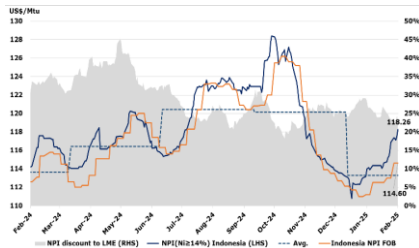


## Neutral

(Maintained)

### NPI (US\$/t)



### LME Nickel (US\$/t)



Source: SMM, Bloomberg

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## Metal Mining

### Nickel Ore Premium Might be Here to Stay; Tin Price Rebound on Supply Tightness

- Jan25 tin exports declined -67% mom due to a delay in export permits, supporting tin price, though exports are back on track by mid-Feb.
- Ni ore premium rises on a strong restocking phase, whilst NPI rose to US\$12k/ton after Gunbuster downsized its operations.
- We reiterate our Neutral rating on the sector, with TINS, NCKL, and ANTM as our top picks and winners from this situation.

#### Tin prices cooled down, but we see a potential for a rebound

Indonesia's Tin exports declined -67% mom in Jan25, though exports have resumed in mid-Feb25. Based on a survey by SMM, tin concentrate treatment charge (TC) in China has been dropping below the cost level, which forced several smelters to suspend production. This was driven by the declining rate of ore imports by China from Myanmar and DRC. On the other hand, demand in Jan-Feb25 has been slow due to the CNY holiday and a quiet electronic manufacturing sector. Thus, the current high tin price has dampened downstream demand to restock, and producers tend to take the wait and see approach.

#### Ore premium is here to stay, solid NPI price is expected after GNI's closure

Minister Bahlil reiterated that the MEMR will cut nickel ore quota in 2025, which added fuel to the fire on ore premiums that rebounded to US\$18/wmt in Feb25 following poor weather in Sulawesi that delayed ore shipments, and a restocking feud post CNY holiday. On the other hand, we expect NPI prices to remain strong after it reached US\$12k/ton as the closure of Gunbuster (GNI) will decrease annual NPI output by c.151ktpa and c.12.8mn wmt of saprolite ore, which represents c.10% and c.5.8% of Indonesia's annual output respectively.

#### Maintain Neutral on the sector with unchanged top picks of TINS/NCKL

We believe ANTM, MBMA, and INCO are beneficiaries of rising ore premiums based on their FY25 sales target. Meanwhile, we see NCKL as the clear winner from the rising NPI prices as it is the largest producers amongst its peers, and gains tailwind from the commencement of KPS in 1Q25 while also being the lowest cost producer. Therefore, our pecking order in the sector are TINS> NCKL> ANTM> MBMA> INCO> MDKA.

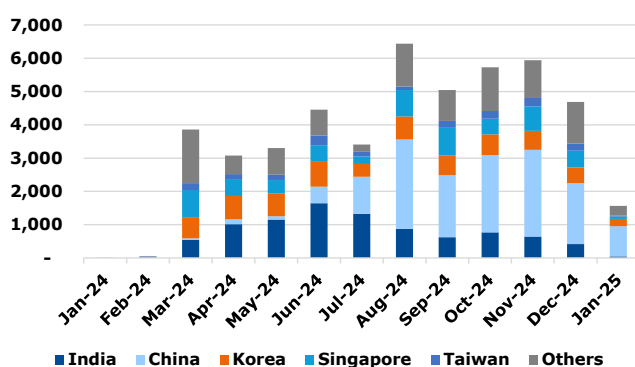
Company	Ticker	Rec	Target Price (Rp)	Market Cap. (RpBn)	P/E (x)		P/BV (x)		ROE (%) 2025F
					2025F	2026F	2025F	2026F	
Timah	TINS IJ	BUY	2,300	7,373.3	4.5	5.0	0.8	0.8	18.7
Trimegah Bangun Persada	NCKL IJ	BUY	1,500	40,067.6	4.6	4.2	1.0	0.9	21.7
Aneka Tambang	ANTM IJ	BUY	2,000	39,290.3	10.6	10.0	1.2	1.1	9.8
Merdeka Battery Materials	MBMA IJ	BUY	530	38,230.4	17.4	12.7	1.0	0.9	0.2
Vale	INCO IJ	HOLD	3,900	28,984.4	20.6	9.8	0.7	0.7	3.4
Merdeka Copper Gold	MDKA IJ	BUY	2,400	37,810.8	21.4	18.2	1.2	1.2	1.5

## Tin updates: A hiccup in January supported LME tin price

Indonesia's Jan25 refined tin export volume declined significantly to 1,566 tonnes, -67% mom, due to a delay of export permits by the ministry of trade towards several smelters, including TINS'. Main export destinations are to China at 903t, -51% mom, Korea at 222t, -53% mom, and Singapore at 75t, -85% mom. Meanwhile, other destinations accounted for 291t, -77% mom, which included TINS' warehouse inventory sale in Europe.

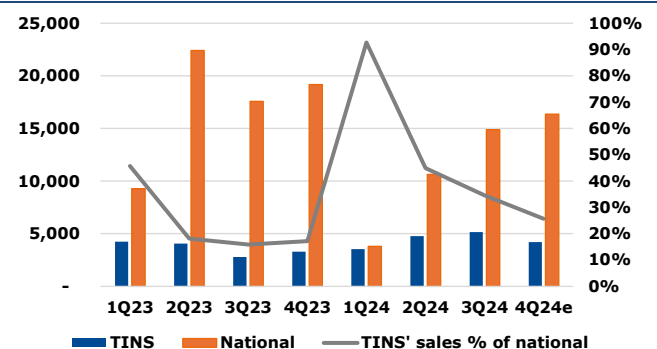
Based on our latest channel check, the export permits were released in mid-February. Thus, we expect sales to catch up in February, similar to lagging sales recorded in Jul24-Aug24.

Exhibit 1. Indonesia refined tin export destination (t)



Source: Company, BPS, BRIDS

Exhibit 2. TINS vs. National export volume (t)

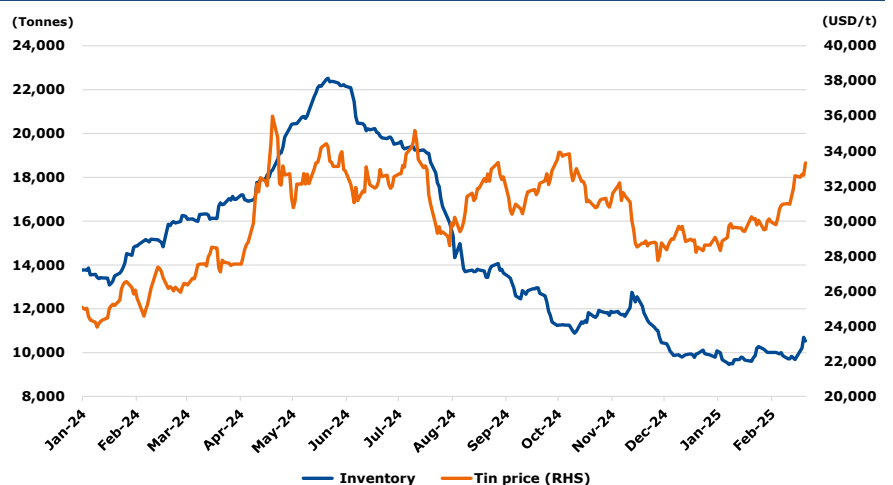


\*TINS figure is an estimation

Source: Company, MoT, BRIDS Estimates

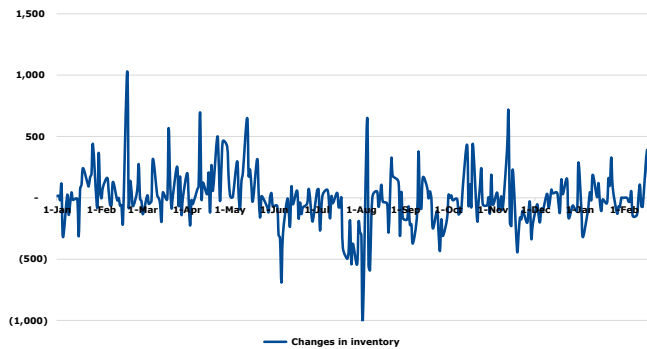
Due to maintenance and poor weather conditions, we are conservative about TINS' Jan-Feb25 production/sales volume. However, it should still beat YoY performance as TINS could not export in 1Q24 due to an RKAB issuance delay. Nonetheless, lower output also means higher-than-average cash costs in the first two months of FY25, though we expect them to recover for the rest of the year as it plans to produce 90% of tin metal using the more cost-efficient Ausmelt (vs. c.35% in FY24).

Exhibit 3. LME tin price and SHFE+LME inventory



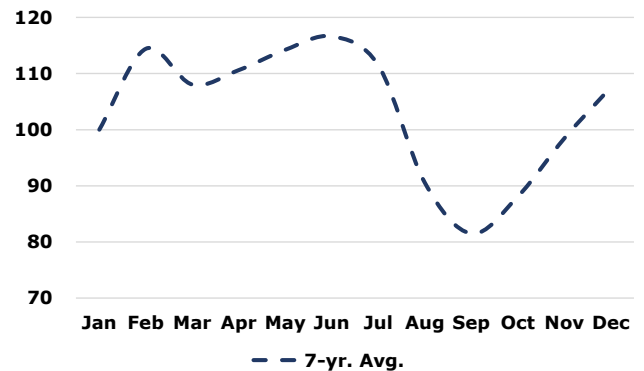
Source: Bloomberg, BRIDS

Exhibit 4. Changes in tin inventories (SHFE+LME)



Source: Bloomberg, BRIDS

Exhibit 5. 7 year avg. of inventory movement



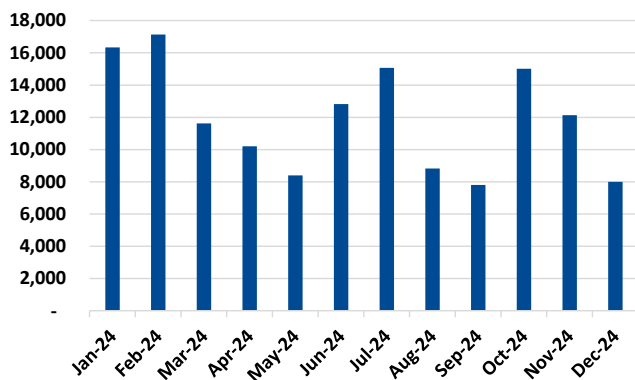
Source: SMM, BRIDS

Based on a survey by SMM, tin concentrate treatment charge (TC) has been dropping below the cost level, which has forced several smelters to suspend production. The decline in tin TC is somewhat similar to copper TC that has been tanking due to the declining rate of ore supply from Myanmar as well as from DRC due to the takeover of several key cities by the M23 rebels. Evidently, **China's tin ore imports have been declining throughout 4Q24 and reached only 8mt in Dec'24, -34% mom.**

On the other hand, demand in Jan-Feb25 has been slow due to the Chinese New Year holiday and a quiet electronic manufacturing sector, which is one of the main drivers of demand for solders. Thus, the current high tin prices have dampened downstream demand to restock, and producers tend to take a wait-and-see approach.

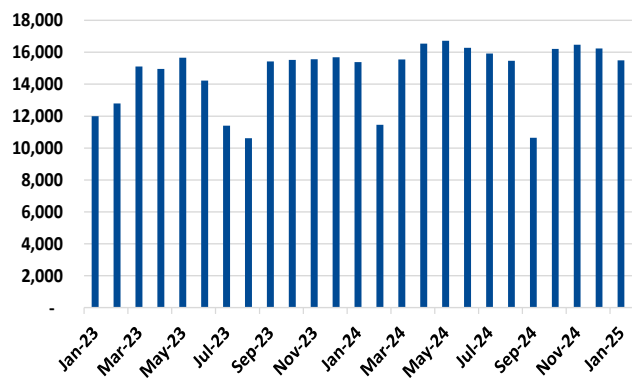
**In 2024, total inventories on exchanges have declined by -27% to 10kt,** followed by a slight supply addition of 4.5% YTD to 10.5kt, which we believe is a spillover from weak demand throughout CNY.

Exhibit 6. China's tin ore import volume



Source: SMM, BRIDS

Exhibit 7. China's refined tin production



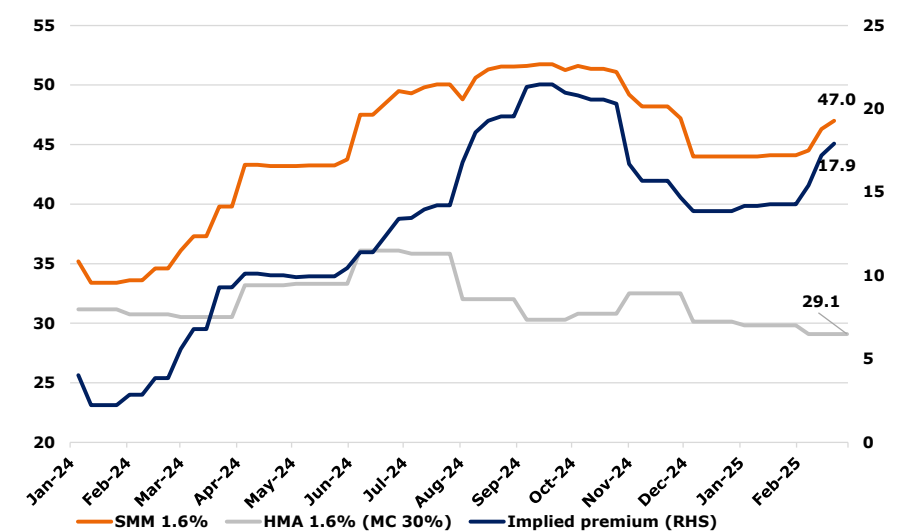
Source: SMM, BRIDS

## Nickel updates: Ore premium is here to stay

On 21-Feb25, Bahlil reiterated that the MEMR will cut nickel ore quota in 2025 ([Link to news](#)), though details were not mentioned in the interview. The intention behind the cut is to maintain a healthy supply and demand balance to support nickel prices and players in Indonesia. The news regarding this issue has been erratic dan mazy, where the **last known approved RKAB figure was at 298mn wmt** per Jan25. Yet, **MEMR only targets ore production of 220mn wmt**, as 85 IUPs or 29% of the approved licenses do not have the license to operate due to land disputes. Therefore, we assume that scarcity is expected to be maintained to support the miners.

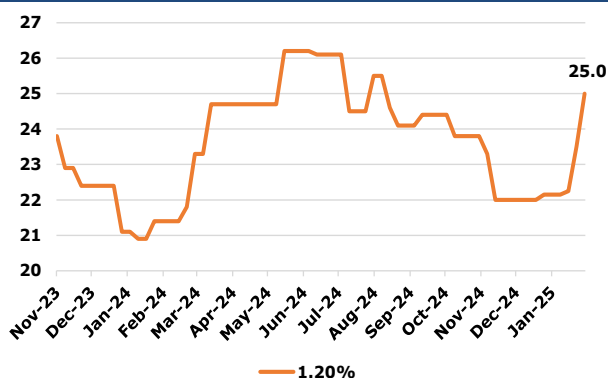
Nonetheless, looking at MEMR's stance, we believe ore premiums are here to stay. After a decline in ore premiums in Nov24, saprolite ore premiums have rebounded from US\$14/wmt to US\$18/wmt in Feb25, **pricing Saprolite ore at US\$47/wmt** that was supported by a **restocking phase post-CNY**, **delays in ore shipments** due to poor weather condition, and a **rise in fuel costs** have also marginally increased transport costs. Therefore, rising costs was a major contributor to the NPI's price rally to US\$12k/ton.

Exhibit 8. Indonesian nickel ore benchmark price (US\$/wmt)



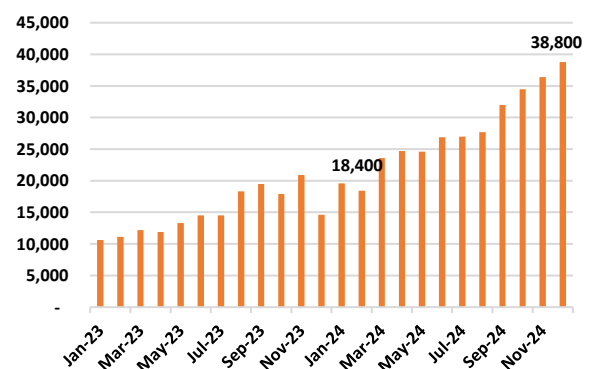
Source: APNI, SMM, BRIDS

Exhibit 9. Limonite ore price 1.2% (US\$/wmt)



Source: SMM, BRIDS

Exhibit 10. Indonesia's monthly MHP production

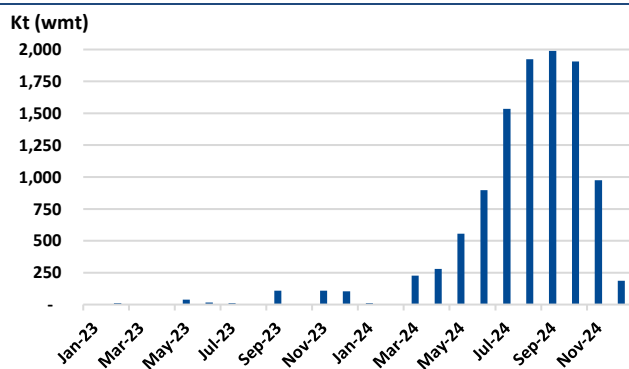


Source: Mysteel, BRIDS

Meanwhile, SMM reported that the mainstream **CIF price for limonite ore grew to US\$25/wmt, +14% YTD**, which was **higher than** the growth in **Saprolite ore of +7% YTD**. We believe the rapid increase in Limonite ASP is driven by new operating HPALs, which include MBMA's ESG, and NCKL's ONC, whilst major mines (MBMA, INCO) are still ramping up its limonite ore production, thus creating a short-medium term scarcity as seen on Ex.11 where **monthly MHP output has grown by +110% yoy**.

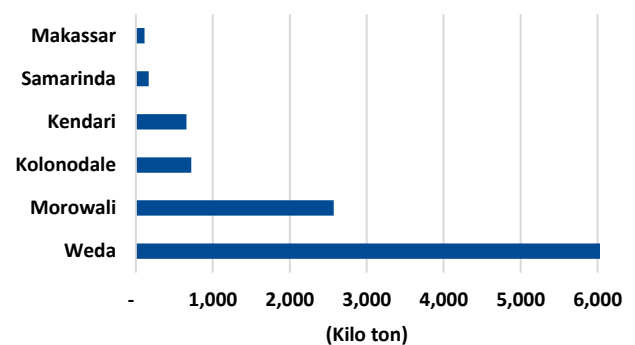
Thus, the **main beneficiary in the ore trading segment is ANTM> MBMA> INCO** based on its sales target of 13Mt of saprolite, 12.5-15Mt of Limonite, and c.2Mt of saprolite.

**Exhibit 11. Indonesia's Nickel Ore Import volume**



Source: BPS, BRIDS

**Exhibit 12. Ore imports destination**



Source: BPS, BRIDS

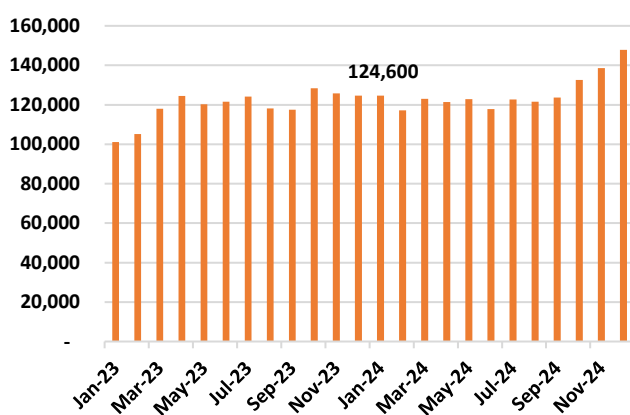
As for import, based on BPS' data, **Indonesia's ore imports** in FY24 reached 10.5mn wmt, which was mostly **shipped to Weda and Morowali** in 2H24. However, note that Nov-Dec24 figure shows a significantly weakening trend, where **imported ore volume fell by -49% and -81% mom**, respectively. On this note, we expect import volumes to remain volatile in 2025 as current supply condition remains tight and any further disruption would imply higher import needs in the future.

## The impact of Gunbuster's mishap

Just 3 years after the plant was officiated by Jokowi in Dec21, Gunbuster Nickel Industry (GNI) became the latest victim of depressing nickel prices as it has reportedly cut production to only 30% of its 1.8mtpa NPI nameplate capacity in Jan25.

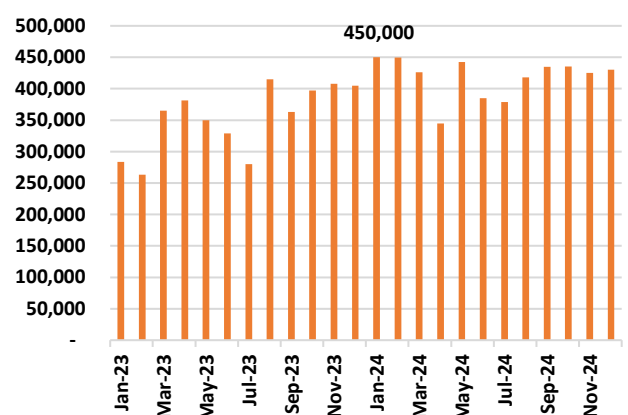
**Based on our estimation of 216ktpa in nickel content at 100% capacity, the decline to 30% utilization rate equals to c.151ktpa or 9.9% of Indonesia's annual NPI output.** Based on Mysteel's Jan25 production survey, NPI production have stagnated at 147.5kt, -0.3% mom, though it is expected to **decrease by -8% mom to 136kt in Feb'25** as a result of the downsizing by Gunbuster.

Exhibit 13. Monthly NPI production



Source: Mysteel, BRIS

Exhibit 14. Monthly stainless steel production



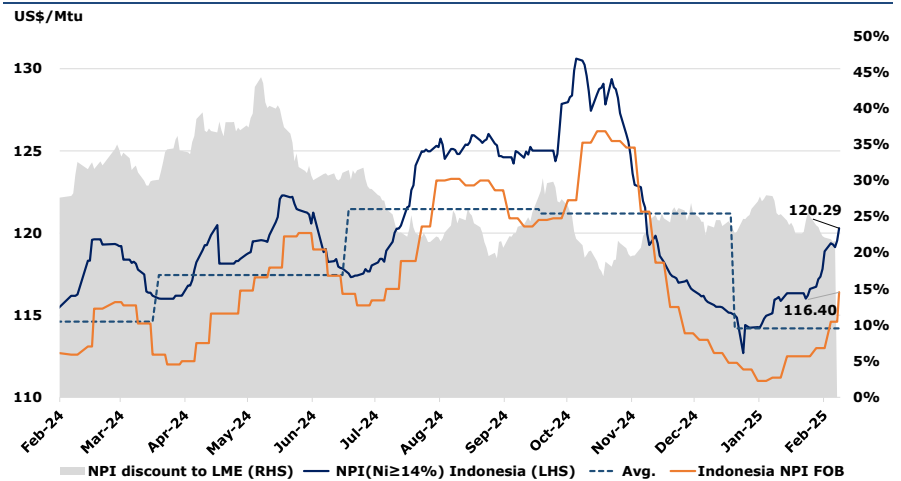
Source: Mysteel, BRIS

The shutdown on most of GNI's smelters would displace c.12.8mn wmt of saprolite annually. Based on our channel check, ANTM recently transacted with GNI in 4Q24, though full payments have been made and does not have any outstanding invoices. Moreover, we believe **the absence of GNI should ease the nickel ore market as it adds c.5.8% of total production back to the market for sale.** Based on this assumption, ore premium is expected to soften in the coming months, though, it could be counterbalanced if the reported news on RKAB cut were to be executed.

On the other hand, **NPI price should remain elevated on the back of a reduced output from Indonesia.** As of Jan25, China's stainless steel production have declined by -17% mom to 2.8mt, which was mainly caused by a holiday during the CNY festival. However, China's SS output is expected to recover as the **SS industry is facing intensified competition, where several producers are ramping up production to capture market share**, based on reports by SMM.

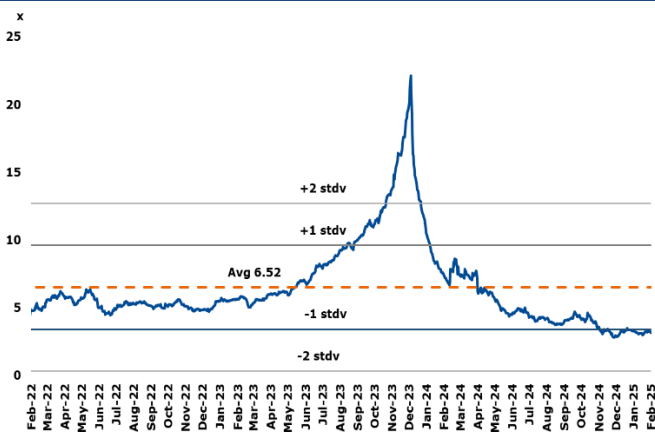
**On NPI, NCKL is the clear winner** as it has the largest output of 120ktpa from MSP and HJF, though it consistently produce above its nameplate (9M24 prod. at 95.8ktpa or 106.5% of nameplate), whilst also having a minority exposure to capacity addition from KPS of 60ktpa starting in 1Q25. On the other hand, NCKL has a significantly lower ASP of US\$8.4k/ton, potentially yielding an even stronger cash margin upon rising ASP.

Exhibit 15. NPI Price



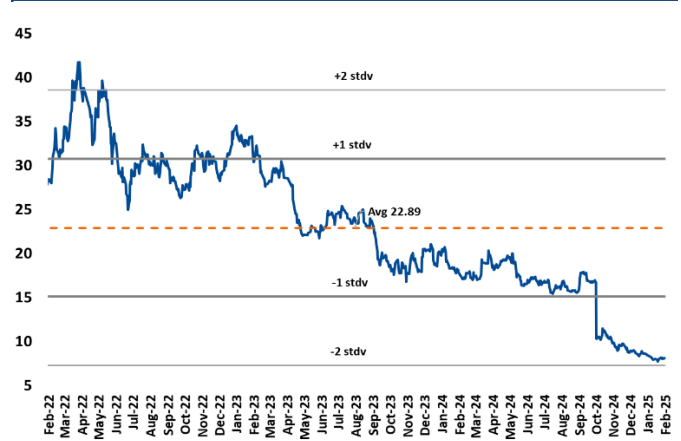
Source: SMM, BRIDS

Exhibit 16. TINS EV/EBITDA Band chart (3-year)



Source: Company, Bloomberg, BRIDS Estimates

Exhibit 17. MDKA EV/EBITDA band chart (3-year)



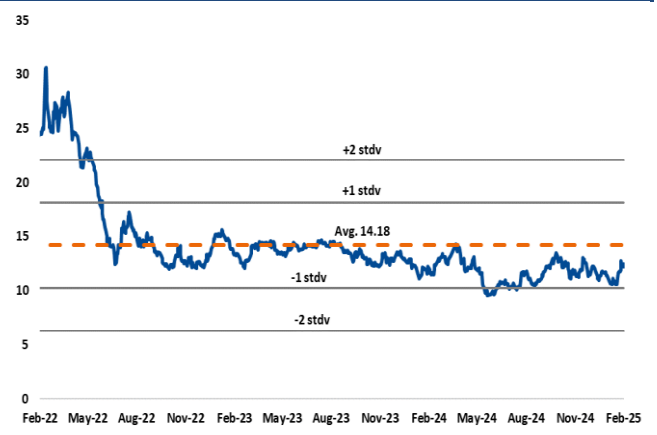
Source: Company, Bloomberg, BRIDS Estimates

Exhibit 18. INCO P/E Band chart (3-year)



Source: Company, Bloomberg, BRIDS Estimates

Exhibit 19. ANTM P/E Band chart (3-year)



Source: Company, Bloomberg, 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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