

Key Data

Target Price (HK\$)	50.54
H-Share price (HK\$)	43.1
Upside potential (%)	17.3
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)	7,025
- B Shares (USD mn)	3,665
3-mth avg vol (HK\$m)	1.06
Major shareholder (%):	
Inner Mongolia 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

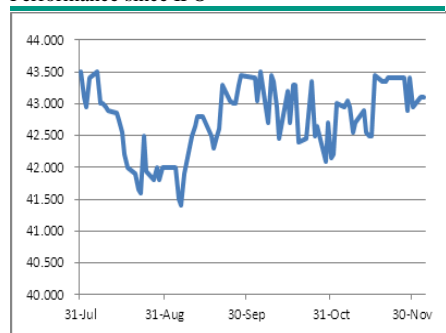
Share performance (%)

	Absolute	Relative*
1-mth	0.23	1.64
3-mth	2.62	(9.58)
6-mth	NA	NA

Source: Bloomberg

*Relative to Hang Seng Index

Performance since IPO



Source: Bloomberg

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Previous report
Date: 19 November 2012
Rating - Buy

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

Local government strengthened output restriction

We reiterate our positive views on Yitai Coal as Inner Mongolia government strengthened the output restriction in local area, which will alleviate competition from medium and small coal producers.

Local government strengthened output restriction. Inner Mongolia government documented (on Dec. 4) that it will strengthen the coal output restriction under an urgent note from the State Council of the PRC. The government emphasized that:

- 1) Coal mines suspended in previous months are not allowed to reopen unless they have passed the thorough examination of the local government;
- 2) All those coal mines not favored by the national coal development guidance or regional development planning should be closed permanently;
- 3) Those coal mines with weak safety and technical conditions should not reopen and should be merged with larger coal groups.

According to our channel check, the new policy is positive to Yitai in medium term as the strengthened restriction will help reduce competition and benefit the sales of the counter.

Foreign spot coal prices have been improved for three consecutive weeks. The Australia BJ thermal coal price rose from US\$80.35/tonne (8 Nov.) to US\$90.25/tonne (29 Nov.), posting growth of 12.3%. This provided strong support for domestic thermal coal prices. We reiterate our Buy rating on the counter with target price of HK\$50.54.

Risk factors: 1) Weak power consumption growth on slower-than-expected economic growth; 2) policy risk; 3) the influx of foreign coal prohibiting the rebound momentum of domestic coal prices.

Results and Valuation

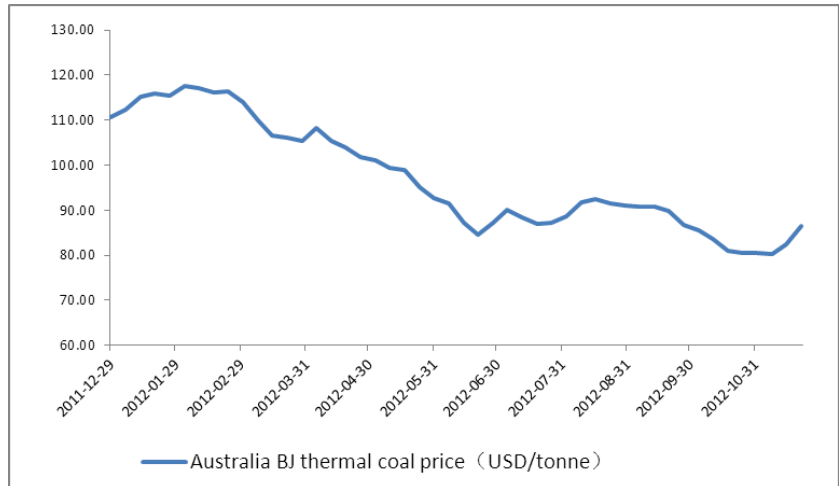
FY ended Dec 31	2009	2010	2011	2012E*
Turnover (Rmb mn)	10,252	13,854	16,516	34,252
Net Income (Rmb mn)	3,043	5,015	5,464	7,841
Chg (% YoY)	NA	65	9	NA
EPS (Rmb)_IPO adj.	1.87	3.08	3.36	4.82
Chg (% YoY)	NA	65	9	NA
BVPS (Rmb)_IPO adj.	—	—	14.44	15.78
P/E (x)	—	—	10.43	10.05
P/B (x)	—	—	3.35	2.35
ROAE (%)	—	43	35	32
Net debt/total equity (%)	61	31	28	30

*After the acquisition of the target assets

Source: Company, Bloomberg, ABCI Securities estimates (assuming Rmb1=HKD1.25)

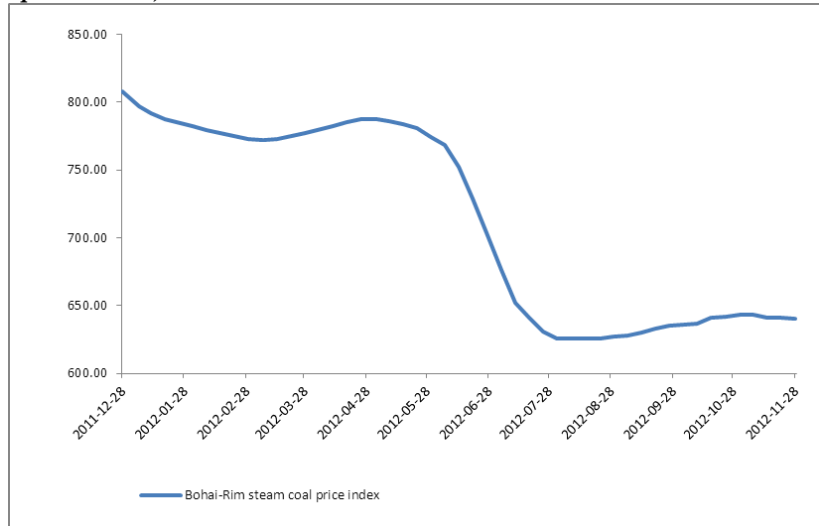


Exhibit 1: Australia BJ thermal coal price (USD/tonne, up to Nov.29, 2012)



Source: Wind, ABCI Securities

Exhibit 2: Bohai-Rim steam coal price index (5500 kcal/kg, Rmb/tonne, up to Nov. 28)



Source: Wind, ABCI Securities

Disclosures

Analyst Certification

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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

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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