

Managing Director's Statement



5 minutes with the MD

"Think and act long term"

Mr. Arun Kumar Jagatramka, Vice Chairman and Managing Director, reviews the performance of the company during 2007-08 and looks into the future with optimism.

Q. Gujarat NRE Coke being the only listed entity of its kind, there is a general lack of awareness about your business. What exactly do you do? And what is the driver of your success?

A. We produce low ash metallurgical coke (LAMC) which is a vital raw material for steel making. Our raw material is Coking Coal which is coal having coking properties and low ash content. Such good quality coal is not available in India in abundance and is normally imported. We primarily source our coking coal from Australia and convert it into coke in our three plants in Gujarat and Karnataka.

As you are aware, India is making rapid strides in steel making. We are slated to become the second largest producer in the world within a couple of years and attain a production capacity of about 300 million tons by the year 2020. Even if half of this takes the blast furnace route where coke is a critical component, the demand for our product is expected to grow almost six times over next 12 years. This is naturally good news for us and we expect this demand pulled performance, will continue to be, as you put it, the driver of our success.

Q. Globally there is a surge in coke prices, Is it just a case of the rolling of the coke cycle? Or are there other underlying fundamental causes?

A. There are various reasons for this. For one, China and India are investing in steel making capacities at an unprecedented scale which is importing a tremendous demand pull on raw materials. Coke prices too are moving in tandem. Coke which was selling at \$ 180 FOB in January, 2007 has already witnessed a quantum jump to \$ 700 FOB in July, 2008, an increase of about 4 times in 17 months.

Secondly, China, which is the largest producer, consumer and exporter of the commodity is slowly but distinctly moving towards a regime of controlled exports. They have already imposed & increased export duties on various occasions in last few years indicating its unwillingness to make more quantities available to the global consumers. This is creating a supply constraint in the global market adding fuel to the fire.

Thirdly, Australia, which is the biggest supplier of Coking Coal to India and other coke hungry nations too has its own problems. Most of the Australian ports are congested due to limitation of requisite infrastructure and the lead time of exporting is creeping up to ominous levels. Add to this the fact that there are no fresh coalfields to be tapped and made operational within the short term and the supply scenario gets worse.

The fourth dimension will be the global surge in the freight rates which too have gone up substantially during the period compounding the woes of the consumers.

Q. In simple words.....Does all this mean boom time for Gujarat NRE Coke?

A. I would not put it like that. Yes we have done well and yes, the constant rise in the price of the commodity has helped. But don't forget that the cost of the raw material too has gone up in tandem. The shipping costs and freight rates too have virtually skyrocketed.

Q. Then how do you justify the good results?

A. The one reason to which I can ascribe this success is the core philosophy of our company- think and act long term. That is what prompted us to go to Australia in the first place and acquire our first mine NRE # 1 in 2004. This was followed by acquisition of NRE Avondale and Elouera Collieries (now known as NRE Wongawilli). This move not only opened up gates for further acquisitions but have also helped us to secure our raw material supplies. Instead of trying to make a kill by gambling on the vagaries of the spot market, we were consciously focusing on long term contracts which pay rich dividends in times like these. Again, the same philosophy has helped us maintain our freight costs within manageable limits primarily because of the contracts that are in place.

We are not stopping at that either. We have entered into a long term chartering agreement for six new bulk carriers which are now under construction in various Japanese & Chinese yards. These vessels will be progressively put on use from the year 2010 and come with a right to purchase them after a pre stipulated time frame.

At the plant level too we are constantly keeping our costs under control and innovating to increase efficiencies. It gives me great pleasure to point out here that thanks to the efforts of our technical team, Gujarat NRE Coke's per ton capital cost is quite lower than the industry benchmark. Our quenching towers, stamp charging methods, pushing systems are all developed in house, not only knocking costs down but also speaking volumes about our engineering and technical experiences.

The benefits of the long term way are many. The results are for you to see.

Q. How do you counter the pollution by the industry, especially in these days of rising concern about the environment?

A. As opposed to what you are trying to insinuate, we are actually an environment friendly, "green" entity. It begins with our name - NRE stands for Natural Resources Environment. However, our concern for the environment runs much deeper than that. The co-generation plants will actually earn us carbon credits as does our windmills with a capacity of 53 MW. We are in the process of setting up another 23 wind mills which will augment our generation capacity to 87.5 MW.

For coke making we use the Non recovery (with heat recovery) process of coke making which is the eco-friendly version of coke making and does not result in handling of hazardous gases.

All our plants have green belts around them and we have been following traditional methods of rain water harvesting. Our idea here too is simple. We do not believe that we have inherited the earth from our ancestors, but that we are the custodians for our children. Therefore, at Gujarat NRE Coke, our concern is not merely to be carbon neutral, but to actually give back to nature more than what we take from her.

Directors' Report

To The Members,

Your Directors are pleased to present the Twenty-first Annual Report and the Audited Financial Results of the Company for the financial year ended on March 31, 2008.

FINANCIAL RESULTS/HIGHLIGHTS

Rs. in crores

	2007-2008	2006-2007
Income from Operations	282.99	119.02
Less : Interest	32.91	23.58
	250.08	95.44
Less : Depreciation	23.35	20.68
Profit before Tax	226.73	74.76
Less : Provision for Current Tax/ Deferred Tax / Fringe Benefit Tax	53.85	19.03
Profit after Tax	172.88	55.73
Add : Balance brought forward	96.79	123.91
Amount available for appropriation	269.67	179.64
Less : Appropriations		
Transferred to General Reserve	50.00	50.00
Dividend for earlier year	4.46	—
Proposed dividend on equity shares	84.25	38.76
Corporate Tax on Dividend	15.08	6.59
Debenture Redemption Reserve	25.00	(12.50)
Balance carried to Balance Sheet	90.88	96.79

REVIEW OF OPERATIONS

The year was an exceptional year for coke industry with surge in global prices on account of export tax levied twice by China, the largest supplier of coke, resulting in dwindling of global supplies as well as spurt in demand particularly from steel sector. The year also witnessed a chronic scarcity of basic raw material for the industry i.e. coking coal due to disruption in the supply chain as a result of floods in many of the Australian mines which has led to its price jumping up threefold over last one year. Your Company, with its foresight could withstand this scarcity due to assured supplies from its subsidiaries owning coking coal mines and on account of strategic investments made in Australia. Consequently, your Company has reported a stellar performance for the year under review.

The Company's Net Sales stood at Rs. 872.15 crores in the financial year ended March 31, 2008 as compared to Rs. 513.32 crores during the previous financial year going up by 1.70 times. Net profit after tax was up by 3.10 times to Rs 172.88 crores (Previous Year - Rs. 55.73 crores).

DIVIDEND

The Company's dividend policy is based on twin objective to appropriately reward the shareholders and at the same time to keep enough capital to fuel growth needs. Accordingly, your directors are pleased to recommend a higher dividend of Rs. 2.50 per share for the year ended March 31, 2008 up from Rs. 1.50 per share for the year ended March 31, 2007 reflecting an increase of 67%. The total payout in respect of dividend for the year 2007-08 amounts to Rs. 98.57 crores as compared to Rs. 50.57 crores during the year 2006-07.

BONUS ISSUE

As we march forward, your Company believes in greater innovation in business models to scale new levels of success with an aim to create value for our stakeholders. Keeping with the tradition of rewarding our shareholders on a regular basis and aligning the paid up capital to reflect emerging scale of Company's operations, your Company is recommending a bonus issue at the rate of 2 (Two) Equity Shares for every 5 (Five) Equity Shares held. It will be a record 5th bonus issue of your company in a span of last 6 years.

ISSUE OF EQUITY

During the year under review, your Company allotted 4,98,15,134 Shares of Rs.10 each at a premium of Rs.38.04 per share upon conversion of 1% Unsecured Foreign Currency Convertible Bonds (FCCBs) issued in 2005 and 2,67,96,000 Shares of Rs.10 each at a premium of Rs.52.50 per share upon conversion of Zero coupon FCCBs issued in 2006 in accordance with conversion notices received during the year 2007-08. The Company had also allotted 1,40,00,000 Shares of Rs.10 each at a premium of Rs.27.50 per share in May' 2007 and 25,00,000 Shares of Rs.10 each at a premium of Rs.110 per share in March' 2008 following conversion of warrants.

ISSUE OF NCD

During the year under review, the company raised Rs.100 crores through issue of Non-Convertible Secured Redeemable Debentures on a private placement basis

to Axis Bank Ltd in order to finance its projects for 0.248 Million TPA Low Ash Metallurgical Coke Plant at Dharwad and 15 MW Captive Waste Heat Power Plant at Bhachau.

STATUS OF FCCB

The Company had made two consecutive issues of Foreign Currency Convertible Bonds (FCCBs) in 2005 & 2006. More than 99% of Unsecured 1% FCCBs of USD 55 million issued in March' 2005 and due in 2010 were converted during the year aggregating 4,98,15,134 shares with bonds worth USD 225,000 remain outstanding at the year end. Further, 62.50% of Unsecured Zero Coupon FCCBs of USD 60 million issued in 2006 and due in 2011 were converted during the year aggregating 2,67,96,000 shares with bonds worth USD 22,500,000 remain outstanding at the year end. The proceeds of these issues were successfully deployed towards purposes for which they had been raised.

LISTING

The equity shares of your Company are listed on the National Stock Exchange of India Limited (NSE) and Bombay Stock Exchange Limited (BSE). The FCCBs of the Company are listed on the Luxembourg Stock Exchange (LuxSE). The Company has filed an application for delisting its shares from The Calcutta Stock Exchange Association Ltd. (CSE) which is under active consideration of CSE.

EXPANDING HORIZONS

Your Directors believe that growth can be achieved through integrating and expanding capacities as well as going for forward and backward integration. A Coke oven project has been undertaken at Dharwad in Karnataka which would be commissioned by the year 2008-09 increasing the capacity by further 0.248 Million TPA. The Company has also acquired 220 acres of land at Nellore District of Andhra Pradesh for setting up 1 Million TPA Coke oven plant. A new Coal Washery is also under implementation at Bhachau.

Keeping with its commitment for providing safe and healthy environment, your Company has executed a project for installation of 12 Windmills having combined capacity of 18 MW during the year under review and has further undertaken a project for another 28 Windmills having combined capacity of 42 MW in the State of Gujarat taking the total wind power capacity in the company to 87.50 MW. The Company has further forayed into the another environment friendly Captive Power Plant project generating power from waste heat emanating from coke plants. Two such power plants are under construction at Khambhalia and Bachau having capacity of 15MW each and one at Dharwad with capacity of 30 MW.

Your Company's apprehension about industry going to face a severe resource crunch came true this year with industry witnessing immense shortage of coking coal. A third mine in Australia named Elouera was acquired by an Australian Subsidiary and the same was consolidated with the second mine, NRE Avondale which are now collectively known as NRE Wongawilli. Six vessels have been taken on time charter by your Company to ferry the requirements of coking coal to ensure supply beyond 2010. The steel plant at Bhachau is fully operational, and plans are also in place to foray into various other avenues of forward integration.

SUBSIDIARIES

During the year under review, the Company has consolidated overseas operation under its wholly owned subsidiary Gujarat NRE Ltd. (GNL) formerly known as Gujarat NRE Pty Ltd.

Further the Australian subsidiary Gujarat NRE Minerals Ltd (formerly known as India NRE Minerals Ltd) listed on Australian Securities Exchange on July 10, 2007 subsequent to completion of an IPO. Thereafter, this Company successfully acquired all shares of another Australian subsidiary Gujarat NRE Resources NL in order to consolidate coal operations in Australia. This consolidation would immensely help in increasing the efficiency of operations, reap the benefits of economies of scale.

Bharat NRE Coke Ltd. (BNCL), an Indian subsidiary, posted a turnover of Rs. 145.63 crores and PBIDT of Rs. 7.99 crores in the third year of its operations as compared to Rs. 64.43 crores of turnover and PBIDT of Rs. 1.69 crores in the previous year.

Both Manor Dealcom Pvt. Ltd. and Huntervalley Coal Pvt. Ltd., wholly owned Indian subsidiaries, completed their first year of operations. Manor Dealcom Pvt. Ltd has posted an income of Rs. 0.94 Lacs and net profit of Rs. 0.19 Lacs and Huntervalley Coal Pvt. Ltd has posted an income of Rs. 1.03 Lacs and net profit of Rs. 0.26 Lacs respectively.

There is a requirement for attachment of Directors Report, Balance Sheet and Profit & Loss Account of these Subsidiaries to this Annual Report & Accounts. Pursuant to an application made under Section 212(8) of the Companies Act, 1956 for exemption from the said requirement, this Annual Report does not contain these particulars of subsidiaries. The Annual Accounts of the subsidiary Companies and the related detailed information will be made available to the Company's and Subsidiary Company's investors seeking such information at any point of time. The Annual accounts of the Subsidiary Companies are also kept open for inspection by any investor at the Registered Office of the Company.

Directors' Report (Contd.)

Further, the Consolidated Financial Statements of the Company prepared in accordance with Accounting Standard 21, which forms a part of the Annual Report, have taken into account the financial information of its subsidiaries.

ACCREDITATION

Your Company has been accredited with Environmental Management System Standard ISO14001:2004 Certification, Occupational Health and Safety Management Standard OHSAS18001:1999 Certification and Quality Management System Standard ISO9001:2000 Certification for Manufacture and Supply of Low Ash Metallurgical Coke at Khambhalia, Jamnagar, Gujarat.

FINANCIAL OBLIGATIONS

The Company has been regular in the payment of interest and/or repayment of loans to financial institutions and/or banks during the year under review.

CORPORATE GOVERNANCE

Pursuant to the amended Clause 49 of the Listing Agreement with the Stock Exchanges, a separate Section titled "Corporate Governance" has been included in this Annual Report along with a report on "Management's Discussion and Analysis".

All Board Members and senior Management Personnel have affirmed compliance with Code of Conduct for the year 2008-09.

Vice Chairman & Managing Director (CEO) and Chief Financial Officer (CFO) have certified to the Board with regard to the financial statements and other matters as required in clause 49 of the listing agreement and the said certificate is also annexed to this Annual Report.

EMPLOYEE STOCK OPTION SCHEME

Manpower is a key resource for the continuing growth and development of the Company. To retain talent and align the interest of employees with shareholders, the Board of Directors on the recommendation of the Remuneration/ Compensation Committee, at its meeting held on January 20, 2007, had offered 11,15,000 options to employees/directors under Employees Stock Option Scheme, 2005.

The Company has also offered 25,06,000 options to eligible employee/directors in accordance with GNCL Employees Stock Option Scheme, 2007, as recommended by the Remuneration/Compensation Committee and approved by the Board at its meeting held on 2nd June, 2007. A second tranche under GNCL Employees Stock Option Scheme, 2007 was offered to the new recruits aggregating 3,09,000 grants on 19th January, 2008.

As required by clause 12 of SEBI (Employee Stock Option Scheme and Employee Stock Purchase Scheme) Guidelines, 1999, the disclosures of Stock Options are given in an Annexure to this report

DIRECTORS

Shri Rajendra Prasad Jain was appointed as an Additional Director and Executive Director in the capacity of Whole Time Director of the Company by the Board at its meeting held on January 19, 2008 upon the recommendation of the Remuneration/Compensation Committee and subject to the approval of members for a period of 5 years. Resolution(s) seeking approval of the members to his appointment has been included in the notice to this Annual Report.

Shri Chinubhai R Shah and Dr. Basudeb Sen, Directors of the Company retire by rotation at the forthcoming Annual General Meeting and being eligible, offer themselves for re-appointment in terms of the Articles of Association of the Company.

During the year under review, Board of Directors upon the recommendation of the Remuneration / Compensation Committee approved, subject to the approval of members, payment of remuneration to all the Non-Executive Directors not exceeding 1% of the net profits of the Company payable on annualized basis for a period of 3 years from 1st April, 2007 provided the company earns a net profit of not less than Rs.100 crores in corresponding financial year. A resolution for such payment is also included in the notice to this Annual Report.

The members had passed a resolution at the last AGM held on 28.09.2007 authorising the Remuneration/Compensation Committee/Board to revise the remuneration of Shri Arun Kumar Jagatramka, Vice Chairman & Managing Director, subject to the provisions of Section 198, 309 read with Schedule XIII and other applicable provisions of the Companies Act, 1956. Board upon recommendation of Remuneration/Compensation Committee, had accordingly revised the existing remuneration of Mr. A. K. Jagatramka by including thereto, a payment of 1% of the net profits of the Company payable on annualized basis from 1st April, 2007 for the remaining tenure of his current term provided the company earns a net profit of not less than Rs.100 crores in corresponding financial year. The revised remuneration is within the limits as prescribed by Sec. 198, 309 read with Schedule XIII of the Companies Act, 1956. A resolution for such payment is also included in the notice to this Annual Report.

DIRECTORS' RESPONSIBILITY STATEMENT

Pursuant to the requirements under Section 217(2AA) of the Companies Act, 1956 with respect to Directors' Responsibility Statement, it is hereby confirmed that:

- in the preparation of annual accounts for the financial year ended March 31, 2008, the applicable accounting standards had been followed and that no material departures have been made from the same;
- the Directors had selected appropriate accounting policies and applied them consistently and made judgments and estimates that are reasonable and prudent so as to give a true and fair view of the state of affairs of the Company at the end of the year under review and of the profit of the Company for the year ended on that date;
- the Directors took proper and sufficient care for the maintenance of adequate accounting records in accordance with the provisions of the Companies Act, 1956 for safeguarding the assets of the Company and for preventing and detecting fraud and other irregularities; and
- Directors had prepared the annual accounts for the financial year ended March 31, 2008 on a 'going concern' basis.

AUDITORS

M/s. N. C. Banerjee & Co., Chartered Accountants, retire as auditors of the Company at the conclusion of ensuing Annual General Meeting and are eligible for re-appointment. As required under Section 224 of the Companies Act, 1956, the Company has received a written confirmation from them to the effect that their re-appointment as Auditors, if made, would be in conformity with the limits prescribed in the said section and they are also not disqualified from such appointment within the meaning of Section 226 of the said Act.

AUDITORS' REPORT

The observations of the Auditors in their Report read with relevant notes on the accounts, as annexed are self-explanatory and need no elaboration.

PUBLIC DEPOSITS

The Company has not accepted or renewed any Public Deposits, as defined under section 58A of the Companies Act, 1956, during the year under review.

PARTICULARS OF CONSERVATION OF ENERGY, TECHNOLOGY ABSORPTION AND FOREIGN EXCHANGE EARNINGS AND OUTGO

The Particulars of conservation of energy, technology absorption and foreign exchange earnings and outgo as required under section 217(1)(e) of the Companies Act, 1956, read with the Companies (Disclosure of Particulars in the Report of the Board of Directors) Rules, 1988 are given in the annexure attached hereto and forms a part of this report.

PARTICULARS OF EMPLOYEES

Particulars of employees as required under section 217(2A) of the Companies Act, 1956 read with the Companies (Particulars of Employees) Rules, 1975 as amended, are given in a separate annexure attached hereto and form part of this report.

PERSONNEL / INDUSTRIAL RELATIONS

We fully recognize that people are the lifeline of our organisation. Hence, we invest in people and in skill development. In line with its talent management initiatives, your Company invests significant time and efforts on training its talent pool on a regular basis.

Your Directors take great pride in the harmonious relations that characterize your Company's various plants and units. In line with our vision of being an achievement focused, development oriented and people sensitive organization, your Company endeavours to create an environment of holistic growth.

ACKNOWLEDGEMENTS

Your Directors wish to convey their appreciation to all the Company's employees for their enormous personal efforts as well as their collective contribution to the Company's record performance. Your Directors also thank the investors, customers, dealers, suppliers, bankers, financial institutions, media, Government and their agencies and all other business associates for the continuous support given by them to the Company and their confidence in the management of the Company.

For and on behalf of the Board



Girdhari Lal Jagatramka
Chairman

Place : Kolkata
Dated the 18th day of July 2008

Annexure to Directors' Report

Information as required under section 217(1)(e) read with the Companies (Disclosure of Particulars in the Report of Board of Directors) Rules, 1988

A. CONSERVATION OF ENERGY

(a) Energy Conservation measures taken:

Energy conservation continues to be focus area for the Company. In line with its policy towards taking regular steps on energy conservation, the Company is laying emphasis on using alternative sources of energy and accordingly, it added 12 more wind turbine generators during the year under review having a capacity to generate 18 MW power to its existing 22 turbines having a capacity of 27.5 MW power. These windmills are directly promoting energy conservation by supporting the power requirements at Bhachau coke and steel plant.

(b) Additional investments and proposals, if any, being implemented for reduction of consumption of energy:

Two power plant for generating power from waste heat emanating from coke plant at Bhachau and Khambhalia having capacity to generate 15 MW of power each would be commissioned shortly and plans are in place to install another co-generation power plant of 15 MW at Dhanwad. Such captive generation of power also reduces dependence of plant on external supply of power.

(c) Impact of above measures at (a) and (b) above for reduction of energy consumption and consequent impact on the cost of production of goods:

More efficient utilisation of power and reduction in cost by producing power through alternate sources as compared to traditional sources of power like thermal, oil, gas etc..

(d) Total energy consumption and energy consumption per unit of Production:

As per Form-A annexed

B. TECHNOLOGY ABSORPTION

(a) Efforts made in technology absorption:

As per Form-B annexed.

C. FOREIGN EXCHANGE EARNING AND OUTGO

(a) Activities relating to export, initiative taken to increase exports; development of new export markets for products and services; and export plans:

The exports of the Company during the year under review stood at Rs.69.37 crores as compared to Rs.30.20 crores during the previous year. The global price of coke has sharply risen since the beginning of 2008 and consequently, orders have been booked for two quarters of 2008-09 which would increase the exports of the Company.

(b) Total foreign exchange used and earned:

(Rs. in crores)

	Current Year	Previous Year
Total Foreign exchange earning	70.94	37.21
Total Foreign exchange outgo	284.75	234.45

FORM - A

Disclosure of particulars with respect to Conservation of Energy for the year ended 31st March' 2008

A. POWER AND FUEL CONSUMPTION

	Current Year	Previous Year
1 Electricity		
a) Purchased:		
Units (in Lacs)*	796.85	567.77
Total Amount (in crores)	26.67	10.54
Rate (Rs./Unit)	3.35	1.86
b) Own Generation		
Through Diesel Generator		
- Units (in Lacs)	1.37	2.01
- Units per ltr. of Diesel Oil	2.45	3.90
- Cost (Rs. /Unit)	14.47	10.28
c) Coal		
- Quantity (MT)	NIL	NIL
- Total Cost (Rs.)	NIL	NIL
- Average Rate (Rs. /MT)	NIL	NIL
d) Furnace Oil/HSD		
- Quantity (MT)	3115.31	1628.08
- Total Cost (Rs.)	7.31	2.85
- Average Rate (Rs. /K.Ltr)	23453.85	17513.00

B. CONSUMPTION PER UNIT OF PRODUCTION

Electricity (Units /Mt)	154.32	126.63
Coal	NIL	NIL
Furnace Oil/HSD	0.04	0.03

* includes units through wind turbine generators.

FORM - B

Form for disclosure of particulars with respect to technology absorption RESEARCH AND DEVELOPMENT (R&D)

1. SPECIFIC AREAS IN WHICH R&D PROPOSED TO BE CARRIED OUT BY THE COMPANY:

None

2. BENEFITS DERIVED:

Not Applicable.

3. FUTURE PLAN OF ACTION:

The Company is planning to install wind generator turbines for generation of power from wind energy and Captive Power Plant by utilizing the waste heat emanating from the coke ovens.

4. EXPENDITURE ON R&D: (Rs. in Lacs)

(a) Capital:	NIL
(b) Recurring:	NIL
(c) Total:	NIL
(d) Total R&D Expenditure as a Percentage of total turnover:	N.A.

TECHNOLOGY ABSORPTION, ADAPTATION AND INNOVATION

1. EFFORTS MADE:

Continuous efforts are being made towards improvements in the existing production process.

2. BENEFITS:

The Company is successful in improving the quality of its products.

3. PARTICULARS OF TECHNOLOGY IMPORTED DURING LAST 5 YEARS:

(a) Technology import:	NIL
(b) Year of import:	N.A.
(c) Has technology been fully absorbed :	N.A.
(d) If not fully absorbed, areas where this has not taken place, reasons thereof and future plan of action :	N.A.

PARTICULARS OF EMPLOYEES AS REQUIRED UNDER SECTION 217(2A) OF THE COMPANIES ACT, 1956 AND FORMING PART OF THE DIRECTORS' REPORT FOR THE YEAR ENDED 31st MARCH' 2008 Employed throughout the year and was in receipt of remuneration of not less than Rs.24 Lacs p.a.

Name	Designation	Remuneration (Rs.)	Qualification & Experience (years)	Age (years)	Date of Commencement of Employment	Last Employer, Designation
Shri Arun Kumar Jagatramka	Vice Chairman & Managing Director	3,74,80,207	B.Com [Hons.], FCA (Gold Medalist) , 25 Years	46	28.03.1997	None
Shri R P Jain	Executive Director	24,52,774	B.Com, FCA, 34 Years	58	11.08..2006	Birla VXL Ltd. Jt. President

Notes:

1) Remuneration includes salary, commission, company's contribution to provident fund, gratuity and monetary value of perquisites.

2) The appointment is contractual. Other terms and conditions are as per his agreement and as per the Rules of the Company.

3) Shri A K Jagatramka is related to Shri G L Jagatramka, Chairman and Mrs. Mona Jagatramka, Director of the Company within the meaning of Section 6 of the Companies Act, 1956.

For and on behalf of the Board of Directors

Girdhari Lal Jagatramka
Chairman

Place : Kolkata
Dated : 18th day of July 2008

Annexure forming part of the Director's Report

Disclosure in compliance with Clause 12 of the SEBI (Employee Stock Option Scheme and Employee Stock Purchase Scheme) Guidelines, 1999, as amended, are given below -

Sr	Particulars	Employee Stock Option Scheme, 2005	GNCL Employee Stock Option Scheme, 2007
1	Total number of options under the Plan	11,15,000	28,15,000
2	Options Granted during the year	Nil	28,15,000
3	Pricing Formula	Options have been granted at the closing market price of the shares of the Company on NSE on the day immediately preceding the date of grant of the options i.e. Rs.33.40 per share.	25,06,000 Options have been granted on 02.06.2007 at the closing market price of the shares of the Company on NSE on the day immediately preceding the date of grant of the options i.e. Rs.60.20 per share and 3,09,000 Options have been granted on 19.01.2008 at Rs.120 per share i.e. price at which convertible warrants were issued on 03.01.2008.
4	Options Vested (as on March 31, 2008)	Not Applicable	Not Applicable
5	Options Exercised during the year	Not Applicable	Not Applicable
6	Total number of shares arising as a result of exercise of options	Not Applicable	Not Applicable
7	Options lapsed/forfeited during the year	Nil (options lapsed in Prev. Yr.-1,38,000)	Nil
8	Variation of terms of options upto March 31, 2008	Nil	Nil
9	Money realized by exercise of options during the year	Nil	Nil
10	Total number of options in force at the end of the year	9,77,000	28,15,000
11	Employee wise details of options granted to:		
	i) Senior Managerial Personnel	List given below. Options to Directors given in Corporate Governance Report	List given below. Options to Directors given in Corporate Governance Report
	ii) Employees holding 5% or more of the total number of options granted during the year	Nil	Nil
	iii) Identified employees who were granted option, during any one year, equal to or exceeding 1% of the issued capital (excluding outstanding warrants and conversions) of the Company at the time of grant.	Nil	Nil
12	Diluted Earnings Per Share (EPS) pursuant to issue of shares on the exercise of option calculated in accordance with Accounting Standard (AS) 20	Not Applicable	Not Applicable
13	Where the Company has calculated the employee compensation cost using the intrinsic value of the stock options, the difference between the employee compensation cost so computed and the employee compensation cost that shall have been recognized if it had used the fair value of the options. The impact of this difference on profits and on EPS of the Company.	Not Applicable	The Company has calculated Employee Compensation Costs on the basis of Intrinsic Value Method and has amortized Rs.12,04,422 for the year ended 31st March, 2008. However, had the company followed Fair Value Method for calculating Employee Compensation Costs, such costs for the year would have been lower by Rs.3,36,483 and the Profit after tax higher by the like amount and its impact on Basic as well as Diluted EPS would have been negligible.
14	Weighted average exercise prices and weighted average fair values of options shall be disclosed separately for options whose exercise price either equals or exceeds or is less than the market price of the stock on the grant date	Not Applicable	Weighted average exercise price of the options outstanding as at the year end is Rs. 66.76 and Weighted average fair value of the options outstanding as at the year end is Rs. 132.13
15	A description of the method and significant assumptions used during the year to estimate the fair values of options, including the following weighted average information.	The fair value of options is estimated using Black Scholes Option Pricing Model after applying the following key assumptions i) Risk free interest rate - 6.3% ii) expected life - 2.1 years iii) expected volatility - 73% iv) expected dividends - 3% v) the price of the underlying share in market at the time of option/grant - the market price (i.e. closing price at NSE) on the day immediately preceding the day of grant i.e. Rs. 33.40 per share	The fair value of options is estimated using Black Scholes Option Pricing Model after applying the following key assumptions i) Risk free interest rate - 7.7% ii) expected life - 10 Years iii) expected volatility - 86% iv) expected dividends - 3% v) the price of the underlying share in market at the time of option/grant - the market price (i.e. closing price at NSE) on the day immediately preceding the day of grant i.e. 60.20 & Rs. 139.15 per share

NB - In respect of ESOS, 2007 Remuneration/Compensation Committee and Board of Directors at its meeting held on 02.06.2007 had offered 25,06,000 Grants to employees/directors. Further, at their meeting held on 19.01.2008, they had offered 3,09,000 Grants to new recruits under second tranche.

Annexure forming part of the Director's Report (Contd.)

List of employee wise details of Options Granted to Senior Managerial Personnel

Sr. No.	Name of the Senior Managerial Personnel	Employee Stock Option Scheme, 2005 Options Granted	GNCL Employee Stock Option Scheme, 2007 Options Granted
1	Mr. P. R. Kannan	3000	30000
2	Mr. P. K. Agrawal	3000	30000
3	Mr. D. R. Sabherwal	3000	30000
4	Mr. Sunil Maskara	—	33000
5	Mr. B. Ramaprasad	—	24000
6	Mr. S. K. Jhunjhunwala	3000	30000
7	Mr. Hirak Ghosh	—	33000
8	Mr. S. Balasaria	3000	14000
9	Mr. A. S. Rao	3000	21000
10	Mr. B. N. Tiwari	3000	21000
11	Mr. J. Rajaraman	3000	21000
12	Mr. P. Saxena	3000	21000
13	Mr. M. K. Shah	—	24000

NB : In respect of Employee Stock Option Scheme, 2005, the Company had adopted fair value method to value its options.

Management Discussion and Analysis

Industry Structure and developments

Economy

India's economy is on the fulcrum of an ever increasing growth curve. With positive indicators such as a stable 8-9 per cent annual growth, rising foreign exchange reserves, a booming capital market and rapidly expanding FDI inflows, India has emerged as the second fastest growing major economy in the world.

The growth process continues apace. On the back of 9.6% growth April-December 2005-06, GDP grew by 8.9% during April-December 2006. According to the third advance estimates of crop production by the agriculture ministry, food grain output grew by 4.6% in 2007-08, nearly four times the average annual growth of 1.2% between 1990 and 2007. Overall industrial production grew by 8.3% during 2007-08. Significantly, manufacturing sector grew at the rate of 8.7% in 2007-08 on the back of 12.5 % during 2006-07. Services grew by 10.4% in April-December 2007, on the back of 11.4% during the corresponding period in 2006-07. Core infrastructure sector continued its growth rate recording 5.6% growth in 2007-08. While exports grew by 23.02% during 2007-08, imports increased by 27.01% in the same period. Money Supply has grown by a robust 20.7% growth (year-on-year) as of end-March 2008, compared to 21.5% last year. Fiscal and revenue deficit decreased by 13.5% and 33.3% respectively, during April-February 2007-08 over corresponding period last year.

With such a robust growth rates, the revised estimates of the Central Statistical Organisation (CSO) expects the economy to grow by 9% in 2007-08, higher than the earlier projection of 8.7%. This is in tune with the high average real GDP growth of 8.7% per annum during the five-year period, 2003-04 to 2007-08. Further, this would be the third consecutive year, when the economy has grown by 9% and above.

During April-December 2007, gross fixed capital formation has accelerated to 32.6% of GDP, from 30.5% of GDP in the corresponding period in 2006.

World Coke Industry

China dominates the global coke market as it is not only the largest steel manufacturer and consumer but is also by far the largest producer, consumer and exporter of coke. Last year, it imposed export tax thereby restricting its global supplies to meet higher domestic consumption by local steel industry. This had a spiraling effect on coke prices. With surge in global demand of coke due to higher demand from rapid increase in capacities by global steel players, the prices of coke are expected to remain firm in the near future..

Domestic Coke Industry

Metallurgical Coke in India is mostly manufactured by Steel Plants primarily for captive consumption. Foundries, Ferro Alloys and Chemical industries add to the demand of the product which is hardly matched by domestic supplies resulting in imports. With rapid industrialization, and manifold increase in domestic steel capacities, the demand is expected to go up in leaps and bounds. Production of coke is totally dependent on availability of good quality coking coal and any increase in production is consequently dependent on imported coal as domestic coal is found to be of inferior quality.

A significant trend that is bound to gather steam in the near future will also be based out of India's desperate efforts to contain coal criticality. This will be overseas acquisition of coal blocks. The need to secure supplies will only become more and more critical in the years to come and the industry is bound to look beyond the shores of India for accessing the vital raw material to feed on its gnawing hunger. It will not be out of place to mention here that the first such foray out of India was pioneered by GNCL and our's is a case study that is still being studied by a number of corporate head quarters.

Steel Industry

Riding high on the resurgent economy and rising demand, the Indian steel industry has entered into a new development stage from 2005-06, with an average growth rate of 12 per cent per annum in steel output, for the last two years. According to the Minister for Steel and Chemicals & Fertilisers, the

Management Discussion and Analysis (Contd.)

likely capacity achievable by 2019-20 will be over 300 million tonnes. The total investment in the sector is expected to be Rs. 2,76,880 crores by 2012.

While the demand for steel will continue to grow in traditional sectors such as infrastructure, construction, housing automotive, steel tubes and pipes, consumer durables, packaging, and ground transportation, specialized steel will be increasingly used in hi-tech engineering industries such as power generation, petrochemicals, fertilizers, etc. Presently, the government plans to increase production from the present 53 MT to 124 MT by 2011 and 300 MT by 2020, so as to narrow the gap between supply and demand. However, access to Coking coal will be the key to the success of this strategy.

Opportunities & Threats

The demand for steel in the Indian domestic market is likely to be buoyant as a result of sustained growth of major steel-consuming sectors like infrastructure and automobile and overall industrial growth.

Also important is the fact that the domestic per capita steel consumption currently stands at 39 kg, whereas the global average is 150 kg and that of developed countries is 400-650 kg. Even if we take a conservative estimate of reaching the world average by 2020, India's demand must burgeon to 300 million tonnes at a CAGR of 10% over the same period on a higher production base.

This will ensure a sustained demand for coke.

The fortunes of the company are linked to the international pricing of coke. Hence, in the eventuality of a sustained dumping of coke by China, the results of your company may be adversely affected. On the other hand, sustained good realization / profit margins may entice sharp increase of capacities leading to competition.

Company's Performance

The total income of the Company stood at Rs. 918.89 crores in the year under review as compared to Rs.533.60 crores during the previous year (i.e., an increase by 72%). The net profit stood at Rs.172.88 crores as compared to Rs.55.73 crores during the previous year (i.e. an increase by 210%). The Basic & Diluted earnings per share of the Company was up from previous year figure of Rs.3.16 & Rs.2.38 to Rs.5.93 and Rs.5.04 respectively during the year. The Company's EBITDA increased from 23% in 2006-07 to 31% in 2007-08.

Segment wise Performance and Outlook

Coke Operations

Coke has been at the core of the operations of the Company with this segment contributing around 73% to the total turnover during the year under review. It achieved a turnover of Rs.638.28 crores during the year as compared to Rs.385.51 crores during the previous year resulting in an increase by 65% on an annualized basis.

Steel Operations

Although the Company is relatively a new entrant in this segment but steel now contributes 27% to the total turnover in the very second year of its commercial operations. It achieved a turnover of Rs.237.80 crores during the year under review as compared to Rs.124.41 crores during previous year. The steel plant is also enjoying various benefits like tax and duty exemptions.

The Company is generating power through its Wind Turbines and is in the process of setting up co-generation power plant as well as add to its Wind Turbines to reduce its power costs and ensure regular supply of cheap clean power particularly to its steel plant.

Outlook

During the current year, both the prices of cooking coal as well as coke is expected to firm up for different reasons. The coking coal price is expected to be pegged around US\$300, mainly due to a mismatch between the demand and supply for coking coal coming out of Australia witnessed since January 2007. Due to various restrictions imposed by the Chinese Government by way of export taxes and other measures, coke price is expected to look up further from the current level of US\$700 in the short to medium term.

Global steel production is estimated to grow until 2015 at a rate of approximately 4% per year. It was a mere 1.6% per annum between 1990 and 2000. In the next seven years, iron and steel production is expected to expand by around 446 million tonnes, a rise of 57% corresponding to an average annual growth rate of 6.6%.

This would ensure a sustained growth and demand for coke.

Risks and Concerns

The prospects of your Company are influenced by economic and industrial growth. The Company manages to mitigate these through forecasting strategic market shifts and patterns.

The demand for coke is directly linked to the fortunes of the steel industry. The growth in steel-making capacities is expected to be the highest in Asia, prominently China and India. Besides, the government of India has assessed the country to emerge as the world's second largest steel producer by 2016 with a production volume of around 120 million tonnes. This will adequately cover the demand for coke over the foreseeable future.

Though coke prices are determined by China, the largest coke producer in the world, the Company endeavours to maximize margins and profitability through a steadfast focus on minimising the cost of production. The principal raw material in the manufacture of coke is coking coal, whose availability is critical for sustaining production. To ensure its availability, the Company possesses a prudent sourcing mix of captive mines as well as other suppliers.

An increase in freight rates on the one hand and sub-optimal utilization of bulks on the other could escalate costs, for which your Company has entered into long term contracts for charter of vessels at very competitive rates.

Your Company maintains a flexible customer profile comprising institutions and network of dealers. Since coke is a critical raw material consumed in the manufacture of steel, institutional coke customers enter into long-term quantity contracts with spot pricing, protecting the Company from customer attrition. To strengthen its focus on receivables management, the Company has a dedicated team to keep track of payment maturity.

The Company is also exposed to foreign exchange risk and interest risk on imports. To minimise these, the Company employs an in-house team to track currency rates and trends by way of hedges to smoothen currency fluctuations.

Internal Control Systems and their adequacy

The Company has an internal audit system for assessing suitability of the internal controls, adherence to policies, procedures and taking corrective action to address any gaps. It has documented procedures covering all financial and operating functions. These controls have been designed to provide a reasonable assurance with regard to maintaining of proper accounting controls, monitoring of operations, protecting assets from unauthorized use or losses, compliances with regulations and for ensuring reliability with financial reporting. The Company has continued with its efforts to align all its processes and controls with best global practices in these areas as well.

The Audit Committee of the Board actively reviews the adequacy and effectiveness of internal control systems and suggests improvements to strengthen the same. The Company has strong Management Information System which is an integral part of control mechanism.

Human Resources

We at Gujarat NRE Coke take pride in being an equal opportunity employer. The company considers each of its employees as part of the NRE family. This underlying philosophy is borne by the fact that almost all employees of the company are stakeholders in the success of the entity. The management and the employees are committed to achieve the corporate objectives and the targets set before the Company.

Gujarat NRE Coke understands that it is the man behind the machine, his morale and spirit to excel that transforms good corporations into excellent ones. The company is in the constant process of adding value to its manpower by training, skilling and re-skilling them.

Cautionary Statement

The statement in this Management Discussion and Analysis Report describing the Company's objectives, projections, estimates, expectations or predictions may be 'forward-looking statement' within the meaning of applicable securities laws and regulations. These statements being based on certain assumptions and expectations of future events, actual results could differ materially from those expressed or implied.

Important factors that could make a difference to the Company's operations include raw material availability and prices, cyclical demand and pricing in the Company's principal markets, changes in Government regulations, tax regimes, forex markets, economic developments within India and the countries with which the Company conducts business and other incidental factors.

Corporate Governance Report

1. Company's Philosophy on Corporate Governance :

Gujarat NRE Coke Limited (Gujarat NRE) is committed to uphold the core values of transparency, integrity, honesty and accountability. This commitment lays the foundation for further development of superior Governance practices, which are vital for growing a successful business, creating sustainable long term shareholder value and balancing it with interests of other stakeholders in the Company. We believe that good governance is a culture that guides the Board, management and employees to function towards the best interests of all stakeholders.

The importance of Corporate Governance towards enriching value and thereby achieving business excellence has always been recognized by your Company and is manifested in the Company's vision. A Report in

line with the requirement of clause 49 of listing agreement with Stock Exchange for the year ended 31st March, 2008 is given below.

2. Board of Directors:

Composition and category

The Board of Directors of the Company comprises of eminent persons with commendable professional expertise. The Board has nine members consisting of :

- One Promoter, Non-Executive Chairman
- One Promoter, Executive Vice Chairman & Managing Director
- One Promoter, Non-Executive Director
- Five Non-Executive Directors and
- One Executive Director

The following Table gives details of the members of the Board of Directors of the Company and the number of other Boards and Board committees served by them as member(s)/chairperson :

Name of the Director	Category	No. of other Directorships*	No. of other Board Committee** position as	
			Member	Chairman
Mr. Girdhari Lal Jagatramka, <i>Chairman</i>	Promoter Non-Executive	4	3	3
Mr. Arun Kumar Jagatramka, <i>Vice-Chairman & Managing Director</i>	Promoter Executive	6	3	–
Mrs. Mona Jagatramka	Promoter Non-Executive	3	2	–
Mr. Subodh Kumar Agrawal	Non-Executive	2	1	1
Mr. Chinubhai R Shah	Non-Executive	11	5	2
Dr. Basudeb Sen	Non-Executive	6	4	4
Dr. Mahendra Kumar Loyalka	Non-Executive	1	–	–
Mr. Murari Sananguly	Non-Executive	2	–	–
Mr. Rajendra Prasad Jain (<i>appointed on 19.01.2008</i>)	Executive	1	–	–

*Directorship in Foreign Companies, Private Limited Companies and Companies covered under section 25 of the Companies Act, 1956 have not been considered.

**Only the positions held in Committees, such as audit, remuneration and shareholders' grievance committee in Indian Public Limited Companies have been considered.

Non-Executive Directors do not have any material pecuniary relationship or transaction with the Company apart from their remuneration.

Meetings and Attendance Record of Directors.

Board holds periodic meetings to review and discuss performance of the Company, its future plans, strategies and other pertinent items relating to the Company. Board also reviews inter-alia the information as mentioned in Annexure 1A to Clause 49 of the listing agreement with Stock Exchange. During the year ended on March 31, 2008, 7 (seven) Board Meetings were held on April 7, June 2, July 28, September 28, October 14 in 2007 and on January 19 and March 27 in 2008. The last AGM was held on September 28, 2007.

The following Table gives the attendance of each Director at these Board Meetings and at the last Annual General Meeting (AGM) :

Name of the Directors	No. of Board Meetings held	No. of Board Meetings attended *	Attendance at last AGM held on 28.9.2007
Mr. Girdhari Lal Jagatramka	7	5	No
Mr. Arun Kumar Jagatramka	7	7	Yes
Mrs. Mona Jagatramka	7	6	Yes
Mr. Subodh Kumar Agrawal	7	6	Yes
Mr. Chinubhai R Shah	7	6	Yes
Dr. Basudeb Sen	7	6	Yes
Dr. Mahendra Kumar Loyalka	7	7	Yes
Mr. Murari Sananguly	7	6	Yes
Mr. R P Jain (<i>appointed on 19.1.2008</i>)	2	1	NA

* Includes participation through tele-conference.

All the Directors hold directorship/committee membership in other Companies within the limits prescribed in this regard.

3. Code of Conduct

The Company has already adopted a Code of Conduct applicable to all its Directors, whether executive or non-executive and all Senior Management Personnel of the Company. All Board members and senior management personnel have affirmed compliance with the Company's code of conduct during the year. A declaration to this effect, duly signed by the Vice Chairman & Managing Director and CFO of the Company, is annexed and forms a part of this Report.

4. Board Committees:

The Board has constituted five standing committees namely, Audit

Committee, Share Transfer Committee, Shareholders/Investors Grievance Committee, Remuneration/Compensation Committee and Management Committee.

(a) Audit Committee

- i) **Terms of Reference.** The terms of reference of the Audit Committee are in conformity with the requirements of Clause 49 of the Listing Agreement and Section 292A of the Companies Act, 1956. These broadly cover the following:

- 1) To oversee the Company's financial reporting process and the disclosure of its financial information to

Corporate Governance Report (Contd.)

ensure that the financial statements are correct, sufficient and credible.

- 2) To review and recommend to the Board the appointment, re-appointment and if required the replacement or removal of statutory auditors and fixation of their remuneration.
- 3) To review with the management, the financial statements before submission to the Board, focusing primarily on Director's Responsibility Statement which forms part of the Director's Report, accounting policies, compliance with accounting standards, compliance with Stock Exchanges and legal requirements and any related party transactions etc.
- 4) To review with the management, external and internal auditors, the adequacy of internal control systems.
- 5) To discuss with the Auditors on the scope and nature of Audit and also to have Post Audit discussion to ascertain any area of concern.
- 6) To review the Company's financial and risk management policies.
- 7) To review the financial statements, in particular, the investment made by the unlisted subsidiary company, all significant transactions entered into by the subsidiary company.
- 8) To review the minutes of the Board meetings of the unlisted subsidiary company alongwith a statement of significant transactions and arrangements it has entered into.
- 9) To review the statement of material related party transactions.
- 10) To undertake such other matters as may be delegated by the Board from time to time.

ii) Composition

The present composition of the Audit Committee is as follows:

Mr. Subodh Kumar Agrawal (Chairman)
Mr. Girdhari Lal Jagatramka
Dr. Basudeb Sen
Mr. Chinubhai R Shah

All the members of the Committee are NonExecutive Directors. Mr. Subodh Kumar Agrawal, an Independent Director is a qualified Chartered Accountant. Dr. Basudeb Sen and Mr. Chinubhai R Shah, who possess executive experience in financial institutions and have experience in accounting and related financial management, are other independent directors. Mr. Girdhari Lal Jagatramka, Member, is the Chairman of the Company. The Company Secretary acts as the Secretary to the Committee.

iii) Meetings and Attendance

During the financial year ended on March 31, 2008, five meetings were held on April 6, June 2, July 28 and October 14 in 2007 and on January 19 in 2008.

The attendance of the committee members in these meetings were as follows :

Name(s)	Held	Attended*
Mr. Subodh Kumar Agrawal	05	05
Mr. Girdhari Lal Jagatramka	05	03
Dr. Basudeb Sen	05	04
Mr. Chinubhai R Shah	05	04

(* Includes participation through tele-conference.)

The Statutory Auditors and the Internal Auditors of the Company also attend audit committee meeting whenever required. The Vice Chairman & Managing Director, Chief Financial Officer (CFO) and other senior executives are also invited to attend and deliberate in the meetings.

The Chairman of the Audit Committee was present at the last Annual General Meeting of the Company.

(b) Share Transfer Committee

The Committee at present consists of the following members :

- i. Mr. Girdhari Lal Jagatramka, Chairman
- ii. Mr. Subodh Kumar Agrawal, Director
- iii. Dr. Mahendra Kumar Loyalka, Director
- iv. Mr. Pawan Kumar Agrawal, Sr. Vice President

The Committee meets at regular intervals on a fortnightly basis as per the requirements, to approve transfers, transmissions and issue of duplicate share certificates, etc. During the year under review, 23 meetings were held and the attendance of the committee members in these meetings were as follows :

Name(s)	Held	Attended*
Mr. Girdhari Lal Jagatramka	23	22
Mr. Subodh Kumar Agrawal	23	19
Dr. Mahendra Kumar Loyalka	23	12
Mr. Pawan Kumar Agrawal	23	23

(* Includes participation through tele-conference.)

(c) Shareholders'/Investors' Grievance committee

The Committee, at present, consists of the following members:

- i. Mr. Girdhari Lal Jagatramka (Chairman)
- ii. Mr. Subodh Kumar Agrawal, Director
- iii. Dr. Mahendra Kumar Loyalka, Director

The Committee looks into the redressal of shareholders' and investors' complaints like transfer of shares, nonreceipt of Annual Reports & Accounts, non-receipt of declared dividends etc. The Committee met 4 times during the year under review and the attendance of the committee members in these meetings were as follows :

Name(s)	Held	Attended*
Mr. Girdhari Lal Jagatramka	4	3
Mr. Subodh Kumar Agrawal	4	4
Dr. Mahendra Kumar Loyalka	4	2

(* Includes participation through tele-conference.)

Mr. Manoj K Shah, Company Secretary has been designated as the Compliance Officer by the Board and assigned with the responsibilities of overseeing shareholders'/investors' grievances under the supervision of the Committee. Out of 3 complaints which remained pending at the beginning of the year and 103 complaints received during the year ended 31st March, 2008, 103 complaints were redressed and 3 were pending as on 31st March, 2008.

(d) Remuneration/Compensation Committee.

The Committee consists of following members :

- i. Mr. Subodh Kumar Agrawal, Chairman
- ii. Mr. Arun Kumar Jagatramka, Vice Chairman & MD
- iii. Dr. Mahendra Kumar Loyalka, Director
- iv. Dr. Basudeb Sen, Director
- v. Mr. Murari Sananguly, Director

The terms of reference is to consider and approve the remuneration payable to the managerial person(s), including Managing Director and/or Wholtime Directors of the Company, as prescribed under the Companies Act, 1956 and/or rules under the Act. The Committee aims to attract and retain talent to strengthen the Company's human resource pool. The Company is committed to make full disclosures regarding its payment to all directors. It did not pay any other fees except sitting fees to the non-executive directors during the year under review.

The attendance at the meeting of the Committee during the year under review is as follows:

Name(s)	Held	Attended*
Mr. Subodh Kumar Agrawal	03	02
Mr. Arun Kumar Jagatramka	03	03
Dr. Mahendra Kumar Loyalka	03	03
Dr. Basudeb Sen	03	02
Mr. Murari Sananguly	03	02

(* Includes participation through tele-conference.)

Corporate Governance Report (Contd.)

- (i) Payments made to the Vice-Chairman and Managing Director and Executive Director during the year under review are given in the following table :

Name of the Directors	Salary (Rs.)	Perquisites (Rs.)	Commission (Rs.)	Contribution to PF (Rs.)	Total (Rs.)	Service Contract/ Notice Period/ Severance Fees
Mr. Arun Kumar Jagatramka	1,30,00,000	25,49,956	2,04,90,251	14,40,000	3,74,80,207	Service Contract
Mr. Rajendra Prasad Jain	23,32,491	5,083	-	1,15,200	24,52,774	Service Contract

NB - The remuneration payable to Vice Chairman & Managing Director Mr. Arun Kumar Jagatramka has been revised by the Board at its meeting held on 27th March' 2008 on recommendation of Remuneration/Compensation Committee by adding to his existing remuneration, payment not exceeding 1% of net profits of the company on an annualized basis commencing from 1st April' 2007 till the remainder of his current tenure of appointment and such incremental payment would be subject to the Company earning a net profit of not less than Rs.100 crores during the corresponding year.

- (ii) Details of sitting fees paid to the non-executive Directors for the year ended March 31, 2008 along with shares/convertible instruments held by them are given in the following table :

Name of the Directors	Shares/ Convertible Instruments held	Sitting Fees Paid * (Rs.)	Service Contract/ Notice Period/ Severance Fees
Mr. Girdhari Lal Jagatramka	4,60,440	3,42,000	Retire by Rotation
Mrs. Mona Jagatramka	34,82,148	1,10,000	Retire by Rotation
Mr. Subodh Kumar Agrawal	—	4,18,000	Retire by Rotation
Mr. Chinubhai R Shah	17,000	1,60,000	Retire by Rotation
Dr. Basudeb Sen	—	2,05,000	Retire by Rotation
Dr. Mahendra Kumar Loyalka	20,700	2,10,000	Retire by Rotation
Mr. Murari Sananguly	—	1,30,000	Retire by Rotation

(* includes sitting fees paid for attending any committee meeting.)

- (iii) Stock Option Details, if any, and whether issued at a discount as well as the period over which accrued and over which exercisable are given in the following tables :-

A) Employee Stock Option Scheme, 2005

Name of the Non-Executive Directors	Options issued	Whether issued at a discount	Period over which Accrued	Period over which exercisable
Mr. Subodh Kumar Agrawal	25,000	No	On or After 20th January'2010	20.01.2010 to 19.01.2012
Mr. Chinubhai R Shah	25,000	No	- do -	- do -
Dr. Basudeb Sen	25,000	No	- do -	- do -
Dr. Mahendra Kumar Loyalka	25,000	No	- do -	- do -
Mr. Murari Sananguly	25,000	No	- do -	- do -
Mr. Rajendra Prasad Jain (issued prior to his appointment as an Executive Director)	3,000	No	- do -	- do -

B) GNCL Employee Stock Option Scheme, 2007

Name of the Non-Executive Directors	Options issued	Whether issued at a discount	Period over which Accrued	Period over which exercisable
Mr. Subodh Kumar Agrawal	50,000	No	On or After 1st June' 2022	1.6.2022 to 31.5.2025
Mr. Chinubhai R Shah	50,000	No	On or After 1st June' 2013	1.6.2013 to 31.5.2016
Dr. Basudeb Sen	50,000	No	- do -	- do -
Dr. Mahendra Kumar Loyalka	50,000	No	- do -	- do -
Mr. Murari Sananguly	50,000	No	- do -	- do -
Mr. Rajendra Prasad Jain (issued prior to his appointment as an Executive Director)	30,000	No	- do -	- do -

Corporate Governance Report (Contd.)

(iv) Other Remuneration :

Subject to the approval of members, the Board at its meeting held on 27th March, 2008 has approved the payment of remuneration to all the non-executive directors not exceeding 1% of the net profits of the company to be equally divided among them on an annualized basis for a period of 3 years commencing from 1st April, 2007 provided that the Company makes a net profit of not less than Rs.100 crores during the corresponding year.

(e) Management Committee

Management Committee consists of :

- Mr. Arun Kumar Jagatramka, Vice Chairman & MD, as Chairman of the Committee
- Mr. Subodh Kumar Agrawal, Director
- Mr. P. R. Kannan, Chief Financial Officer,

iv. Mr. Pawan Kumar Agrawal, Senior Vice President

The term of reference of the committee is allotment of shares on conversion of FCCBs, Warrants, etc., and to borrow other than by issue of Debenture(s) and to give Loan(s) and Advance(s) as well as to invest funds of the company on the basis of limits prescribed by the Board and subject to guidelines and control of the Board. The committee met 18 times during the year under review. The attendance at the meeting of the Committee members were as follows :

Name(s)	Held	Attended*
Mr. Arun Kumar Jagatramka	18	18
Mr. Subodh Kumar Agrawal	18	13
Mr. P. R. Kannan	18	10
Mr. Pawan Kumar Agrawal	18	15

(* Includes participation through tele-conference.)

5. General Body Meetings:

a) The details of last 3 Annual General Meetings :

Year	Meeting	Location	Date	Time	Special Resolution, if any
2006-2007	20th AGM	Ghanshyam Das Birla Sabhagar 29, Ashutosh Choudhury Avenue, Kolkata 700 019	28.09.2007	3.00 PM	No
2004-2006	19th AGM	Gyan Manch 11, Pretoria Street, Kolkata 700 071	03.07.2006	10.00 AM	No
2003-2004	18th AGM	Rotary Sadan 94/2, Chowringhee Road Kolkata 700 020	08.01.2005	11:30 AM	Yes

b) Postal Ballot :

Two Special Resolutions were passed by the members through Postal Ballot as per results declared on 21st December' 2007. Mr. S. K. Ghosh, Practicing Company Secretary, duly appointed by the Board as Scrutinizer, conducted this Postal Ballot exercise and the details of voting pattern as per report submitted by him to the Chairman is as follows :

Sr No.	Subject Matter of Resolutions	No of valid postal ballot forms received	Votes in favour of the resolution	Votes against the resolution	% of votes in favour	No. of invalid postal ballot forms received
1	Issue of Convertible Warrants to Promoters/ Promoter Group Companies	529	16,39,45,150	14,671	99.99	11
2	Increase in the holdings of the Foreign Institutional Investors (FII) in the shares of the Company beyond 24% of the paid up capital	529	16,39,48,390	10,146	99.99	11

Any Special Resolution proposed to be conducted through postal ballot : No such proposal.

6. Subsidiaries

The Company has three Indian Subsidiaries i.e. Bharat NRE Coke Ltd., Manor Dealcom Pvt. Ltd and Huntervalley Coal Pvt. Ltd. and eight Australian Subsidiaries i.e. Gujarat NRE Ltd., Gujarat NRE Minerals Ltd., Gujarat NRE Coal (NSW) Pty Ltd., Gujarat NRE Resources NL, Gujarat NRE FCGL Pty Ltd., Wonga Coal Pty Ltd., Southbulli Holdings Pty Ltd and Southvest Pty Ltd. as on 31st March, 2008. The Company has nominated its Directors/Executives as its representatives on the Board of its Subsidiaries who regularly monitor the performance of subsidiaries. The financial performance of the Subsidiaries is discussed by the Board at its meeting and the details of investment made and minutes of unlisted subsidiaries are placed before the Company's Board.

nature, with its promoters, Directors or the Management, its Subsidiaries or relatives, etc. that may have potential conflict with the interest at large, other than those in the normal course of business. The transactions undertaken during the year have been disclosed in Note No. 11 of Schedule 17 forming part of the Accounts for the year ended March 31, 2008. The Company's major related party transactions are generally with its Subsidiaries and Associates. The related party transactions are entered into based on consideration of various business exigencies, synergy in operations, optimization of market share, profitability, legal requirements, liquidity and capital resources of Subsidiaries/ Associates. All related party transactions are negotiated at arms length basis and in the interest of the Company.

7. Disclosures:

a) **Materially significant Related Party Transactions** - The Company has not entered into any transactions of material

b) **Details of Compliance** - The Company is regular in complying with the requirements of the regulatory authorities on the

Corporate Governance Report (Contd.)

matters relating to the Capital market and no penalties/strictures have been imposed on the Company by Stock Exchange or SEBI or any regulatory authority, during last three years.

- c) **Whistle Blower Policy** - To strengthen its policy of corporate transparency, the Company has established an empowering mechanism for employees. Employees can directly report to the top most management including Vice Chairman & Managing Director their concerns about unethical behaviour, actual or suspected fraud or violation of the Company's Code of Conduct or Ethics Policy. Management on its turn is responsible for establishing a fearless atmosphere where reporting employee doesn't fear being harassed, demoted or retaliated or threatened in any way and simultaneously receiving, investigating and acting upon complaints and concerns regarding actual/ possible violation of Code of Conduct or an event that could affect the business and/or reputation of the Company and/or its Subsidiaries and its Associates. No personnel had been denied access to the audit committee.
- d) **Non-Mandatory Requirements** - The Company duly complies with all the mandatory requirements of Clause 49 of the Listing Agreement with the Stock Exchanges. However, the Company has not adopted non-mandatory requirements defined therein apart from aforesaid requirements.

8. Means of Communication:

- a) Quarterly results and the half yearly results are published in leading newspapers such as The Financial Express (English), The Economic Times (English), Business Standard (English) and Dainik Statesman (Bengali).

- b) The quarterly, half yearly and yearly financial results of the Company are sent to the Stock Exchange(s) on which the Company's shares are listed following the Board's approval.
- c) Copies of the financial results and Annual Reports of the Company are provided to various Analysts, Government Departments, Investors and others interested in getting the same upon receipt of requests.
- d) The Report on Management Discussion and Analysis as annexed forms a part of this Annual Report.
- e) The Quarterly results, press releases and presentations of the Company are displayed at the company's website: www.gujaratnre.com.

9. General Shareholders' Information:

a) Annual General Meeting :

Date and Time : Sept. 17, 2008 at 11.45 AM

Venue : Kala Mandir,
48, Shakespeare Sarani,
Kolkata - 700 017

b) Financial Year : 12 months from April 1, 2007 to March 31, 2008

c) Book Closure Date : Monday, Sept. 8, 2008 to Wednesday, Sept. 17, 2008 (Both days inclusive)

d) Dividend Payment Date : Within 30 days from the date of Annual General Meeting

- e) **Particulars in respect of Unclaimed dividends declared by the Company for the financial year 2000-01 and thereafter is given in the following table :**

Financial year	Date of declaration of Dividend	Last date of claiming unpaid Dividend
2000-01 (Final)	21.03.2002	20.03.2009
2001-02 (Final)	09.04.2003	08.04.2010
2002-03 (Final)	29.03.2004	28.03.2011
2003-04 (1st Interim)	29.03.2004	28.03.2011
2003-04 (2nd Interim)	27.07.2004	26.07.2011
2003-04 (Final)	08.01.2005	07.01.2012
2004-06 (1st Interim)	08.01.2005	07.01.2012
2004-06 (2nd Interim)	13.07.2005	12.07.2012
2004-06 (3rd Interim)	29.10.2005	28.10.2012
2004-06 (Final)	03.07.2006	02.07.2013
2006-07 (Final)	28.09.2007	27.09.2014

f) Listing of Equity Shares on Stock Exchanges :

- (i) The Stock Exchange, Mumbai
P J Towers, Dalal Street, Fort,
Mumbai - 400001
- (ii) National Stock Exchange of India Ltd.
Exchange Plaza,
Bandra Kurla Complex, Bandra (E),
Mumbai - 400051

g) Listing Fees:

Annual Listing Fees for the year 2008-2009 have been paid to the Stock Exchanges. The Company has also paid the Annual Custodian Fees to both the Depositories for the year 2008-09.

h) Depositories:

- i) National Securities Depository Ltd.
Trade World, Kamala Mills Compound, Lower Parel,
Mumbai - 400013
- ii) Central Depository Services (India) Ltd.
P J Towers, 17th Floor, Dalal Street, Fort,
Mumbai - 400001

i) Stock Code:

Stock Exchange(s)	Stock Code
Bombay Stock Exchange, (BSE)	512579
National Stock Exchange (NSE)	GUJNRECOKE
ISIN of equity shares (on both the depositories)	INE110D01013

Corporate Governance Report (Contd.)

j) Market Price Data:

The Market Price of the Equity Shares of the Company during 2007-2008 is given below:

Months	BSE		NSE	
	High	Low	High	Low
April 2007	52.00	38.95	52.50	38.10
May 2007	60.25	42.05	60.15	42.20
June 2007	63.00	57.85	63.50	57.90
July 2007	65.00	58.00	65.30	52.80
August 2007	62.00	50.00	62.00	49.60
September 2007	92.50	60.55	92.70	60.90
October 2007	132.00	84.00	132.00	83.80
November 2007	136.90	102.00	137.00	102.00
December 2007	134.35	110.70	138.00	109.25
January 2008	156.40	93.10	157.00	94.20
February 2008	181.00	110.00	181.70	110.00
March 2008	169.55	99.65	168.80	99.65

Data relating to BSE & NSE has been taken from their respective websites.

k) Share Price Performance:

Financial Year	% Change in Gujarat NRE's Share Price	% Change in BSE Sensex
April 2007 to March 2008	326 %	122 %

l) Registrar and Share Transfer Agents:

M/s. Niche Technologies Private Limited,
D-511, Bagri Market, 71, B. R. B. Basu Road,
Kolkata-700 001
Phones: +91-33-22357270/7271
Fax: +91-33-22156823
E-Mail: nichetechpl@nichetechpl.com

m) Designated Exclusive email id : The Company has designated the following email id exclusively for investor servicing :
investor@gujaratnre.com

n) Share Transfer System:

Applications for transfer of shares held in physical form are received at the office of the Registrar & Share Transfer Agents. The Committee of Directors attends to share transfer formalities at least once a fortnight depending upon the requirements. Shares held in dematerialised form are traded electronically in the Depository. The RTA of the Company periodically receives from the Depository, the beneficial holding so as to enable them to update their records and to send all corporate communications and Dividend Warrants etc. to the beneficial owners of shares.

Physical shares received for dematerialisation are processed and computerised within a period of fifteen days from the date of receipt, provided they are found in order in every respect. Bad deliveries are immediately returned to the respective Depository Participant under advice to the Shareholders.

o) Shareholding Pattern as on 31st March 2008 is given in the following table :

Category	No. of Shares	% of Holding
Promoters & Persons Acting in Concert	13,71,85,674	40.71
Financial Institutions, Banks, Mutual Funds, etc.	2,13,63,415	6.34
FII's	11,82,11,845	35.07
Indian Public (incl. Private Corporate Bodies)	5,66,14,400	16.80
NRIs	17,05,605	0.51
Clearing Members & others	19,36,237	0.57
Total	33,70,17,176	100.00

p) Distribution of Shareholding as on 31st March 2008 is given in the following table :

Shareholding Range	No. of Shareholders	% of Shareholders	No. of Shares Held	% of Shareholding
1 - 500	69247	83.71	1,01,21,045	3.00
501 - 1000	6488	7.84	52,61,468	1.56
1001 - 5000	5596	6.77	1,26,17,589	3.74
5001 - 10000	738	0.89	53,44,405	1.59
10001 - 50000	464	0.56	93,62,053	2.78
50001 - 100000	44	0.05	32,30,271	0.96
100001 - and above	144	0.18	29,10,80,345	86.37
Total	82721	100.00	33,70,17,176	100.00

q) Dematerialisation of Shares and Liquidity:

Approximately 91% of the Company's Shares have been dematerialised upto March 31, 2008. The Equity Shares of Company are actively traded in Stock Exchanges and are permitted to be traded only in dematerialised form w. e. f. March 26, 2001.

r) Outstanding FCCBs / Warrants / ESOS or any other Convertible Instruments, Conversion date and likely impact on equity:

The outstanding convertible bonds, warrants and ESOS as on 31st March, 2008 are as under:

- 9 Nos. of 1% Unsecured FCCB due 2010 with an issue value

of US\$ 25000 each. If all the bonds are converted into equity shares at its conversion price, then the Share Capital of the Company will increase by around 2,04,626 Equity shares of Rs. 10/- each.

- 225 Nos. of Zero Coupon Unsecured FCCB due 2011 with an issue value of US\$ 100000 each. If all the bonds are converted into equity shares at its conversion price, then the Share Capital of the Company will increase by around 1,60,77,600 Equity shares of Rs. 10/- each.
- 3,25,00,000 Warrants of Rs. 120/- each issued on preferential basis to Promoter/ Promoter Group Companies

Corporate Governance Report (Contd.)

with option to the warrant holder to get allotment of 1 share in lieu of every warrant. The warrant holders have the right to exercise the option for conversion of warrants latest by 2nd July, 2009. If all warrants are converted then the Share Capital of the Company will increase by 3,25,00,000 Equity Shares of Rs. 10/- each.

- The status on outstanding options under ESOS has already been provided in an Annexure to the Directors Report.

s) Plant Location:

Coke Plant(s)

1. Vill. : Dharampur, P.O. Khambhalia
Dist.: Jamnagar, Gujarat
Pin: 361305
2. Vill. : Lunva, Taluka-Bhachau
Dist: Kutch, Gujarat
Pin. : 370140
3. Road No. 16, 1st Cross, KIADB,
Belur Industrial Area, Dharwad,
Karnataka - 580 011

Steel Plant(s)

Vill. : Lunva, Taluka-Bhachau
Dist: Kutch, Gujarat
Pin. : 370140

t) Address of Subsidiaries

Bharat NRE Coke Ltd

22, Camac Street, Block C, 5th Floor, Kolkata - 700 016

Manor Dealcom Private Ltd

22, Camac Street, Block C, 5th Floor, Kolkata 700 016

Huntervalley Coal Private Ltd

22, Camac Street, Block C, 5th Floor, Kolkata 700 016

Gujarat NRE Ltd.

(Formerly known as Gujarat NRE Pty Ltd)

Lot No. 1, Princes Highway, Cnr Bellambi Lane,
Russel Vale 2517,NSW, Australia

Gujarat NRE Minerals Ltd.

(Formerly known as India NRE Minerals Ltd.)

Lot No. 1, Princes Highway, Cnr Bellambi Lane,
Russel Vale 2517,NSW, Australia

Gujarat NRE Coal (NSW) Pty Ltd.

Lot No. 1, Princes Highway, Cnr Bellambi Lane,
Russel Vale 2517,NSW, Australia

Gujarat NRE Resources NL

Lot No. 1, Princes Highway, Cnr Bellambi Lane,
Russel Vale 2517,NSW, Australia

Gujarat NRE FCGL Pty. Ltd.

Lot No. 1, Princes Highway, Cnr Bellambi Lane,
Russel Vale 2517,NSW, Australia

Wonga Coal Pty Ltd.

Lot No. 1, Princes Highway, Cnr Bellambi Lane,
Russel Vale 2517,NSW, Australia

Southbulli Holdings Pty Ltd.

Lot No. 1, Princes Highway, Cnr Bellambi Lane,
Russel Vale 2517,NSW, Australia

Southwest Pty Ltd.

Lot No. 1, Princes Highway, Cnr Bellambi Lane,
Russel Vale 2517,NSW, Australia

u) Address for Correspondence :

22, Camac Street, Block - C, 5th Floor
Kolkata-700 016,
Phone: +91-33-22891471
Fax: +91-33-22891470
E-mail: kolkata@gujaratnre.com

v) Queries :

Any Query on Financial Statements, Company performance etc.
may be sent to investor@gujaratnre.com or addressed to the
Company.

10. Auditor's Certificate on Corporate Governance

As per Clause 49 of the Listing Agreement, the Auditor's Certificate on
Corporate Governance is annexed to this Report.

For and on behalf of the Board



Girdhari Lal Jagatramka
Chairman

Place: Kolkata
Dated the 18th day of July' 2008

Auditors' Certificate on Corporate Governance

To the Members of

Gujarat NRE Coke Limited

We have examined the compliance of conditions of Corporate Governance by Gujarat NRE Coke Limited for the year ended on 31st March 2008, as stipulated in Clause 49 of the Listing Agreement of the said Company with the Stock Exchanges.

The compliances of the conditions of the Corporate Governance is the responsibility of the management. Our examination was limited to procedures and implementation thereof, adopted by the Company for ensuring the compliance of the conditions of the Corporate Governance. It is neither an audit nor an expression of the opinion on the financial statements of the Company.

In our opinion and to the best of our information and according to the explanations given to us, and the representation made by the Directors and the management, we certify that the Company has substantially complied

with the conditions of Corporate Governance as stipulated in the above-mentioned Listing Agreement.

As required by the guidance note issued by the Institute of Chartered Accountants of India, we state that as per the records maintained, there were no investors' complaints remaining unattended/pending for more than 30 days as at 31st March 2008.

We further state that such compliance is neither an assurance as to the future viability of the Company nor the efficiency or effectiveness with which the management has conducted the affairs of the Company.

For N. C. Banerjee & Co.,
Chartered Accountants



B. BASU
Partner

Place: Kolkata
Dated the 18th day of July, 2008

Managing Director (CEO) & Chief Financial Officer (CFO) Certification

We Mr. Arun Kumar Jagatramka, Vice-Chairman & Managing Director and Mr. P R Kannan, Chief Financial Officer of Gujarat NRE Coke Limited, to the best of our knowledge and belief, certify that:

- 1) We have reviewed the Balance Sheet as at 31st March, 2008 and Profit & Loss account, and all its Schedules and Notes on Accounts, as well as the Cash Flow Statements and the Director's Report for the year ended on that date.
- 2) Based on our knowledge and information, these statements do not contain any untrue statement of a material fact or omit to state a material fact or does not contain any statements that might be misleading;
- 3) Based on our knowledge and information, the Financial Statements, and other financial information included in this Report, present in all material respects, a true and fair view of the Company's Affairs, the Financial condition, results of operations and cash flows of the Company as of, and for, the year presented in this report and are in compliance with the existing accounting standards and/or applicable laws and regulations;
- 4) To the best of our knowledge and belief, no transactions entered into by the company during the aforesaid year are fraudulent, illegal or violative of the Company's Code of Conduct.
- 5) We are responsible for establishing and maintaining internal controls over Financial Reporting for the Company, and we have
 - i. evaluated the effectiveness of the Company's disclosure, controls and procedures over Financial Reporting; and
 - ii. disclosed in this report any change in company's internal control over Financial Reporting that occurred during the company's most recent accounting period that may have materially affected, or is reasonably likely to affect, its internal control over Financial Reporting

- 6) We have disclosed based on our most recent evaluation, wherever applicable, to the Company's Auditors and the Audit Committee of the Company's Board of Directors -
 - a. all deficiencies in the design or operation of internal controls, which could adversely affect the company's ability to record, process, summarize and report financial data and have identified for the Company's Auditors, any material weakness in internal control over Financial Reporting including any corrective actions with regard to such deficiencies, if any;
 - b. all significant changes in internal controls during the year covered by this report, if any;
 - c. all significant changes in accounting policies during the year, if any and that the same have been disclosed in the notes to the Financial Statements;
 - d. no instances of significant fraud of which we are aware, involving management or other employees who have significant role in the Company's internal controls.
- 7) We further declare that all board members and senior management personnel have affirmed compliance with the Code of Conduct (since its adoption) during the year under review.



A K Jagatramka
Vice Chairman &
Managing Director



P R Kannan
Chief Financial
Officer

Place : Kolkata
Date : 18th July, 2008

Auditors' Report

To the members of
Gujarat NRE Coke Ltd.

1. We have audited the attached Balance Sheet of Gujarat NRE Coke Limited as at March 31, 2008 and the Profit and Loss Account and Cash Flow Statement of the Company for the year ended on that date annexed thereto. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audit.
2. We conducted our audit in accordance with auditing standards generally accepted in India. Those Standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.
3. As required by the Companies (Auditor's Report) Order, 2003 as amended by the Companies (Auditor's Report) (Amendment) Order, 2004, issued by the Central Government of India in terms of sub-section (4A) of section 227 of the Companies Act, 1956 and on the basis of such checks of books and records of the company as we considered appropriate and according to the information and explanations given to us, we enclose in the Annexure a statement on the matters specified in paragraphs 4 and 5 of the said Order to the extent applicable.
4. Further to our comments in the Annexure referred to in paragraph 3 above, we report that:
 - (a) We have obtained all the information and explanations, which to the best of our knowledge and belief were necessary for the purposes of our audit;
 - (b) In our opinion, proper books of account as required by law have been kept by the Company so far as appears from our examination of those books;

- (c) The Balance Sheet, Profit and Loss Account and Cash Flow Statement dealt with by this report are in agreement with the books of account;
- (d) In our opinion, the Balance Sheet, Profit and Loss Account and Cash Flow Statement dealt with by this report comply with the Accounting Standards referred to in sub-section (3C) of section 211 of the Companies Act, 1956 to the extent applicable;
- (e) On the basis of written representations received from the directors as on 31st March, 2008, and taken on record by the Board of Directors, we report that none of the directors is disqualified as at March 31, 2008 from being appointed as a director in terms of clause (g) of sub-section (1) of section 274 of the Companies Act, 1956;
- (f) In our opinion and to the best of our information and according to the explanations given to us, the said accounts read together with the significant accounting policies in schedule 17 and notes appearing thereon, give the information required by the Companies Act, 1956, in the manner so required and give a true and fair view in conformity with the accounting principles generally accepted in India:
 - (i) in the case of the Balance Sheet, of the state of affairs of the Company as at March 31, 2008;
 - (ii) in the case of the Profit and Loss Account, of the profit for the year ended on that date; and
 - (iii) in the case of Cash Flow Statement, of the cash flows for the year ended on that date.

For **N.C.Banerjee & Co.**
Chartered Accountants



B Basu
Partner

Place : Kolkata
Dated : 18th July, 2008

Membership No. 12748

Annexure referred to in paragraph 3 of our report of even date to the members of Gujarat NRE Coke Ltd. for the year ended 31st March 2008.

- (i) (a) The Company has maintained proper records showing full particulars, including quantitative details and situation of all fixed assets.
- (b) We were informed that the Company has a phased programme of physical verification of its fixed assets which, in our opinion, is reasonable having regard to the size of the Company and the nature of its assets. In accordance with this programme, fixed assets required to be verified were physically verified by management during the period under review and no material discrepancies were noticed on such verification.
- (c) Fixed assets disposed off during the year under review were not substantial and therefore do not affect the going concern status of the company.
- (ii) (a) We were explained that the inventories have been physically verified by the management at reasonable intervals during the year. In our opinion, the frequency of verification is reasonable.
- (b) In our opinion, the procedures of physical verification of inventories followed by the management are reasonable and adequate in relation to the size of the Company and the nature of its business.
- (c) The Company is maintaining proper records of inventory. The discrepancies noticed during the physical verification of inventories as compared to book records were not material and have been properly dealt with in the books of account.
- (iii) (a) During the year the company has not granted unsecured loans to its subsidiary companies. The maximum amount due during the year was Rs. 32.79 Crores and the year end balance outstanding was Rs. 30.73 crores.
- (b) The rate of interest and other terms and conditions of such loans are not, prima-facie, prejudicial to the interest of the company.
- (c) The subsidiary companies are regular in payment of interests. The principal amount of loan is repayable on demand.
- (d) There is no overdue amount in excess of Rs. One lac in respect of loans granted to subsidiary companies.
- (e) The company has not taken any loan from the companies, firm or other parties covered in the Register maintained under section 301 of the Companies Act, 1956, hence clauses iii (f) and iii (g) of this order are not applicable.
- (iv) In our opinion and according to the information and explanations given to us, there exists an adequate internal control system commensurate with the size of the company and the nature of its business with regard to purchases of inventory and fixed assets and with regard to the sale of goods and services. No major weakness in internal control system was observed.
- (v) (a) According to the information and explanations given to us, we are of the opinion that particulars of all contracts or arrangements referred to in section 301 of the Companies Act,

Auditors' Report (Contd.)

1956 have been entered in the register required to be maintained under that section.

- (b) In our opinion and according to the information and explanations given to us, the transactions made in pursuance of contracts or arrangements entered in the register maintained under section 301 of the Companies Act, 1956 and exceeding value of rupees five lacs in respect of any party during the year have been made at prices which are reasonable having regard to prevailing market prices at the relevant time.
- (vi) In our opinion and according to the information and explanations given to us, the Company has not accepted any deposits from the public and consequently, the directives issued by the Reserve Bank of India and the provisions of Section 58A, 58AA or any other relevant provisions of the Companies Act, 1956 and the rules framed there under are not applicable to the Company.
- (vii) In our opinion, the Company has an internal audit system commensurate with the size and the nature of its business.
- (viii) The Central Government has not prescribed rule for maintenance of cost records under Section 209(1)(d) of the Companies Act, 1956 for Low-ash Metallurgical coke business. The cost records are maintained

for steel plants as per rules. We have broadly reviewed such cost records relating to material, labour and other items of cost related to steel plant. In our opinion prima facie the prescribed accounts and records have been made and maintained correctly.

- (ix) (a) According to the information and explanations given to us and on the basis of our examination of the books of account, in our opinion, the Company has been generally regular in depositing undisputed statutory dues including Provident Fund, Investor Education and Protection Fund, Employees' State Insurance, Income Tax, Sales Tax, Wealth Tax, Service Tax, Customs Duty, Excise Duty, Cess and any other material statutory dues with appropriate authorities during the year under review.

The Central Government has not prescribed the amount of cess for rehabilitation revival fund payable under section 441 A of the Companies act, 1956.

- (b) According to the information and explanations given to us, no undisputed amount payable in respect of Income Tax, Sales Tax, wealth Tax, Service Tax, Custom duty and Excise duty were in arrear as at 31st March, 2008, for a period of more than six months from the date they became payable.

- (c) According to the information and explanations given to us and the records of the company examined by us, there were no dues in respect of Income Tax, Sales Tax, Wealth Tax, Service Tax, Customs Duty, Excise Duty and Cess that have not been deposited with the appropriate authorities on account of any dispute other than those as mentioned here-in-below:

Name of the statute	Nature of Dues	Amount (Rs./Crores)	Period to which the amount Relates	Forum where disputes are pending
Income Tax Act, 1961	Regular Assessment	0.003	2004-05	CIT (Appeals)
-Do-	-Do-	3.525	2005-06	-Do-
-Do-	-Do-	0.028	2005-06	DCIT-11

- (x) The Company does not have accumulated losses at the year ended 31st March, 2008 and has not incurred cash losses during the year under review and in the immediately preceding financial year.
- (xi) In our opinion and according to the information and explanations given to us, the Company has not defaulted in repayment of dues to its banks or to any financial institutions or debenture holders.
- (xii) The Company has not granted loans and advances on the basis of security by way of pledge of shares, debentures and other securities.
- (xiii) In our opinion and according to the information and explanations given to us, the Company is not a chit fund / nidhi / mutual benefit fund / society.
- (xiv) According to the information and explanations given to us, the Company is not dealing or trading in shares, securities, debentures and other investments. The investments have been held by the company in its own name except to the extent of exemption granted under section 49 of the Companies Act, 1956.
- (xv) In our opinion and according to the information and explanations given to us, the terms and conditions, on the basis of which the Company has given guarantees for loans taken by the subsidiary companies from banks or financial institutions are not as such prejudicial to the interests of the Company.
- (xvi) In our opinion and according to the information and explanations given to us and on the basis of our examination of the books of account, the term loans were applied for the purpose for which such loans were obtained.

- (xvii) According to the information and explanations given to us and on an overall examination of the balance sheet of the Company, we report that no funds raised on short-term basis have been used for long term investment.

- (xviii) According to the information and explanations given to us the company has not made any preferential allotment of shares to parties and companies covered in the Register maintained under Section 301 of the Companies Act, 1956

- (xix) According to the information and explanations given to us, the company issued secured non-convertible debentures during the year (Refer note no. 4(a) of schedule 17B)

- (xx) The company has not raised any money by public issues during the year under review.

- (xxi) According to the information and explanations given to us, no fraud on or by the Company has been noticed or reported during the course of our audit.

For **N.C.Banerjee & Co.**
Chartered Accountants



B Basu
Partner

Place : Kolkata
Dated : 18th July, 2008

Membership No. 12748

Balance Sheet As at March 31, 2008

(Rs.in Crores)

SCHEDULES	As at 31st March, 2008	As at 31st March, 2007
SOURCES OF FUNDS :		
SHAREHOLDERS' FUNDS		
Share Capital	1	337.02
Deposit against Share Warrants		39.00
Reserves & Surplus	2	771.02
		1,147.04
Foreign Currency Convertible Bonds		101.47
	3	
LOAN FUNDS		
Secured Loans		531.18
Deferred Tax Liability		99.01
TOTAL		1,878.70
1,397.41		
APPLICATION OF FUNDS :		
FIXED ASSETS		
Gross Block	4	597.60
Less: Depreciation		66.90
Net Block		530.70
Capital Work-in-Progress		89.18
		619.88
INVESTMENTS	5	657.17
		611.68
CURRENT ASSETS, LOANS AND ADVANCES		
Inventories	6	227.67
Sundry Debtors	7	245.95
Cash & Bank Balances	8	217.31
Loans and Advances	9	334.32
		1,025.25
Less: CURRENT LIABILITIES & PROVISIONS	10	
Liabilities		244.70
Provisions		187.51
NET CURRENT ASSETS		593.04
MISCELLANEOUS EXPENDITURE	11	8.61
[To the Extent not written off or adjusted]		12.17
TOTAL		1,878.70
1,397.41		
Significant Accounting Policies & Notes on Accounts	17	
Balance Sheet Abstract & Business Profile	18	

Schedules referred to above form integral Part of the Balance Sheet
In terms of our report of even date annexed hereto

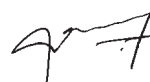
For **N. C. BANERJEE & CO.**
Chartered Accountants



B. Basu
Partner
Membership No. 12748
Place : Kolkata
Dated : 18th July, 2008.



G L Jagatramka
Chairman



A K Jagatramka
Vice Chairman &
Managing Director



P R Kannan
Chief Financial
Officer



Manoj K Shah
Company Secretary

For and on behalf of the Board

Profit & Loss Account For the year ended 31st March, 2008

(Rs.in Crores)

SCHEDULES	For the year ended 31st March,2008	For the year ended 31st March, 2007
INCOME		
Sales	872.15	513.32
Other Income 12	46.74	20.28
Increase/(Decrease) in Stocks 13	51.15	23.27
	970.04	556.87
EXPENDITURE		
Purchases	560.01	361.57
Manufacturing Expenses 14	66.95	29.79
Administrative, Selling and Other Expenses 15	60.09	46.49
	282.99	119.02
INCOME FROM OPERATIONS		
Interest 16	32.91	23.58
Depreciation 4	23.35	20.68
Profit/(Loss) Before Tax	226.73	74.76
Provision For Taxation		
Current Tax	32.29	8.37
Deferred Tax	21.45	10.58
Fringe Benefit Tax	0.11	0.08
Profit/(Loss) After Tax	172.88	55.73
Balance Brought Forward	96.79	123.91
	269.67	179.64
APPROPRIATIONS		
Transfer To General Reserve	50.00	50.00
Dividend for Earlier Year	4.46	—
Proposed Dividend	84.25	38.76
Dividend Tax	15.08	6.59
Transferred to / (from) Debenture Redemption Reserve	25.00	(12.50)
Balance Carried To Balance Sheet	90.88	96.79
Basic Earnings per Share (In Rs.) [Face Value Rs.10 per share]	5.93	3.16
Diluted Earnings per Share (In Rs.) [Face Value Rs.10 per share]	5.04	2.38
Significant Accounting Policies & Notes on Accounts 17		

Schedules referred to above form integral Part of the Profit & Loss Account
In terms of our report of even date annexed hereto

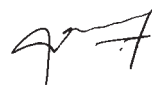
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B. Basu
Partner
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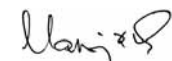
G L Jagatramka
Chairman



A K Jagatramka
Vice Chairman &
Managing Director



P R Kannan
Chief Financial
Officer



Manoj K Shah
Company Secretary

For and on behalf of the Board

Schedules to the Accounts

(Rs. in Crores)

	As at 31st March, 2008	As at 31st March, 2007
SCHEDULE - 1 : SHARE CAPITAL		
AUTHORISED :		
1,50,00,00,000 Equity Shares (Previous Year – 1,50,00,00,000) of Rs. 10/- each.	1,500.00	1,500.00
ISSUED, SUBSCRIBED AND PAID-UP :		
337,017,176 Equity Shares of Rs.10/- each fully paid up, (Previous year – 243,906,042)	337.02	243.91
Of the above shares :		
i) 196,895,137 Equity Shares were issued as fully paid Bonus Shares by way of capitalisation of Free Reserves (Previous Year 196,895,137)		
ii) 27,764,205 Equity Shares were issued for consideration other than cash (Previous Year 27,764,205)		
	337.02	243.91
SCHEDULE - 2 : RESERVES & SURPLUS		
Capital Reserve	12.12	12.12
Share Premium Account:		
Received during the year	396.17	—
General Reserve:		
As per Last Balance Sheet	196.26	
Add: Transferred from Profit & Loss A/c	50.00	196.26
Balance In Profit and Loss Account	90.88	96.79
Debenture Redemption Reserve	25.00	—
Employee Stock Option Outstanding	0.59	—
	771.02	305.17
SCHEDULE - 3 : LOAN FUNDS		
SECURED LOANS		
Long Term Loans :		
10.60% Non Convertible Debentures*	100.00	—
Term Loans from Financial Institution	50.00	25.00
External Commercial Borrowings	59.18	—
Term Loans from Scheduled Banks	239.13	160.06
Interest Accrued & due	0.92	0.80
	449.23	185.86
Short Term Loans :		
Cash Credit from Scheduled Banks	46.82	56.73
Loans From Scheduled Banks	35.00	15.00
Interest Accrued & due	0.13	—
	81.95	71.73
	531.18	257.59

* For terms of Redemption refer to Note-B.13 of Schedule-17
(Refer Note no. B.4 for details of securities offered for the above secured loans)

Schedules to the Accounts (Contd.)

(Rs. in Crores)

Description of Assets	GROSS BLOCK				DEPRECIATION				NET BLOCK	
	As on 01.04.2007	Addition during the Year	Sales / Adjustment during the Year	Total up to 31.03.2008	As on 01.04.2007	Provided during the Year	Adjustment for Sales	Total up to 31.03.2008	As on 31.03.2008	As on 31.03.2007
Land - Freehold	6.24	1.86	—	8.10	—	—	—	—	8.10	6.24
Land - Lease Hold	2.45	0.26	—	2.71	—	—	—	—	2.71	2.45
Buildings	62.90	9.80	—	72.70	1.81	1.99	—	3.80	68.90	61.09
Plant & Machineries	214.89	22.05	—	236.94	29.25	11.31	—	40.56	196.38	185.64
Office Equipment	1.13	0.12	—	1.25	0.16	0.11	—	0.27	0.98	0.97
Furniture & Fixture	2.24	0.10	0.01	2.33	0.30	0.15	—	0.45	1.88	1.94
Material handling Equipments/Vehicles	13.92	2.52	0.16	16.28	2.99	1.58	0.06	4.51	11.77	10.93
Weighing Machine	0.22	—	—	0.22	0.03	0.01	—	0.04	0.18	0.19
Electrical Installations	17.22	0.81	—	18.03	1.10	0.84	—	1.94	16.09	16.12
Wind Mill	133.78	105.26	—	239.04	7.97	7.36	—	15.33	223.71	125.81
Total	454.99	142.78	0.17	597.60	43.61	23.35	0.06	66.90	530.70	411.38
Previous Year	392.46	62.70	0.17	454.99	23.01	20.68	0.08	43.61	411.38	
Capital W I P									89.18	10.13

Schedules to the Accounts (Contd.)

(Rs. in Crores)

DESCRIPTION	Face Value (Rs)	No. of Shares	As at 31st March, 2008	As at 31st March, 2007
SCHEDULE - 5 : INVESTMENTS				
LONG TERM INVESTMENT				
Non-Trade Investments				
Quoted (Equity)				
Indian				
Himalaya Granites Ltd	—	—	—	0.01
Interstate Oil Carrier Ltd.	10	222,500	0.19	0.19
Arvind International Ltd.	10	101,193	0.08	0.14
Shah Alloys Ltd	10	969,769	7.34	4.26
Sal Steel Ltd.	10	2,737,682	6.14	2.70
Development Credit Bank Ltd.	10	4,984	0.01	0.01
Bank of Baroda	10	1,690	0.04	0.04
Edelweiss Capital	5	76	0.01	—
Overseas Investments				
Plouton Resources Ltd.	N.A.	7,400,000	1.25	1.65
Rey Resources Ltd.	N.A.	—	—	6.28
Gujarat NRE Minerals Ltd* (Sub-Subsidiary) (formerly India NRE Minerals Ltd)	N.A.	86,092,966	42.18	134.75
Gujarat NRE Resources NL	N.A.	—	—	4.58
Aggregate Book Value of Quoted Investments (Equity)			57.24	154.61
Unquoted (Equity)				
In Indian Subsidiaries				
Wholly Owned				
Hunter Valley Coal (P) Ltd	1	15,512,850	153.14	153.16
Manor Dealcom (P) Ltd	1	14,451,150	143.52	143.52
Others				
Bharat NRE Coke Ltd	10	21,730,000	21.73	21.58
In Foreign Subsidiaries				
Wholly Owned				
Gujarat NRE Ltd (formerly Gujarat NRE Pty Ltd.)	N.A.	80,750,000	280.83	64.43
Gujarat NRE Coal (NSW) Pty Ltd.			—	0.02
Overseas Investments				
Pike River Coal Company Ltd.			—	56.36
Resource Pacific Holding Ltd.	N.A.	5,000	0.02	0.02
NRE Mining Pty Ltd.	N.A.	25,000	0.69	0.69
Aggregate Book Value of Unquoted Investments (Equity)			599.93	439.78

Schedules to the Accounts (Contd.)

(Rs. in Crores)

DESCRIPTION	Face Value (Rs)	No. of Shares	As at 31st March, 2008	As at 31st March, 2007
SCHEDULE - 5 : INVESTMENTS				
In Bonds				
Others (Quoted)				
Hindustan Construction Company			—	0.10
IDBI Ltd			—	0.10
IDFC Ltd			—	0.10
M& M Finance Ltd.			—	0.10
Power Grid Corporation			—	0.09
Saw Pipes Ltd			—	0.10
Union Bank of India			—	0.10
Aggregate Book Value of Quoted Investments (Bonds)			—	0.69
Overseas (Unquoted)				
Gujarat NRE Minerals Ltd (formerly India NRE Minerals Ltd)			—	16.60
Aggregate Book Value of Unquoted Investments (Bonds)			—	16.60
Total Investments			657.17	611.68
Market value of Quoted Investments (Equity)			549.21	23.73
Market value of Quoted Investments (Bonds)			—	0.70
* Previous Year unquoted				
SCHEDULE - 6 : INVENTORIES				
Stores, Spares & Consumables			7.72	3.67
Raw Materials			111.80	71.46
Stock in Process			1.42	1.81
Finished Products			106.73	95.53
			227.67	172.47
SCHEDULE - 7 : SUNDRY DEBTORS* (Unsecured, considered good)				
Debts due for a period exceeding six months			9.24	7.89
Other Debts			236.71	158.58
* Refer Note B.11 (D)			245.95	166.47
SCHEDULE - 8 : CASH & BANK BALANCES				
Cash in hand			0.57	0.28
Balance with Scheduled Banks				
- In Current Account*			56.29	7.98
- In Term Deposits **			154.71	29.86
(Including interest accrued)				
Balance with UnScheduled Banks				
- In HSBC - Sydney			2.31	0.87
- In ICICI - UK			0.07	0.38
- In Term Deposits			3.36	26.90
(Including interest accrued)				
			217.31	66.27
*Includes Dividend accounts				
** Includes Term deposits held as margin on Letter of Credit and Bank Guarantee				

Schedules to the Accounts (Contd.)

(Rs. in Crores)

DESCRIPTION	As at 31st March, 2008	As at 31st March, 2007
SCHEDULE - 9 : LOANS AND ADVANCES (Unsecured, Considered Good)		
Loans to Subsidiaries [Max. Amount Due Rs. 32.79 Crores]	30.73	31.85
Advances recoverable in cash or in kind or value to be received	172.81	74.62
Deposits With Govt. Authorities & Others	29.88	21.24
Advance Tax (Incl. Tax Deducted at Source)	100.90	77.08
	334.32	204.79
SCHEDULE - 10 : CURRENT LIABILITIES & PROVISIONS		
Liabilities :		
Sundry Creditors [Refer Note B.8 of Schedule-17]	155.61	127.63
Liabilities for:		
Capital Goods and Expenses	70.55	2.12
Others	16.39	15.97
Unclaimed Dividend	1.29	0.83
Interest Accrued but not due	0.86	0.59
	244.70	147.14
Other Provisions :		
Provision for Taxation	86.88	64.28
Provision for Fringe Benefit Tax	0.37	0.26
Provision for Proposed Dividend	84.25	38.76
Provision for Dividend Tax	14.32	6.59
Provision for Gratuity & Leave Encashment	1.69	0.92
	187.51	110.81
SCHEDULE - 11 : MISCELLANEOUS EXPENDITURE (To the extent not written off/or adjusted)		
Deferred Employee Compensation Under ESOS		
Balance B/F	—	
Add:- Addition during the year	0.59	
Less:- Amortised during the year	0.12	0.47
Preliminary Expenses		0.03
Deferred Revenue Expenses		8.12
	8.61	12.17
SCHEDULE - 12 : OTHER INCOME		
Interest Income (TDS Rs 1.50 crores, Previous Year Rs. 1.28 crores)	8.70	11.34
Profit/ (Loss) on Sale of Long Term Investments (Net)	28.07	0.12
Dividend received	—	0.06
Miscellaneous Income	9.97	8.76
	46.74	20.28
SCHEDULE - 13 : INCREASE/(DECREASE) IN STOCKS		
Closing Stocks	219.94	168.79
Less : Opening Stocks	168.79	145.52
	51.15	23.27
SCHEDULE - 14 : MANUFACTURING EXPENSES		
Power & Fuel	30.69	13.60
Factory Wages & Labour Charges	13.29	9.29
Repair & Maintenance (Incl. Stores & Spares)	22.97	6.90
	66.95	29.79

Schedules to the Accounts (Contd.)

(Rs. in Crore)

DESCRIPTION	For the year ended 31st March 2008	For the year ended 31st March, 2007
SCHEDULE - 15 : ADMINISTRATIVE, SELLING & OTHER EXPENSES		
Auditors Remuneration		
– For Audit Fees	0.06	0.02
– For Other Services	—	—
Internal Audit Fees	0.07	0.07
Bank & Finance Charges	6.23	3.47
Carriage & Cartage	21.46	22.48
Employees Emoluments	8.12	6.54
General Expenses	2.08	1.45
Loss on Sale of Fixed Assets	0.05	0.02
Insurance Expenses	5.90	2.74
Professional & Service Charges	4.53	2.79
Commission to Directors	4.10	—
Rent,Rates & Taxes	1.34	1.26
Communication Expenses	0.25	0.24
Travelling & Conveyance	1.87	1.38
Deferred Revenue Expenses Written Off	4.02	4.02
Preliminary Expenses Written Off	0.01	0.01
	60.09	46.49
SCHEDULE - 16 : INTEREST		
On Non - Convertible Debentures	0.23	0.55
To Banks / Financial Institution	31.22	19.64
On Foreign Currency Convertible Bonds	0.63	2.44
To Others	1.28	0.95
	33.36	23.58
Less: Interest Capitalised	(0.45)	—
	32.91	23.58

SCHEDULE - 17: SIGNIFICANT ACCOUNTING POLICIES & NOTES ON ACCOUNTS**A. SIGNIFICANT ACCOUNTING POLICIES****i. Accounting Conventions**

The financial statements are prepared under historical cost conventions and as a going concern basis following the accrual basis of accounting and in accordance with the generally accepted accounting principles in India.

ii. Use of Estimates

The preparation of the financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities for the year under review and disclosure of contingent liabilities on the date of the financial statements. Actual results could differ from these estimates. Any revision to accounting estimates is recognized prospectively in the current and future periods.

iii. Revenue Recognition

- | | |
|-----------------------------------|--|
| a. In respect of Indigenous Sales | On despatch of goods to customers. |
| b. In respect of Export sales | On shipment of goods to customers. |
| c. In respect of Service Income | When the services are performed as per contract. |
| d. In respect of Dividend Income | When right to receive payment is established. |
| e. In respect of Insurance Claims | On Settlement of Claims. |

Revenue from product sales is stated net of applicable duties & taxes, returns, Discount etc. Sales Returns are accounted for when goods are returned.

Schedules to the Accounts (Contd.)

SCHEDULE - 17: SIGNIFICANT ACCOUNTING POLICIES & NOTES ON ACCOUNTS

iv. Fixed Assets

Fixed assets are stated at historical cost, which comprises cost of purchase/construction cost, cost of borrowing and other cost directly attributable to bring the assets at its working condition and location for its intended use. Expenditures during construction period is allocated to the relevant assets in the ratio of costs of respective assets.

v. Depreciation on Fixed Assets

Depreciation is provided on Straight - Line Method (SLM) at the rates and in the manner prescribed in Schedule XIV of the Companies Act, 1956.

vi. Inventories

1. Inventories are valued as under:

- | | | |
|----------------------------------|---|--|
| a) Raw Materials | : | At Cost or Net Realisable Value whichever is lower |
| b) Finished Products | : | At Cost or Net Realisable Value whichever is lower |
| c) Stores, Spares and Components | : | At Cost or Net Realisable Value whichever is lower |
| d) Stock in process | : | At Raw material Cost plus estimated cost of conversion upto the stage of completion or Net Realisable Value whichever is lower |
- Cost includes all direct cost and applicable manufacturing and administrative overheads.

2. Inventories are valued on FIFO basis.

3. Variation, if any, detected on physical verification of stocks and obsolete and slow moving stocks are adjusted in accounts as found appropriate.

vii. Investments

Long term investments are stated at cost. Provision is made when diminution in the value of investments is considered permanent in nature.

Current investments are stated at lower of cost or market value.

viii. Foreign Exchange Transactions

Foreign Exchange transactions are recorded normally at the exchange rates prevailing on the date of the transactions. Unsettled transactions at the Balance Sheet date are reported at the year end rates and resultant net gain or loss is taken in Profit & Loss Account.

Foreign Currency Convertible Bonds (FCCBs) are treated as fully convertible into equity shares.

ix. Provisions, Contingent Liabilities and Contingent Assets

The Company makes a provision when there is present obligation as a result of past event that probably requires an outflow of resources and a reliable estimate can be made of the amount of the obligation. A disclosure for a contingent liability is made when there is a possible obligation or a present obligation that may, but probably will not, require an outflow of resources. Contingent Assets are disclosed when an inflow of economic benefit is probable and/or certain.

x. Borrowing Costs

Borrowing Costs that are attributable to the acquisition and constructions of qualifying assets are capitalised as a part of the cost of such assets. A qualifying asset is one that necessarily takes substantial period of time to get ready for its intended use. Other borrowing costs of the year are charged to revenue in the period in which they are incurred.

xi. Taxation

Current Tax is determined as the amount of tax payable in respect of taxable income for the period.

Deferred Tax liability is recognized for all timing difference between taxable income and accounting income that originate in one period and are capable of reversal in one or more subsequent periods.

Deferred Tax Assets are recognized only if there is reasonable certainty that the same will be realized and are reviewed for the appropriateness of its respective carrying values at each Balance Sheet date.

Fringe benefit Tax is determined as the amount of tax payable in respect of value of fringe benefit based on applicable tax rates and laws.

Wealth Tax is determined on taxable value of assets on the balance sheet date.

xii. Employee benefits

(a) Short Term & Long Term benefits

Employee benefits of short-term nature are recognized as expense as and when it accrues. Long term employee benefits and post employments benefits, both funded and unfunded, are recognized as expenses based on actuarial valuation at year end which takes into account actuarial gains and losses.

Schedules to the Accounts (Contd.)

SCHEDULE - 17: SIGNIFICANT ACCOUNTING POLICIES & NOTES ON ACCOUNTS

b) Employee Stock Option Scheme (ESOS)

Aggregate of quantum of options granted under the schemes in monetary term net of consideration of issue, to be paid in cash, are shown in the Balance Sheet as Employees Stock Option outstanding under Reserves & Surplus and as Deferred Employees Compensation (ESOS) under Miscellaneous Expenditure as per guide-lines of SEBI in this respect.

With the exercise of options and consequent issue of equity shares corresponding ESOS outstanding is transferred to Securities Premium Account.

xiii. Indirect Taxes

Customs duty on imported raw materials is accounted for on the clearance of goods from the Customs Authorities.

xiv. Miscellaneous Expenditure

Miscellaneous expenditure, stated at cost, is amortized over period of time as under:

- | | |
|--|------------|
| (i) Preliminary & Share Issue Expenses | – 10 years |
| (ii) Deferred Revenue Expenses | – 5 years |
| (iii) Amalgamation Expenses | – 5 years |
| (iv) Deferred Employees Compensation under ESOS- Amortised on straight line basis over vesting period. | |

xv. Impairment of Assets

The Company assesses at each Balance Sheet date whether there is any indication of any asset being impaired. An asset is treated as impaired when the carrying amount of assets exceeds its recoverable value. An impairment loss is charged to the Profit and Loss Account in the year in which an asset is identified as impaired. The impairment loss, if any, recognised in prior accounting periods is reversed if there has been a change in the estimate of recoverable amount.

xvi. Research and development

Revenue expenditure on research and development is expensed as incurred. Capital expenditures incurred on research and development are capitalised as fixed assets and depreciated in accordance with the depreciation policy of the Company.

xvii. Earning per share (EPS)

The Basic Earning Per Share ("EPS") is computed by dividing the net profit after tax for the year by the weighted average number of equity shares outstanding during the year. For the purpose of calculating diluted earnings per share, net profit after tax for the year and the weighted average number of shares outstanding during the year are adjusted with the effects of all dilutive potential equity shares. The dilutive potential equity shares are deemed converted as of the beginning of the period, unless they have been issued at a later date.

xviii. Prior Period Adjustments, Extra-ordinary Items and Changes in Accounting Policies

Prior period adjustments, extraordinary items and changes in accounting policies having material impact on the financial affairs of the Company are disclosed.

xix. Segment Reporting

a) Identification of Segments :

The Company's Operating Businesses are organized and managed separately according to the nature of products and services provided, with each segment representing a strategic business unit that offers different products and serves different markets.

b) Allocation of Common Costs :

Common allocable costs are allocated to each segment according to sales of each segment to total sales of the Company.

B. NOTES FORMING PART OF THE ACCOUNTS

1. Of the equity shares of Rs. 10/- each comprised in the subscribed & paid up capital of the company:-

- 4,98,15,134 (Previous Year NIL) equity shares were allotted as fully paid up shares pursuant to exercise of options by bond holders of 1% Foreign Currency Convertible Bonds (FCCB) of USD 55 Million.
- 2,67,96,000 (Previous Year NIL) equity shares were allotted as fully paid up shares pursuant to exercise of options by bond holders of Zero Coupon Foreign Currency Convertible Bonds (FCCB) of USD 60 Million .
- 1,65,00,000 (Previous Year 20,00,000) equity shares were allotted as fully paid up shares pursuant to exercise of options by holders of share warrants.

2. Stock Option Schemes

- The grant of option to the employees under the stock Option Schemes is on the basis of their performance and other eligibility criteria .The options are vested over a period, subject to the discretion of the Management and fulfillment of certain conditions.

Schedules to the Accounts (Contd.)

SCHEDULE - 17: SIGNIFICANT ACCOUNTING POLICIES & NOTES ON ACCOUNTS

ii.	Basic & Diluted EPS and Proforma Basic & Diluted EPS	<i>(Rs. In Crores)</i>
	Net Profit as reported	172.88
	Add: Employee Compensation Expenses	0.03
	Adjusted Proforma Net Profit	<u>172.91</u>
	Basic & Diluted EPS as reported	
	– Basic (Rs.)	5.93
	– Diluted (Rs.)	5.04
	Proforma Basic & Diluted EPS	
	– Basic (Rs.)	5.93
	– Diluted (Rs.)	5.04
iii.	Movement in Options granted in the year 2007-08 is given below	

		31st March 2008	
		No. of Options	Weighted Average Exercise Price (in Rs.)
1	a) Outstanding at the beginning of the year	11,15,000	33.40
	b) Granted during the year	25,06,000	60.20
		3,09,000	120.00
	c) Forfeited during the year	1,38,000	33.40
	d) Exercised during the year	Nil	Nil
	e) Expired during the year	Nil	Nil
2	Outstanding at the end of the year	37,92,000	58.17
3	Exercisable at the end of the year	Nil	Nil

3. Contingent liabilities not provided for in respect of:

- a. Letter of Credits outstanding for purchase of raw materials pending shipments as on the Balance Sheet date aggregating to Rs. 66.17 crores (Previous Year Rs. 47.34 crores)
 - b. Outstanding Bank Guarantees and Counter/Corporate Guarantees given on behalf of subsidiary companies as on Balance Sheet date aggregating to Rs. 1197.64 crores (Previous Year Rs. 96.67 crores)
 - c. Capital commitments (net of advances) as on Balance Sheet date - Rs. 293.03 crores (Previous Year - Rs. 9.96 crores)
 - d. On Balance Sheet date, the disputed dues involved in three income-tax demands under appeal - Rs. 3.56 crores (Previous Year - Rs. 5.22 crores). The management is of view that the outcome of the appeal would be favourable to the company, hence no provision has been made against these income-tax demands.
 - e. Duty on account of Advance Authorisation against Export obligation is Rs. 0.17 crores. (Previous Year - 0.85 crores.)
 - f. Bills discounted under letter of credit with banks aggregating to Rs. 12.78 crores (Previous Year Rs. NIL)
4. a) FCNRB Loan & Term Loan from State Bank of India, Non-Convertible Debentures subscribed by AXIS Bank, Term Loans from State Bank of Hyderabad, YES Bank Ltd. , State Bank of Mysore and State Bank of Patiala and External Commercial Borrowing from HSBC Ltd. are secured by followings:
 - Pari-passu equitable mortgage of Company's entire immovable properties at all places.
 - Hypothecation of entire fixed assets of the Company, both present and future, by way of pari-passu first charge.
 - Hypothecation of entire Current Assets of the company by way of pari-passu second charge.
 - Personal guarantee of the Vice-Chairman & Managing Director of the company.
 - b) Working Capital facilities from consortium banks are secured by followings :
 - Hypothecation of entire Current Assets of the company by way of pari-passu first charge.
 - Hypothecation of entire fixed assets of the Company, both present and future, by way of pari-passu second charge.
 - Extension of equitable mortgage over residential property and personal guarantee of the Vice-Chairman & Managing Director of the company.
 - Extension of pledge of equity shares held by and Corporate Guarantee of one of the companies, in which Vice-Chairman & Managing Director have significant influence.

Schedules to the Accounts (Contd.)

SCHEDULE - 17: SIGNIFICANT ACCOUNTING POLICIES & NOTES ON ACCOUNTS

- c) Loans from State Bank of Bikaner & Jaipur, State Bank of Travancore, Industrial Development Bank of India Ltd. and Tamilnad Mercantile Bank Ltd. are secured by way of pledge of shares held by promoters and companies in which Vice-Chairman & Managing Director have significant influence in addition to Personal Guarantee of the Vice-Chairman & Managing Director of the company and Corporate Guarantee by pledgors.
- d) Loans from IndusInd Bank Ltd. & Development Credit Bank Ltd. are secured by Personal Guarantee of the Vice -Chairman & Managing Director of the company.
5. Besides Sales of Coke, Coal and Steel, Sales include the followings :

(Rs. in Crores)

	Current Year	Previous Year
Supervision & Technical know-how fee	—	5.89
Royalty Income	—	0.07
Sale of Chemicals	3.77	3.39

6. In accordance with Accounting Standard 22, "Accounting for Taxes on Income", the provision for net deferred tax liability as at date of the Balance Sheet as shown below has been provided in the books.

(Rs. in Crores)

Deferred Tax Liabilities	Current Year	Previous Year
Deferred Tax Liability on account of Depreciation	23.34	28.86
Total Deferred Tax Liabilities	23.34	28.86
Deferred Tax Assets	Current Year	Previous Year
Unabsorbed Depreciation and carry forward loss for set off	—	4.83
Deferred Revenue Expenditure carried forward for set off	1.63	4.73
Credit for Minimum Alternate Tax	—	8.72
Gratuity & Leave Encashment	0.26	—
Total Deferred Tax Assets	1.89	18.28
Net Deferred Tax Liability charged to Profit & Loss Account	21.45	10.58
Opening Balance	77.56	58.26
Add: Credit for Minimum Alternate Tax transferred to Current Assets	—	8.72
Net Deferred Tax Liabilities at year end	99.01	77.56

7. Particulars of Managerial remuneration:

The remuneration paid to the Vice-Chairman & Managing Director and Executive Director of the company during the year is Rs. 3.99 crores (Previous Year-Rs. 0.91 crore), detailed as under:

(Rs. in Crores)

	Current Year	Previous Year
Salary	1.53	0.75
Commission (as computed below)	2.05	—
Contribution to Provident Fund	0.15	0.08
Other Perquisites	0.26	0.08
Total	3.99	0.91

Schedules to the Accounts (Contd.)

SCHEDULE - 17: SIGNIFICANT ACCOUNTING POLICIES & NOTES ON ACCOUNTS**Computation of Net Profit in accordance with Section 198 and section 309 (5) of the Companies Act, 1956 and calculation of Director's commission:**

(Rs. in Crores)

Current Year

Profit before tax as per Profit & Loss Account	226.73
Add: Managing and Executive Directors' Remuneration & Commission	3.99
Commission paid to Non-Executive Directors (net)	2.05
Directors fees	0.16
	232.93
Less: Profit on sale of Investments (Net)	28.07
Add : Loss on Sale of Assets	0.05
Net Profit as per Section 198 of the Companies Act, 1956	204.91
a) Maximum permissible remuneration to Managing and Executive Directors under Section 198 of the Companies Act, 1956 @ 10% of the profits computed as above	20.49
Commission as proposed (subject to approval of Shareholders)	2.05
b) Maximum permissible managerial remuneration to non-executive Directors under section 198 of the Companies Act, 1956 @1%	2.05
Commission as proposed (subject to approval of Shareholders)	2.05

Remuneration paid is within the limits prescribed under Schedule XIII to the Companies Act, 1956.

8. None of the Creditors have informed us as to their status of being micro, small and medium enterprise as per Micro, Small and Medium Enterprise Development Act, 2006 (MSMED).

9. Segment Information

The Company has two reporting segments i.e. "Coke" & "Steel" as primary segments.

(Rs. in Crores)

Segments	Revenue	Profit Before Tax & Interest	Capital Employed*
a) Coke	638.28 (385.51)	226.21 (87.53)	689.35 (370.93)
b) Steel	237.80 (124.41)	17.33 (4.69)	328.78 (218.99)
Less: Inter-segment transfer	1.31 (0.00)	—	—
c) Other Unallocable Income (net of expenditures)	—	16.10 (6.12)	851.96 (786.58)
Total	874.77 (509.92)	259.64 (98.34)	1870.09 (1376.50)

(Previous Year Figures are in brackets)

* Represents total assets net of Current Liabilities and Miscellaneous Expenditure.

10. The company uses forward contracts to hedge its risks associated with foreign currencies relating to foreign currency liabilities. The company does not use forward contracts for speculative purpose.

(Rs. in Crores)

a) Forward Contracts outstanding for hedging currency risks	(As on 31st March 2008)
– Loans	0.28
– Payable	—
b) Foreign Currency Exposures that have not been hedged	
– Loans including accrued interest	60.44
– Payable	130.05

Schedules to the Accounts (Contd.)

SCHEDULE - 17: SIGNIFICANT ACCOUNTING POLICIES & NOTES ON ACCOUNTS

11. Related Party Disclosures as required by Accounting Standard (AS-18) issued by the Institute of Chartered Accountants of India (ICAI), are given below:

A. Particulars of the Related Parties:

Subsidiary Companies

a) Wholly Owned

1. Gujarat NRE Ltd. (formerly Gujarat NRE Pty Ltd)
2. Hunter Valley Coal (P) Ltd.
3. Manor Dealcom (P) Ltd.

b) Others

Bharat NRE Coke Ltd.

Sub-Subsidiary Companies

1. Gujarat NRE Coal (NSW) Pty Ltd.
2. Gujarat NRE FCGL Pty Ltd.
3. Wonga Coal Pty Ltd.
4. Gujarat NRE Minerals Ltd. (formerly India NRE Minerals Ltd)
5. Gujarat NRE Resources NL.
6. South Bulli Holdings Pty Ltd.
7. Southvest Pty Ltd.

Associates

1. Critical Mass Multilink Pvt. Ltd.
2. Bulli Coke Pvt. Ltd.
3. Madhur Coal Mining Pvt. Ltd.
4. Mangal Crystal Coke Pvt. Ltd.
5. Gujarat NRE Energy Resources Ltd.
6. NRE Mining Pty Ltd.

Enterprises in which key management personnel have significant Influence

1. Bellambi Coke Pvt. Ltd.
2. Brinda Dealings Pvt. Ltd.
3. FCGL Investments Ltd.
4. Gouriputra Consultants Pvt. Ltd.
5. Gourav Vinimay Pvt. Ltd.
6. Gujarat NRE Mineral Resources Ltd.
7. India Finvest Ltd.
8. Jharia Coke Pvt. Ltd.
9. Maa Kali Metcoke Industries Pvt. Ltd.
10. Malgudi Investment Ltd.
11. Mangaldeep Tradelink Pvt. Ltd.
12. Marley Foods Pvt. Ltd.
13. Matangi Traders & Investors Pvt. Ltd.
14. Newage Vinimay Pvt. Ltd.
15. Prince Dealcom Pvt. Ltd.
16. Shree Salasar Coke (Gujarat) Pvt. Ltd.
17. Steelrx Corporation Pvt. Ltd.
18. Vartika Traders Pvt. Ltd.

B) Key Management Personnel

1. Mr. A. K. Jagatramka - Vice-Chairman & Managing Director
2. Mr. R. P. Jain - Executive Director
3. Mr. P. R. Kannan - Chief Financial Officer

Enterprise in which key management person is a trustee

1. Girdharilal Arun Kumar Family Trust
2. Arun kumar Family Trust
3. GLJ Family Trust
4. Karmayogi Basantlal Charity Trust
5. Girdharilal Arun Kr. Jagatramka Foundation

Schedules to the Accounts (Contd.)

SCHEDULE - 17: SIGNIFICANT ACCOUNTING POLICIES & NOTES ON ACCOUNTS

C. Transaction with Related Parties

Particulars of Transactions	(Rs. in Crores)	
	Current Year	Previous Year
(i) Sale/(Sales Return) of Goods/Services		
- Subsidiaries	93.84	63.53
- Enterprises in which key management person has significant influence	39.35	(51.74)
(ii) Purchase of Goods		
- Subsidiaries	36.88	79.79
- Sub-Subsidiaries	151.50	
(iii) Remuneration		
- Key Management persons	4.12	0.99
(iv) Receiving of Services		
- Enterprises in which key management person has significant influence	—	0.04
(v) Investments		
- Subsidiaries	216.54	124.97
- Sub-Subsidiaries	5.37	—
(vi) Purchase of Fixed Assets		
- Subsidiaries	—	1.28
- Associates	—	0.02
- Enterprises in which key management person has significant influence	0.13	—
(vii) Purchase of Securities		
- Subsidiaries	—	1.65
- Sub-Subsidiaries	—	7.01
(viii) Sale of Securities		
- Subsidiaries	0.02	10.20
- Sub-Subsidiaries	108.73	21.09
(ix) Redemption of Securities		
- Sub-Subsidiaries	16.60	—
(x) Share Application Received		
- Enterprises in which key management person has significant influence	—	13.50
(xi) Shares Alloted		
- Enterprises in which key management person has significant influence	60.00	15.00
(xii) Share Warrant Deposit		
Received		
- Enterprises in which key management person has significant influence	42.00	—
Forfeited		
- Enterprises in which key management person has significant influence	—	10.10
(xiii) Share Application Money Given		
- Sub-Subsidiaries	—	20.52
(xiv) Share Application Money Refunded		
- Sub-Subsidiaries	—	20.52
(xv) Interest Received		
- Subsidiaries	2.58	4.41
- Sub-Subsidiaries	0.75	—
(xvi) Royalty Income Received		
- Subsidiaries	—	0.07
(xvii) Rent Paid		
- Enterprises in which key management person is a trustee	0.24	0.24
(xviii) Security Deposit Given		
Enterprises in which key management person is a trustee	9.00	9.35
(xix) Loans / Advances Given		
- Subsidiaries	—	31.18
(xx) Loans / Advance Refund Received		
- Subsidiaries	—	25.09
(xxi) Guarantees/Collateral Securities Outstanding as at the year end		
- Given on behalf of Subsidiaries	69.05	30.37
- Given on behalf of Sub-Subsidiaries	1128.22	66.30
- Given by Key Management Personnel on behalf of the Company	871.84	523.27
- Given by Enterprises in which key management person has significant influence	428.20	413.20

Schedules to the Accounts (Contd.)

SCHEDULE - 17: SIGNIFICANT ACCOUNTING POLICIES & NOTES ON ACCOUNTS

D. The Company has the following amounts due from/ to related parties:

	Current Year		Previous Year	
	Outstanding Balance	Maximum balance during the year	Outstanding Balance	Maximum balance during the year
	(Rs / Crores)	(Rs / Crores)	(Rs / Crores)	(Rs / Crores)
i. Due from Related Parties (included in loans & advances and sundry debtors)				
Subsidiaries				
– included in Sundry Debtors	11.98	43.06	25.82	62.45
– included in Loans & Advances	23.50	23.50	32.54	53.97
Sub-Subsidiaries				
– included in Loans & Advances	7.23	9.29	—	—
Enterprises in which key managerial persons has significant influence				
– included in Sundry Debtors	54.58	54.58	—	—
– included in Loans & Advances	—	—	0.50	0.50
ii. Due to Related Parties (included in current liabilities)				
Subsidiaries	—	—	16.65	—
Sub-Subsidiaries	69.03	69.03	—	—

12. Foreign Currency Convertible Bonds (FCCB)

- (a) The Company issued 2,200, 1% Unsecured Foreign Currency Convertible Bonds (FCCB) of US\$ 25,000 each aggregating to US\$ 55 Million at par on 14th March, 2005. These bonds are convertible into equity shares of the Company at the option of bondholders at a price of Rs. 48.04 per share, if not converted then they are Redeemable on 14th March, 2010 at 127.25% of the face value. As on 31.03.08, 2,191 Bonds has been converted into 49,815,134 equity shares.
- (b) The Company issued 600, Zero Coupon Unsecured Foreign Currency Convertible Bonds (FCCB) of US\$ 100,000 each aggregating US\$ 60 Million at par on 11th April, 2006. These bonds are convertible into equity shares of the Company at the option of bondholders at a price of Rs. 62.50 per share, If not converted then they are redeemable on 12th April, 2011 at 139.36% of the face value. As on 31.03.08, 375 Bonds has been converted into 26,796,000 equity shares.
- (c) Out of the above FCCBs of Rs. 267.96 crores, a sum of Rs. 5.74 crores remained unutilized at Balance Sheet date.

13. Secured Non-Convertible Debentures:

Debentures are redeemable at par in 20 equal Quarterly installments commencing from 27th February 2009.

14. The Earnings Per Share as per Accounting Standard (AS)- 20 are as under:

Particulars	At 31.03.2008 Basic & Diluted EPS	At 31.03.2007 Basic & Diluted EPS
Earnings		
Net Profit for the year (Rs. / Crores)	172.88	55.73
Add: Interest on FCCB (Rs. / Crores)	0.42	1.62
Earnings for Diluted EPS (Rs. / Crores)	173.30	57.35
Shares		
Number of shares at the beginning of the year	243,906,042	119,953,021
Add: Share Allotted against Share Warrants	16,500,000	2,000,000
Add: Bonus Issue	-	121,953,021
Add : Conversion of FCCB	76,611,134	-
Total number of equity shares outstanding at the end of the year	337,017,176	243,906,042
Weighted average number of shares outstanding during the year (for Basic EPS)	291,610,148	176,096,168
Add: Number of equity shares arising out of exercise of option of outstanding Share Warrants that have dilutive effect on the EPS	32,500,000	14,000,000
Add: Number of equity shares arising out of conversion of outstanding FCCB that have dilutive effect on the EPS	16,282,226	50,019,775
Add: Number of Equity Shares arising out of exercise of option of Employee Stock Option Scheme	3,456,000	1,115,000
Weighted average number of shares outstanding during the year (for Diluted EPS)	343,848,374	241,230,943
Earning per share :		
– Basic (Rs.)	5.93	3.16
– Diluted (Rs.)	5.04	2.38

Schedules to the Accounts (Contd.)

SCHEDULE - 17: SIGNIFICANT ACCOUNTING POLICIES & NOTES ON ACCOUNTS**15. Disclosure as required by Accounting Standard 15 (Revised) on Employee benefits :-**

In respect of defined benefit scheme (based on Actuarial valuation)

Description	(Rs. in Crore)	
	Gratuity Plan	Leave Encashment
A. Change in Obligation over the year ended 31.03.2008		
Present value of Defined Benefit Obligation as on 01.04.2007	0.75	0.17
Current Service Cost	0.36	0.05
Past Service Cost	—	—
Interest Cost	0.09	0.01
Curtailement Cost / (Credit)	—	—
Settlement Cost / (Credit)	—	—
Amalgamations	—	—
Actuarial (gains)/ losses	0.30	(0.03)
Benefits paid	(0.01)	(0.01)
Present Value of defined Benefit Obligation as on 31.03.2008	1.49	0.19
B. Expenses recognized during the year 2007-08		
Current Service Cost	0.36	0.05
Past Service Cost	—	—
Interest Cost	0.09	0.01
Curtailement Cost / (Credit)	—	—
Settlement Cost / (Credit)	—	—
Actuarial (gains)/ losses	0.30	(0.03)
Expected return on plan assets	—	—
Total (included in Employee's Emoluments)	0.75	0.03
C. Principal Actuarial Assumptions at the balance sheet date .		
Discount rate (based on the market yields available on Government Bonds at the accounting date with a term that matches that of the liabilities)	8.00%	
Expected rate of return on assets	N.A.	
Salary increase (taking into account inflation , seniority , promotion and Other relevant factors)	7.50%	
Projected Unit Credit (PUC) actuarial method have been used to assess the Plan's liabilities, including those death-in-service and in capacity benefits.		
D. General Descriptions of defined benefit plans:		
i) Gratuity Plan:		
The Company operates gratuity plan wherein every employee is entitled to the benefit equivalent to fifteen days salary last drawn for each completed year of service. The same is payable on Termination of service, or retirement, whichever is earlier. The benefit vests after five years of continuous service.		
ii) Provident Fund Plan:		
The Company contributes 12% of salary for all eligible employees towards Provident Fund managed by the Regional Provident Fund Authority.		

16. Particulars of Balances with Non-Scheduled banks :

In current Account	Maximum Balance During the Current Year	Maximum Balance During the Previous Year
a) ICICI-London	0.38	258.64
b) HSBC-Sydney	19.23	27.39
17. a) The indicators of impairment listed in paragraph 8 to 10 of Accounting Standard (AS)- 28 "Impairment of assets" issued by ICAI have been examined by the management and on such examination, it has been found that none of the indicators are present in the case of the Company's assets . A formal estimate of the recoverable amount has not been made, as there is no indication of a potential impairment loss.		
b) In the opinion of Board of Directors and to the best of their knowledge and belief, the value on realization of Current Assets, Loans and advances in the ordinary course of business will not be less than the amount at which they are stated in the Balance Sheet.		

Schedules to the Accounts (Contd.)

SCHEDULE - 17: SIGNIFICANT ACCOUNTING POLICIES & NOTES ON ACCOUNTS

18. There are no amounts due and outstanding to be credited to Investors Education & Protection Fund as at 31st March, 2008.
19. The company investment in 77,136,000 shares of Gujarat NRE Minerals Ltd. has lock-in period upto 18th July, 2009.
20. Additional information Pursuant to the provision of Part II of Schedule VI of the Companies Act, 1956 to the extent applicable to the Company :

A) PARTICULARS OF CAPACITY AND PRODUCTION

DESCRIPTION	UNITS	INSTALLED CAPACITY		ACTUAL PRODUCTION	
		2007-08	2006-07	2007-08	2006-07
Low-Ash Metallurgical Coke	M.T.	682,000.000	682,000.000	443,730.475	393,322.488
Rolled & Alloy Steel Products	M.T.	311,000.000	311,000.000	79,376.641	56,640.814

Note: Weighted Average capacity utilisation based on weighted average installed capacity

Low-Ash Metallurgical Coke	– 64.20% (Previous Year - 57.67 %)
Rolled & Alloy Steel Products	– 25.52 % (Previous Year - 18.21 %)

B) PARTICULARS OF STOCKS AND SALES

DESCRIPTION	UNITS	STOCKS				SALES	
		OPENING		CLOSING		2007-08	2006-07
		2007-08	2006-07	2007-08	2006-07		
LAMC	M.T.	101901.488	73,446.877	112333.610	101901.488	461657.46	364277.480
	Rs./Crores	86.62	62.43	94.94	86.62	513.14	314.44
Coal	M.T.	127709.088	134,846.370	198572.440	127709.088	195124.425	150256.805
	Rs./Crores	70.24	74.17	109.21	70.24	118.80	65.10
Coal in Process	M.T.	2964.800	3,317.000	2324.25	2964.800	—	—
	Rs./Crores	1.81	2.02	1.42	1.81	—	—
Billets & Ingots	M.T.	667.115	2,919.958	527.210	667.115	12539.730	32779.920
	Rs./Crores	1.43	4.95	1.71	1.43	31.65	67.72
Rolled Products	M.T.	3117.834	157.279	2943.050	3117.834	64908.530	21760.080
	Rs./Crores	7.48	0.38	10.08	7.48	199.57	53.76
Sponge Iron	M.T.	119.203	10.790	248.860	119.203	76.880	111.670
	Rs./Crores	0.16	0.01	0.49	0.16	0.12	0.15
M.S.Scrap	M.T.	692.040	1,349.317	750.990	692.040	2027.330	1345.368
	Rs./Crores	1.06	1.56	2.10	1.06	5.09	2.79
TOTAL	Rs./Crores	168.80	145.52	219.95	168.80	868.38	503.96

C) PARTICULARS OF RAW MATERIALS CONSUMED

DESCRIPTION	CURRENT YEAR		PREVIOUS YEAR	
	QUANTITY M.T.	VALUE Rs./Crores	QUANTITY M.T.	VALUE Rs./Crores
Raw Coal	5,73,853.82	239.34	468185.675	237.08
Sponge Iron,	25431.720	35.46	24524.492	27.19
M.S .Scrap	67064.950	125.08	41667.168	62.12
Stores & Spares Parts consumed and Included under various heads of revenue expenditure		25.13		11.06

D) PURCHASE OF GOODS:

CLASS OF GOODS	CURRENT YEAR		PREVIOUS YEAR	
	QUANTITY M.T.	VALUE Rs./Crores	QUANTITY M.T.	VALUE Rs./Crores
LAMC	28281.786	35.40	—	—

Schedules to the Accounts (Contd.)

SCHEDULE - 17: SIGNIFICANT ACCOUNTING POLICIES & NOTES ON ACCOUNTS

E) OTHER ADDITIONAL INFORMATION

	CURRENT YEAR Rs./Crores	PREVIOUS YEAR Rs./Crores
i) Expenditure in foreign currency -		
- Travelling	0.28	0.06
- Interest	2.30	2.44
- FCCB Issue Expenses	-	9.52
- Professional & Consultancy Fees	0.07	0.07
ii) CIF value of Imports -Raw Materials		
- Coking Coal	270.91	203.07
- M.S. Scrap	2.31	14.05
- Capital Goods	5.17	1.92
- Others	3.71	3.32
iii) Earning in Foreign Exchange		
- FOB value of exports	69.37	30.20
- Interest on Fixed Deposits with foreign banks	0.82	3.98
- Interest on Loan from subsidiaries	0.75	3.03

	CURRENT YEAR		PREVIOUS YEAR	
	Rs./Crores	%	Rs./Crores	%
iv) Value of imported / indigenous raw materials consumed				
(a) Raw Materials				
Imported	224.17	93.65	230.21	97.10
Indigenous	15.17	6.35	6.87	2.90
	239.34	100.00	237.08	100.00
(b) Sponge Iron				
Imported	—	—	—	—
Indigenous	35.46	100.00	27.19	100.00
	35.46	100.00	27.19	100.00
(c) MS. Scrap				
Imported	3.04	2.44	17.39	27.99
Indigenous	122.04	97.56	44.73	72.01
	125.08	100.00	62.12	100.00
(d) Stores and spares parts				
Imported	—	—	—	—
Indigenous	25.13	100.00	11.06	100.00
	25.13	100.00	11.06	100.00

F) Remittance in Foreign Currency on account of Dividend

The Company has paid dividend in respect of shares held by Non-resident on repatriation basis. This inter-alia includes portfolio investment and direct investment, where the amount is also credited to Non-Resident External Account (NRE A/c). The exact amount of dividend remitted in foreign currency cannot be ascertained. The total amount remitted in this respect is given herein below:

	Current Year	Previous Year
A) Number of Non-Resident Shareholders	504	755
B) Number of Equity Shares held by them	1,215,868	1,535,094
C) (i) Amount of Dividend Paid (Gross) Rs./Crores	0.18	0.33
Tax deducted at Source - NIL (Previous Period Rs. NIL)		
(ii) Year to which dividend relates	2006-07	2005-06

21) Previous Year figures have been regrouped / rearranged wherever considered necessary.

Schedules to the Accounts (Contd.)

SCHEDULE - 18: BALANCE SHEET ABSTRACT AND BUSINESS PROFILE

Information Pursuant To Part IV Of Schedule VI of The Companies Act, 1956 Balance Sheet Abstract And Company's General Business Profile	
I. Registration Details	
Registration No.	40098
State Code No.	021
Balance Sheet Date	31-Mar-08
II. Capital raised during the year	
	(Rs. in thousand)
Public Issue	N I L
Rights Issue	N I L
Bonus Issue	N I L
Private Placement #	931111
# Includes Conversion of Foreign Currency Convertible Bonds of Rs. 766111 thousands	
III. Position of Mobilisation and Deployment of Funds	
Total Liabilities	18786992
Total Assets	18786992
Source of Fund	
Paid-up Capital	3370172
Deposit Against Share Warrants	390000
Reserve & Surplus	7710288
Foreign Currency Convertible Bonds	1014667
Secured Loans	5311777
Deferred Tax Liability	990088
Application of Fund	
Net Fixed Assets	5307032
Capital Work in Progress	891786
Investments	6571722
Net Current Assets/Liabilities	5930329
Miscellaneous Expenditure	86123
IV. Performance of Company	
Turnover (Including other Income)	9188901
Total Expenditure	6921640
Profit/(Loss) before Tax	2267261
Profit/(Loss) after Tax	1728804
Earning Per Share (Basic) in Rs.	5.93
Earning Per Share (Diluted) in Rs.	5.04
Dividend %	25%
V. Generic Names of Principal Products/ Services of the Company (as per monetary terms)	
Product Description	Item Code No.
	(ITC Code)
Coke	2704 00 30
TMT Bar	7213 10 90
M S Round	7213 20 90

In terms of our report of even date annexed hereto

For **N. C. BANERJEE & CO.**
Chartered Accountants



B. Basu
Partner
Membership No. 12748
Place : Kolkata
Dated : 18th July, 2008.




G L Jagatramka
Chairman



A K Jagatramka
Vice Chairman &
Managing Director



P R Kannan
Chief Financial
Officer



Manoj K Shah
Company Secretary


For and on behalf of the Board

Cash Flow Statement For the year ended 31st March, 2008

(Rs. in Crores)

	For the Year ended 31.03.2008	For the Year ended 31.03.2007
A. CASH FLOW FROM OPERATIVE ACTIVITIES		
Net Profit Before Tax & Extraordinary Items	226.73	75.50
Adjustments for:		
Depreciation / Other non cash items	27.38	24.72
Interest Paid / Payable	32.91	23.58
Net Other Income	(38.06)	(8.94)
Net Loss on Sale / Discard of Fixed Assets	0.05	0.02
Employee Stock Option - Compensation debited to Profit and Loss Account	0.12	-
Interest Received / Receivable	(8.70)	(11.34)
Operating Profit before working Capital Changes	240.43	103.54
Adjustments for:		
Trade & Other Receivables	(185.20)	(148.25)
Inventories	(55.20)	(23.25)
Trade Payables	97.61	37.79
Cash Generated from Operations	97.64	(30.17)
Direct Taxes Paid / Refunds	(33.50)	(10.26)
Cash Generated from Operating Activities	64.14	(40.43)
B. CASH FLOW FROM INVESTING ACTIVITIES		
Addition to Fixed Assets	(221.83)	(71.27)
Sale of Fixed Assets	0.05	0.07
Addition to Investments	(143.94)	(489.69)
Sale of Investments	126.52	372.89
Interest Paid	(32.38)	(22.89)
Interest Received	8.70	11.34
Dividend / Misc Income	9.97	8.82
Net Cash Used In Investing Activities	(252.91)	(190.73)
C. CASH FLOW FROM FINANCING ACTIVITIES		
Net Proceeds to Share Capital / Reserves (incl Share Warrant)	82.83	13.50
Deposit against Share Warrant	33.75	-
Proceed from Foreign Currency Convertible Bond	-	267.96
Increase in Long / Short term borrowing	273.33	(13.84)
Dividend / Dividend Tax Paid	(50.10)	(7.41)
Payment for Increase in Authorised Capital	-	(0.74)
FCCB issue related expenses	-	(10.25)
Net Cash Generated From Financing Activities	339.81	249.22
Net Increase / (decrease) In Cash & Cash Equivalents	151.04	18.06
Cash & Cash Equivalents (opening Balance)	66.27	48.21
Cash & Cash Equivalents (closing Balance)	217.31	66.27

In terms of our report of even date annexed hereto

For **N. C. BANERJEE & CO.**
Chartered Accountants**B. Basu**
Partner
Membership No. 12748
Place : Kolkata
Dated : 18th July, 2008.**G L Jagatramka**
Chairman**A K Jagatramka**
Vice Chairman &
Managing Director**P R Kannan**
Chief Financial
Officer**Manoj K Shah**
Company Secretary

For and on behalf of the Board

**STATEMENT PURSUANT TO SECTION 212 OF THE COMPANIES ACT, 1956 RELATING TO
SUBSIDIARY COMPANIES**

(Rs. in Crores)

Name of the Subsidiary Company	Bharat NRE Coke Ltd	Hunter Valley Coal Pvt Ltd	Manor Dealcom Pvt Ltd	Gujarat NRE Ltd	Gujarat NRE Coal (NSW) Pty Ltd.	Gujarat NRE Minerals Ltd.	Wonga Coal Pty Ltd	Gujarat NRE Resources NL	Gujarat NRE FCGL Pty Ltd	South Bulli Holdings Pty Ltd.	Southwest Pty Ltd.
1. Country of Incorporation	India	India	India	Australia	Australia	Australia	Australia	Australia	Australia	Australia	Australia
2. Financial Year of the subsidiary ended on	31.03.08	31.03.08	31.03.08	31.03.08	31.03.08	31.03.08	31.03.08	31.03.08	31.03.08	31.03.08	31.03.08
3. Holding Company's Interest											
i) Equity Shares											
a) Number of Shares	36,300,000	15,512,850	14,451,150	80,750,000	500,000	704,972,149	43,529,000	251,603,872	170,022,500	5,005,000	2
b) % Share held by Gujarat NRE Coke Ltd and its Subsidiaries	59.86%	100.00%	100.00%	100.00%	100.00%	82.97%	100.00%	100.00%	100.00%	100.00%	100.00%
ii) Preference Shares											
a) Number of Shares (Face Value Rs. 100 each) Fully Paid up											
b) % Share held by Gujarat NRE Coke Ltd and its Subsidiaries											
4. Net aggregate amount of Profit/(Losses) of the Subsidiary, so far as they concern members of Gujarat NRE Coke Ltd											
i) For the Financial Year of Subsidiary											
a) Dealt with in the accounts of the Holding company	-	-	-	-	-	-	-	-	-	-	-
b) Not dealt with in the accounts of the Holding company	(10.06)	-	-	0.76	(0.01)	(24.92)	(1.18)	(0.68)	5.18	(0.01)	-
ii) For the previous Financial Years of the Subsidiary since it became the holding Company's Subsidiary											
a) Dealt with in the accounts of the Holding company	-	-	-	-	-	-	-	-	-	-	-
b) Not dealt with in the accounts of the Holding company	0.66	NA	NA	(0.53)	(0.01)	(6.84)	(0.44)	(0.60)	(1.23)	-	-
5. Changes in the interest of Gujarat NRE Coke Ltd between the end of the subsidiary's financial year and 31st March, 2008											
Number of shares acquired											
Material changes between the end of the subsidiary's financial year and 31st March, 2008											
a) Fixed assets (net additions)											
b) Investments (Net)											
c) Moneys lent by the subsidiary											
d) Moneys borrowed by the subsidiary company other than for meeting current liabilities											

Notes:

- Pursuant to an application made to the Ministry of Corporate Affairs, Government of India, New Delhi under Section 212(8) of the Companies Act, 1956 for exemption, the accounts of subsidiaries have not been annexed to this Annual Report. The annual accounts of the subsidiary companies and the related detailed information will be made available to the investors of the company and the subsidiaries of the Company seeking such information at any point of time. The annual accounts of the subsidiary companies are available for inspection by any investor at the Registered Office of the Company and of the concerned subsidiary of the company.

Particulars of Subsidiary Companies issued under section 212 (8) of the Companies Act, 1956 for the financial year 2007-08 are as follows :-

(Rs. in Crores)

Name of the Subsidiary Company	Bharat NRE Coke Ltd		Hunter Valley Coal Pvt Ltd		Manor Deacom Pvt Ltd		Gujarat NRE Ltd		Gujarat NRE Coal (NSW) Pty Ltd		Gujarat NRE Minerals Ltd.		Wonga Coal Pty Ltd.		Gujarat NRE Resources NL		Gujarat NRE FCGL Pty Ltd.		South Bulli Holdings Pty Ltd.		Southwest Pty Ltd.				
	INR	INR	INR	INR	AUS\$	INR	AUS\$	INR	AUS\$	INR	AUS\$	INR	AUS\$	INR	AUS\$	INR	AUS\$	INR	AUS\$	INR	AUS\$	INR	AUS\$		
(a) Share Capital (Equity and Preference)	36.3000	52.3500	47.4400	8.0750	297.9700	0.0005	0.0200	30.5369	1119.4800	4.3529	159.0100	5.0458	184.3200	1.5803	57.7300	0.5005	18.2800	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000	
(b) Reserve & Surplus (net of debit balance of profit & loss account)	(21.3900)	151.6000	142.0800	0.0747	(1.3700)	(0.0004)	(0.0174)	9.5687	358.1000	(0.0472)	(1.6428)	(0.1466)	(5.1700)	0.1007	4.0200	(0.0004)	(0.0100)	—	—	—	—	—	—	—	
(c) Total Assets	102.0100	203.9500	189.5200	8.1911	298.1200	0.0001	0.0020	45.6009	1678.5800	5.0460	184.4091	4.9008	179.2100	8.3851	309.1300	0.5004	18.2800	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000	
(d) Total Liabilities	87.1000	—	—	0.0414	1.5200	0.0001	0.0018	5.4954	201.0000	0.7403	27.0422	0.0016	0.0600	6.7041	247.3800	0.0000	0.0100	—	—	—	—	—	—	—	
(e) Details of Investment (excluding investments in the subsidiary companies)	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	
— Equity / Preference Shares	—	203.7685	189.3100	0.5867	21.3300	0.0005	0.0200	33.4986	1223.7000	5.0408	184.1391	4.7254	172.6200	1.5803	57.7300	0.5005	18.2800	—	—	—	—	—	—	—	
— Government Securities	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—
— Bonds/ Mutual Funds Units	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—
(f) Turnover	146.4600	0.0100	0.0100	0.0223	1.1300	—	—	4.7321	168.0000	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	
(g) Profit/(Loss) Before Taxation	(13.3800)	—	—	0.0315	1.0900	(0.0002)	(0.0100)	(0.9232)	(30.0400)	(0.0338)	(1.1800)	(0.0197)	(0.6900)	0.1918	7.3100	—	—	—	—	—	—	—	—	—	
(h) Provision for Taxation	3.4300	—	—	0.0093	0.3400	—	—	0.0003	0.0100	—	—	—	—	0.0578	2.1300	—	—	—	—	—	—	—	—	—	
(i) Profit/ (Loss) after Taxation	(16.8100)	—	—	0.0222	0.7500	(0.0002)	(0.0100)	(0.9235)	(30.0500)	(0.0338)	(1.1800)	(0.0197)	(0.6900)	0.1340	5.1800	—	—	—	—	—	—	—	—	—	
(j) Proposed Dividend (including Corporate Dividend Tax)	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—

Auditors' Report on Consolidated Financial Statements

Auditors' Report to the Board of Directors of the Gujarat NRE Coke Ltd. on the Consolidated Financial Statement of Gujarat NRE Coke Ltd. and its subsidiaries

1. We have audited the attached Consolidated Balance Sheet of Gujarat NRE Coke Limited ("the Company") and its eleven subsidiaries (collectively referred to as the "Gujarat NRE Group") as at March 31, 2008, the consolidated Profit and Loss Account and the consolidated Cash Flow Statement for the year ended on that date annexed thereto. These consolidated financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these consolidated financial statements based on our audit.
2. We conducted our audit in accordance with auditing standards generally accepted in India. Those Standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free of material misstatement, in all respects, in accordance with an identified financial reporting framework. An audit includes, examining on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statements. We believe that our audit provides a reasonable basis for our opinion.
3. We did not audit the financial statement of certain subsidiaries whose financial statements reflect total assets of Rs. 2,667.73 crores as at March 31, 2008 and total revenue of Rs. 169.13 crores and net Cash Inflows of Rs. 10.63 crores for the year ended on that date. These financial statements have been audited by other auditors whose reports have been furnished to us, and our opinion, in so far as it relates to the amount included in respect of the subsidiaries is based on the reports of other auditors.
4. We report that the consolidated financial statements have been prepared by the Company's management in accordance with the requirements of Accounting Standard 21- "Consolidated Financial Statements" and Accounting Standard 23- "Accounting for Investment in Associates in Consolidated Financial Statements " as prescribed by the Companies (Accounting Standards) Rules, 2006.
5. We further report that on the basis of the information and on consideration of the audit reports on individual audited financial statements of Gujarat NRE Coke Ltd. and its subsidiaries, we are of the opinion that the consolidated financial statements give a true and fair view in conformity with the accounting principles generally accepted in India:
 - (i) in the case of the Consolidated Balance Sheet, of the consolidated state of affairs of the Gujarat NRE Group as at March 31, 2008;
 - (ii) in the case of the Consolidated Profit and Loss Account, of the consolidated results of operation of the Gujarat NRE Group for the year ended on that date; and
 - (iii) in the case of consolidated Cash Flow Statement, of the consolidated Cash Flows of the Gujarat NRE Group for the year ended on that date.

For **N.C.Banerjee & Co.**
Chartered Accountants



B Basu
Partner

Membership No. 12748

Place : Kolkata
Dated : 18th July, 2008

Consolidated Balance Sheet As at March 31, 2008

(Rs.in Crores)

SCHEDULES	As at 31.03.2008	As at 31.03.2007
SOURCES OF FUNDS		
SHAREHOLDER'S FUNDS		
Share Capital 1	337.02	243.91
Deposit against Share Warrants	39.00	5.25
Reserves & Surplus 2	1,126.46	300.46
	1,502.48	549.62
Minority Interest	192.10	34.52
Foreign Currency Convertible Bonds	101.47	507.93
LOAN FUNDS		
Secured Loans 3	783.51	344.77
Unsecured Loans	0.79	0.72
Deferred Tax Liability	98.16	74.14
TOTAL	2,678.51	1,511.70
APPLICATION OF FUNDS		
FIXED ASSETS 4		
Gross Block	1,490.35	644.54
Less: Depreciation	100.47	54.80
Net Block	1,389.88	589.74
Capital Work-in-Progress	123.10	28.11
	1,512.98	617.85
INVESTMENTS 5	464.39	369.05
CURRENT ASSETS, LOANS AND ADVANCES		
Inventories 6	261.96	212.33
Sundry Debtors 7	253.83	152.94
Cash & Bank Balances 8	240.07	75.36
Loans and Advances 9	234.64	178.57
	990.50	619.20
Less : CURRENT LIABILITIES & PROVISIONS 10		
Liabilities	378.44	175.41
Provisions	256.67	136.19
	635.11	311.60
NET CURRENT ASSETS	355.39	307.60
MISCELLANEOUS EXPENDITURE 11	345.75	217.20
To the Extent not written off or adjusted]		
TOTAL	2,678.51	1,511.70
Significant Accounting Policies & Notes on Accounts 18		

Schedules referred to above form integral Part of the Balance Sheet

In terms of our report of even date annexed hereto

For **N. C. BANERJEE & CO.**
Chartered Accountants**B. Basu**
Partner
Membership No. 12748
Place : Kolkata**G L Jagatramka**
Chairman**A K Jagatramka**
Vice Chairman &
Managing Director**P R Kannan**
Chief Financial
Officer**Manoj K Shah**
Company Secretary

Consolidated Profit & Loss Account For the year ended 31st March, 2008

(Rs.in Crores)

SCHEDULES	For the year ended 31.03.08	For the year ended 31.03.07
INCOME		
Sales	887.05	514.55
Other Income	75.52	18.52
Increase/(Decrease) in Stocks	48.15	44.80
	1,010.72	577.87
EXPENDITURE		
Purchases	409.94	288.83
Manufacturing Expenses	155.08	85.95
Administrative, Selling and Other Expenses	165.05	90.09
	730.07	464.87
INCOME FROM OPERATIONS	280.65	113.00
Interest	47.64	27.29
Depreciation	45.93	25.20
Profit(Loss) Before Tax	187.08	60.51
Provision For Taxation		
Current Year	34.76	8.37
Previous Year	-	(0.18)
Deferred Tax	24.87	4.31
Fringe Benefit Tax	0.13	0.41
Profit(Loss) After Tax	127.32	47.60
Less : Minority Interest	(11.85)	(1.55)
Add : Share in Profit of Associates	30.08	-
	169.25	49.15
Balance Brought Forward	88.98	122.68
Balance To Balance Sheet	258.23	171.83
APPROPRIATIONS		
Transfer To General Reserve	50.00	50.00
Dividend for Earlier Year	4.46	-
Proposed Dividend	84.25	38.76
Dividend Tax	15.08	6.59
Transferred to/(from) Debenture Redemption Reserve	25.00	(12.50)
Balance Carried To Balance Sheet	79.44	88.98
Basic Earnings per Share (Face Value Rs. 10 per share)	5.80	2.79
Diluted Earnings per Share (Face Value Rs. 10 per share)	4.93	2.10
Significant Accounting Policies & Notes on Accounts	18	

Schedules referred to above form integral Part of the Profit & Loss Account
In terms of our report of even date annexed hereto

For **N. C. BANERJEE & CO.**
Chartered Accountants



B. Basu
Partner
Membership No. 12748
Place : Kolkata
Dated : 18th July, 2008.



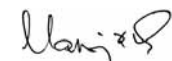
G L Jagatramka
Chairman



A K Jagatramka
Vice Chairman &
Managing Director



P R Kannan
Chief Financial
Officer



Manoj K Shah
Company Secretary

For and on behalf of the Board

Schedules to the Consolidated Accounts

Rs. in Crores

DESCRIPTION	As at 31.03.2008	As at 31.03.2007
SCHEDULE - 1 : SHARE CAPITAL		
AUTHORISED		
150,00,00,000 Equity Shares (Previous Year 150,00,00,000) of Rs. 10/- each.	1,500.00	1,500.00
	1,500.00	1,500.00
ISSUED, SUBSCRIBED AND PAID-UP		
33,70,17,176 Equity Shares of Rs.10/- each fully paid up, (Previous year 24,39,06,042)	337.02	243.91
Of the above shares :		
i) 196,895,137 Equity Shares were issued as fully paid Bonus Shares by way of capitalisation of Free Reserves (Previous Year 196,895,137)		
ii) 27,764,205 Equity Shares were issued for consideration other than cash (Previous Year 27,764,205)		
	337.02	243.91
SCHEDULE - 2 : RESERVES & SURPLUS		
Capital Reserve	12.12	12.12
Share Premium	396.18	—
General Reserve	246.25	196.25
Profit & Loss A/c	79.44	88.98
Foreign Currency Translation Reserve	(30.28)	2.08
Debenture Redemption Reserve	25.00	—
Equity Conversion Bond Reserve	0.75	0.72
Investment Revaluation Reserve	2.47	—
Employee Stock Option Plan	394.53	0.31
	1,126.46	300.46
SCHEDULE - 3 : LOAN FUNDS		
SECURED LOANS		
LONG TERM LOANS :		
10.60% Non Convertible Debentures	100.00	—
Term Loans from Financial Institution	50.00	25.00
External Commercial Borrowings	59.18	—
Term Loans from Scheduled Banks	464.10	185.48
Accrued Interest On Term Loan	0.97	1.01
	674.25	211.49
SHORT TERM LOANS :		
Working Capital Facilities from Scheduled Banks	54.10	61.47
Working Capital Facilities from Non-Scheduled Banks	19.93	31.99
Loan from Scheduled Bank	35.00	15.00
Loan from Non-Scheduled Bank	—	24.82
Accrued Interest On Loan	0.23	—
	109.26	133.28
	783.51	344.77

Schedules to the Consolidated Accounts (Contd.)

(Rs. in Crore)

Description of Assets	GROSS BLOCK			DEPRECIATION			NET BLOCK			
	As on 01.04.2007	Addition during the Year	Sales / Adjustment during the Year**	As on 31.03.2008	Opening Balance as on 01.04.2007	Provided for the Year	Adjustment during the Year for Sales***	Closing Balance as on 31.03.2008	As on 31.03.2008	As on 31.03.2007
Goodwill on Consolidation	19.72	1,104.02	617.32	506.42	—	—	—	—	506.42	19.72
Land - Freehold	9.28	120.48	0.07	129.69	—	—	—	—	129.69	9.28
Land - Lease Hold	2.45	0.26	—	2.71	—	—	—	—	2.71	2.45
Building	75.47	11.45	—	86.92	2.29	3.56	—	5.85	81.07	73.18
Plant & Machineries	327.35	65.74	3.24	389.85	38.04	30.46	0.20	68.30	321.55	289.31
Furniture & Fixture	2.59	0.19	0.01	2.77	0.35	0.19	—	0.54	2.23	2.24
Material handling Equipments/Vehicles	16.85	2.65	0.16	19.34	3.71	2.47	0.06	6.12	13.22	13.14
Weighing Machine	0.22	—	—	0.22	0.03	0.01	—	0.04	0.18	0.19
Office Equipment	2.25	0.56	0.01	2.80	0.53	0.41	—	0.94	1.86	1.72
Electrical Installations	19.34	0.81	(0.01)	20.16	1.29	1.40	—	2.69	17.47	18.05
Wind Turbine	133.78	105.26	—	239.04	7.98	7.36	—	15.34	223.70	125.80
Mining Lease	35.24	55.28	0.09	90.43	0.58	0.07	—	0.65	89.78	34.66
Total	644.54	1,466.70	620.89	1,490.35	54.80	45.93	0.26	100.47	1,389.88	589.74
Previous Year	99.21	425.94	(119.39)	644.54	26.20	25.20	3.40	54.80	589.74	73.01
Capital Work in Progress									123.10	28.11

*** includes inter company balances

Schedules to the Consolidated Accounts (Contd.)

(Rs. in Crores)

	As at 31.03.2008	As at 31.03.2007
SCHEDULE - 5 : INVESTMENTS		
Investments in Shares, Bonds & Others	277.82	72.38
Investments in Associates	186.57	—
Investments in Subsidiaries	—	296.67
	464.39	369.05
Market Value of Quoted Investments (Equity)	61.47	20.52
Market Value of Quoted Investments (Bonds)	—	0.70
SCHEDULE - 6 : INVENTORIES		
Stores, Spares & Consumables	12.37	10.90
Raw Materials	128.28	94.43
Stock in Process	3.39	7.78
Finished Products	117.92	99.22
	261.96	212.33
SCHEDULE - 7 : SUNDRY DEBTORS (Unsecured, considered good)		
Debts due for a period exceeding six months	9.40	8.02
Other Debts	244.43	144.92
	253.83	152.94
SCHEDULE - 8 : CASH & BANK BALANCES		
Cash in hand (As Certified by Management)	0.82	0.36
Balance with Scheduled Banks		
- In Current Account	57.75	8.39
- In Short Term Deposits (Including interest accrued)	156.53	29.86
Balance with Non-Scheduled Banks		
- In Current Account	20.65	8.95
- In Short Term Deposits (Including interest accrued)	4.32	27.81
	240.07	75.36
SCHEDULE - 9 : LOANS AND ADVANCES (Unsecured, Considered Good)		
LOANS	1.26	—
ADVANCES		
Advances recoverable in cash or in kind or value to be received or pending adjustment	95.71	78.22
Deposits With Govt. Authorities & Others	32.11	22.52
Advance Tax (including Tax Deducted at Source)	105.56	77.83
	234.64	178.57

Schedules to the Consolidated Accounts (Contd.)

(Rs. in Crores)

DESCRIPTION	As at 31.03.2008	As at 31.03.2007
SCHEDULE - 10 : CURRENT LIABILITIES & PROVISIONS		
LIABILITIES :		
Sundry Creditors	217.96	145.43
Liabilities for:		
Capital goods and expenses	70.65	2.41
Others	25.98	26.11
Unclaimed Dividend Account	1.29	0.83
Interest Accrued but not due	0.86	0.61
Advance Received from Debtors	61.70	0.02
	378.44	175.41
OTHER PROVISIONS :		
Provision for Taxation	89.34	64.27
Provision for Fringe Benefit Tax	0.51	0.46
Provision for Proposed Dividend	84.25	38.76
Provision for Dividend Tax	14.32	6.59
Provision for Gratuity & Leave Encashment	12.61	6.67
Restoration Guarantee	55.64	19.44
	256.67	136.19
SCHEDULE - 11 : MISCELLANEOUS EXPENDITURE (To the extent not written off/or adjusted)		
Deferred Employee Compensation Under ESOS	0.47	—
Preliminary Expenses	206.33	185.31
Deferred Revenue Expenses	86.89	13.29
Restoration Guarantee	52.06	18.60
	345.75	217.20
SCHEDULE - 12 : SALES		
Sales	869.30	500.43
Coke Conversion Charges	17.75	14.12
	887.05	514.55
SCHEDULE - 13 : OTHER INCOME		
Freight Revenue	6.59	—
Interest Income	9.24	7.71
Income from Lease	0.02	0.15
Profit on Sale of Investments	28.07	—
Exchange Gain on Sales	14.93	—
Dividend received	—	0.06
Miscellaneous Income	16.67	10.60
	75.52	18.52

Schedules to the Consolidated Accounts (Contd.)

(Rs. In Crore)

DESCRIPTION	For the year ended 31.03.2008	For the year ended 31.03.2007
SCHEDULE - 14 : INCREASE/(DECREASE) IN STOCKS		
Closing Stocks	249.58	201.43
Less :Opening Stocks	201.43	156.63
	48.15	44.80
SCHEDULE - 15 : MANUFACTURING EXPENSES		
Mine Operating Expenses	27.43	46.32
Power & Fuel	38.02	13.60
Factory Wages & Labour Charges	51.79	10.47
Repair & Maintenance (incl. Stores & Spares)	37.84	15.56
	155.08	85.95
SCHEDULE - 16 : ADMINISTRATIVE, SELLING & OTHER EXPENSES		
Auditors Remuneration	0.66	0.65
– For Other Services	—	—
Internal Audit Fees	0.07	0.09
Bank & Finance Charges	9.77	5.04
Carriage & Cartage	27.88	39.50
Employees Emoluments	19.63	9.75
General Expenses	3.14	2.62
Loss on Sale of Fixed Assets	0.08	0.55
Loss on Investment (Net)	0.01	0.40
Insurance Expenses	7.63	3.56
Professional & Service Charges	17.33	7.45
Commission to Directors	4.10	—
Rent, Rates & Taxes	4.84	2.95
Communication Expenses	0.59	0.36
Travelling & Conveyance	3.19	2.23
Marketing & Distribution Expenses	47.57	0.28
Royalties Paid	6.86	3.19
Exploration & Evaluation Expenses	0.07	0.16
Environment Expenses	3.78	1.94
Prior Year Expenses	—	0.89
Deferred Revenue Expenses Written Off	5.54	8.04
Preliminary Expenses Written Off	2.28	0.44
	165.05	90.09
SCHEDULE - 17 : INTEREST		
On Non - Convertible Debentures	0.23	0.55
To Banks / Financial Institution	31.22	1.81
To Scheduled Banks	13.36	21.41
On Foreign Currency Convertible Bonds	0.63	2.44
To Others	2.65	1.08
Less: Interest Capitalised	(0.45)	—
	47.64	27.29

Schedules to the Consolidated Accounts (Contd.)

SCHEDULE - 18 : SIGNIFICANT ACCOUNTING POLICIES & NOTES ON CONSOLIDATED ACCOUNTS

A. SIGNIFICANT ACCOUNTING POLICIES

i) Accounting Conventions

The consolidated financial statements are prepared under historical cost conventions and as a going concern basis following the accrual basis of accounting and in accordance with the generally accepted accounting principles in India.

ii) Principles of Consolidation

The accounts of subsidiaries including foreign subsidiaries have been consolidated with the parent companies accounts in accordance with Accounting Standard-21 on " Consolidated Financial Statements" and investments in Associates have been accounted for using the equity method as per Accounting Standard-23 on " Accounting for Associates in Consolidated Financial Statements" as specified in the Companies (Accounting Standard) Rules, 2006.

Consolidated Financial Statements have been made by adding together like items of assets, liabilities, income and expenses. The inter-company transactions and unrealized profits/(losses) thereon have been eliminated in full.

Goodwill/Capital Reserves represent the difference between the cost of control in the subsidiaries, over the book value of net assets at the time of acquisition of control in the subsidiaries.

Foreign subsidiaries are considered as non-integral foreign operation as per Accounting Standard-11, on "The effect of Changes in Foreign Exchange Rates". The financial statements of the same have been converted using the following methods :

Components of Profit & Loss Account except opening & closing stock have been converted using monthly average rate of the reported year.

Components of Balance Sheet have been converted using the rates of at the balance sheet date, except balance of Profit & Loss Account. Resultant foreign exchange translation difference has been recognized as "Foreign Currency Translation Reserve".

iii) Use of estimates

The preparation of the consolidated financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities for the year under review and disclosure of contingent liabilities on the date of the consolidated financial statements. Actual results could differ from these estimates. Any revision to accounting estimates is recognized prospectively in the current and future periods.

iv) Revenue Recognition

- | | | |
|-----------------------------------|---|--|
| a) In respect of indigenous Sales | : | On despatch of goods to customers. |
| b) In respect of export sales | : | On shipment of goods to customers. |
| c) In respect of service income | : | When the services are performed as per contract. |
| d) In respect of Dividend Income | : | When right to receive payment is established. |
| e) In respect of Insurance Claims | : | On Settlement of Claims |

v) Fixed Assets

All Fixed assets are carried at cost, which comprises cost of purchase/ construction cost, cost of borrowing and other directly attributable cost to bring the assets at its working condition and location for its intended use. Expenditures during construction period is allocated to the relevant assets in the ratio of costs of respective assets.

vi) Depreciation on Fixed Assets

Depreciation is provided on Straight Line Method (SLM) at the rates and in the manner prescribed in Schedule XIV of the Companies Act, 1956.

In case of foreign subsidiaries, depreciation is provided on Straight Line Method (SLM) at the rates over the useful life of assets.

However, in respect of fixed assets of Bharat NRE Coke Ltd, an Indian subsidiary, depreciation on fixed assets has been charged at the Written down Value method in accordance with Schedule XIV of the Companies Act, 1956.

Mining lease is amortised over the life of the asset. Amortisation is calculated in proportion of actual production when measured against the resources available in the mine.

vii) Inventories

Inventories are valued as under:

- | | | |
|----------------------------------|---|--|
| a) Raw Materials | : | At Cost or Net Realisable Value whichever is lower |
| b) Finished Products | : | At Cost or Net Realisable Value whichever is lower |
| c) Stores, Spares and Components | : | At Cost or Net Realisable Value whichever is lower |
| d) Stock in process | : | At Raw material Cost plus estimated cost of conversion upto the stage of completion or Net Realisable Value whichever is lower |
- Cost includes all direct cost and applicable manufacturing and administrative overheads. Inventories are valued on FIFO basis.

Variation, if any, detected on physical verification of stocks and obsolete and slow moving stocks are adjusted in accounts as found appropriate.

Schedules to the Consolidated Accounts (Contd.)

SCHEDULE - 18 : SIGNIFICANT ACCOUNTING POLICIES & NOTES ON CONSOLIDATED ACCOUNTS

viii) Investments

Long-term Investments are stated at cost and any decline other than temporary in the value of such investments is charged to the Profit & Loss Account. Current Investments are stated at the lower of cost or market value determined on an individual investment basis. However, provision for diminution in value is made to recognize a decline other than temporary in the value of the investments.

ix) Foreign Exchange Transactions

Transactions are recorded normally at the exchange rates prevailing on the date of the transactions. Unsettled transactions at the Balance Sheet date are adjusted at the year end rates and resultant net gain or loss is taken in Profit & Loss Account.

Foreign Currency Convertible Bonds (FCCBs) are treated as fully convertible into equity shares.

x) Provisions, Contingent Liabilities and Contingent Assets

The Company makes a provision when there is present obligation as a result of past event that probably requires an outflow of resources and a reliable estimate can be made of the amount of the obligation. A disclosure for contingent liabilities is made when there is a possible obligation or a present obligation that may, but probably will not, require an outflow of resources. Contingent Assets are disclosed when an inflow of economic benefit is probable and/or certain.

xi) Borrowing Costs

Borrowing Costs that are attributable to the acquisition and constructions of qualifying assets are capitalised as a part of the cost of such assets. A qualifying asset is one that necessarily takes substantial period of time to get ready for its intended use. Other borrowing costs of the year are charged to revenue in the period in which they are incurred.

xii) Taxation

Current Tax is determined as the amount of tax payable in respect of taxable income for the period.

Deferred Tax Liability is recognized for all timing difference between taxable income and accounting income that originate in one period and are capable of reversal in one or more subsequent periods.

Deferred Tax Assets are recognized only if there is reasonable certainty that the same will be realized and are reviewed for the appropriateness of its respective carrying values at each Balance Sheet date.

Fringe benefit Tax is determined as the amount of tax payable in respect of value of fringe benefit based on applicable tax rates and laws.

Wealth Tax is determined on taxable value of assets on the balance sheet date.

Foreign Companies recognize tax liabilities and assets as per their local regulations & laws.

xiii) Employee Benefits

a) Short Term & Long Term benefits

Employee benefits of short-term nature are recognized as expense as and when it accrues. Long term employee benefits and post employments benefits, both funded and unfunded, are recognized as expenses based on actuarial valuation at year end which takes into account actuarial gains and losses.

b) Employee Stock Option Scheme (ESOS)

Aggregate of quantum of options granted under the schemes in monetary term net of consideration of issue, to be paid in cash, are shown in the Balance Sheet as Employees Stock Option outstanding under Reserves & Surplus and as Deferred Employees Compensation (ESOS) under Miscellaneous Expenditure as per guide-lines of SEBI in this respect. With the exercise of options and consequent issue of equity shares corresponding ESOS outstanding is transferred to Securities Premium Account.

In case of foreign subsidiaries the fair value of options granted under the Incentive Share Plan is recognised as an employee benefit expense with a corresponding increase in equity. The fair value is measured at grant date and recognized during the period in which the shares issue. Fair value is determined using an option pricing model relevant to the limited recourse nature of the shares.

xiv) Indirect Taxes

Customs duty on imported raw materials is accounted for on the clearance of goods from the Customs Authorities.

xv) Miscellaneous Expenditures

Miscellaneous expenditure, stated at cost, is amortized over period of time as under:

- (i) Preliminary & Share Issue Expenses- 10 years
- (ii) Deferred Revenue Expenses- 5 years

Schedules to the Consolidated Accounts (Contd.)

SCHEDULE - 18 : SIGNIFICANT ACCOUNTING POLICIES & NOTES ON CONSOLIDATED ACCOUNTS

(iii) Amalgamation Expenses- 5 years

(iv) Deferred Employees Compensation under ESOS- Amortised on straight line basis over vesting period.

The restoration liability calculated as discounted present value in relation to restoration guarantee at the end of the lease is correspondingly represented by a Miscellaneous Expenditures as Deferred restoration Guarantee.

The deferred restoration guarantee, after deducting the change in liability, is amortised on a straight line basis over the life of the mine lease. Amortisation is done on straight line basis over the life of the mining lease.

xvi) Impairment of Assets

The Company assesses at each Balance Sheet date whether there is any indication of an asset being impaired. An asset is treated as impaired when the carrying cost of assets exceeds its recoverable value, in which case the impairment loss is charged to the Profit and Loss Account of the year. The impairment loss recognised in prior accounting periods is reversed if there has been a change in the estimate of recoverable amount.

xvii) Research and development

Revenue expenditure on research and development is expensed as incurred. Capital expenditures incurred on research and development having alternate uses are capitalised as fixed assets and depreciated in accordance with the depreciation policy of the Company.

xix) Prior Period Adjustments, Extra-ordinary Items and Changes in Accounting Policies

Prior period adjustments, extraordinary items and changes in accounting policies having material impact on the financial affairs of the Company are disclosed.

xx) Minority Interest

Minority Interest as shown in the consolidated balance sheet comprises of share in equity and reserves and surplus/losses of the subsidiaries.

xxi) Segment Reporting

a) Identification of Segments :

The Group's Operating Businesses are organized and managed separately according to the nature of products and services provided, with each segment representing a strategic business unit that offers different products and serves different markets.

b) Allocation of Common Costs :

Common allocable costs are allocated to each segment according to sales of each segment to total sales of the Group.

B. NOTES FORMING PART OF THE CONSOLIDATED ACCOUNTS

1. Of the equity shares of Rs. 10/- each comprised in the subscribed & paid up capital of the Group:-

4,98,15,134 (Previous Year NIL) equity shares were allotted as fully paid up shares pursuant to exercise of options by bond holders of 1% Foreign Currency Convertible Bonds (FCCB) of USD 55 Million.

2,67,96,000 (Previous Year NIL) equity shares were allotted as fully paid up shares pursuant to exercise of options by bond holders of Zero Coupon Foreign Currency Convertible Bonds (FCCB) of USD 60 Million .

1,65,00,000 (Previous Year 20,00,000) equity shares were allotted as fully paid up shares pursuant to exercise of options by holders of share warrants.

2. Contingent liabilities not provided for in respect of:

For Parent Company (Gujarat NRE Coke Ltd.) : Letter of Credits outstanding for purchase of raw materials pending shipments as on the Balance Sheet date aggregating to Rs. 66.17 crores (Previous Year Rs. 47.34 crores)

Outstanding Bank Guarantees and Counter/Corporate Guarantees given on behalf of subsidiary companies as on Balance Sheet date aggregating to Rs. 1197.64 crores (Previous Year Rs. 96.67 crores)

Capital commitments (net of advances) as on Balance Sheet date - Rs. 293.03 crores (Previous Year - Rs. 9.96 crores)

On Balance Sheet date, the disputed dues involved in three income-tax demands under appeal - Rs. 3.56 crores (Previous Year - Rs. 5.22 crores). The management is of view that the outcome of the appeal would be favourable to the company, hence no provision has been made against these income-tax demands.

Duty on account of Advance Authorisation against Export obligation is Rs. 0.17 crores. (Previous Year - 0.85 crores.)

Bills discounted under letter of credit with banks aggregating to Rs. 12.78 crores (Previous Year Rs. NIL).

Schedules to the Consolidated Accounts (Contd.)

SCHEDULE - 18 : SIGNIFICANT ACCOUNTING POLICIES & NOTES ON CONSOLIDATED ACCOUNTS

For Subsidiaries :

a) Bharat NRE Coke Ltd. :

Bills discounted under letter of credit with banks aggregating to Rs. 13.17 crores (Previous Year NIL).
Capital commitments (net of advances) as on Balance Sheet date - Rs. 4.86 crores (Previous Year - NIL).

b) Gujarat NRE Minerals Ltd :

Outstanding Bank Guarantees provided by bank aggregating Rs.5.54 Crores (Previous Year Rs. 5.61 Crores).
Mine Acquisition Liability under appeal Rs. 66.79 Crores (Previous Year Rs.66.79 Crores)
Coal Royalty Assessment Liability under appeal NIL (Previous Year Rs.4.06 Crores).

2A. Stock Option Schemes

- In case of Indian companies the grant of option to the employees under the stock Option Schemes is on the basis of their performance and other eligibility criteria .The options are vested over a period, subject to the discretion of the Management and fulfillment of certain conditions.
- In case of foreign subsidiaries the fair value of options granted under the Incentive Share Plan is recognised as an employee benefit expense with a corresponding increase in equity. The fair value is measured at grant date and recognized during the period in which the shares issue. Fair value is determined using an option pricing model relevant to the limited recourse nature of the shares.
- Movement in Options granted in the year 2007-08 is given below

		31st March 2008	
		No. of Options	
		Gujarat NRE Coke Limited	Gujarat NRE Minerals Limited
1	a) Outstanding at the beginning of the year	11,15,000	918,200
	b) Granted during the year	2,815,000	10,754,600
	c) Forfeited during the year	1,38,000	Nil
	d) Exercised during the year	Nil	378,000
	e) Expired during the year	Nil	686,000
2	Outstanding at the end of the year	37,92,000	10,608,800
3	Exercisable at the end of the year	Nil	Nil

3. Segment Information :

The Group has three reportable segments i.e. "Coke", "Steel" & "Mining" as primary business segments. (Rs. in Crores)

Segment	Revenue (Excluding Inter-Segment Revenue)	Profit/(Loss) Before Tax & Interest	Capital Employed*
a) Coke	584.00 (386.56)	227.92 (82.60)	1133.81 (416.34)
b) Steel	237.80 (124.41)	17.33 (4.69)	328.78 (218.99)
c) Mining	182.31 (2.88)	(10.61) (-4.63)	548.94 (317.74)
d) Others Unallocated	6.60 (19.21)	0.07 (5.14)	321.23 (341.43)
Total	1010.71 (533.06)	234.71 (87.80)	2332.76 (1294.50)

* Represents Total Assets net of Current Liabilities and Miscellaneous Expenditures

4. Related Party Disclosures as required by Accounting Standard (AS-18) issued by the Institute of Chartered Accountants of India (ICAI), are given below:

A. Particulars of the Related Parties:

Subsidiary Companies

- Bharat NRE Coke Ltd.
- Hunter Valley Coal (P) Ltd.
- Manor Dealcom (P) Ltd.
- Gujarat NRE Ltd. (formerly Gujarat NRE Pty Ltd.)
- Gujarat NRE Coal (NSW) Pty Ltd.
- Gujarat NRE FCGL Pty Ltd.
- Wonga Coal Pty Ltd.
- Gujarat NRE Minerals Ltd. (formerly India NRE Minerals Ltd)

Schedules to the Consolidated Accounts (Contd.)

SCHEDULE - 18 : SIGNIFICANT ACCOUNTING POLICIES & NOTES ON CONSOLIDATED ACCOUNTS

9. Gujarat NRE Resources NL.
10. South Bulli Holdings Pty Ltd.
11. Southvest Pty Ltd.

Associates

1. Critical Mass Multilink Pvt. Ltd.
2. Bulli Coke Pvt. Ltd.
3. Madhur Coal Mining Pvt. Ltd.
4. Mangal Crystal Coke Pvt. Ltd.
5. Gujarat NRE Energy Resources Ltd.
6. NRE Mining Pty Ltd.

Enterprises in which key management personnel have significant Influence

1. Bellambi Coke Pvt. Ltd.
2. Brinda Dealings Pvt. Ltd.
3. FCGL Investments Ltd.
4. Gouriputra Consultants Pvt. Ltd.
5. Gourav Vinimay Pvt. Ltd.
6. Gujarat NRE Mineral Resources Ltd.
7. India Finvest Ltd.
8. Jharia Coke Pvt. Ltd.
9. Maa Kali Metcoke Industries Pvt. Ltd.
10. Malgudi Investment Ltd.
11. Mangaldeep Tradelink Pvt. Ltd.
12. Marley Foods Pvt. Ltd.
13. Matangi Traders & Investors Pvt. Ltd.
14. Newage Vinimay Pvt. Ltd.
15. Prince Dealcom Pvt. Ltd.
16. Shree Salasar Coke (Gujarat) Pvt. Ltd.
17. Steelrx Corporation Pvt. Ltd.
18. Vartika Traders Pvt. Ltd.
19. Gujarat NRE Oil Pty Ltd.

Key Management Personnel

1. Mr. A. K. Jagatramka - Vice-Chairman & Managing Director
2. Mrs. Mona Jagatramka - Director
3. Mr. R. P. Jain - Executive Director
4. Mr. P. R. Kannan - Chief Financial Officer
5. Dr. Christopher Royce Harvey - Director
6. Dr. Andrew Firek - Director

Enterprise in which key management person is a trustee

1. Girdharilal Arun Kumar Family Trust
2. Arun kumar Family Trust
3. GLJ Family Trust
4. Karmayogi Basantlal Charity Trust
5. Girdharilal Arun Kr. Jagatramka Foundation

Schedules to the Consolidated Accounts (Contd.)

SCHEDULE - 18 : SIGNIFICANT ACCOUNTING POLICIES & NOTES ON CONSOLIDATED ACCOUNTS

B. Transaction with Related Parties

Particulars of Transactions	(Rs. in Crores)	
	Current Year	Previous Year
(i) Sale/(Sales Return) of Goods/Services		
- Enterprises in which key management person has significant influence	39.35	(51.74)
(ii) Remuneration		
- Key Management persons	4.25	1.08
(iii) Receiving of Services		
- Enterprises in which key management person has significant influence	—	0.04
(iv) Purchase of Fixed Assets		
- Associates	—	0.02
- Enterprises in which key management person has significant influence	0.13	—
(v) Share Application Received		
- Enterprises in which key management person has significant influence	—	13.50
(vi) Shares Alloted		
- Enterprises in which key management person has significant influence	60.00	15.00
(vii) Share Warrant Deposit Received		
- Enterprises in which key management person has significant influence	42.00	—
Forfeited		
- Enterprises in which key management person has significant influence	—	10.10
(viii) Rent Paid		
- Enterprises in which key management person is a trustee	0.24	0.24
(ix) Security Deposit Given		
- Enterprises in which key management person is a trustee	9.00	9.35
(x) Guarantees/Collateral Securities Outstanding as at the year end		
- Given on behalf of Subsidiaries	69.05	30.37
- Given on behalf of Sub-Subsidiaries	1128.22	66.30
- Given by Key Management Personnel on behalf of the Company	871.84	523.27
- Given by Enterprises in which key management person has significant influence	428.20	413.20

C. The Company has the following amounts due from/ to related parties:

	Current Year		Previous Year	
	Outstanding Balance	Maximum balance during the year	Outstanding Balance	Maximum balance during the year
	Rs / Crores	Rs / Crores	Rs / Crores	Rs / Crores
Due from Related Parties (included in loans & advances and sundry debtors)				
Enterprises in which key managerial persons has significant influence				
- included in Sundry Debtors	54.58	54.58	—	—
- included in Loans & Advances	—	—	0.50	0.50

5. Foreign Currency Convertible Bonds (FCCB)

- (a) The Company issued 2,200, 1% Unsecured Foreign Currency Convertible Bonds (FCCB) of US\$ 25,000 each aggregating to US\$ 55 Million at par on 14th March, 2005. These bonds are convertible into equity shares of the Company at the option of bondholders at a price of Rs. 48.04 per share, if not converted then they are Redeemable on 14th March, 2010 at 127.25% of the face value. As on 31.03.08, 2,191 Bonds has been converted into 49,815,134 equity shares.
- (b) The Company issued 600, Zero Coupon Unsecured Foreign Currency Convertible Bonds (FCCB) of US\$ 100,000 each aggregating US\$ 60 Million at par on 11th April, 2006. These bonds are convertible into equity shares of the Company at the option of bondholders at a price of Rs. 62.50 per share, If not converted then they are redeemable on 12th April, 2011 at 139.36% of the face value. As on 31.03.08, 375 Bonds has been converted into 26,796,000 equity shares.
- (c) Out of the above FCCBs of Rs. 267.96 crores, a sum of Rs. 5.74 crores remained unutilized at Balance Sheet date.

Schedules to the Consolidated Accounts (Contd.)

SCHEDULE - 17: SIGNIFICANT ACCOUNTING POLICIES & NOTES ON ACCOUNTS

6. Secured Non-Convertible Debentures:

Debentures are redeemable at par in 20 equal Quarterly installments commencing from 27th February 2009.

7. The Earnings Per Share as per Accounting Standard (AS)- 20 are as under:

Particulars	At 31.03.2008 Basic & Diluted EPS	At 31.03.2007 Basic & Diluted EPS
Earnings		
Net Profit for the year (Rs. / Crores)	169.25	49.22
Add: Interest on FCCB (Rs. / Crores)	0.42	1.62
Earnings for Diluted EPS (Rs. / Crores)	169.67	50.84
Shares		
Total number of equity shares outstanding at the end of the year	337,017,176	243,906,042
Weighted average number of shares outstanding during the year (for Basic EPS)	291,610,148	176,096,168
Weighted average number of shares outstanding during the year (for Diluted EPS)	343,848,374	241,230,943
Earning per share :		
– Basic (Rs.)	5.80	2.79
– Diluted (Rs.)	4.93	2.10

8. Impairments of Assets

- a) The indicators of impairment listed in paragraph 8 to 10 of Accounting Standard (AS)- 28 "Impairment of assets" issued by ICAI have been examined by the management and on such examination, it has been found that none of the indicators are present in the case of the Company's assets. A formal estimate of the recoverable amount has not been made, as there is no indication of a potential impairment loss.
- b) In the opinion of Board of Directors and to the best of their knowledge and belief, the value on realization of Current Assets, Loans and advances in the ordinary course of business will not be less than the amount at which they are stated in the Balance Sheet.

9. Figures pertaining to the Subsidiary Companies have been reclassified wherever necessary to bring them in line with the Parent Company's Financial Statements.

10. Previous year figures have been regrouped / rearranged wherever considered necessary.

Consolidated Cash Flow Statement For the year ended 31st March, 2008

(Rs.in Crores)

	For the Year ended 31.03.2008	For the Year ended 31.03.2007
A. CASH FLOW FROM OPERATIVE ACTIVITIES		
Net Profit Before Tax & Extraordinary Items	187.08	61.25
Adjustments for:		
Depreciation / Other non cash items	53.75	33.68
Net Other Income	(59.67)	(10.47)
Net Loss on Sale / Discard of Fixed Assets	0.07	0.55
Employee Stock Option Compensation Amortised	0.12	-
Interest Paid	47.64	27.29
Interest Received	(9.23)	(7.71)
Loss on Investment(Net)	0.01	0.40
Operating Profit before working Capital Changes	219.77	104.99
Adjustments for:		
Trade & Other Receivables	(67.56)	(130.52)
Inventories	(49.62)	(51.01)
Trade Payables	182.77	37.91
Cash Generated from Operations	285.36	(38.63)
Direct Taxes Paid / Refunds	(38.34)	(11.31)
Cash Generated From Operating Activities	247.02	(49.94)
B CASH FLOW FROM INVESTING ACTIVITIES		
Addition to Fixed Assets	(1,561.68)	(127.15)
Sale of Fixed Assets	620.54	16.94
Addition to Investments	(193.78)	(403.99)
Sale of Investments	126.52	375.53
Interest Received	9.23	7.71
Dividend / Misc Income	31.60	10.47
Net Cash Used In Investing Activities	(967.57)	(120.49)
C CASH FLOW FROM FINANCING ACTIVITIES		
Net Proceeds to Share Capital / Reserves	646.71	39.02
Deposit Against Share Warrant	33.75	-
Proceed from Foreign Currency Convertible Bond	-	267.96
Increase in Long / Short term borrowing	438.53	19.23
Interest Paid	(47.19)	(26.69)
Dividend / Dividend Tax Paid	(50.10)	(7.41)
Unsecured Loans	0.07	0.72
Payment for Increase in Authorised Capital	-	(0.74)
FCCB issue related expenses	-	(10.25)
Miscellaneous Expenditure	(136.51)	(91.76)
Net Cash Generated From Financing Activities	885.26	190.08
Net Increase / (decrease) In Cash & Cash Equivalents	164.71	19.65
Cash & Cash Equivalents (opening Balance)	75.36	55.71
Cash & Cash Equivalents Received On Amalgamation	-	-
Cash & Cash Equivalents (closing Balance)	240.07	75.36

In terms of our report of even date

For **N. C. BANERJEE & CO.**
Chartered Accountants


B. Basu
Partner
Membership No. 12748
Place : Kolkata
Dated : 18th July, 2008.



G L Jagatramka
Chairman



A K Jagatramka
Vice Chairman &
Managing Director



P R Kannan
Chief Financial
Officer

For and on behalf of the Board



Manoj K Shah
Company Secretary