
Straits Asia to double coal output

Monday, 09 Mar, 2009

Reuters reported that Singapore listed Straits Asia Resources aims to more than double its annual coal production to 20 million tonnes by 2012 and may acquire two Indonesian coal mines to achieve that target.

Mr Richard Ong CEO of Straits Asia the company will start by boosting its production to 9.5 million tonnes this year from 8.6 million last year.

He said that "I think the plan for this company is to bring to 20 million in three years. We are not stopping to look into acquisitions we may want to select one or two. Those acquisitions will be of Indonesian assets."

Straits Asia's shares rose as much as 3.2% in late trade on last Friday, outperforming a 0.7% fall in the benchmark Singapore index. Commodities firm Noble Group and Indonesian coal miner PT Indika Energy Tbk are among the companies also pursuing a bid for Straits Asia itself, sources told Reuters in January, in a deal that could be worth more than USD 800 million.

Mr Ong declined to comment on bids for the firm, saying it was up to its parent firm, Australian miner Straits Resources Limited that owns 47.1% of the company. He said that Straits Asia controls 100% of Indonesian mining service company PT Indo Straits, which it aims to spin off and either sell part or its entire stake through an initial public offering by the end of 2009. The company has not decided the size of the stake in Indo Straits that it wants to sell during the offering or the amount it aims to raise.

Straits Asia said that it was difficult to give an outlook for coal prices since supplies were likely to fall along with demand, as some producers faced difficulties in getting financing.

Mr Ong said that the firm would fund its expansion with cash. The company has nearly USD 100 million in cash or equivalent and a USD 300 million refinancing facility obtained from Standard Chartered in November, according to its 2008 financial statement. The firm posted over a 300% rise in both Q4 and 2008 net profits.

Straits Asia, with a market cap of USD 548.6 million has two coal mines in Indonesia's coal rich East Kalimantan province and exports most of its output to power plants in Japan, Korea, Taiwan and India. In terms of size, it is similar to Indonesia's eighth largest coal producer PT Bayan Resources, which also plans to produce 9.5 million tonnes of coal this year.

(Sourced from Reuters)

For more news visit at www.steelguru.com