

NG in acceleration mode

By Er Audy Zandri

Indonesia based NG Group of Companies is set to become a major coal player in the nation, targeting to produce up to four million tons of coal in 2013 from four soon acquired concessions, accumulating to a combined output of six million tons from another coal mine it plans to acquire in Central Kalimantan.

"Our output today might still stand at the rate of 50,000 tons per month, but we're aiming high for 2013," Group Director Biju N. G. said to CoalAsia at his office in Jakarta.

Established in 1999, the group was initially focusing its business on timber export, further diversifying its ventures to cover other key business prospects that include shipping and information technology, from the production of lubricant oil, mineral water to rice.

"And in 2008 we started to get involved in mining business, working on a mine in Samarinda under subsidiary PT Euro Asia Exports and Industries (EAEI). EAEI now responsible for the operation of two mines each in East and South Kalimantan," Biju said.

The group's mine in Samarinda 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. Its current output stands at 20,000 tons of coal 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.

In South Kalimantan, production is initiated on 2,500 hectares of concession area in Kota Baru, with a monthly output of 30,000 tons of coal with calorific value of above 6,300 kcal/kg. Its stripping ratio stands at 1:10. Biju stated that the mine is acquired through a joint venture project with US-India-based Sycamore-Surana Corporation, a move that will ensure the mine's long term buyer. But the drop of coal prices inevitably affects NG's business.

"Until the first semester of this year, we produced up to 200,000 tons of coal from both mines, as demand slows down from our main market in India. But we're certain to meet our total output target of 500,000 tons for both mines this year," he said, adding that more than 70 percent of the output are sold to India through long term contract partnerships.

New concessions

However, Biju is optimistic that 2013 will be the pinnacle period for the group as it's currently reaching the final acquisition



Biju N. G.

stage, eyeing four new coal concessions in South Kalimantan.

"The acquisition should be completed within the next two months. It's a bit technical, but the shareholders have agreed to release 70 percent of their shares. We are currently pushing for a complete take over to smooth future decision making process," he said, adding that the group expects all the concessions, which are located adjacent to each other with Production Operation IUP license, to start delivering output at the end of this year or the start of 2013. At the targeted output rate of 100,000 tons per month for each mine, NG expects to produce a total of 4.8 million tons per year.

Biju explained that one concession roughly covers 9,700 hectares of area while another concession covers 1,000 hectares area. As two of the remaining concessions cover roughly 7,000

hectares each, the accumulated total area could roughly cover 26,000 hectares.

He stated that the group allocated up to US\$20 million worth of fund for the acquisition, cooperating with local and overseas partners, namely US based Sycamore Ventures, Powertech PLC from Isle of Man and Earth Minerals from Singapore.

He said that each concession will require between 20 to 25 units of heavy equipment to sustain operation, though the group might consider hiring contractors to do the work. "We haven't made the decision yet," he said.

NG is also in the process of acquiring 10,000 hectares concession in Tamiang Layang, East Barito Central Kalimantan, located some 30 kilometers away from the nearest anchorage. Despite the low calorific value of the coal, ranging between 4,700 and 5,100 kcal/kg, the concession is reported to have a staggering estimated coal resource of 500 million tons.

"The thing about the Central Kalimantan concession is that we're acquiring it under a joint venture scheme with Sycamore Ventures and Narmada Thermal Power Limited, Gujarat, India.

NG will be the mine's operator with 30 percent stake in the project, whereas Sycamore will be the majority stockholder. The planned output will be sold to Narmada's power plants in India," he said, adding that NG plans to allocate up to US\$10 million worth of fund to finance the acquisition plan.

As the concession still holds Exploration IUP license, Biju stated that the company will need to work on acquiring the Operation Production IUP before finally commencing operation. "We believe that the acquisition for the Central Kalimantan concession should have been completed at the end of this year, with initial operation to commence in March 2013," he said, adding that the initial output of the Central Kalimantan mine should reach 10,000 tons per month.

Logistic planning

NG said to allocate up to US\$60 million worth of capital expenditure this year, covering the financing of its acquisition plans. The remaining US\$2 million will be allocated for its mine in Samarinda, with US\$10 million for the development of its mine in Kota Baru.

"We also plan to allocate another

US\$10 million for the development of a port at the edge of Durian River in Kota Baru, located some eight hours from Banjarmasin, to support the operation of all the concessions in South Kalimantan. All the acquired licenses have been obtained and when the construction is completed, it should have the storage capacity of 150,000 tons," he said, adding that the port, completed with an underpass and 3 kilometer hauling road, is also expected to finish its construction stage this December.

A native South Indian with profound fluency in Bahasa, Biju stated that the group's long term target is to be able to set up dedicated trading units in China and India, two of the biggest coal importers so far.

"Demands from India might have declined over the months, especially with the inflation rate and Rupee weakening, but Rupee has been getting stronger these several days, and expert believed that things will go back to normal as of March next year. Coal will remain the cheapest power source available, and India will resume its import volume from Indonesia, as logistic cost and coal specifications make it the cheapest imported coal for India. I'm still highly optimistic about the business," he said. □

