

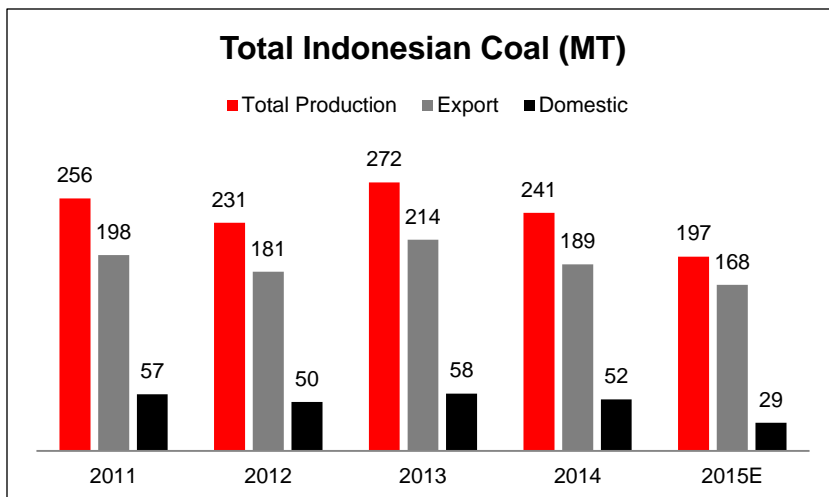
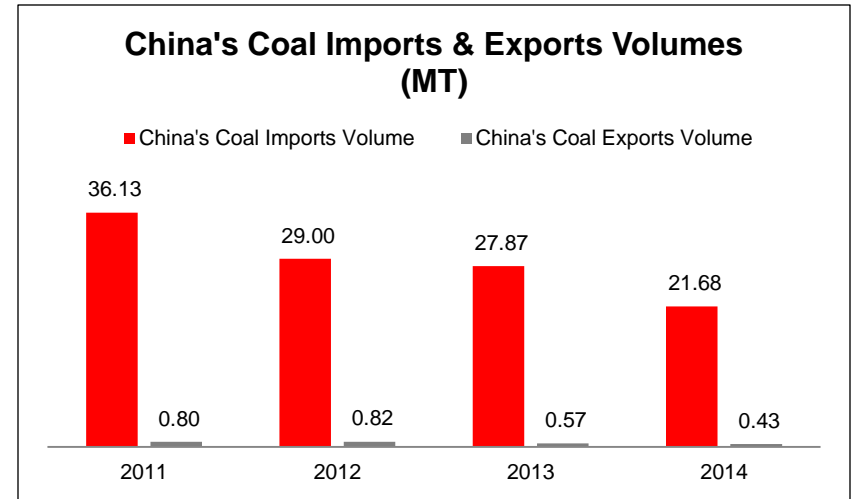
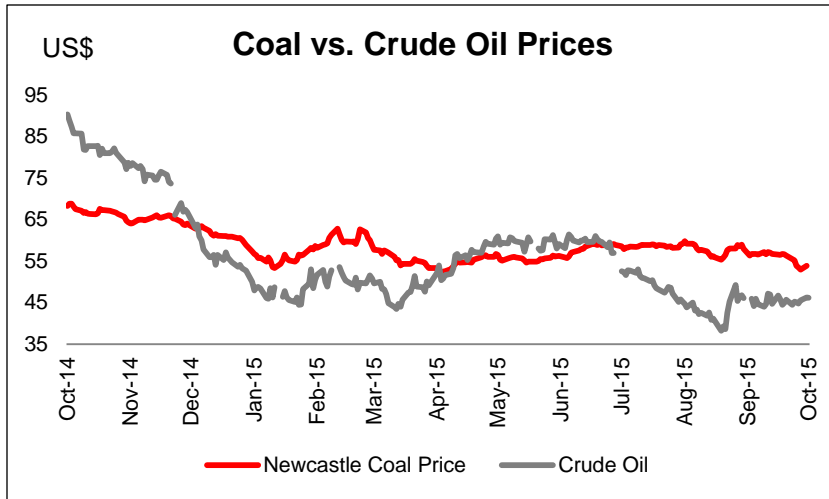
Coal Mining

by Sinarmas Investment Research

Overview

- China's coal imports falling due to shift away from coal to renewable and environmental friendly source of energy, combined with its government protection for domestic production.
- India's coal import demand hike.
- Newcastle coal price is expected to remain under pressure.
- Indonesian coal price reference (HBA) reached new low level in June at US\$ 59.59 (-19% YoY).
- Most Indonesian coal producers cut production cost due to lower oil prices and reduced stripping ratios.
- Low coal prices have forced smaller inefficient coal producers to limit or stop production.
- Oversupply coal market, but expect a gradual rebalancing of the market and returning to deficit.

Coal Mining Industry



Source: Bloomberg, Ministry of Energy and Mineral Resources, Sinarmas Investment Research

Coal Mining Industry

(in MT)	PTBA		ADRO		ITMG	
	1H15	FY15E	1H15	FY15E	1H15	FY15E
Sales Volume	9.0	24.0	26.6	55.0	14.0	30.0
Production Volume	8.3	20.9	25.9	54.0	14.3	29.5
Strip Ratio (x)	4.9	5.0	5.3	5.4	8.6	8.6

Company	Market Cap. IDR tn	PER (x)		EV/EBITDA (x)		ROE (%)	
		FY15E	FY16F	FY15E	FY16F	FY15E	FY16F
PTBA	13.8	13.9	11.5	10.0	8.5	22.60	23.80
ADRO	19.7	14.5	13.2	5.3	5.3	9.2	9.8
ITMG	12.3	10.8	9.2	5.9	5.2	21.0	22.5

PT Bukit Asam Tbk (PTBA IJ)

BUY

Current Price: IDR 5,625

52-Week Target Price: IDR 7,000

(in MT)	1H14	1H15	% YoY	% FY15E	FY14A	FY15E (Co. Target)	% YoY
Sales Volume	8.83	9.03	2%	38%	18	24	33%
Production	7.7	8.32	8%	40%	16.4	20.9	27%
Trading/Purchase	1.06	0.82	-23%	30%	1.8	2.7	50%
Railway Capacity	7.11	7.47	5%	40%	14.8	18.9	28%
Strip Ratio (x)	4.52	4.91	9%		4.6	5	9%

Catalysts

- 1H15 sales to domestic market by 51% of its total sales while sales to export market by 49%. FY15E sales target: domestic 45% & export 55%.
- Benefited from rupiah depreciation against US dollar.
- Long term domestic coal power supply commitments.
- Infrastructure expansion: Tarahan coal terminal upgraded and doubled track railway from Tanjung Enim to Prabumulih.
- Net cash position.
- 6.0x trailing PER.

PTBA	1H15	1H14	% YoY
Revenues	6,511	6,427	1%
Cost of Revenues	4,798	4,307	11%
Gross Profit	1,712	2,119	-19%
Operating Expenses	819	726	13%
Income from Operations	893	1,393	-36%
Other Income/(Expenses)	205	194	6%
Income Before Tax	1,098	1,588	-31%
Income Tax Expense	303	422	-28%
Net Profit	794	1,165	-32%

(in IDR Billion)

Source: Company Data, Sinarmas Investment Research