Overweight

Coal

Potential impact of the proposed new coal royalty scheme

- **Govt has unveiled the proposal for coal royalty scheme which primarily includes changes for IUPK holders**
- **We view IUPK holders may likely enjoy lower royalty under the new scheme, as their royalty rates falls**
- **We expect small changes for CCoW holders and no change for IUP holders**

For coal miners, the potential impact from the new royalty rate will vary among different license/ contract holders:

- **IUPK license holders**:

Despite the theoretically higher royalty rate for the same HBA bracket (i.e., US$70-80 at 17% to US$70-120/t at 18%), in practice IUPK holders has been paying royalty based on the higher HBA rate (i.e., close to 28%). Thus, under the proposed scheme, the IUPK holders will effectively see their royalty rate falling to the applicable rate according to their respective brackets (i.e., from 28% to 19% if HBA is at US$120-140/t).

- **CCoW holders**:

CCoW holders will effectively see their total taxes payment unchanged since the higher royalty rate (for HBA >= US$90/t) will be offset with the lower levy PHT rate.

- **IUP license holders**:

IUP holders will effectively see a slight increase in royalty rate when HBA is above US$90/t.

The approval and timing of the proposed scheme remains unknown at this stage.

We currently have an OW rating on the Coal sector. We estimate that AADI's (Not Rated) FY25 EPS may see an upside of 19% under the new royalty scheme and estimate limited impact in EPS of ITMG and PTBA.

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Exhibit 1. Proposed Royalty Scheme for IUPK license holders

PP No. 15 TAHUN 2022					
HBA (USD/dmt)	IUPK dari PKP2B				
	Gen I	Gen I+	DMO	PPh Badan	Penerimaan Laba Bersih
HBA < 70	14%	20%	14%	22%	10%
70 ≤ HBA < 80	17%	21%			
80 ≤ HBA < 90	23%	22%			
90 ≤ HBA < 100	25%	24%			
HBA ≥ 100	28%	27%			

HBA (USD/dmt)	IUPK dari PKP2B Gen I & I+	
	Umum	DMO
HBA < 70	15%	14%
70 ≤ HBA < 120	18%	14%
120 ≤ HBA < 140	19%	14%
140 ≤ HBA < 160	22%	14%
160 ≤ HBA < 180	25%	14%
HBA ≥ 180	28%	14%

Source: The Ministry of Energy and Mineral Resources

Exhibit 2. Proposed Royalty Scheme for CCow holders

PP 26 Tahun 2022			Usulan Perubahan Tarif Royalti Batubara – PKP2B		
HBA	Royalti	PHT	HBA	Usulan Revisi	
				Royalti	PHT
(USD/ton)	*%*	*%*	*(USD/ton)*	*%*	*%*
Tingkat Kalori ≤ 4.200			Tingkat Kalori ≤ 4.200		
HBA < 70	5	8,5	HBA < 70	5	8,5
70 ≤ HBA < 90	6	7,5	70 ≤ HBA < 90	6	7,5
HBA ≥ 90	8	5,5	HBA ≥ 90	9	4,5
Tingkat Kalori > 4.200 – 5.200			Tingkat Kalori > 4.200 – 5.200		
HBA < 70	7	6,5	HBA < 70	7	6,5
70 ≤ HBA < 90	8,5	5	70 ≤ HBA < 90	8,5	5
HBA ≥ 90	10,5	3	HBA ≥ 90	11,5	2
Tingkat Kalori ≥ 5.200			Tingkat Kalori ≥ 5.200		
HBA < 70	9,5	4	HBA < 70	9,5	4
70 ≤ HBA < 90	11,5	2	70 ≤ HBA < 90	11,5	2
HBA ≥ 90	13,5	0	HBA ≥ 90	13,5	0

Source: The Ministry of Energy and Mineral Resources

Exhibit 3. Proposed Royalty Scheme for IUP license holders

PP 26 Tahun 2022		Usulan Perubahan Tarif Royalti Batubara – IUP	
HBA	Royalti	HBA	Usulan Revisi
			Royalti
(USD/ton)	*%*	*(USD/ton)*	*%*
Tingkat Kalori ≤ 4.200		Tingkat Kalori ≤ 4.200	
HBA < 70	5	HBA < 70	5
70 ≤ HBA < 90	6	70 ≤ HBA < 90	6
HBA ≥ 90	8	HBA ≥ 90	9
Tingkat Kalori > 4.200 – 5.200		Tingkat Kalori > 4.200 – 5.200	
HBA < 70	7	HBA < 70	7
70 ≤ HBA < 90	8,5	70 ≤ HBA < 90	8,5
HBA ≥ 90	10,5	HBA ≥ 90	11,5
Tingkat Kalori ≥ 5.200		Tingkat Kalori ≥ 5.200	
HBA < 70	9,5	HBA < 70	9,5
70 ≤ HBA < 90	11,5	70 ≤ HBA < 90	11,5
HBA ≥ 90	13,5	HBA ≥ 90	13,5

Source: The Ministry of Energy and Mineral Resources

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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

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