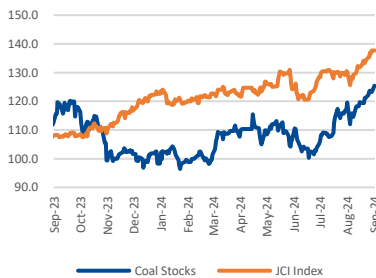


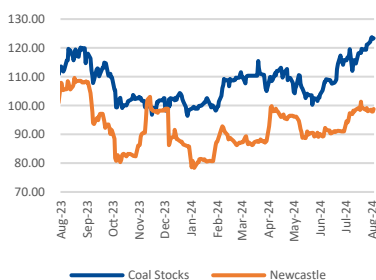
# Overweight

(Maintained)

## Coal Stocks vs JCI Index



## Coal Stocks vs Newcastle Px



Source: Bloomberg

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# Coal Sector

## Rising Indonesia production, but demand and cost curve remain supportive for price

- Indonesia's Jul24 coal production rose +10.7% mom/ +3.2% yoy to 72Mt, driving an improved 7M24 growth to 5.8% yoy (477Mt).
- China and India's 6M24 imports have remained resilient, while Indonesia's high production cost continues to offer support for price.
- We maintain OW rating on the sector but shift our preference to UNTR amid the ST supply risk from Indonesia.

### Weaker low-CV prices in Aug24, but still in-line with historical pattern

Indonesian coal prices have corrected over the past month, led by the low CV products (ICI4 and ICI5, down 2.9% and -3.5% respectively mom), while the medium and high CV remain relatively resilient (up 0.7% and +3.0% respectively mom). Price corrections have been driven by softer demand from China on the back of high inventory levels at the Southern ports, following the above-normal hydropower production in early Aug24. Latest data showed that inventory levels have gradually declined, hence offering prospect for price to recover in Sep24, similar to price movement in FY23.

### Demand from imports is intact amid improving Indonesia production

Based on data from MEMR, Indonesia's production rose to 72.3Mt in Jul24 (+3.2% yoy/ +10.7% mom, driving 7M24 production to 477Mt (+5.8% yoy). The improving Indonesia's production aligns with the historical trends which typically sees production increases in July until Aug/September, likely to have also boosted availability of supply in the export market. On the demand side, latest import from China (Jul24: +17.7% yoy, 6M24: +12.4% yoy) and India (Jun24: +12.3% yoy, 6M24: +10.9% yoy) also showed resilient growth. Meanwhile, Australia's export has continued to lag (Jun24: -17.2% yoy, 6M24: -7.1% yoy), albeit improving in the recent months. At this juncture, we see short-term risk from Indonesia's production momentum and still limited indications of weather-related disruptions.

### Channel checks indicate still supportive cost despite ST supply risk

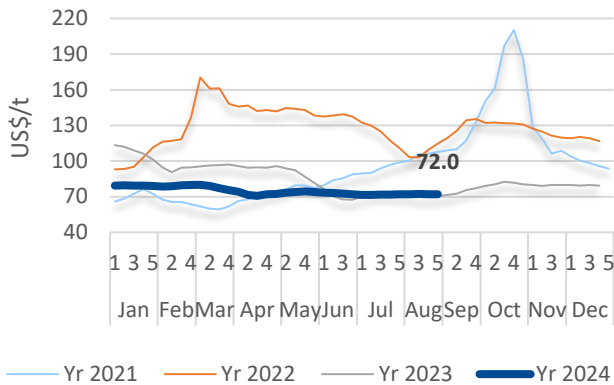
KTAs from our discussions with coal traders and marketers: 1) China's demand remains opportunistic, purchasing seaborne coal if prices fall below domestic levels. 2) Although current demand from China is subdued, it is anticipated that the ICI-4 price may not drop below US\$50, which mirrors last year's situation, given that the present price is approaching the break-even point for certain Indonesian producers. 3) The primary concern lies on the supply side. There are currently unconfirmed reports suggesting that a medium-sized producer has 2-3Mt of unsold coal (ICI-4 CV).

### Maintain OW, but shifting sector preference to UNTR

We maintain our Overweight sector as we believe our thesis on [coal price outlook](#) remains intact. However, given the ST risk due to rising Indonesia's supply, we shift our sector preference to UNTR (**Buy**, TP Rp29,200), as our previous pick ADRO (**Buy**, TP Rp3,770) has outperformed the sector (up 12% over the past month). Our sector pecking order is now: UNTR> ADRO> ITMG>PTBA. Key risks to our view are: 1) rising Indonesia's production. 2) weaker China demand.

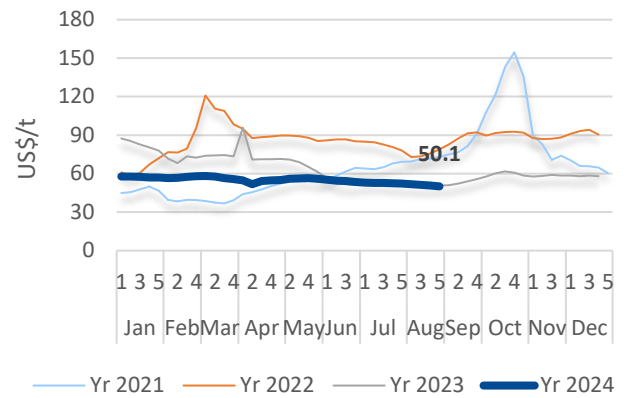
Company	Ticker	Rec	Target Price (Rp)	Market Cap. (RpBn)	P/E (x)		EV/EBITDA		Div. Yield (%)
					2024F	2025F	2024F	2025F	
United Tractors	UNTR IJ	BUY	29,200	104,070.8	5.4	5.7	3.0	3.0	8.4
Adaro Energy Indonesia	ADRO IJ	BUY	3,770	111,038.8	6.4	7.5	2.4	2.4	6.5
Indo Tambangraya Megah	ITMG IJ	BUY	31,300	31,270.7	4.0	4.9	1.4	1.7	16.2
Bukit Asam	PTBA IJ	BUY	3,100	32,488.3	5.8	7.7	5.4	7.6	12.0
Harum Energy	HRUM IJ	BUY	1,700	18,317.0	5.7	6.9	1.9	2.3	13.9

**Exhibit 1. ICI-3 Coal Price**



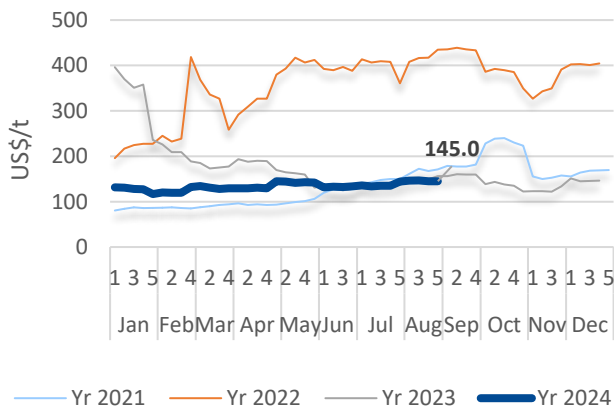
Source: Argus Media, BRIDS

**Exhibit 2. ICI-4 Coal Price**



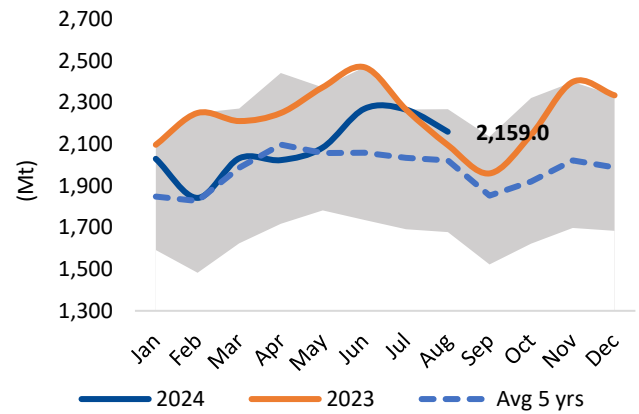
Source: Argus Media, BRIDS

**Exhibit 3. Newcastle Coal Price**



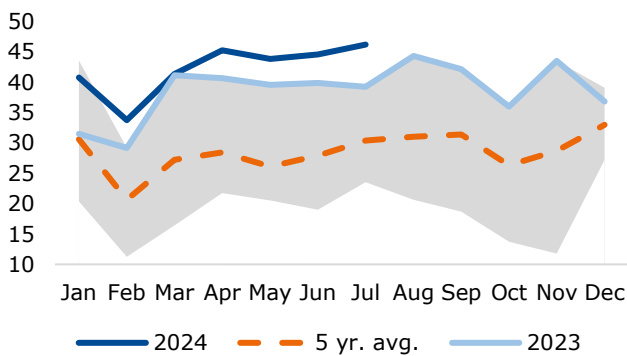
Source: Bloomberg, BRIDS

**Exhibit 4. China Inventory**



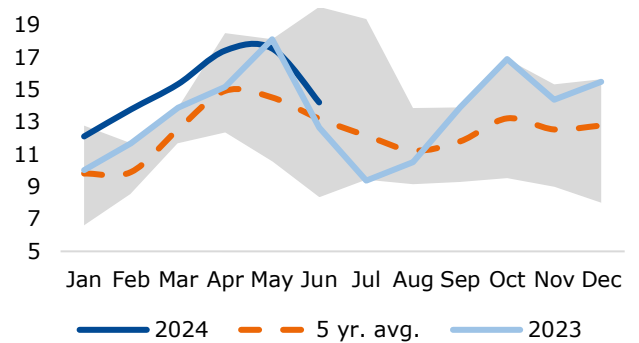
Source: Bloomberg, BRIDS

**Exhibit 5. China Import (Mt)**



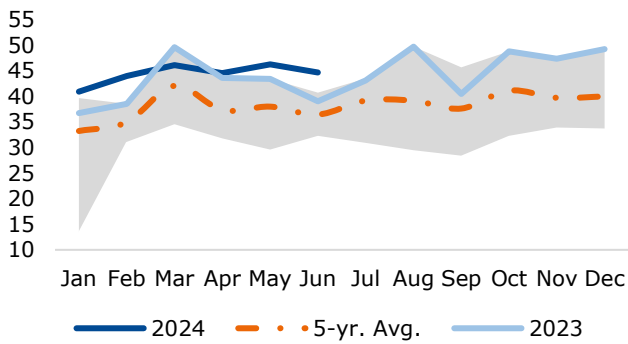
Source: GAC China, BRIDS

**Exhibit 6. India Import (Mt)**



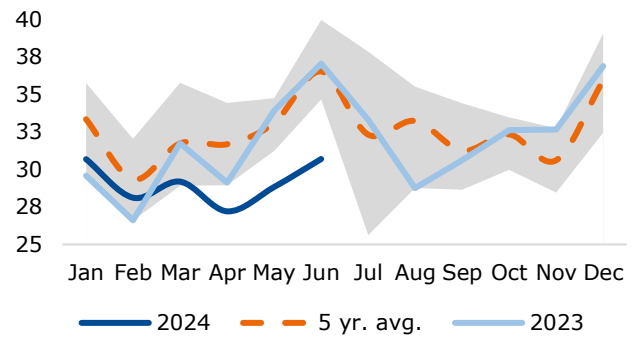
Source: Ministry of Coal India, BRIDS

Exhibit 7. Indonesia Export (Mt)



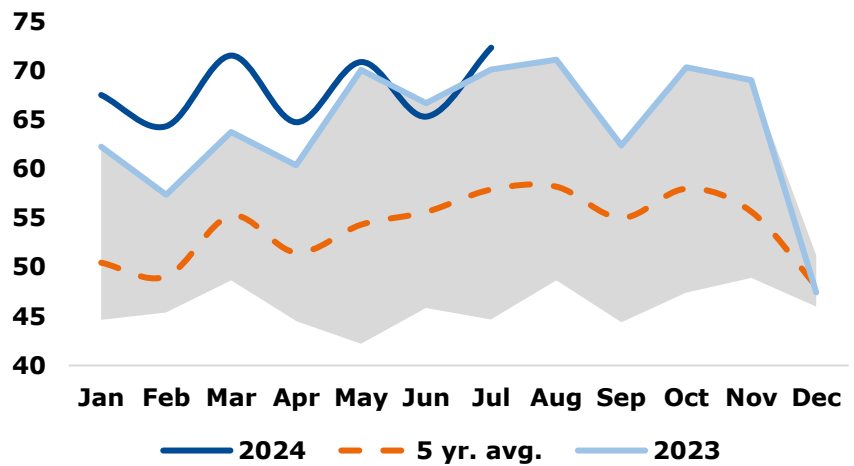
Source: BPS, BRIDS

Exhibit 8. Australia Export (Mt)



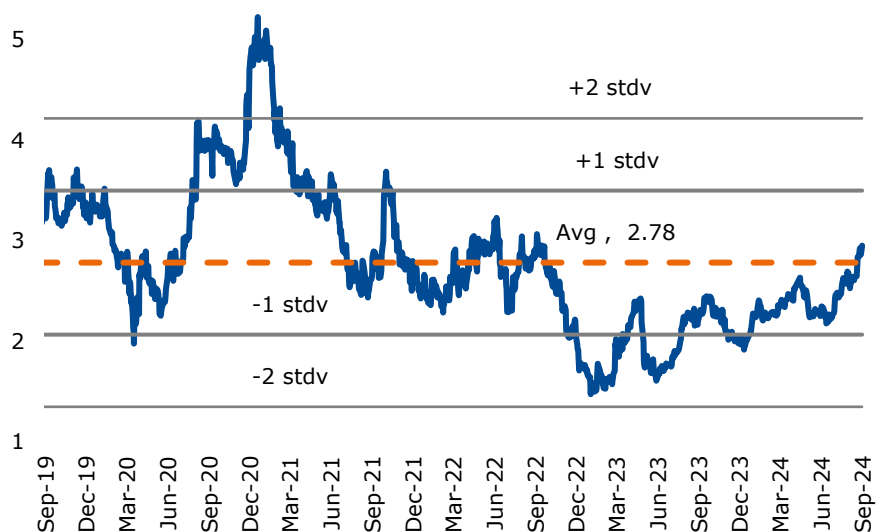
Source: Bloomberg, BRIDS

Exhibit 9. Indonesia Coal Production (Mt)



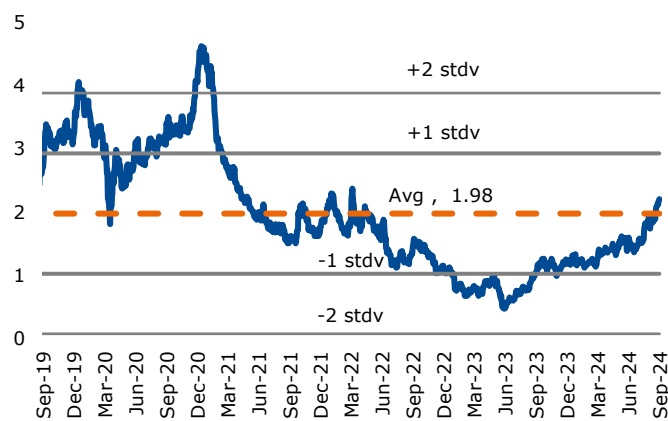
Source: ESDM, BRIDS

Exhibit 10. UNTR forward EV/EBITDA



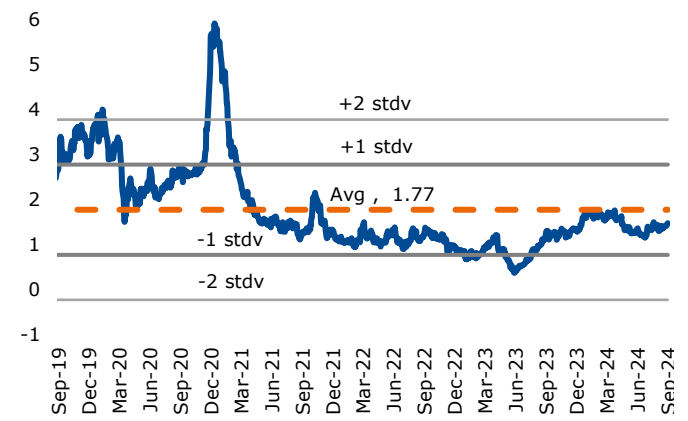
Source: Company, BRIDS Estimates

**Exhibit 11. ADRO forward EV/EBITDA Band**



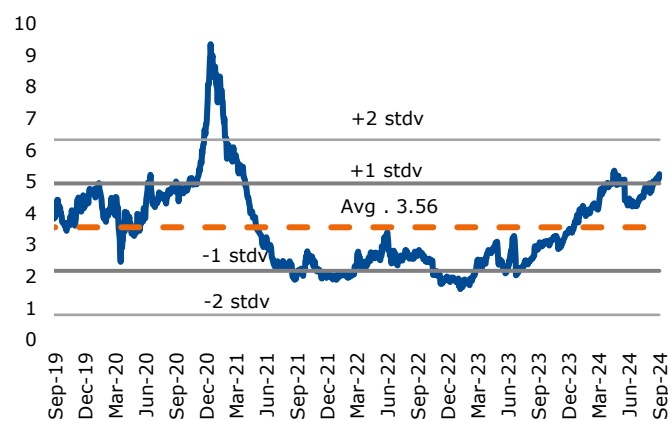
Source: Company, BRIDS Estimates

**Exhibit 12. ITMG forward EV/EBITDA Band**



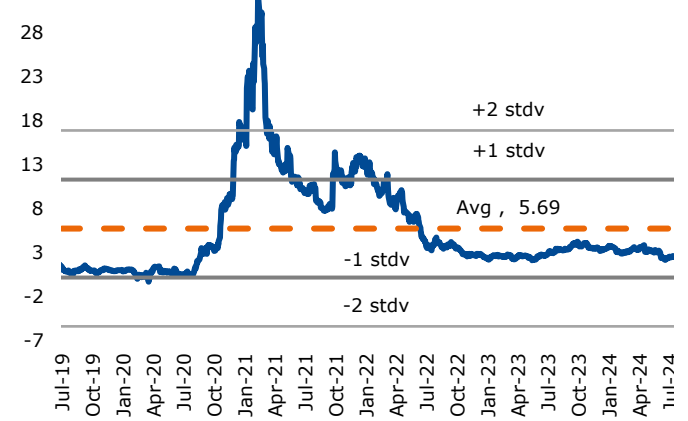
Source: Company, BRIDS Estimates

**Exhibit 13. PTBA forward EV/EBITDA Band**



Source: Company, BRIDS Estimates

**Exhibit 14. HRUM forward EV/EBITDA Band**



Source: Company, BRIDS Estimates

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

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