INDOPREMIER

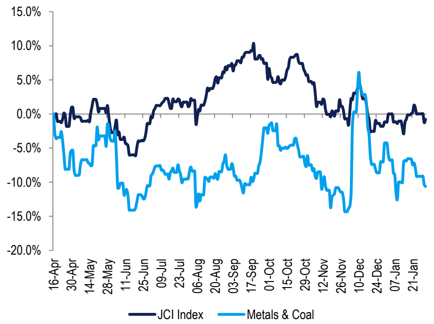
Metals & Coal

NEUTRAL *(unchanged)*

Sector update | 16 April 2025

Sector Index Performance

	3M	6M	12M
Absolute	-14.6%	-16.3%	-20.5%
Relative to JCI	-6.6%	-0.2%	-9.9%



Summary Valuation Metrics

P/E (x)	2024F	2025F	2026F
INCO IJ	19.1	8.8	4.7
MBMA IJ	43.9	8.0	3.0
MDKA IJ	N/A	10.9	7.5
AADI IJ	3.1	3.1	N/A
PTBA IJ	9.1	7.7	7.8

EV/EBITDA (x)	2024F	2025F	2026F
INCO IJ	4.2	3.2	2.0
MBMA IJ	10.2	4.7	1.6
MDKA IJ	8.9	5.2	4.3
AADI IJ	3.1	2.5	N/A
PTBA IJ	5.2	4.5	4.6

Div. Yield	2024F	2025F	2026F
INCO IJ	N/A	N/A	N/A
MBMA IJ	N/A	N/A	N/A
MDKA IJ	N/A	N/A	N/A
AADI IJ	11.9%	11.9%	N/A
PTBA IJ	13.7%	8.2%	9.7%

Ryan Winipta
PT Indo Premier Sekuritas
ryan.winipta@ipc.co.id
+62 21 5088 7168 ext.718

Reggie Parengkuan
PT Indo Premier Sekuritas
reggie.parengkuan@ipc.co.id
+62 21 5088 7168 ext.714

Minimal changes from the initial proposed royalty rate hike

- Ministry of Energy and Mineral Resources (MEMR) has issued government regulation 18 & 19/2025 related to metals & coal royalty.
- Not much surprise from the initial proposed rate with the exception of lower-than-expected royalty increase for ferronickel & nickel-matte.
- AADI, BUMI, and INDY are main beneficiaries; -ve to all metal names. overhang on royalty is removed, but we still maintain our Neutral rating.

Key summary from royalty adjustments to metals & coals

Ministry of Energy and Mineral Resources (MEMR) has issued government regulation (PP) no. 18 & 19/2025 related to royalty adjustments for metals & coal. To summarize, coal royalty for IUPK holders (extension of contract of work/CoW) will be reduced in-line with the initial proposed rate in Mar25 (Fig. 9), while royalty for nickel-ore, copper, gold, and other metals are set to progressively increase with a set of price tiers/range (Fig. 2-7). We think the royalty hike was in-line with market expectations, reflected in the muted share price reactions post royalty announcement for metal names under our coverage. The regulation will be effective starting April 26th onwards and will not be applied on a retroactive basis.

Lower than expected increase for FeNi & nickel-matte

Royalty increases for FeNi & nickel-matte, which was initially set at 5-7% and 4.5-6.5% range, respectively, came out lower than expected at 100bps reduction to 4-6% and 3.5-5.5% range. As such, we slightly revised the royalty impact to ANTM & INCO – both of which are subject to the increase FeNi (ANTM) and nickel-matte (INCO) royalty.

Negative impact overall for our coverage with the exception of AADI

The royalty hike would lead to negative impact across metal names (Fig. 1) with MDKA & ANTM having the biggest downside vs. consensus FY25F NP forecast; Meanwhile, AADI, BUMI, and INDY would came out as main beneficiaries from royalty adjustments (Fig. 10).

Maintain Neutral with ANTM as our top pick

While such royalty overhang is now removed, we still retain our sector Neutral rating owing to potentially weaker demand ahead of potential US recession & declining business confidence amidst tariffs uncertainty and softer global growth. While commodities could experience a potential tailwind from weaker DXY, due to indication of another round of quantitative easing (QE) via US treasuries buyback, we think lower demand would eventually offset weaker dollar. Thus, we still prefer companies with strong FCF, robust balance-sheet, and upward earnings revision: ANTM (Buy, TP: Rp2,500/share, report). Upside risks to our sector call are bigger than expected China stimulus.

Fig. 1: Summary of potential impact from royalty increase

Royalty rate increase (%)*	NPI/Matte/Feni Royalty increase (%)			Ore royalty rate increase (%)			Combined impact	
	Current royalty	Royalty increase	Royalty impact to FY25F NP	Current royalty	Royalty increase	Royalty impact to FY25F NP	In nominal	vs. consensus FY25F NP
ANTM	2%	4-6%, based on HMA	Rp42bn	10%	14-19%, based on HMA	Rp169bn	Rp211bn	-5%
INCO	2% if LME price >US$21k/t, 3% if above	3.5-5.5%, based on HMA	US$6mn			US$2mn	US$8mn	-10%
MBMA	Royalty paid on the ore, not on downstream products, as the ore (upstream) and smelter (downstream) is not within the same legal entity.		N/A			US$3mn	US$3mn	-4%
NCKL						Rp205bn	Rp205bn	-3%
HRUM						US$1mn	US$1mn	-1%
MDKA	2% (Copper Cathode)	4-7%, based on HMA	US$3mn	via MBMA	via MBMA	via MBMA	US$13mn	-41%
	3.75%-10%** (Gold)	7-16%, based on HMA	US$9mn					

Source: Bloomberg, Company data, Indo Premier estimates; based on current HMA and pro-rated per effective timeline

Fig. 2: Changes in NPI royalty rate

Existing HMA	Existing Tariff	Proposed HMA	Proposed Tariff
All	5%	< 18,000	5.0%
		18,000 < HMA < 21,000	5.5%
		21,000 < HMA < 24,000	6.0%
		24,000 < HMA < 31,000	6.5%
		> 31,000	7.0%

Source: Ministry of Energy & Mineral Resources (ESDM), Indo Premier

Fig. 3: Changes in FeNi royalty rate

Existing HMA	Existing Tariff	Proposed HMA	Proposed Tariff
All	2.0%	< 18,000	4.0%
		18,000 < HMA < 21,000	4.5%
		21,000 < HMA < 24,000	5.0%
		24,000 < HMA < 31,000	5.5%
		> 31,000	6.0%

Source: Ministry of Energy & Mineral Resources (ESDM), Indo Premier

Fig. 4: Changes in nickel-matte royalty rate

Existing HMA	Existing Tariff	Proposed HMA	Proposed Tariff
< 21,000	2.0%	< 18,000	3.5%
		18,000 < HMA < 21,000	4.0%
		21,000 < HMA < 24,000	4.5%
> 21,000	3.0%	24,000 < HMA < 31,000	5.0%
		> 31,000	5.5%

Source: Ministry of Energy & Mineral Resources (ESDM), Indo Premier

Fig. 5: Changes in nickel-ore royalty rate

Existing HMA	Existing Tariff	Proposed HMA	Proposed Tariff
All	10%	< 18,000	14%
		18,000 < HMA < 21,000	15%
		21,000 < HMA < 24,000	16%
		24,000 < HMA < 31,000	18%
		> 31,000	19%

Source: Ministry of Energy & Mineral Resources (ESDM), Indo Premier

Fig. 6: Changes in gold royalty rate

Existing HMA	Existing Tariff	Proposed HMA	Proposed Tariff
< 1,300	3.75%	< 1,800	7.00%
1,300 < HMA < 1,400	4.00%	1,800 < HMA < 2,000	10.00%
1,400 < HMA < 1,500	4.25%	2,000 < HMA < 2,200	11.00%
1,500 < HMA < 1,600	4.50%	2,200 < HMA < 2,500	12.00%
1,600 < HMA < 1,700	4.75%	2,500 < HMA < 2,700	14.00%
1,700 < HMA < 1,800	5.00%	2,700 < HMA < 3,000	15.00%
1,800 < HMA < 1,900	6.00%	> 3,000	16.00%
1,900 < HMA < 2,000	8.00%		
> 2,000	10.00%		

Source: Ministry of Energy & Mineral Resources (ESDM), Indo Premier

Fig. 7: Changes in copper cathode royalty rate

Existing HMA	Existing Tariff	Proposed HMA	Proposed Tariff
All	2%	< 7,000	4%
		7,000 < HMA < 8,500	5%
		8,500 < HMA < 10,000	6%
		> 10,000	7%

Source: Ministry of Energy & Mineral Resources (ESDM), Indo Premier

Fig. 8: Changes in coal IUP-OP royalty rate

IUPOP	Old	New
CV < 4,200		
HBA < $70	5.0%	5.0%
$70 < HBA < $90	6.0%	6.0%
HBA > $90	8.0%	9.0%
4,200 < CV < 5,200		
HBA < $70	7.0%	7.0%
$70 < HBA < $90	8.5%	8.5%
HBA > $90	10.5%	11.5%
CV > 5,200		
HBA < $70	9.5%	9.5%
$70 < HBA < $90	11.5%	11.5%
HBA > $90	13.5%	13.5%

Source: Ministry of Energy & Mineral Resources (ESDM), Indo Premier

Fig. 9: Changes in coal IUPK royalty rate

IUPK royalty			
Old		New	
HBA < $70	14%	HBA < $70	15%
HBA > $70	17%	HBA > $70	18%
HBA > $80	23%	HBA > $120	19%
HBA > $90	25%	HBA > $140	22%
HBA > $100	28%	HBA > $160	25%
		HBA > $180	28%

Source: Ministry of Energy & Mineral Resources (ESDM), Indo Premier

Fig. 10: Changes in coal IUPK royalty rate

	Base		Post revision		Changes	
FY25F	AADI (US$mn)	PTBA (Rp bn)	AADI (US$mn)	PTBA (Rp bn)	AADI	PTBA
Revenue	4,942	42,303	4,942	42,330	0%	0%
EBITDA	1,038	5,072	1,200	4,927	16%	-3%
Net profit	779	3,063	904	2,941	16%	-4%
Sales volume (Mt)	70	50	70	50	0%	0%
ASP (US$/t)	67	846	67	847	0%	0%
Cash cost (US$/t)	53	745	51	748	-4%	0%

Source: Ministry of Energy & Mineral Resources (ESDM), Indo Premier

Fig. 11: Companies under our coverage & recommendation

Ticker	Company	Rating	Target price (Rp/share)	P/E			EV/EBITDA			Dividend yield (%)		
				25F	26F	27F	25F	26F	27F	25F	26F	27F
Metals												
ADMR IJ	Adaro Minerals Indonesia	Buy	1,500	6.1	4.6	N/A	7.0	6.2	N/A	N/A	N/A	N/A
ANTM IJ	Aneka Tambang	Buy	2,500	9.5	8.1	8.8	5.5	5.1	5.5	8.3%	7.9%	9.2%
HRUM IJ	Harum Energy	Hold	1,450	4.6	3.5	N/A	4.5	3.0	N/A	N/A	N/A	N/A
INCO IJ	Vale Indonesia	Buy	3,650	19.1	8.8	4.7	4.2	3.2	2.0	N/A	N/A	N/A
MBMA IJ	Merdeka Battery Materials	Buy	560	43.9	8.0	3.0	10.2	4.7	1.6	N/A	N/A	N/A
MDKA IJ	Merdeka Copper Gold	Buy	2,400	N/A	10.9	7.5	8.9	5.2	4.3	N/A	N/A	N/A
NCKL IJ	Trimegah Bangun Persada	Buy	1,100	5.5	4.5	4.5	4.1	3.3	2.9	4.7%	5.4%	6.7%
Coal												
AADI IJ	Adaro Andalan Indonesia	Buy	12,000	3.8	3.8	N/A	3.1	2.5	N/A	11.9%	11.9%	N/A
ITMG IJ	Indo Tambangraya Megah	Hold	21,000	7.8	14.8	15.4	2.4	4.2	4.1	13.7%	5.9%	4.0%
PTBA IJ	Bukit Asam	Sell	2,000	9.1	7.7	7.8	5.2	4.5	4.6	13.7%	8.2%	9.7%
UNTR IJ	United Tractors	Buy	33,000	3.9	3.7	N/A	1.6	1.3	N/A	10.8%	11.1%	N/A

Source: Bloomberg, Company data, Indo Premier

SECTOR RATINGS

OVERWEIGHT	:	An Overweight rating means stocks in the sector have, on a market cap-weighted basis, a positive absolute recommendation
NEUTRAL	:	A Neutral rating means stocks in the sector have, on a market cap-weighted basis, a neutral absolute recommendation
UNDERWEIGHT	:	An Underweight rating means stocks in the sector have, on a market cap-weighted basis, a negative absolute recommendation

COMPANY RATINGS

BUY	:	Expected total return of 10% or more within a 12-month period
HOLD	:	Expected total return between -10% and 10% within a 12-month period
SELL	:	Expected total return of -10% or worse within a 12-month period

ANALYSTS CERTIFICATION

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