Costlier coal unlikely to hit Sino Hua-An

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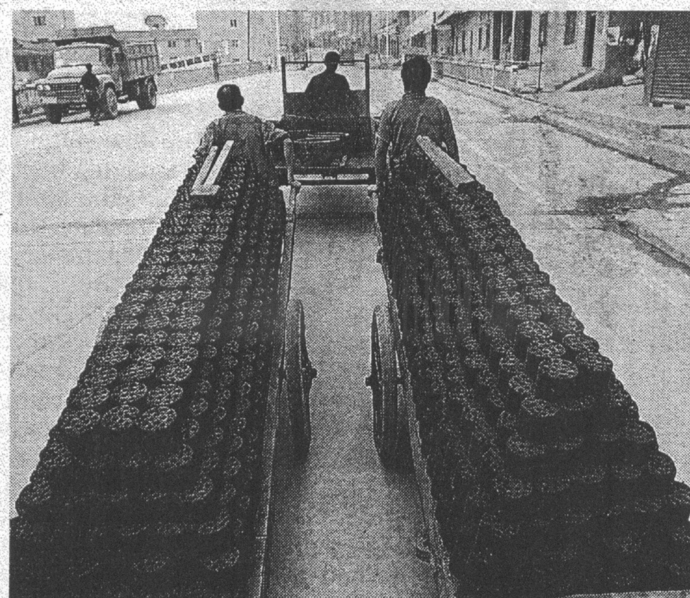

Coal prices for delivery in March have risen to some US$130 a tonne, from around US$100 a tonne at the start of December last year. — Ap picture

RISING international coal prices due to the floods in Australia's coal-rich state of Queensland are not likely to have a significant impact on metallurgical coke manufacturer Sino Hua-An International Bhd's plant in China.

Besides getting its supply of coking coal from China domestic mines, Sino Hua-An also buys cheaper coking coal in bulk for the winter season.

Vice president corporate communication and investors relations Bernard Tan said the company's metallurgical coke plant in Shandong province buys and uses most of its coking coal from mines located in Shandong, Henan and Shanxi provinces.

"Every year during winter season in North Eastern China, the normal domestic coking coal pricing trend tends to increase a little as the extraction rate from the mines is usually slower than expected.

"As part of Sino Hua-An's contingency plan, we usually increase our coking coal inventory during winter season by negotiating and purchasing cheaper coking coal in bulk from our raw material suppliers," he said in a statement.

Sino Hua-An, the first China-based company to be listed on Bursa Malaysia, produces metallurgical coke from coal. Coke is a critical raw material in steel-making.

Tan said the company's usual coking coal inventory is about 50,000 tonnes but currently, it is more than triple to 170,000 tonnes. This inventory level is enough for more than a month's use.

Coal prices for delivery in March have already risen to some US$130 (RM398) a tonne, from around US$100 (RM306) a tonne at the start of December last year.

The floods in Queensland, the worst in decades that has displaced hundreds of thousand people, may temporarily halt production and export of high-grade coking coal and force the international coking coal price to skyrocket to over US$300 (RM921) per tonne in the near future.

At the same time, the rising crude oil price exceeding US$90 (RM276) per barrel is working in favour of Sino Hua-An.

Tan said the company's two main by-products, which are crude benzene and tar oil, are oil-based.

"Therefore, the rising crude oil prices also 'push' up the selling prices of our by-products accordingly," he said.