

September 27, 2010

**CARE ASSIGNS 'CARE IPO GRADE 5' GRADING TO THE IPO OF
COAL INDIA LTD.**

Grading Assigned

Particulars	Number of equity shares	Grading ¹	Remarks
IPO Grading	631,636,440 equity shares of face value of Rs. 10 each	'CARE IPO Grade 5' [Five]	Assigned

Grading Rationale

The assigned grading reflects Coal India Ltd.'s (CIL) dominance in the Indian coal industry. CIL contributes to around 82% of coal production in India. The balance 18% is produced mainly for captive consumption by manufacturing/power companies. Thus practically, CIL holds the monopoly in traded coal available domestically. Also CIL's strong financial position with cash balances of Rs.39077 crore with a comfortable gearing ratio give it immense financial flexibility to fund its on-going and planned expansion projects. Moreover, CIL is one of the lowest cost producers giving it an pricing edge over imported coal. The grading also factors experienced management and impressive track record of operations.

CARE Research foresees demand for the domestic coal industry will be mainly driven by the power generation companies. Increasing domestic steel and cement capacities are also likely to further support the domestic coal demand. Hence the offtake related risk for CIL are negligible.

However, CIL's operations are affected to some extent by socio-environmental concerns. Changes in pricing regulations, delays in obtaining clearances from the forest department and delay in receipt of regulatory approvals continue to pose a threat to the company's operations.

Company Profile

CIL is a 100% Govt. of India (GoI) owned company having obtained 'Navratna' status from GoI in October 2008. The company is responsible for the entire coal mining sector and it operates along with a number of subsidiaries. The company has an experienced senior management team with many of the members serving the company or its subsidiaries for more than 30 years. The company has a sound corporate governance system in place. The GoI is now divesting 10 percent of its equity through the public issue of shares.

¹Complete definition of the grading assigned is available at www.careratings.com and other publications of CARE

CIL reported a PAT of Rs.9,829 crore on total income of Rs.52,592 crore in FY10. It is practically a debt free company and has healthy profit margins. However, the prices of coal, being a commodity, are volatile in nature. Hence the profit margins too are volatile for the company. Nevertheless, on account of low operating cost and strong reserves built by the company, the financial soundness is high. Further the shift of the company to a more market linked pricing mechanism is expected to improve its profitability.

Analyst Contact

Name: Dhimant Kothari

Tel # 6754 3479

Email: dhimant.kothari@careratings.com

CARE has classified instruments rated by it on the basis of complexity. This classification is available at www.careratings.com. Investors/market intermediaries /regulators or others are welcome to write to care@careratings.com for any clarifications.

DISCLAIMER:

CARE's IPO grading is a one time assessment and the analysis draws heavily from the information provided by the issuer as well as information obtained from sources believed by CARE to be accurate and reliable. However, CARE, does not guarantee the accuracy, adequacy or completeness of any information and is not responsible for any errors or omissions or for the results obtained from the use of such information. CARE's IPO grading does not take cognizance of the price of the security and it is not a recommendation to buy, sell or hold shares/securities. It is also not a comment on the offer price or the listed price of the scrip. It does not imply that CARE performs an audit function or forensic exercise to detect fraud. It is also not a forecast of the future market performance and the earnings prospects of the issuer; also it does not indicate compliance/violation of various statutory requirements. CARE shall not be liable for any losses incurred by users from any use of the IPO grading.

CARE is headquartered in Mumbai, with Offices all over India. The office addresses and contact numbers are given below:

HEAD OFFICE: MUMBAI

Mr. D.R. Dogra

Managing Director

Cell : +91-98204 16002

E-mail : dr.dogra@careratings.com

Mr. Rajesh Mokashi

Dy. Managing Director

Cell : +91-98204 16001

E-mail: rajesh.mokashi@careratings.com

Mr. Ankur Sachdeva

Head - Business Development

Cell : +91-9819698985

E-mail: ankur.sachdeva@careratings.com

4th Floor, Godrej Coliseum, Somaiya Hospital Road, Off Eastern Express Highway,
Sion (East), **Mumbai 400 022** Tel.: (022) 67543456 Fax: (022) 67543457

Website: www.careratings.com

OFFICES

<p>Mr.Mehul Pandya Regional Manager 32 TITANIUM Pralhadnagar Corporate Road, Satellite, Ahmedabad - 380 015. Tel – 079 4026 5656 Mobile - 98242 56265 E-mail: mehul.pandya@careratings.com</p>	<p>Mr.Sundara Vathanan Regional Manager Unit No. 8, I floor, Commander's Place No. 6, Raja Ram Mohan R Road, Richmond Circle, Bangalore - 560 025. Tel – 080 2211 7140 Mobile – 98803 60878 E-mail: sundara.vathanan@careratings.com</p>
<p>Mr. Pradeep Kumar Regional Manager Unit No. O-509/C, Spencer Plaza, 5th Floor, No. 769, Anna Salai, Chennai 600 002 Tel: 044 2849 7812/2849 0811 Mobile – 98407 54521 E-mail :Pradeep.kumar@careratings.com</p>	<p>Mr. Ashwini Jani Regional Manager 401, Ashoka Scintilla 3-6-520, Himayat Nagar Hyderabad - 500 029 Tel – 040 40102030 Mobile – 91766 47599 E-mail: ashwini.jani@careratings.com</p>
<p>Mr. Sukanta Nag Regional Manager 3rd Floor, Prasad Chambers (Shagun Mall Building) 10A, Shakespeare Sarani Kolkata - 700 071. Tel – 033 2283 1800/1803 Mobile – 98311 70075 E- mail: sukanta.nag@careratings.com</p>	<p>Ms.Swati Agrawal Regional Manager 710 Surya Kiran, 19 K.G. Road, New Delhi - 110 001. Tel – 011 2331 8701/2371 6199 Mobile – 98117 45677 E-mail :swati.agrawal@careratings.com</p>