

## Key Data

H-Share price (HK\$)	43.4
52Wk H/L(HK\$)	43.9/40.8
Issued shares (mn)	1627
- H Shares (mn)	163
- B Shares (mn)	664
- Unlisted Shares (mn)	800
Market cap	
- H Shares (HK\$m)	7,074
- B Shares (USD mn)	3,584
3-mth ave. vol (HK\$m)	NA
Major shareholder (%):	
Yitai Group Co., Ltd.	49.17

Source: Company, Bloomberg, ABCI Securities

## Revenue composition in FY11 (%)

Coal	92.02
Transportation	3.66
Coal Chemical	4.10
Others	0.22

Source: Company

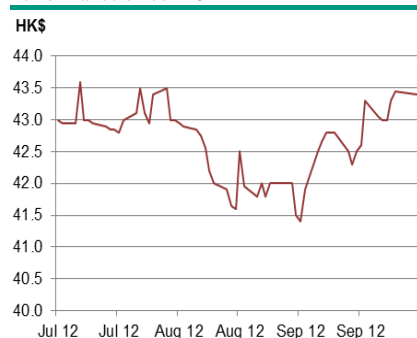
## Share performance (%)

	Absolute	Relative*
1-mth	3.3	(3.5)
3-mth	NA	NS
6-mth	NA	NA)

Source: Bloomberg

\*Relative to Hang Seng Index

## Performance since IPO



Source: Bloomberg

## Analyst:

Mark Chen  
Tel: (852) 2147 8819  
Email: markchen@abci.com.hk

## Yitai Coal (3948 HK) – Unrated China Coal & Consumable Fuels Industry

### Coal inventory at QHD Port releases positive signs

Coal inventory at Qinhuangdao Port reduced significantly to 6.08 mn tonnes on Sep. 29, 4 month low since May 12 while the spot coal prices are stabilizing. Yitai Coal, which has the lowest producing cost among its H-share peers, sets to benefit from the continued recovery of coal demand and ASP.

**Coal inventory reduced significantly.** The inventory at Qinhuangdao Port slumped to 6.08 mn tonnes on Sep. 29, reaching its 4-month-low since May 12, down 35% from June's peak. The reducing inventory indicates that the downstream demand is recovering.

### Domestic coal prices have been improved for five consecutive weeks.

By 26 Sep, Bohai-Rim steam coal price index (5500 kcal/kg) has climbed up to Rmb635/ton, from Rmb626/ton on 22 Aug.

In addition, the mine mouth price / free on rail price at Inner Mongolia has improved significantly from its bottom at July / August. We believe the recovery of coal demand and prices benefits Yitai Coal, the largest coal producer in Inner Mongolia.

**Competitive low coal cost.** The average cost of the counter is Rmb83/tonne for 1HFY12, which is the lowest among the H-share peers or approx. Rmb33/tonne lower than China Shenhua (1088 HK, Buy). Its cost advantage is further sharpened by its self-owned railway lines to transport its coal out Inner Mongolia.

**Favorable tax rate.** Under the PRC's policy, the counter enjoys favorable income tax rate of 15% until 2020, also the lowest among the H-share peers.

**Risk factors:** 1) Weak power consumption growth on slowed economic growth; 2) policy risk; 3) the influx of foreign coal cap the rebound momentum of domestic coal prices.

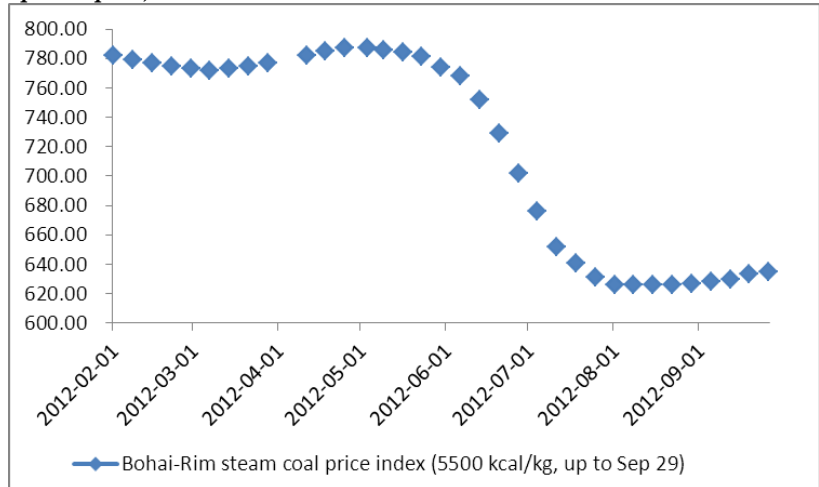
## Results and Valuation

FY ended Dec 31	FY09A	FY10A	FY11A
Turnover (Rmb mn)	10,252	13,854	16,516
Net Income (Rmb mn)	3,043	5,015	5,464
Chg (% YoY)	NA	65	9
EPS (Rmb)_IPO adj.	1.87	3.08	3.36
Chg (% YoY)	NA	65	9
BVPS (Rmb)_IPO adj.	—	—	14.44
P/E (x)	—	—	10.60
P/B (x)	—	—	2.46
ROAE (%)	—	43	35
Net debt/total equity (%)	24.9	Net Cash	Net Cash

Source: Company, Bloomberg, ABCI Securities estimates (assuming 1Rmb=1.219HKD)

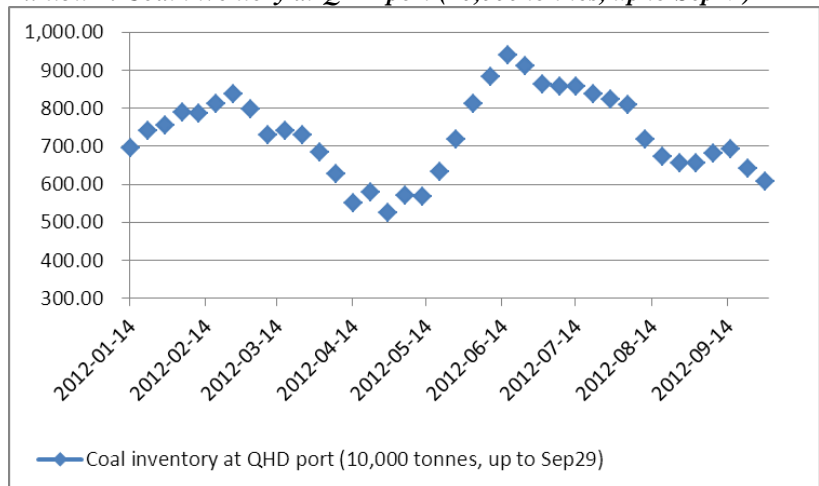


**Exhibit 1: Bohai-Rim steam coal price index (5500 kcal/kg, Rmb/tonne, up to Sep 26)**



Source: Wind, ABCI Securities

**Exhibit 2: Coal inventory at QHD port (10,000 tonnes, up to Sep29)**



Source: Wind, ABCI Securities



## Disclosures

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### Definition of equity rating

Rating	Definition
Buy	Stock return $\geq$ Market return rate
Hold	Market return $- 6\% \leq$ Stock return $<$ Market return rate
Sell	Stock return $<$ Market return $- 6\%$

Stock return is defined as the expected % change of share price plus gross dividend yield over the next 12 months

Market return: 5-year average market return rate from 2007-2011 (~15%)

Time horizon of share price target: 12-month

### Definition of share price risk

Rating	Definition
Very high	$2.6 \leq$ 180 day volatility/180 day benchmark index volatility
High	$1.5 \leq$ 180 day volatility/180 day benchmark index volatility $<$ 2.6
Medium	$1.0 \leq$ 180 day volatility/180 day benchmark index volatility $<$ 1.5
Low	180 day volatility/180 day benchmark index volatility $<$ 1.0

We measure share price risk by its volatility relative to volatility of benchmark index. Benchmark index: Hang Seng Index.

Volatility is calculated from the standard deviation of day to day logarithmic historic price change. The 180-day price volatility equals the annualized standard deviation of the relative price change for the 180 most recent trading days closing price.

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**Office address: ABCI Securities Company Limited, 13/F Fairmont House,  
8 Cotton Tree Drive, Central, Hong Kong.**

**Tel: (852) 2868 2183**