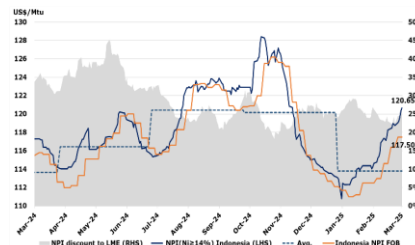


Neutral

(Maintained)

NPI (US\$/t)



LME Nickel (US\$/t)



Source: SMM, Bloomberg

Metal Mining

Proposed Royalty Hike Will Pressure FY25 Earnings

- The MEMR on Saturday 8th Mar25 officially proposed an increase in royalty rate for Coal, Nickel, Copper, Gold, Silver, and Tin.
- The impact on royalty hike varies, though INCO and TINS are most impacted due to their large exposure to affected products.
- We reiterate our Neutral rating on the metal mining sector with a pecking order of ANTM > NCKL > TINS > INCO > MBMA > MDKA.

Royalty rate hike proposal is officially here

Following the talks on the royalty hike ([Link](#)), the MEMR on Saturday 8th Mar'25, officially proposed an increase in the royalty rate for Coal, Nickel, Copper, Gold, Silver, and Tin, as well as a proposal to add new royalties on Diamond, Silver nitrate, and Cobalt.

INCO and TINS are most impacted due to their large exposure toward affected products

Based on our calculation of metal mining companies under our coverage (Ex.1), the most to least impacted are **INCO (-23%) > TINS (-20%) > MDKA (-20%) > MBMA (-12%) > ANTM (-10%) > NCKL (-4%)**, based on our FY25 earnings assumption. We found that INCO is the most impacted as a majority of its revenue is still driven by nickel matte, which is subject to a 125% rate hike from 2% to 4.5% that was added on top of a weak LME nickel price that brought its GPM to single digit territory. On the other hand, NCKL suffers the least from this proposed regulation as its only exposure is its ore sales. Meanwhile, its NPI is not subject to royalties as it is under IUI (i.e., not IUPK) due to the involvement of a foreign partner. **Overall, the companies under our coverage could suffer an avg. -10% earnings decline in their FY25F earnings, based on our calculation.**

Maintaining a Neutral stance on the sector

We reiterate our Neutral rating on the sector with a pecking order of ANTM > NCKL > TINS > INCO > MBMA > MDKA based on a mix of valuation and earnings growth potential in FY25F, as well as downside possibility from the proposed royalty rate hike.

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Company	Ticker	Rec	Target Price (Rp)	Market Cap. (RpBn)	P/E (x)		P/BV (x)		ROE (%) 2025F
					2025F	2026F	2025F	2026F	
Aneka Tambang	ANTM IJ	BUY	2,000	39,050.0	9.7	9.1	1.1	1.0	9.8
Trimegah Bangun Persada	NCKL IJ	BUY	1,500	42,276.1	4.9	4.4	1.1	0.9	21.7
Timah	TINS IJ	BUY	2,300	7,187.1	4.5	5.0	0.8	0.8	18.7
Vale	INCO IJ	HOLD	3,900	29,933.0	21.0	9.9	0.7	0.7	3.4
Merdeka Battery Materials	MBMA IJ	BUY	530	33,046.6	14.5	10.6	0.8	0.8	0.2
Merdeka Copper Gold	MDKA IJ	BUY	2,400	36,097.6	19.4	16.5	1.1	1.0	1.5

Exhibit 1. Royalty hike impact to FY25F NP

2025 (Rp)	ANTM	INCO*	NCKL		MBMA*		MDKA*		TINS
Nickel ore prod. (mn wmt)	15.0	1.8	10.3	17.7	6.0	15.0			
Nickel ore sales (mn wmt)	13.0	1.8	9.7	16.8	5.7	13.5			
ASP (Saprolite/Limonite)	40.0	40.0	40.0	16.0	40.0	16.0			
USDIDR	16,000	16,000	16,000	16,000	16,000	16,000			
Ore revenue	8,320	70	6,233	4,301	228	216			
Existing royalty rate	10%	10%	10%	10%	10%	10%			
Royalty	832	7	623	430	23	22			
New royalty rate	14%	14%	14%	14%	14%	14%			
Royalty	1,165	10	873	602	32	30			
Additional royalty cost	333	3	249	172	9	9			
Base case									
Cash cost/ton (USD/ton)	16.0	9.0	13.1	6.1	20.0	9.5			
Cash cost	3,840	16	2,149	1,728	120	143			
Under 14% royalty									
Cash cost/ton (USD/ton)	17.4	10.6	14.6	6.7	21.5	10.1			
Cash cost	4,173	19	2,398	1,900	129	151			
Change in cash cost/ton	1.4	1.6	1.5	0.6	1.5	0.6			
	FeNi	Matte	NPI		Matte		Gold	Copper	Tin
Production	20	70	120		50		105	12	22
Sales	18	70	120		48		98	12	21
ASP	13,125	12,540	12,000		13,881		2,571	9,108	28,000
USDIDR	16,000	16,000	16,000		16,000		16,000	16,000	16,000
Revenue	3,780	878	23,040		666		253	113	9,265
Current royalty rate	2.0%	2.0%	0.0%		0.0%		10.0%	2.0%	3.0%
Royalty	76	18	-		-		25	2	278
Adjusted royalty rate	5.0%	4.5%	0.0%		0.0%		15.0%	6.0%	7.5%
Royalty	189	40	-		-		38	7	695
Additional royalty cost	113	22	-		-		13	5	417
Base case									
Cash cost/ton (USD/ton)	11,250	11,590	9,000		12,950		1,600	6,000	17,000
Cash cost	3,600	811	17,280		648		168	72	5,984
Under new royalty									
Cash cost/ton (USD/ton)	11,604	11,904	9,000		12,950		1,720	6,378	18,184
Cash cost	3,713	833	17,280		648		181	77	6,401
Change in cash cost/ton	354	314	-		-		120	378	1,184
Original FY25E NP	3,700	83	7,892		89		80		1,623
FY25F NP under new royalty	3,332	64	7,592		78		64		1,298
% change	-9.9%	-22.9%	-3.8%		-12.4%		-20.0%		-20.0%

Source: BRIDS Estimates

Exhibit 2. Royalty hike proposal by MEMR

Nickel Ore			
PP 26/2022		Proposed Change in Royalty Rates	
HMA Ni (USD/DMT)	Tariff (%)	HMA Ni (USD/DMT)	Proposed revision (Tariff %)
All	10.0	< 18,000	14.0
		18,000 – < 21,000	15.0
		21,000 – < 24,000	16.0
		24,000 – < 31,000	18.0
		≥ 31,000	19.0

Nickel ore royalty rates are proposed to increase progressively to 14% - 19%, adjusting to Nickel HMA.

Nickel Matte			
PP 26/2022		Proposed Change in Royalty Rates	
HMA Ni (USD/DMT)	Tariff (%)	HMA Ni (USD/DMT)	Proposed revision (Tariff %)
≤ 21,000	2.0	< 18,000	4.5
> 21,000	3.0	18,000 – < 21,000	5.0
		21,000 – < 24,000	5.5
		24,000 – < 31,000	6.0
		≥ 31,000	6.5

Nickel Matte royalty rates are proposed to increase progressively to 4.5% - 6.5%, adjusting to Nickel HMA.

Ferro-Nickel			
PP 26/2022		Proposed Change in Royalty Rates	
HMA Ni (USD/DMT)	Tariff (%)	HMA Ni (USD/DMT)	Proposed revision (Tariff %)
All	2.0	< 18,000	5.0
		18,000 – < 21,000	5.5
		21,000 – < 24,000	6.0
		24,000 – < 31,000	6.5
		≥ 31,000	7.0

Ferro-Nickel royalty rates are proposed to increase progressively to 5% - 7%, adjusting to Nickel HMA.

Nickel Pig Iron			
PP 26/2022		Proposed Change in Royalty Rates	
HMA Ni (USD/DMT)	Tariff (%)	HMA Ni (USD/DMT)	Proposed revision (Tariff %)
All	5.0	< 18,000	5.0
		18,000 – < 21,000	5.5
		21,000 – < 24,000	6.0
		24,000 – < 31,000	6.5
		≥ 31,000	7.0

Nickel Pig Iron royalty rates are proposed to increase progressively to 5% - 7%, adjusting to Nickel HMA.

Source: MEMR

Exhibit 3. Royalty hike proposal by MEMR

	PREVIOUSLY (PP 26 Year 2022)	PROPOSED REVISION
COPPER ORE	Single tariff 5%	Progressive tariff starting from 10% - 17% adjusting to HMA
COPPER CONCENTRATE	Single tariff 4%	Progressive tariff starting from 7% - 10% adjusting to HMA
COPPER CATHODE	Single tariff 2%	Progressive tariff starting from 4% - 7% adjusting to HMA

	PREVIOUSLY (PP 26 Year 2022)	PROPOSED REVISION
GOLD	Progressive tariff starting from 3.75% - 10% adjusting to HMA	Progressive tariff starting from 7% - 16% adjusting to HMA
SILVER	Single tariff: 3.25%	Single tariff: 5%
PLATINUM	Single tariff: 2%	Single tariff: 3.75%

	PREVIOUSLY (PP 26 Year 2022)	PROPOSED REVISION
TIN METAL	Single tariff: 3%	Progressive tariff starting from 3% - 10% adjusting to Selling Price

Source: MEMR

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INVESTMENT RATING

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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