

Coal Sector

More catalysts to sustain the high coal price

After the peak of summer in the Northern Hemisphere ended, even higher coal price was supported by the supply disruption in some countries such as Australia and Indonesia, while the demand remained high. We maintain our Overweight outlook on the sector with ITMG (TP IDR17,700) as our top pick.

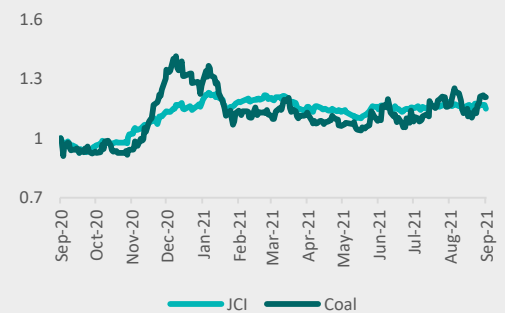
- India: Flattish coal supply with surging demands.** The biggest domestic coal supplier, Coal India Limited (CIL), recorded an Aug coal production of 42.6Mt or 1% mom increase while the coal-fired electricity generation rose by 4.4% mom, recovering from the country's Covid-19 second wave. The surging coal demand caused some power plants to experience inventory shortages, which urged them to import more coal.
- Supply crunch from Australia and Indonesia.** Australia's tighter restrictions during its ongoing Covid-19 third wave along with the unfavorable weather for coal production caused a slower coal ship-out. Heavy rain also recently hit Kalimantan, Indonesia's main coal-producing region that caused a flood on the mining site and disruption on coal logistics. We estimate there would be c.10% of coal production at stake. The rainy season has come to the Southern Hemisphere region, including Indonesia and Australia up until Feb 22.
- Delayed additional production from China.** The impact of China's plan to increase coal output might not be substantially felt this year as it still needs more time for implementation. China's low coal inventories after passing the summer season, the need for winter season restocking, and tight safety control will also prevent the coal price from falling significantly in the near time.
- Maintain Overweight on the sector.** We maintain our Overweight outlook on the sector as positive sentiments caused by hovering supply disruptions and the continuing strong demand would give support to the coal price.

Overweight

9 September 2021

Downgrade/Upgrade:
Neutral to Overweight – 4 Jun 2021

Sector Performance

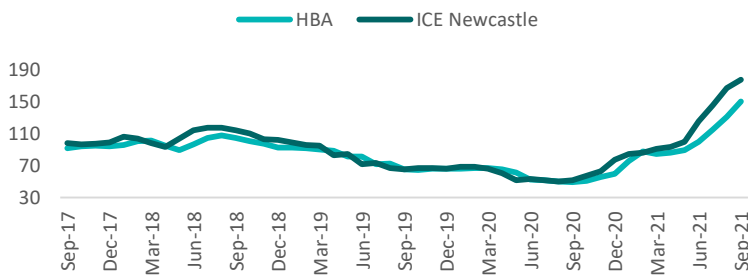


%	YTD	M-1	M-3	M-12
JCI	0.8	-1.0	-0.4	15.2
Coal	-5.7	0.5	10.0	19.5
Out (Under)	-6.5	1.6	10.4	4.3

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Ticker	Rating	Price (IDR)	TP (IDR)	EPS (IDR)	EPS Growth (%)	PER (x)	PBV (x)	Div. yield (%)	ROE (%)
ADRO	Buy	1,330	1,490	172	164.3	8.7	0.8	5.5	9.1
PTBA	UP	2,300	2,350	288	39.0	8.0	1.3	3.2	16.4
ITMG	UP	17,300	17,700	2,430	366.1	7.3	1.2	7.6	19.2

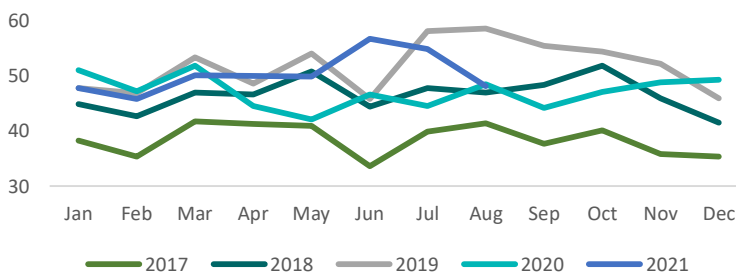
Figure 1: Coal Price (USD/t)



Sep 21 HBA increased to USD150.03/t, while ICE Newcastle still led the coal price upward.

Source: Bloomberg, MEMR, Aldiracita

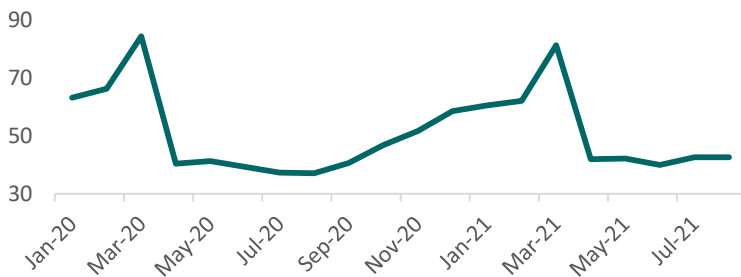
Figure 2: Indonesia Coal Production (Mt)



Indonesia's Sep coal production would might decrease due to heavy rain on Kalimantan.

Source: MODI Dashboard, Aldiracita

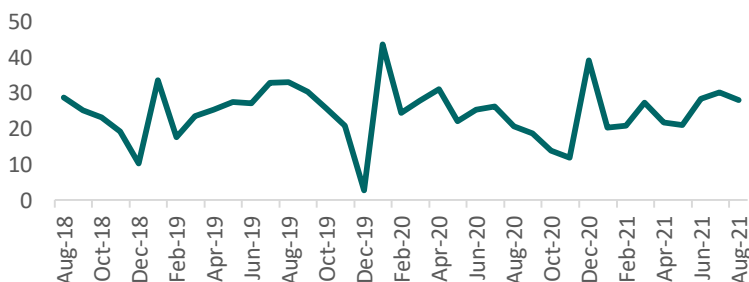
Figure 3: Coal India Limited monthly coal production (Mt)



CIL coal production remained low in the last five months.

Source: CIL, Aldiracita

Figure 4: China coal import (Mt)



China coal import fell 7% mom to 28Mt in Aug, still relatively high.

Source: Bloomberg, Aldiracita



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Recommendation ratings

Rating	Buy	Out-Performed	Under-Performed	Sell
Classification	>10%	Less than 10% but will outperform market	Less than 10% but will under-perform market	<-10%

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