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Investment success story | Gujarat NRE Coke

July 2011

Gujarat NRE builds a future on Australian mines

When the Indian resources company Gujarat NRE Coke Ltd (GNCL) sought to secure its supplies of coking coal, it turned to Australia to supply the raw materials and expertise it needed.

Gujarat NRE Coke is the flagship company of Gujarat NRE Group, and is India's largest independent producer of metallurgical coke (also known as met coke), which is a vital ingredient in the smelting of iron ore and steel production.

Since the mid-1990s, Gujarat NRE Coke has operated a coke production facility in India which takes bituminous coking coal and heats it to a high temperature to create coke suitable for use in iron ore smelting. The company had been sourcing its raw coking coal from the Australian mining company BHP's underground mines in the Illawarra region of southern New South Wales.

According to Gujarat NRE Coke's chairman Mr Arun Kumar Jagatramka, 2004 was a turnaround year in the industry with coke prices going through the roof, and coking coal was in very short supply for some time.

"That led to us looking at various options," Mr Jagatramka says. "I'd made trips to Australia two or three times a year, so was very familiar with the mines and the overall operation.

"Then we had this offer to buy the collieries. We thought that it was a good opportunity for us. Since we had been buying coal from that area, there was no confusion in my mind about the quality of the coal that was mined there."

Gujarat NRE Coke acquired the first mine in 2004 and renamed it NRE No.1, and the second mine in 2007, which was renamed NRE Wongawilli.

A strong platform for growth

In 2004 the company formed Gujarat NRE Coking Coal Limited (GNCCCL) to manage the Illawarra mining operations. The new company invested more than A\$270 million to revive the mines and bring production up to 1.3 million tonnes of coking coal each year, creating 450 jobs in the Illawarra region.



Image courtesy of GNCCCL

Aerial view of NRE No. 1 Colliery located in the Southern Coalfields of New South Wales, Australia.

"From day one we have received support from all quarters, whether that is the federal government or the state government, the employees, and the community around us."

Mr Arun Kumar Jagatramka, Chairman, Gujarat NRE Coke

In 2008 Gujarat NRE Coking Coal Limited announced plans to invest A\$500 million in the expansion of its Illawarra coal mines, including significant mine development, construction of access roads and investments in new plant and equipment, with the goal of quadrupling their output.

Once the improvements are completed, the mines will be able to increase their production to 6 million tonnes of coking coal annually by 2015.

Mr Jagatramka says securing its own dedicated source of coking coal has been a landmark decision for Gujarat NRE Coke. It gives the company a great competitive advantage, particularly in light of the recent global price trend as the coking coal price per tonne leapt from A\$225 to A\$330 early in 2011.

“It makes the group self-sufficient in the most critical raw material required for coke making and consequently steel making. It secures us from any fluctuation in supply or price, providing a good platform to grow.”

Gujarat NRE Coke is already growing at a rapid pace, having increased production every year for the past ten years, and expects to grow significantly each year in future as well. Hence the extra quantities of coking coal being produced from Australia are critical to its future.

The increase in coking coal production means that after meeting the requirements of the parent Indian company, GNCCL has been able to sell coking coal to steel mills in China through third parties. It expects to continue this trend with any excess production. The acute scarcity of coking coal worldwide makes it a lucrative proposition.

“Worldwide demand for coking coal is growing, in India it is growing at 15 to 18 per cent, while coking coal supply is growing at only 2 or 3 per cent annually.”

The benefits of Australian mining expertise

Mr Jagatramka attributes much of the mines' success to the quality of the staff. The company has employed local workers from the beginning, and Mr Jagatramka says he was impressed by both their quality and their dedication to running a safe mine. The company has also followed the lead of Australian management in terms of how the mines are run.

“We are happy with the productivity, and particularly the focus on safety. We have a very strong focus on safety in all of our operations.”

The company has also been able to source all technology, equipment and services for the mines from within Australia. Gujarat NRE Coke is also now sourcing equipment from Australia for its operations in India.

Overall, Mr Jagatramka rated the experience of investing and working in Australia as being “better than 10 out of 10”.

“As a foreign investor, I feel happy doing business in Australia,” Mr Jagatramka says. “From day one we have received support from all quarters, whether that is the federal government or the state government, the employees, and the community around us.”

The company received significant assistance from Austrade during the acquisition of the mines, particularly with achieving the required approvals.

“Austrade has always been there to do the handholding and introductions to various departments, and verifying my own research. They helped us and continue to help and advise us on how to get all the approvals in place.”

The company has also appreciated the support received from the NSW Government and the continuous assistance from its Department of Industry and Investment.

Gujarat NRE Group has subsequently made additional investments into oil and gas exploration in Australia, including two onshore prospecting exploration licences in the Central Canning Basin region of Western Australia, and today it is the largest Indian oil exploration owner working in Australia. The company has undertaken geological and geophysical evaluations of the region and is currently processing seismic data ahead of exploratory drilling.

Gujarat NRE Coking Coal has also become a part of the Illawarra community, sponsoring the Wollongong NRE Hawks National Basketball League team and the South Coast Wolves football team, along with the cricket development body Cricket NSW.

“We are happy to operate and we have a happy workforce. I am proud to say that the local community in Wollongong has adopted us.”

About Austrade

The Australian Trade Commission – Austrade – is the Australian Government's trade and investment development agency. Through our global network, we assist Australian companies to succeed in international business and attract productive inward investment into Australia.