall COAL			**263.0**	**127,359**	**23,983**			**79.7**	**22.5**	**20.9**	**27.9**	**16.8**	**25.5**	**27.0**	**1.3**		

Source: Ministry of Coal, Annual Plans, Ant DoC= Anticipated Date of Commissioning

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Unprecedented demand to put pressure on MoEF

Analysing the current commitment by COAL to power projects (347mt) and new power projects expected to be commissioned over FY12-17 solely dependent on supplies from COAL, demand by power projects from COAL is expected to exceed 500mt in FY17. We expect this to put pressure on MoEF to expedite clearances for COAL's mines under implementation. We see evidence of this in the recent lifting of the moratorium on environmental clearance for projects in IB Valley and Singrauli coal fields as well as clearance of five coal blocks in no-go areas.

We note that COAL is facing severe pressure from its customers (mainly the power sector with 78% of total supplies by COAL) to meet its commitment to supply coal. In the past two years, COAL has been unable to meet the needs of the power sector largely due to flat production and constraints on offtake. Exhibit 20 has details of coal dispatch to the power sector by COAL in the last few years.

Exhibit 20 Details of coal dispatch to power sector by COAL in the last few years

Year	Target by COAL	Off take by power sector	% achieved
FY08	280	277	99%
FY09	296	294	99%
FY10	313	296	95%
FY11	335	303	90%

Source: Ministry of Power - Annual Performance Document

COAL has offered to supply 347mt to the power sector in FY12 (higher than the 319mt it had indicated earlier), an additional 43mt over FY11 offtake. Of this 347mt, 306mt stands committed to under legally enforceable FSAs for power plants commissioned until March 2009.

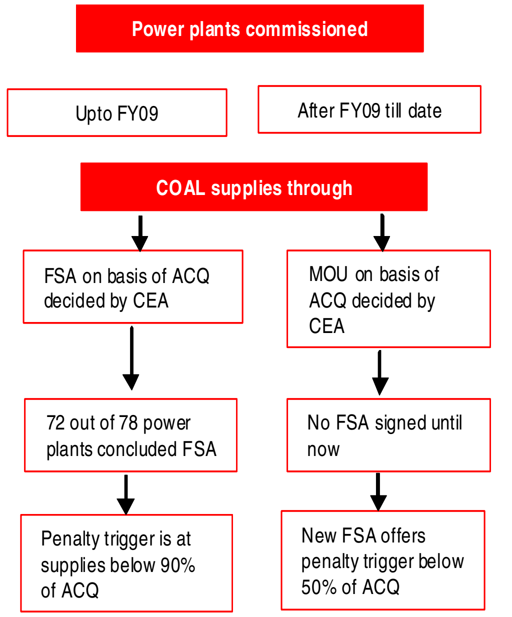
Exhibits 21 and 22 provide details of the status of FSAs with the power sector and COAL's commitment and preference for supplies.

Exhibit 21 Details of preference for supplies to the power sector

Supplies in FY12	In mt
COAL commitment to supply to power sector in FY12	347
- Of which through FSA to power stations commissioned till March 2009	306
- Power stations commissioned in FY10 and FY11 through MOUs	32.5
- Power stations proposed to be commissioned in FY12 through MOUs	8.5

Source: Ministry of Coal

Exhibit 22 Status of FSAs signed by COAL with the power sector



Source: Ministry of Coal

For the power plants commissioned post FY09 linked to COAL for fuel supplies (aggregating to 24.7GW for FY10-12e) having a coal requirement of c75mt in FY12, COAL has committed only 41mt of coal due to supply constraints. Exhibit 23 provides details of coal required by the power sector from COAL in FY12 for power projects commissioned in FY10-12.

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Exhibit 23 Details of coal requirement by power sector from COAL in FY12

Projects commissioned in	FY10	FY11	FY12e*	Total
Capacity addition (MW)	6,655	9,725	14,320	30,700
COAL linked power projects(MW)	5,593	7,101	12,018	24,712
Coal Requirement (mt)*	26	29	20*	75

*Coal requirement for projects commissioned in FY12 is for part of the year only; and which would be c50mt in FY13 and beyond
Source: Ministry of Power - Annual Performance Document

Coal linkages prioritised for 12th Plan projects to add further pressure

According to data provided by the Ministry of Power (MOP), about 129GW of coal-based capacity has been prioritised for coal linkages in the 12th Plan being developed by various power developers. If we assume even 40% of these projects are commissioned by FY17, incremental requirement for coal to be supplied to these projects by COAL will be to the tune of c150mt based on an assumption of 70% commitment to State and Central projects and 50% to private developers. Note that as per Central Electricity Authority (CEA) assessment, the coal requirement for thermal power plants based on coal linkages for the 12th Plan is 253mt by FY17.

This will add further pressure on COAL to raise its production given the unprecedented demand. COAL is already rationing supplies for power projects commissioned post FY09.

Exhibit 24 has details of coal linkages for 12th Plan power projects and estimated coal requirement to be met by COAL.

Exhibit 24 Details of coal linkages for12th Plan power projects and estimated coal requirement to be met by COAL

	Capacity (MW)	Requirement (mt) *	Generation (BU)	Avg Coal consumption (kg/unit)	% Commitmen*
Central	11,465	39	70	0.56	70%
State	36,552	126	224	0.56	70%
Private	81,575	200	357	0.56	50%
Total	**129,592**	**365**	**652**	**0.56**	**58%**
@ 40% Projects	**51,837**	**146**	**261**	**0.56**	**58%**

Note: Coal requirement estimated by us is based on assumption of 70% commitment to State and Central projects while 50% to private developers of their total requirement from COAL
Source: Ministry of Power for Capacity

Some concerns remain

Issue of 'go' and 'no-go' is a major limiting factor

Of the 605 coal blocks in India, MoEF had notified 222 coal blocks across nine coal fields as "no-go" zones in June 2010, banning mining in these areas on environmental grounds. According to the MOC, output from these mines could be of the order of 660mt and can generate around 130GW of power. Exhibit 25 provides details.

Exhibit 25 Details of coal blocks falling under 'no-go' classification under various coal fields

Coal field	Location	No of blocks
North Karanpura	Jharkhand	30
IB Valley	Orissa, Chattisgarh	24
Singaurali	MP, UP	29
Talcher	Orissa	19
West Bokaro	Jharkhand	11
Wardha	Maharashtra	16
Mand Raigarh	Chattisgarh	51
Hasdeo	Chattisgarh	20
Shoagpur	Chhattisgarh, MP	22
Total		**222**

Source: Ministry of Coal

But recent news positive for coal fields in 'no-go' areas

On 29 June 2011, the Environment Ministry cleared six blocks for power plants in Orissa (part of IB Valley Coal field) including five in 'no-go' areas linked to UMPP, NTPC and OPGC power plants. Exhibit 26 has details of coal blocks cleared by the Environment Ministry under 'no-go' areas.

Exhibit 26 Details of coal blocks cleared by Environment Ministry under 'no-go' areas

Project	Coal block
4,000 MW UMPP	Meenakshi-A, Meenakshi-B and Meenakshi Dipside
1,320 MW power plant of Orissa Power Generation Corporation (OPGC)	Manoharpur and Manoharpur Dipside
1,320 MW power plant of NTPC	Dulanga

Source: Ministry of Coal

Production loss for COAL

Exhibit 27 provides details about the production loss expected in FY12.

As per MOC, the main reasons for the downward revision of production targets were delays in obtaining forestry clearances, environmental clearances, land acquisition and related R&R issues, and law and order problems. A lack of evacuation facilities in some coal fields and a build up of pithead stocks have also resulted in regulation of production in some coal companies.

Exhibit 27 Details of production loss due to various factors

Reason	No of projects	Production loss (mt)
Delay in obtaining clearances, no-go and CEPI	17	39
Delay in obtaining FC	17	18
R&R issues	8	10
Low availability of railway rakes	NA	10-15

Source: Ministry of Coal, Annual Performance Report

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Assumptions and financial statements

Exhibit 28: Coal India key assumptions table

	FY08	FY09	FY10	FY11e	FY12e	FY13e	FY14e	CAGR (FY08-11e)	CAGR (FY11-14e)
Volumes (mt)									
Production	**379**	**404**	**431**	**431**	**440**	**466**	**490**	**4.4%**	**4.3%**
growth y/y	5.1%	6.4%	6.8%	0.0%	2.0%	6.0%	5.0%		
Offtake									
Raw coal	354	380	395	410	424	440	454	5.0%	3.5%
- FSA + negotiated sales	325	331	350	362	375	389	402	3.7%	3.5%
- E-Auction sales	29	49	46	47	49	51	53	18.1%	3.5%
Beneficiated coal	14	15	15	15	16	18	24	1.5%	17.3%
Total	**368**	**395**	**410**	**424**	**440**	**458**	**478**	**4.9%**	**4.1%**
growth y/y	7.1%	7.4%	3.7%	3.6%	3.7%	3.9%	4.6%		
Pricing (INR/ton)									
Raw coal	841	925	1,045	1,134	1,337	1,414	1,450	10.5%	8.5%
- FSA + negotiated sales	796	844	975	1,033	1,199	1,247	1,272	9.1%	7.2%
- E-Auction sales	1,347	1,481	1,583	1,899	2,392	2,690	2,805	12.1%	13.9%
Beneficiated coal	1,913	2,260	2,136	2,382	2,697	2,711	2,543	7.6%	2.2%
Blended ASP	**883**	**976**	**1,084**	**1,178**	**1,387**	**1,465**	**1,505**	**10.1%**	**8.5%**
growth y/y	2.8%	10.6%	11.1%	8.6%	17.7%	5.7%	2.7%		
Sales (INRm)									
Raw coal	297,485	351,879	413,159	464,263	567,172	621,810	658,625	16.0%	12.4%
- FSA + negotiated sales	258,713	279,508	340,775	374,264	449,767	484,991	511,203	13.1%	11.0%
- E-Auction sales	38,773	72,371	72,385	89,998	117,405	136,819	147,423	32.4%	17.9%
Beneficiated coal	27,333	33,808	31,160	35,622	43,309	48,457	61,365	9.2%	19.9%
Others	1,520	2,201	1,833	2,450	2,971	3,251	3,442	17.2%	12.0%
Total	**326,339**	**387,888**	**446,153**	**502,335**	**613,452**	**673,518**	**723,433**	**15.5%**	**12.9%**
growth y/y	10.2%	18.9%	15.0%	12.6%	22.1%	9.8%	7.4%		

Source: Company data, HSBC estimates

HSBC

Exhibit 29: Coal India income statement

(INRm)	FY09	FY10	FY11	FY12e	FY13e	FY14e
Net Sales	409,044	469,606	528,958	645,965	709,214	761,774
Cost of Goods Sold (COGS)	(104,188)	(104,822)	(109,105)	(118,819)	(129,647)	(142,357)
Overburden Removal Adjustment	(21,772)	(30,539)	(26,186)	(28,045)	(31,214)	(34,413)
Gross Income	**283,084**	**334,245**	**393,668**	**499,101**	**548,353**	**585,004**
Employee expense	(195,321)	(184,545)	(204,402)	(243,335)	(265,565)	(271,282)
Selling General & Admin exp (SG&A)	(19,285)	(19,336)	(22,077)	(26,961)	(29,601)	(31,794)
Other operating expense	(2,529)	344	(5,779)	(3,067)	(3,368)	(3,617)
EBITDA	**65,949**	**130,708**	**161,410**	**225,738**	**249,820**	**278,310**
Depreciation & Amortization	(16,376)	(13,236)	(16,729)	(18,226)	(19,844)	(21,256)
EBIT	49,573	117,472	144,681	207,512	229,976	257,054
Interest income	28,447	26,940	19,754	32,923	40,321	50,573
Interest expense	(1,789)	(1,560)	(792)	(753)	(753)	(753)
Other financial exp/inc	1,593	2,015	1,585	1,585	1,585	1,585
HSBC Profit before tax (PBT)	77,825	144,867	165,228	241,266	271,128	308,458
Exceptionals	277	(537)	(602)	0	0	0
Reported Profit before tax (PBT)	78,102	144,331	164,626	241,266	271,128	308,458
Income tax	(37,190)	(46,565)	(55,954)	(81,752)	(91,963)	(104,713)
Profit after tax (PAT)	40,912	97,766	108,673	159,514	179,165	203,745
Extraordinary Items	(286)	571	0	0	0	0
Reported Net income	40,626	98,337	108,673	159,514	179,165	203,745
HSBC Net income	**40,635**	**98,302**	**109,275**	**159,514**	**179,165**	**203,745**
No. of shares outstanding	6,318	6,316	6,316	6,316	6,316	6,316
Reported EPS	6.4	15.6	17.2	25.3	28.4	32.3
HSBC EPS (Recurring)	**6.4**	**15.6**	**17.3**	**25.3**	**28.4**	**32.3**

Source: Company data, HSBC estimates

Exhibit 30: Coal India trend and margins

Trend & margin analysis	FY09	FY10	FY11	FY12e	FY13e	FY14e
Sales growth	19.7%	14.8%	12.6%	22.1%	9.8%	7.4%
EBITDA growth	6.7%	98.2%	23.5%	39.9%	10.7%	11.4%
EBIT growth	5.5%	137.0%	23.2%	43.4%	10.8%	11.8%
Reported EPS growth	-5.2%	142.1%	10.5%	46.8%	12.3%	13.7%
HSBC EPS growth	9.2%	142.0%	11.2%	46.0%	12.3%	13.7%
Gross margins	69.2%	71.2%	74.4%	77.3%	77.3%	76.8%
EBITDA margins	16.1%	27.8%	30.5%	34.9%	35.2%	36.5%
EBIT margins	12.1%	25.0%	27.4%	32.1%	32.4%	33.7%
HSBC PBT margins	19.0%	30.8%	31.2%	37.3%	38.2%	40.5%
Reported PBT margins	19.1%	30.7%	31.1%	37.3%	38.2%	40.5%

Source: Company data, HSBC estimates

HSBC

Exhibit 31: Coal India balance sheet

(INRm)	FY09	FY10	FY11	FY12e	FY13e	FY14e
Share Capital	63,164	63,164	63,164	63,164	63,164	63,164
Reserves & Surplus	126,916	195,330	270,008	386,811	514,547	658,147
Shareholders Equity	190,080	258,494	333,172	449,974	577,711	721,311
Minorities	19	236	326	326	326	326
Total Equity	190,099	258,730	333,498	450,300	578,037	721,637
Secured Loans	(1,805)	(4,669)	(4,669)	(4,669)	(4,669)	(4,669)
Unsecured Loans	(19,680)	(16,199)	(10,867)	(10,867)	(10,867)	(10,867)
Total Debt	(21,485)	(20,869)	(15,536)	(15,536)	(15,536)	(15,536)
Cash & Equivalents	296,950	390,778	458,623	566,738	715,621	881,680
Net (Debt)/Cash	275,465	369,909	443,087	551,203	700,086	866,145
Net Block	110,088	120,310	128,331	150,105	160,261	170,099
Capital Work-in-progress (CWIP)	18,223	21,082	21,082	21,082	21,082	21,082
Deferred tax assets	9,548	9,658	8,732	8,732	8,732	8,732
Investments	15,052	12,821	10,637	8,637	6,637	4,637
Other assets (net)	(11,266)	(13,559)	(14,983)	(14,983)	(14,983)	(14,983)
Total Long Term Assets	141,645	150,312	153,799	173,573	181,729	189,567
Inventories	36,666	44,015	55,856	61,345	67,352	72,343
Sundry Debtors	18,475	21,686	30,256	30,673	33,676	36,172
Loan & Advances	117,271	86,655	99,225	99,225	99,225	99,225
Current Liabilities	(282,691)	(331,429)	(391,964)	(413,958)	(457,270)	(495,054)
Provisions	(116,732)	(82,417)	(56,761)	(51,761)	(46,761)	(46,761)
Total Working Capital	(227,011)	(261,491)	(263,388)	(274,475)	(303,778)	(334,074)
Net assets	190,099	258,730	333,498	450,300	578,037	721,637

Source: Company data, HSBC estimates

Exhibit 32: Coal India cash flow statement

(INRm)	FY09	FY10	FY11	FY12e	FY13e	FY14e
Profit before tax	80,161	144,104	164,626	241,266	271,128	308,458
Add back:						
Interest income	0	0	(19,754)	(32,923)	(40,321)	(50,573)
Interest expense	0	0	792	753	753	753
Depreciation & Amortization	10,630	6,795	16,729	18,226	19,844	21,256
Others	21,772	30,351	26,186	28,045	31,214	34,413
Change in Working Capital	32,537	(8,060)	(23,363)	(16,958)	(1,911)	(4,117)
Tax paid	(27,907)	(39,990)	(55,954)	(81,752)	(91,963)	(104,713)
Net Interest paid	(1,610)	(1,445)	(792)	(753)	(753)	(753)
Change in Deferred tax liability						
Cash flow from operations	115,583	131,755	108,470	155,904	187,991	204,725
Capital Expenditure	(18,746)	(19,977)	(24,750)	(40,000)	(30,000)	(31,094)
Change in other assets	2,127	2,230	21,939	34,923	42,321	52,573
Free cash flow (FCF)	98,964	114,008	105,659	150,827	200,312	226,204
Dividends	(17,054)	(22,100)	(33,995)	(42,712)	(51,428)	(60,145)
FCF post dividend	81,910	91,908	71,664	108,115	148,883	166,059
Acquisition - Subs/Assoc/Investments	0	0	0	0	0	0
Change in debt	2,646	(616)	(5,333)	0	0	0
Share buyback/issue	0	0	0	0	0	0
Change in other reserves	2,780	2,536	1,439	0	0	0
Others	87,335	93,828	67,770	108,115	148,883	166,059
Net cash flow	80,161	144,104	164,626	241,266	271,128	308,458

Source: Company data, HSBC estimates

Disclosure appendix

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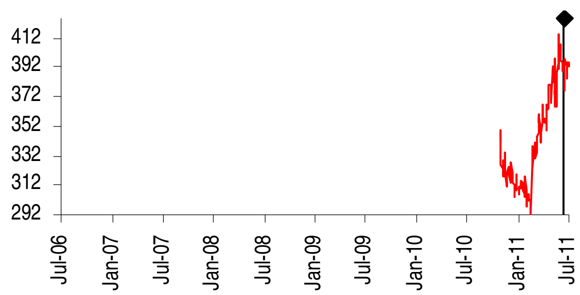
Share price and rating changes for long-term investment opportunities

Coal India Limited (COAL.BO) Share Price performance INR Vs HSBC rating history



Source: HSBC

Recommendation & price target history

From	To	Date
N/A	Neutral (V)	21 June 2011
Target Price	**Value**	**Date**
Price 1	425.00	21 June 2011

Source: HSBC

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