

Clarification on PLN coal price? Quoting from Kontan, there is an indication that the Ministry of Energy and Mineral Resources will issue ministerial decree tomorrow on Thursday (15/2) concerning ceiling and floor prices for domestic coal purchase. Nevertheless, there is no official statement yet from the government concerning the decree and price range associated. As cost plus margin scheme has been rejected, it seems the only policy available for the government is by issuing a ceiling price. Meanwhile, PLN has suggested that the price range should be in the range of US\$ 60-70 per ton. If materialized, it will significantly reduced current domestic ASP as coal benchmark has increased above US\$ 100 per ton. We think the regulation on ceiling price and floor price might be implemented, considering the high coal price benchmark and PLN's financial performance. However, we believe the rumor price on US\$ 60-70 is too low as the 10 years average for coal benchmark is at US\$ 85 per ton. We expect this news will bring negative sentiment to the coal mining industry though we believe any major corrections can be taken as a buying opportunity, considering the current positive outlook in the industry and supportive coal price benchmark year to date.

10 years average XW1 commodity



Source: Bloomberg, Sinarmas Investment Research

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