

FOCUS

# NG in acquisition streak

By Er Audy Zandri

**H**aving completed the acquisitions of four new coal concessions in Kota Baru, South Kalimantan in December 2012, Indonesian based NG Group of Companies is not hitting the brake just yet. Recent interview with **Group President Director Biju N. G.** revealed that the company is eyeing two other concessions this year.

“Part of the reasons why the last four acquisition projects went well is because we’ve got great cooperation and support from the people and regional government of Kota Baru, South Kalimantan, which was the key reason why we decided to acquire mines there in the first place. The business climate in Kota Baru was great especially for the coal industry,” Biju said to CoalAsia at his office.

As reported in the previous edition of CoalAsia Magazine, NG Group was planning to acquire four new concessions in Kota Baru, adjacent to its existing 2,500 hectare concession. Each of these concessions has the coverage of roughly 9,700 hectares, 1,000 hectares and two 7,000 hectares area. Now that the acquisitions are completed, the accumulated total area of all five concessions in Kota Baru could roughly cover 30,000 hectares, separated by the provincial road.

Exploration is already completed and coal found in these mines has CV ranges between 6,100 kcal/kg to 6,300 kcal/kg.

“But production would have to wait until we’ve secured Land and Borrow Use Permit for most of these concessions,” he said.

As part of the group’s development plan for these mines, NG has cooperated with local and overseas partners such as US based Sycamore Ventures, Powertech PLC from Isle of Man and Earth Minerals from Singapore. Some of these development plans include the



construction of the group’s own jetty at Sungai Durian area.

“There was one jetty that we rent to transport our coal before, but the Jetty is now closed down as the area it located is considered protected forest area, so we have to have our own jetty now,” he said.

At least 24 hectare area has been secured some 40 kilometers away from the nearest of the five mines, with 4 hectares allocated for the jetty and some 20 hectares for stockpile. The manual jetty, direct transport between trucks to barge, is ready to operate, but project completion will have to wait for the arrival of an imported washing plant from West Virginia, which will also need to have its licenses taken care of, as well as the arrival of a 25 meter conveyor belt to be installed on land to barge, which is expected in June.

Once completed, nevertheless, NG will be able to stock up to 150,000 tons of coal (throughput) for its mines in Kota

Baru, while the washing plant could elevate the calorific value of the coal to around 7,400 kcal/kg, as the ADB product has high ash content.

Biju said that the investment spent for the acquisitions and jetty construction could reach up to US\$50 million alone.

“In addition, there is a possibility for us to construct another jetty in East Kalimantan, because the biggest concession among the five, the 9700 hectare, is located very near to the East Kalimantan area,” Biju said

### **Central Kalimantan**

NG’s acquisition of 10,000 hectares concession in Tamiang Layang, East Barito, Central Kalimantan has also been completed at the end of last year. However, Biju said that kicking it into production is not the group’s main priority this year.

“First, it has low CV coal of about 4,700 to 5,100kcal/kg with high TM

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(>50%), which at the current downward coal price trend, would be valued at around US\$25 per ton. The production cost is a lot higher," he said.

The mine, in addition, is located some 30 kilometers away from the nearest anchorage, although the estimated coal resource of 500 million tons would be its positive side.

As previously reported, the concession was acquired under a joint venture scheme with Sycamore Ventures and Narmada Thermal Power Limited, Gujarat, India, with the planned output will be sold to Narmada's power plants in India, which construction is held in cooperation with Korean company KOSPO.

"Though we decided not to produce from Central Kalimantan just yet, the coal supply contract with

Narmada Thermal Power Limited must run this year, this is why we've decided to allocate the production from our newly

acquired concessions in Kota Baru to comply with the contract," he said, adding that it plans to deliver 50,000 tons of coal per month to Narmada starting this year.

### **East Kalimantan**

NG has so far delivered up to 50,000 tons of coal per month to US-India-based Sycamore-Surana Corporation's power plant in India, with output delivered from a mine in Samarinda East Kalimantan (20,000 tons per month) and its 2,500 hectare mine in Kota Baru (30,000 tons per month) acquired back in December 2011.

The mine in East Kalimantan covers an exploitation area of 200 hectares from up to 5,000 hectares concession area at some 12 kilometers from the nearest jetty. The mine's output stands at 20,000 tons of coal per month with calorific value between 6,100 and 6,300 kcal/kg per month. Its stripping ratio stands at 1:12,

with proven reserve of 25 million tons.

"We are operating this mine on Royalty basis with the mine owner. However the coal almost run out, and we've run into various different problems with the mine owner in previous years that disrupt the punctuality of our delivery, this is why there's a possibility that we'd gradually reduce our dependency from this particular mine," he said.

One example of the problem is how sometimes the mine owner does not immediately pay the tax for coal to the government even when NG has given the payment to the owner.

"There has been great development in Kota Baru, or East Kalimantan for that matter, that during the last six months or so, taxation for each coal delivery transaction must already be paid before someone is eligible to acquire the coal delivery permit, that is for each delivery, which resulted in less tax unpaid, a win-



win solution for both industry players and the government as it helps companies clearing out their unpaid taxes. But there are cases where we have workers literally waiting for days on end in front of the house of this particular mine owner to finally acquire the delivery permit. These types of things teach me the lesson to acquire concessions instead,” he said.

### **New acquisitions**

And NG seems to learn the lesson well, as the group is currently in negotiation to acquire two additional concessions, each in Berau and Kutai Kartanegara of East Kalimantan.

“The Berau concession measured at 3,000 hectare with IUP Exploration permit. The coal CV is ranging between 5,600 and 5,800 kcal/kg. The price (of the concession) has been decided and we’re working on completing the acquisition. I think it’s safe to say that production push,

if necessary, can be initiated this year,” he said, without giving further detail.

The concession in Kutai Kartanegara, on the other hand, is measured at 14,000 hectare, but negotiation, Biju said, is underway.

“The reason why we’re eyeing more concessions, even when we’ve completed the acquisition of four new concessions, is because we need to cater to other buyers outside of internal buyers like Narmada and Surana, which can be said part of the Group due to their investment. It’s a demand driven growth,” he said, adding that NG is expected to be able to cater to other market outside of the group in another year after completing the acquisition and production of the Berau concession.

As NG is also doing its own mine mining activities, several new excavator units are being purchased, while truck hauling is done using leased trucks. Initially

said targeting to produce a total of four million tons of coal per annum in 2013, Biju said that the target does not change.

“But we’re not rushing into things. We’re doing it one step at a time. In addition, it has been apparent that the coal prices will still be at the lower point this year, which might get stronger in 2014. Infrastructure development is vital at this time of crisis,” he said, adding that the group might consider hiring contractors to develop the four new concessions in Kota Baru, though no name has been decided yet.

Biju also said that the group also has plans to takeover an IDX-listed company in a bid to be an IDX-listed group itself.

“But the plan is still too early to be thoroughly discussed. What I can say for now is that there have been talks with one particular company, though the realization is still not yet certain. What certain is that we’re heading that way,” he closed the interview. **C**

