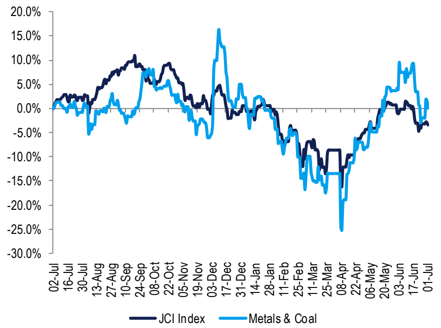
Metals & Coal

OVERWEIGHT *(unchanged)*

Sector update | 2 July 2025

Sector Index Performance

	3M	6M	12M
Absolute	15.7%	-4.7%	0.1%
Relative to JCI	10.0%	-1.9%	3.5%



Summary Valuation Metrics

P/E (x)	2024F	2025F	2026F
ANTM IJ	11.1	12.4	13.3
INCO IJ	29.3	13.4	7.0
AADI IJ	3.6	3.4	3.0
PTBA IJ	11.0	9.2	9.4
ITMG IJ	8.1	15.3	15.9

EV/EBITDA (x)	2024F	2025F	2026F
ANTM IJ	7.0	8.1	8.6
INCO IJ	7.0	5.0	3.1
AADI IJ	2.7	1.9	1.3
PTBA IJ	6.4	5.6	5.7
ITMG IJ	2.6	4.5	4.5

Div. Yield	2024F	2025F	2026F
ANTM IJ	4.7%	6.8%	6.1%
INCO IJ	N/A	N/A	N/A
AADI IJ	12.6%	13.2%	7.5%
PTBA IJ	15.7%	6.8%	8.1%
ITMG IJ	14.2%	6.1%	4.2%

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

Illegal mining clampdown: +ve tailwind to nickel & coal price

- Minister of Energy and Mineral Resources (ESDM), Bahlil Lahadalia appointed Rilke Jeffri Huwae as Director General of Law Enforcement.
- ESDM intends to eradicate illegal mining practice or PETI (*Pertambangan Tanpa Izin*) across mineral-mining in Indonesia.
- We think this shall become a +ve tailwind to nickel & coal prices, albeit the impact would be subject to execution and implementation.

Illegal mining has occurred across mineral resources in Indonesia

Indonesia has been subject to illegal mining practices across mineral mining resources. In the past 5 years, several illegal mining practices have been exposed, including: 1) nickel-mining in Mandiodo (FY23), 2) tin mining clampdown in Bangka/Belitung – which benefits TINS (report), and 3) gold-mining in Gunung Botak, among others. As such, ESDM has appointed Rilke Jeffri Huwae as Director General of Law Enforcement and Ma'mun as Director of Criminal Enforcement, in an attempt to eradicate illegal mining practices. While execution remains to be seen, we think it shall be positive for nickel and coal prices as this may significantly affect its supply-demand balance. We think that the impact will be less material in tin-mining (recent clampdown led to -33% yoy in tin exports in FY24) and gold-mining as Indonesia's gold mining is a small fraction of global market.

Assessing the potential impact to metal prices

Our channel-check with listed and non-listed miners indicates that an estimated 10-20% of coal & nickel production involves illegal mining practices. While illegal mining scheme does varies – i.e. legal mining licenses (IUP) but with illegal source of ore or famously known as "*dokumen terbang*" & bypassing SIMBARA tracking system – assessing the exact physical impact would be near impossible, in our view. Particularly in nickel-mining, production quota (RKAB) approval has been relatively strict post Mandiodo illegal mining cases in FY23, which led to ore shortage in early FY24 until now and also exacerbated by ore grade depletion. Thus, we think the impact will be more material to coal prices vs. other metals.

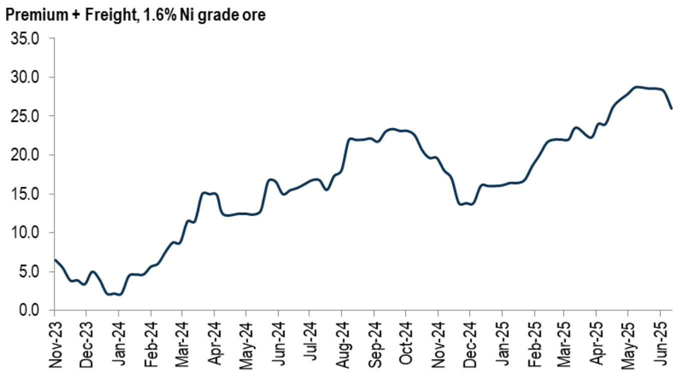
Sensitivity: 5% less production shall affect 2-5% nickel & coal market

Our sensitivity analysis indicates that for every 5% less production due to illegal mining clampdown shall led to c.2-2.5% decline in global seaborne market supply in coal. However, we think the potentially lost supply would be skewed towards mid to low CV coal (GAR 3,800-4,500) which theoretically shall only affect ICI prices, but from sentiment standpoint, Newcastle coal is also set to benefit. For nickel, we think the impact would be more towards nickel ore premium, which has been elevated YTD (~US$26/wmt) with second degree impact to refined nickel prices – i.e. LME, NPI, etc, once ore premium starts to become unsustainable to smelters' profitability, triggering supply response – i.e. up to US$35/wmt.

Maintain sector Overweight with MDKA as our top pick

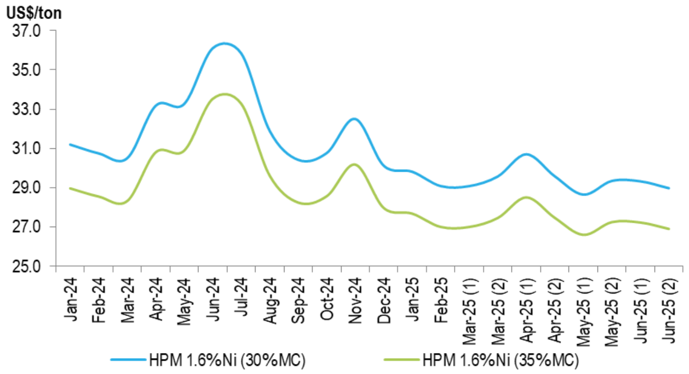
We maintain our sector Overweight stance with MDKA as our top pick. In the event of successful illegal clampdown, we think **AADI** and **ITMG** shall benefit the most from coal as both are under-owned (Fig. 4-6) as well as **PTBA** and **UNTR**, to some extent, while 3rd party ore sellers such as **ANTM** & **INCO** shall also benefit.

Fig. 1: Nickel ore premium (1.6% ore grade)



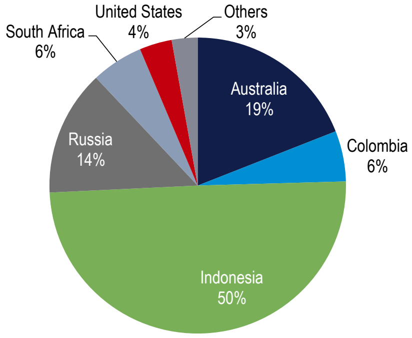
Source: SMM, Indo Premier estimates

Fig. 2: HPM prices (1.6% ore grade)



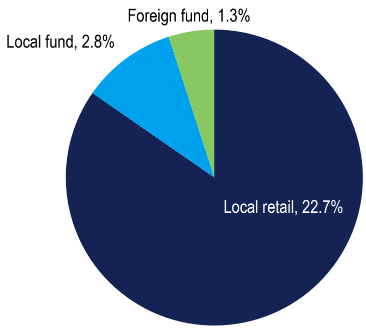
Source: SMM, Indo Premier estimates

Fig. 3: Global coal seaborne market



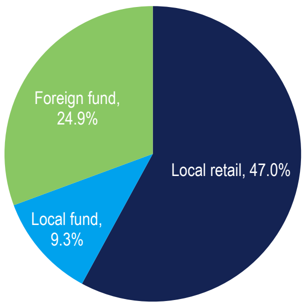
Source: Bloomberg, Indo Premier

Fig. 4: Ownership on AADI free float



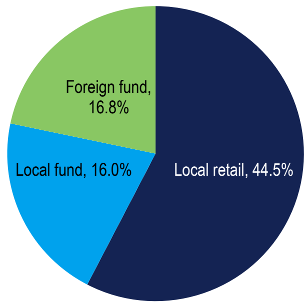
Source: Bloomberg, Indo Premier

Fig. 5: Ownership on ITMG free float



Source: KSEI, Indo Premier

Fig. 6: Ownership on PTBA free float



Source: KSEI, Indo Premier

Fig. 7: 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	8.9	5.8	4.5	9.4	7.1	5.9	N/A	N/A	N/A
ANTM IJ	Aneka Tambang	Buy	3,900	11.1	12.4	13.3	7.0	8.1	8.6	4.7%	6.8%	6.1%
HRUM IJ	Harum Energy	Buy	1,050	10.8	8.6	7.5	4.3	3.0	2.1	N/A	N/A	N/A
INCO IJ	Vale Indonesia	Buy	3,650	29.3	13.4	7.0	7.0	5.0	3.1	N/A	N/A	N/A
MBMA IJ	Merdeka Battery Materials	Buy	560	65.4	11.8	4.5	14.3	6.8	2.6	N/A	N/A	N/A
MDKA IJ	Merdeka Copper Gold	Buy	2,400	N/A	16.1	11.2	11.4	6.6	5.5	N/A	N/A	N/A
NCKL IJ	Trimegah Bangun Persada	Buy	1,100	6.0	4.8	4.8	4.4	3.6	3.2	4.3%	5.0%	6.2%
Coal												
AADI IJ	Adaro Andalan Indonesia	Buy	10,000	3.6	3.4	3.0	2.7	1.9	1.3	12.6%	13.2%	7.5%
ITMG IJ	Indo Tambangraya Megah	Hold	21,000	8.1	15.3	15.9	2.6	4.5	4.5	14.2%	6.1%	4.2%
PTBA IJ	Bukit Asam	Sell	2,000	11.0	9.2	9.4	6.4	5.6	5.7	15.7%	6.8%	8.1%
UNTR IJ	United Tractors	Hold	24,000	5.5	5.3	5.1	2.4	2.1	1.8	9.3%	7.8%	8.1%

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

The views expressed in this research report accurately reflect the analyst's personal views about any and all of the subject securities or issuers; and no part of the research analyst's compensation was, is, or will be, directly or indirectly, related to the specific recommendations or views expressed in the report.

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