



# Singapore Coal Monthly

More cooling attempts from China

SINGAPORE | MINING | SECTOR UPDATE

7 June 2018

## What is the news?

### China

In May-18, National Development and Reform Commission (NDRC) announced new measures to curb coal price, aiming to bring coal prices back to the reasonable range. The 9 key measures are listed as followed:

- 1) Ramp up production by at least 300k tonnes/day from mines in Shanxi, Shaanxi and Inner Mongolia.
- 2) Gradually introduce 100mn tonnes of quality capacity
- 3) Improve rail capacity.
- 4) Probe in the execution of medium- and long-term coal supply contracts.
- 5) Increase power supply from the sources of renewable energy.
- 6) Adjust coal inventories to ensure 100mn tonnes of available coal stock.
- 7) Reinforce supervision and regulation on heavy coal-consuming enterprises.
- 8) Crack down hoarding and speculation in the coal market.
- 9) Encourage joint operations between coal and power enterprises.

NDRC reiterated the reasonable coal price range (5,500 GAR) is between RMB500/tonne and RMB750/tonne and aimed to bring down spot price back to RMB570/tonne by 10-Jun.

### Coal price resumed upward momentum

The unexpected surge in demand from thermal power (+7.8% YoY) was mainly from industrial sector (+7.2% YoY), shown in Figure 3. However, the domestic coal production remained flat YoY, shown in Figure 1. According to BPS-Statistics Indonesia, the total export volume amounted to 33.2mn tonnes (+0.68% YoY) on Apr-18. Meanwhile, General Administration of Customs of China disclosed that total coal import volume dropped by 10.1% YoY to 22.3mn tonnes during the same month. Hence, the undersupply resulted in domestic coal price rebounding beyond the rational range, shown in Figure 5.

### Restriction on seaborne coal may relax

Following the [new round of restriction](#) on imported coal in Apr-18, more detailed cooling measures were imposed to prepare for the upcoming peak season. The new 9 measures were not new. Apart from the ramp-up in production, the rest were more towards medium to longer-term policy measures on coal market. The short-term target price of RMB570/tonne is achievable only when domestic production is able to fill current spike in demand or the authorities relax the restriction on imported coal again given the strong demand for thermal power will come soon. See Figure 6, port coal inventory continued to accumulate in May-18. We believe the authority is likely to relax their restriction on seaborne coal.

## Golden Energy & Resources

### BUY (Maintained)

BLOOMBERG CODE	GER SP
CLOSING PRICE	SGD 0.370
FORECAST DIV	SGD 0.014
TARGET PRICE	SGD 0.480
<b>TOTAL RETURN</b>	<b>33.5%</b>

## Geo Energy Resources

### BUY (Maintained)

BLOOMBERG CODE	GERL SP
CLOSING PRICE	SGD 0.230
FORECAST DIV	SGD 0.010
TARGET PRICE	SGD 0.410
<b>TOTAL RETURN</b>	<b>82.6%</b>

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### Coal counters monthly updates

#### Golden Energy and Resources (Target px: S\$0.48 / BUY)

- Benefited from the buoyant coal prices in 1Q18
- Upgrading the port loading capacity
- Cash cost was higher than expected in 1Q18
- Cash position reached US\$305mn as of 1Q18

#### Geo Energy Resources (Target px: S\$0.41/ BUY)

- 11mn tonnes of production target is on track
- Cash cost will jump this year
- Remain upbeat on any near-term acquisition
- Cash position reached US\$248mn as of 1Q18

### Investment action

We remain upbeat on the sector as we expect coal price (FY18e ASP 4,200 GAR: US\$42/tonne, 1Q18 ASP 4,200 GAR: US\$52.4/tonne) will be favourable for coal miners. Meanwhile, the ramp-up of production is still on track. We maintain BUY rating on coal sector.

### Peer comparison

COMPANY	BLOOMBERG TICKER	PSR RATING	TARGET PRICE (SGD)	1M RETURN (%)	3M RETURN (%)	YTD RETURN (%)	PRODUCTION (MN TONNES) FY17	PRODUCTION (MN TONNES) FY18e	MKT CAP (SGD mn)	EV (SGD mn)	EV/EBITDA TTM	RESERVE (MN TONNES)	EV/RESERVE (SGD/TONNE)	FY18 P/E	FY17 P/E
<b>Singapore</b>															
Golden Energy & Resources	GER SP	<b>BUY</b>	<b>0.48</b>	4.2	(6.1)	(2.5)	15.5	20.0	871	917	3.5	780	1.2	7.3	9.2
Geo Energy Resources	GERL SP	<b>BUY</b>	<b>0.41</b>	4.5	2.2	(13.2)	7.7	11.0 - 12.0	306	363	3.5	100	3.6	5.1	7.2
<b>Indonesia</b>															
Adaro Energy	ADRO IJ			23.8	(9.3)	13.2	52.5	52.0-54.0	6,103	7,105	4.8	1,200	5.9	8.9	9.9
Bukit Asam	PTBA IJ			19.4	42.0	78.4	19.6	21.9	4,330	3,620	3.2	3,300	1.1	9.4	8.1
Indo Tambangraya Megah	ITMG IJ			25.5	10.3	45.5	25.6	22.6	3,003	2,448	4.0	198	12.3	8.3	8.7
Harum Energy*	HRUM IJ			34.6	4.5	59.5	7.9	4.0-4.5	767	526	3.9	113	4.7	9.7	12.1
Baramulti Suksessarana**	BSSR IJ			3.2	4.3	33.0	N/A	N/A	646	618	4.0	114	5.4	6.0	6.2
<b>Market-cap Weighted Average</b>				<b>22.5</b>	<b>11.0</b>	<b>40.6</b>					<b>4.1</b>		<b>5.7</b>	<b>8.8</b>	<b>9.1</b>

Source: Bloomberg, Company, PSR

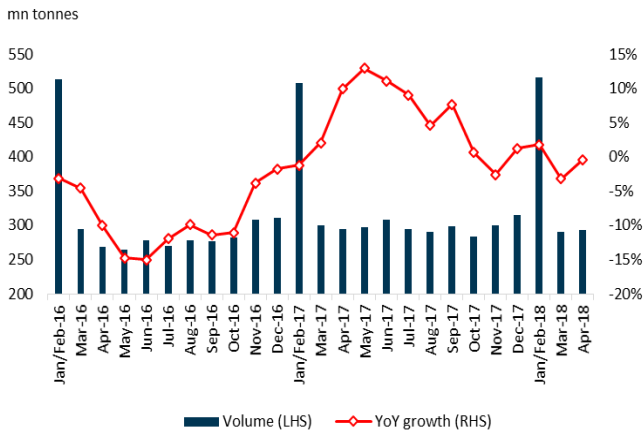
Coal reserve estimate was as of 2016

\*Harum Energy: coal reserve estimate was as of 2009

\*\*Baramulti Suksessarana: coal reserve estimate was as of 2012

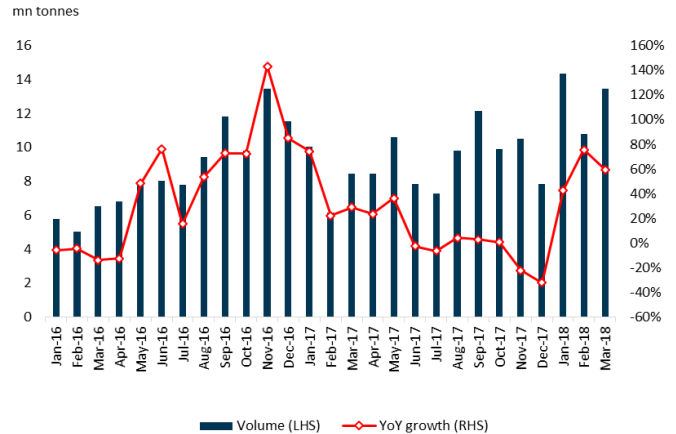
# Phillip Coal Tracker: Our snapshot of coal markets

Figure 1: Monthly coal production in PRC slowing down



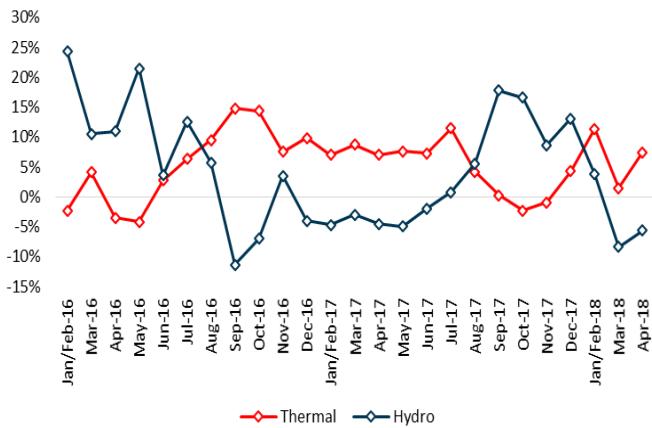
Source: National Bureau Statistics of PRC, PSR

Figure 2: Coal import from Indonesia by China surged recently



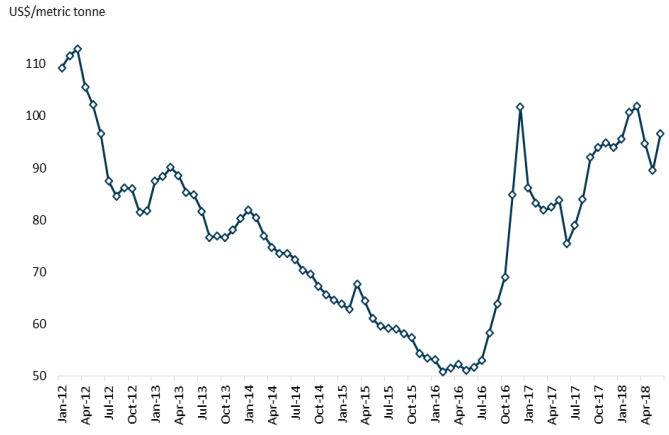
Source: General Administration of Customers of PRC, PSR

Figure 3: China power demand continues to expand YoY



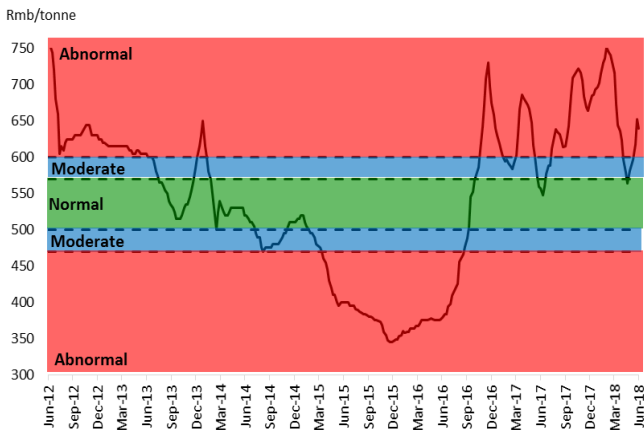
Source: National Bureau Statistics of PRC, PSR

Figure 4: Indonesia coal price reference (HBA) rebounded



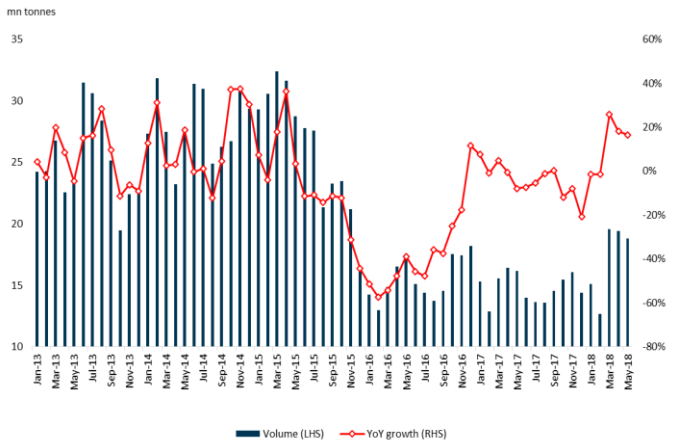
Source: Coalspot.com, PSR

Figure 5: Qinghuangdao 5,500 GAR weekly FOB spot price



Source: Bloomberg, PSR, NDRC price zones (red/blue/green)

Figure 6: Total port coal inventory maintained decent growth



\*Source: Bloomberg, PSR

\*The total port coal inventory includes coal stockpile at Qinghuangdao Port, Tianjin Port, Caofeidian Port, Guangzhou Port, Jingzhou Port, Lianyungang Port, Dandong Port, Jingtang Port, Yinkou Port, Qingdao Port, and Huanghuagang Port.

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