

High price index may not be fully enjoyed. Following recent hike in Newcastle coal price index (XW1 commodity), we suspect coal mining companies cannot fully enjoy the benefit of the surge on coal price. Looking at the current spread between coal price index and average sales price of mining companies (3 months lag), we saw a large discount from the benchmark for all major coal companies in Indonesia compared to last year. Although most of analysts being conservative by setting the coal price at a range of USD 70-85 per ton until next year, we would like to point out that the transmission of high coal price index on coal producer profitability that we cover may not be as rapid as the market expect. We are not sure currently why the discount spread is widening, but we suspect that the benchmark price might not truly reflect the current market conditions. If our suspicion were correct, we suspect the current high coal price will not be sustainable.

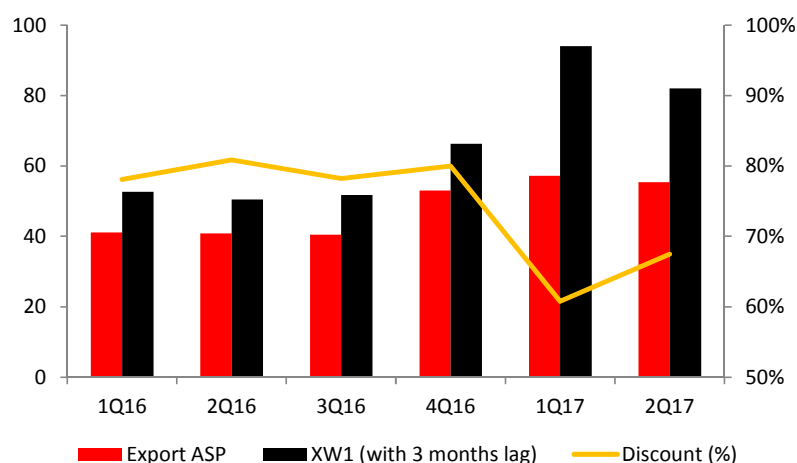
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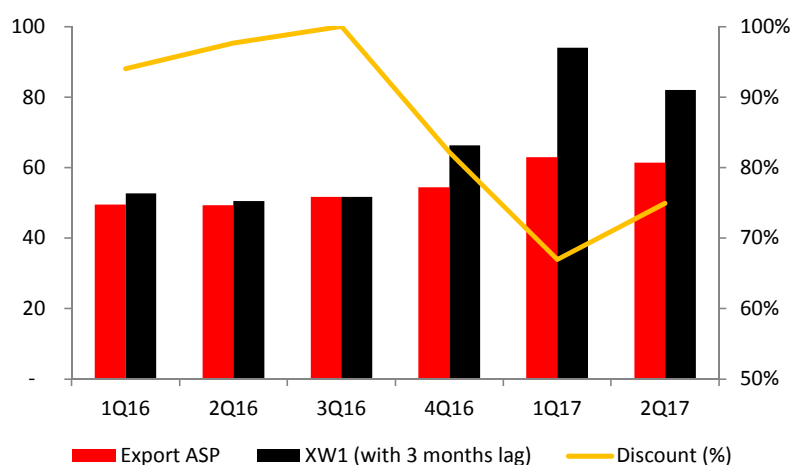
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ADRO ASP Export vs XW1 Newcastle Coal Price



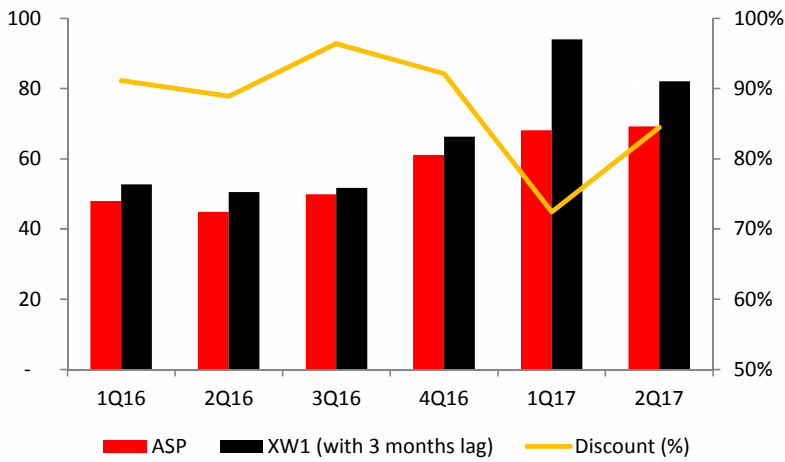
Source: Company Data, Sinarmas Investment Research

PTBA ASP Export vs XW1 Newcastle Coal Price



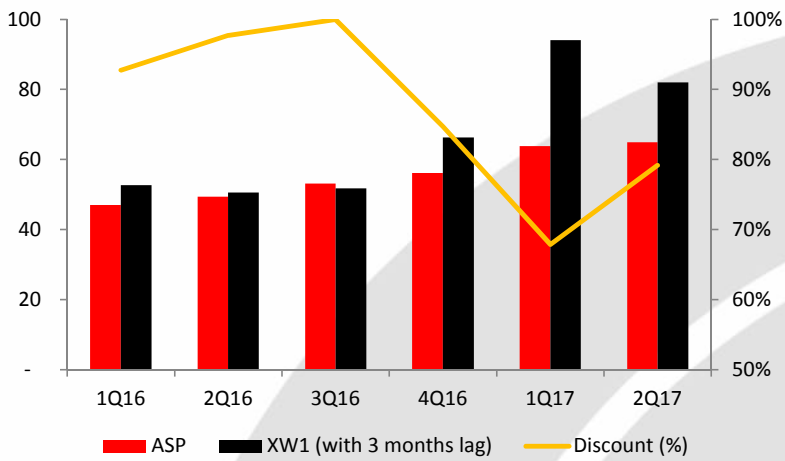
Source: Company Data, Sinarmas Investment Research

ITMG ASP vs XW1 Newcastle Coal Price



Source: Company, Data, Sinarmas Investment Research

HRUM ASP vs XW1 Newcastle Coal Price



Source: Company, Data, Sinarmas Investment Research

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