

Unexpected Regulation Drags Share Performance. Recently quoted from detik.com, Ministry of Energy and Mineral Resources of Indonesia has agreed upon PLN's proposal to cap coal price using cost plus margin mechanism. PLN has suggested that coal price should be in the range of 15%-25% of cost margin. Meanwhile, 66% of PTBA sales are for domestic, which caused stock price to fall by 17.3%. Based on sensitivity analysis that we had conducted, PTBA's FY18F revenue could be trimmed down by 8.3%-12.9% while net income could fall by 29.6%-46.2% from our initial projections. However, we see a possibility that the cost plus margin regulation might only be applied to coal mine mouth power plant. Nevertheless, looking at the downside risks from the changes, we recommend our investors to take neutral stance on PTBA until further clarification on the regulation.

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(IDR bn)	Current Forecast	Cost plus 15% margin		Cost plus 20% margin		Cost plus 25% margin	
	FY18e	FY18e	Change (%)	FY18e	Change (%)	FY18e	Change (%)
Revenue	19,166,409	16,699,057	-12.9%	17,140,977	-10.6%	17,584,877	-8.3%
Gross Profit	7,049,533	4,730,223	-32.9%	5,145,627	-27.0%	5,562,893	-21.1%
Operating Profit	4,801,437	2,482,126	-48.3%	2,897,530	-39.7%	3,314,796	-31.0%
Net Income	3,678,889	1,979,474	-46.2%	2,283,851	-37.9%	2,589,592	-29.6%

Source: Sinarmas Investment Research

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