

## Managing Director's Statement



10 minutes with the MD

### "We expect to fetch the valuations of an integrated coke cum mining company once our Australian mines commence full-scale operations"

*Mr. Arun Kumar Jagatramka, Vice Chairman and Managing Director, reviews the performance of the company during 2006-07 and looks into the future with optimism.*

**Q. Were you satisfied with the performance of the company in 2006-07?**

A. I was satisfied because in a number of ways, the year under review was a microcosm of our business and our operating model: cyclical business, profitable company. During a difficult 2006-07 when coke prices declined from US\$ 200 to US\$ 120 a tonne, most coke manufacturers the world over reported cash losses and some struggled to even cover their interest outflow. It is in this context that the performance of Gujarat NRE Coke needs to be appraised. The company reported a net loss for the first two quarters of the financial year under review; this was followed by a vigorous turnaround reflected in a cash profit of Rs 59.23 crores and a profit after tax of Rs 49.91 crores in the fourth quarter. So while the decline in our performance was not as sharp during the coke price drop, the improvement was sharper than that of most peer companies when coke rallied. This emphasizes the point that even in a cyclical business, Gujarat NRE Coke is positioned as a relatively non-cyclical; it is this positioning that will enable the company to grow profitably and sustainably over the coming years.

**Q. There is a perception that the business of coke is entirely cyclical. So how do you explain this 'relative non-cyclicity'?**

A. The business is indeed cyclical but there is a qualification: it is so largely from a price perspective. For instance, the global consumption of coke has steadily increased every single year over the last decade. Correspondingly, the sales of Gujarat NRE Coke have increased every single year since its existence, which emphasises the point that the business is not as cyclical as it is made out to be.

Now the other aspect of the cyclicity: sharp price swings, which have been an industry feature for the last number of years. These have been influenced by regulatory and trade action in China, the largest player in the international market accounting for 70% of the world trade. Each time China has initiated some action in the business of coke, prices have swung and thereafter come to reside at a certain level. Incidentally, each time the resting point has been higher than the previous resting point. If you see coke from a long-term perspective, I would say that the terminal points indicate a

bullish trend while the intermediate trends indicate price volatility. So the business is clearly optimistic from a macro perspective even as micro trends reflect divergent intermittent realities from time to time.

**Q. How would you explain this with reference to the last quarter of 2006-07?**

A. We were faced with a unique situation in the fourth quarter of the fiscal under review. Despite a strong growth in steel industry and demand for coking coal remaining buoyant, coking coal contract prices were lower by 20-25% year on year perhaps due to a highly depressed met coke market during the major part of the previous year. At the same time, to feed the growing demand arising out of almost 450 million tonnes of installed steel-making capacity, China introduced a number of policy measures that would eventually lead to reduction in the export of coke over the next few years. Such is the psychological impact of these measures given the Chinese dominance of the sector, even there being no physical reduction in export volumes, global coke prices surged (as opposed to the perception that both coking coal and coke prices would mirror each other). The resultant spread translated into a strong bottomline for coke manufacturers.

**Q. How did Gujarat NRE make the most of this industry environment?**

A. It is important to note that we did not just play the price swing. Over the years, we proactively embarked on a number of corporate, financial and engineering initiatives to enhance production and productivity. When we invested in production capacities in the bad years, we did so at the lowest asset cost; and we implemented these capacities in progressively shorter commissioning tenures. The result is that today we have emerged as one of the fastest growing coke manufacturers on the one hand and one of the lowest cost producers on the other - a potent combination.

This is the reason why it would be an error to dismiss us as just another price player. Consider our technical edge: we demonstrated our foresight in investing in the progressive non-recovery technology for coke manufacture, which accounts for a mere 7% of the aggregate coke manufacturing capacity in the

world. This technology makes it possible for us to commission capacity at a lower capital cost, use a wider raw material basket and generate a high environmental compliance. We reinforced this technological edge ahead when we commissioned the hydraulic stamp-charging technology, which not only delivered environment advantages but was designed, erected and commissioned by our in-house engineering team.

**Q. What are the benefits accrued out of mine acquisitions in Australia and New Zealand?**

A. At Gujarat NRE Coke, we are the only Indian company to have acquired mines in Australia. This has enabled us to have direct control over the essential raw material required for making coke, thereby strengthening our competitive edge.

The various mines acquired by the company comprise NRE No. 1 Colliery, NRE Avondale and strategic stakes in other resource-based companies in Australia. The mines have a proven longwall history, which implies efficient production at low mining costs. We expect to enhance aggregate production from the current annualised level of 1 million tonnes per annum to nearly 6 million tonnes by 2012, thereby completely insulating ourselves from externally purchased coking coal. Cumulatively, these mines hold resources of more than 500 million tonnes ensuring assured access to the required coking coal for a very long time to come.

Significantly, these mines will allow us to blend different varieties of coking coal to manufacture numerous grades of coke to cater to different user requirements, enhancing our customer portfolio. Besides, blending different coking coal varieties will enable us arrive at consistent coke quality, optimise the raw material mix and save on costs to enrich profitability.

**Q. What are the key trends shaping up the commodities market?**

A. Commodities are being increasingly recognized as a new asset class. This follows the global commodity boom witnessed in the 2000s, largely driven by a revival in the world economy, voracious demand fuelled by a fast-expanding Chinese economy, favourable freight rates and rising upstream investments in mining and other

exploration activities. Interestingly, two important developments will shape the market of the future as far as coking coal and coke are concerned. One, growing infrastructure bottlenecks leading to coking coal supply constraints from Australia and two, a growing demand for coke on account of a surge in steel production from China and other Asian economies. As such, while the prices of coking coal are expected to increase to some extent, the prices of coke will assume relatively stronger growth, thereby helping us enhance our spreads and profitability.

**Q. How does the company expect to enhance shareholder value in the coming years?**

A. We are now in the process of setting up the waste heat recovery based power plants at all our coke facilities which would add revenue out of waste heat.

- > We expect to increase the throughput coming out of our mines in Australia.
- > We expect to expand our coke manufacturing capacity in India - through our second plant at Dharwad, Karnataka, by 2008.
- > We expect to commission the additional capacity at a low capital cost per tonne.
- > Concurrently, we intend to undertake a number of asset engineering and modernisation initiatives to enhance the life of our coke ovens.
- > We expect to increase our stamp-charging capacity to meet the incremental demand for coke in India.

Going ahead, coal mines at one end and coke capacity at the other - will strengthen our value chain, insulate us from adverse price swings and transform our image from a coke manufacturer into an integrated coking coal mining company. As a result, we expect to obtain the valuation of a mining company - higher than those of a mere converter - once our mines are fully commercialised by 2012. We expect that the combination of the three factors - increased scale, widened margins and enhanced valuation - will grow the value of the shares of our owners over the coming years.

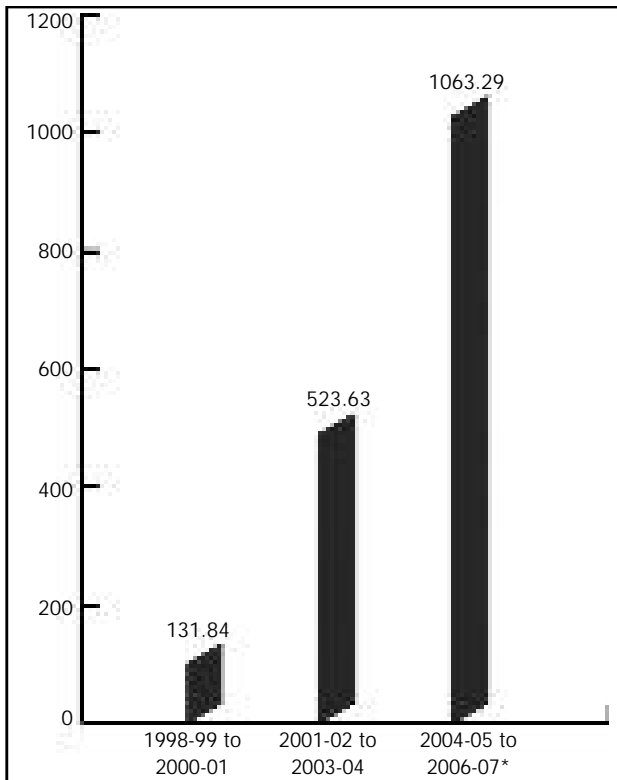
**Q. What industry perspective gives you the biggest optimism?**

A. Let me articulate a couple of simple theories:

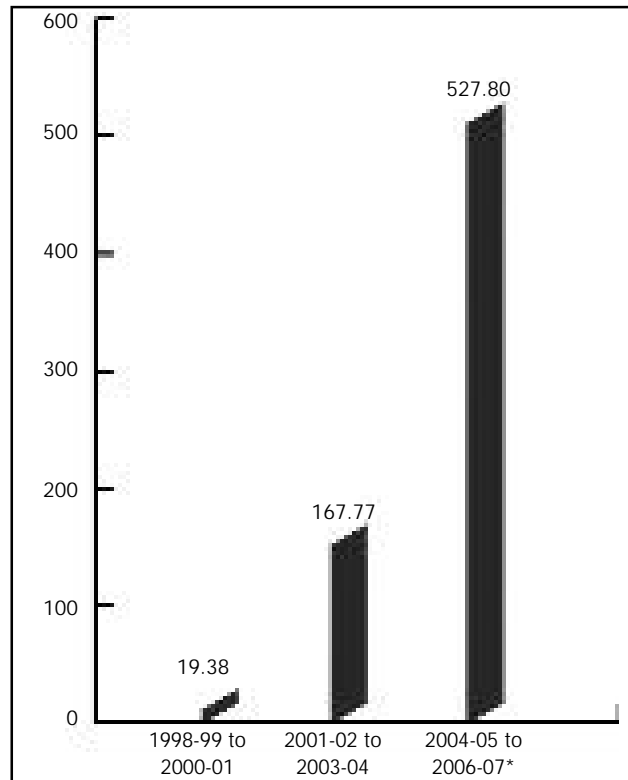
- > It took China 47 years to commission its first 100 million tonnes of steel capacity; it took the country five years to add the next 100 million tonnes; the subsequent 100 million tonnes were added in a mere two years. This is what I believe will also happen in India. As the country grows bigger, steel consumption will accelerate. So the more India produces steel, the more it will need the metal!
- > Historically, the demand for steel and steel products in India grows at 1.2 times GDP growth. By the end of the Eleventh Plan, the Government of India expects the GDP to grow at around 10%; steel demand should grow at around 12% per annum. This indicates that the 2020 target of 100 million tonnes by the Government is conservative and easily achievable.
- > Since domestic coking coal production is expected to decline in India, Gujarat NRE will fulfill an increasingly meaningful role in ensuring national security through the effective procurement of this critical resource.

## How we have grown over the years

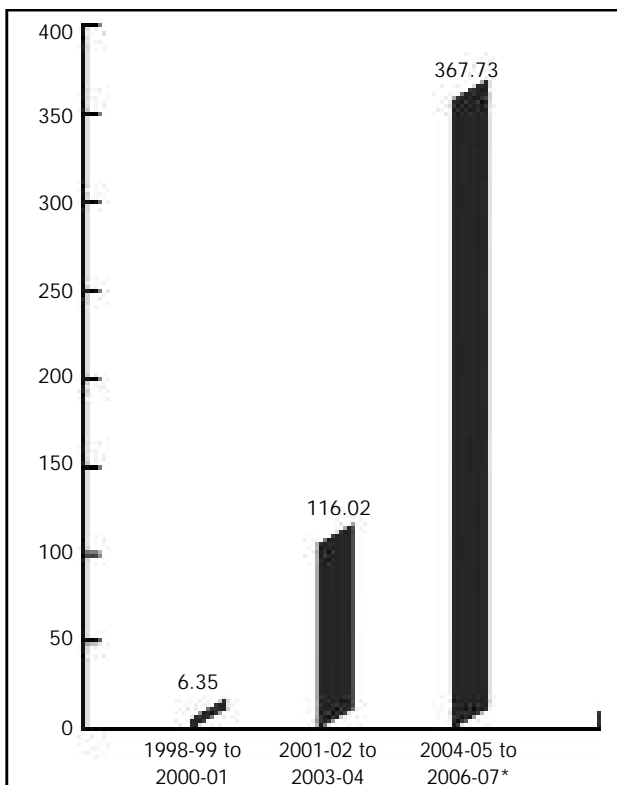
Gujarat NRE's attractive growth is reflected in blocks of years as opposed to the conventional practice of annual appraisals.



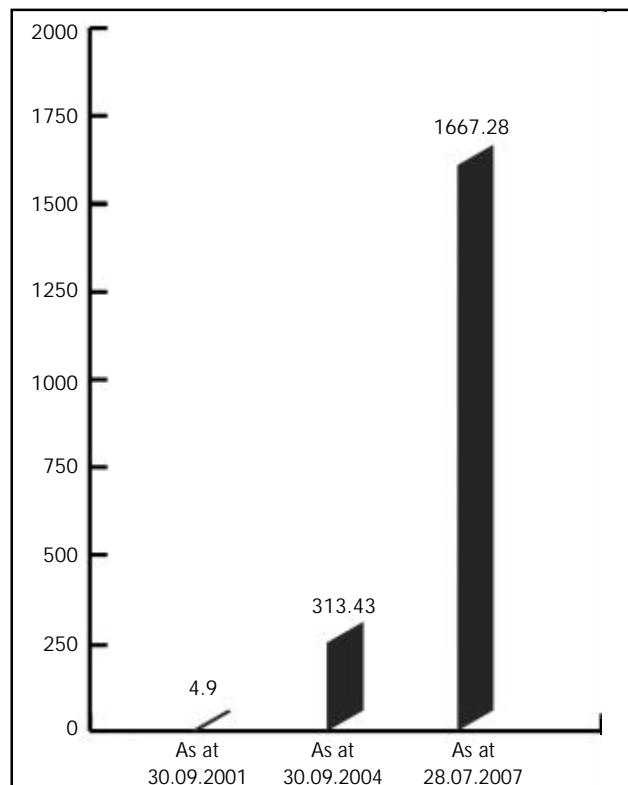
Turnover - Net of excise (Rs. cr)



Operating profit (Rs. cr)



Post-tax profit (Rs. cr)



Market capitalisation (Rs. cr)

\* This consists of 30 months period

## Directors' Report

To  
The Members,

Your Directors are pleased to present the twentieth Annual Report and the audited financial results of the Company for the financial year ended on March 31, 2007.

### Financial results/highlights

The financial year under review of your Company comprised 12 months, starting from April 1, 2006 and ending on March 31, 2007 whereas the previous financial period was for 18 months starting from October 1, 2004 and ending on March 31, 2006. In view of this, the figures for the year under review are not entirely comparable with those of the previous accounting period.

	Rs. in crores	
	2006-07 (12 months)	2004-06 (18 months)
Income from operations	119.02	408.78
Less : Interest	23.58	12.81
	95.44	395.97
Less : Depreciation	20.68	9.68
Net profit during the year	74.76	386.29
Less : Provision for current tax/ deferred tax/fringe benefit tax	19.03	74.29
Profit after tax	55.73	312.00
Add : Balance brought forward	123.91	25.68
Amount available for appropriation	179.64	337.68
Less : Appropriations transferred to general reserve	50.00	150.00
Interim dividend	-	38.97
Proposed dividend on equity shares	38.76	6.00
Corporate tax on dividend	6.59	6.30
Debenture redemption reserve	(12.50)	12.50
Balance carried to balance sheet	96.79	123.91

### Review of operations

The year under review was an extremely challenging one as for the major part of the year global coke prices were subdued, pressurising margins. However, with China, the largest supplier, imposing an export tax on coke by the last quarter of the year under review, realisations started to rebound.

The Company reported net sales of Rs. 513.32 crore in the 12 month ended March 31, 2007 as against Rs. 549.97 crore during the 18-month period ending on March 31, 2006, representing an annualised increase of around 40%. During the same period the Company reported a net profit of Rs. 55.73 crores (previous period Rs.312.00 crores). The decline in profit during the last financial year is attributed to subdued coke prices for the major portion of the year.

### Dividend

While the operating results of the year under review were subdued, the future is bright and in view of this, strongly believe that our shareholders need to be appropriately rewarded. Accordingly, your directors are pleased to recommend a dividend of Rs 1.50 per share for year ended March 31, 2007, translating into a robust 80% payout. Accordingly, the Company appropriated an amount of Rs.45.35 crore towards proposed dividend and tax thereon, as against Rs. 51.27 crore for previous 18-month period ending on March 31, 2006.

### Bonus issue and issue of capital

During the year under review, your Company allotted 12,19,53,021 bonus shares - at the rate of one share for every one share held. This is the fourth bonus issue in four successive years.

Your Company also issued 2,06,84,205 shares in June 2006 as per the last merger scheme approved by you, apart from 20,00,000 shares issued in September 2006 and 1,40,00,000 shares issued in May 2007 following the conversion of warrants.

Some 71,61,920 shares have also been issued by the company following the balance sheet date following the conversion of bonds issued under the FCCB raised during March 2005.

### FCCB issue

The issue of unsecured 1% foreign currency convertible bonds (FCCBs), due in 2010 amounting to US\$ 55 million made in March 2005, was followed up in April 2006 by a zero coupon unsecured FCCBs, due in 2011, amounting to US\$ 60 million. The proceeds of these issues were deployed in various expansion programmes in India and overseas. Out of the aforesaid bonds, 1% foreign currency convertible bonds, (due in 2010) aggregating to US\$ 7,875,000 were converted into 71,61,920 equity shares post balance sheet date.

### Listing

The equity shares of your Company are listed on the National Stock Exchange of India Limited (NSE), Bombay Stock Exchange Limited (BSE) and The Calcutta Stock Exchange Association Limited (CSE). The FCCBs of the Company are listed on the Luxembourg Stock Exchange (LuxSE). The Company applied for the delisting of its shares from The Calcutta Stock Exchange Association Ltd. pursuant to a resolution passed by the members through a postal ballot as per results declared on April 16, 2007.

### Expansion

Your Company's aggressive growth in the last few years was derived through a robust five-year expansion programme which more than five-folded the company's coke making capacity from 1.30 lakh MTPA in 2001-02 to 6.82 lakh MTPA in 2006-07. With the additional capacity of 3.24 lakh MTPA created at Dharwad, in the subsidiary, Bharat NRE Coke Limited (BNCL), the Company now controls around 1 million tonne of coke capacity. With the Indian economy now expected to report a sustainable annual growth beyond 8%, the demand for coke from its core industries - steel and cement - is expected to increase sharply, creating a wide foreseeable gap between supply and demand.

In view of this, your Company embarked on a subsequent round of capacity creation through the lease of adequate land and obtaining statutory approvals for a greenfield coke plant in Dharwad (Karnataka) with an annual installed capacity of 0.248 million MTPA. Commercial production at this facility is expected to begin in early 2008 in a phased manner.

In view of the rising coke demand, your Company estimated a growing resource crunch. To ensure a regular supply of quality coking coal, your Company had implemented a well-timed backward integration plan during 2004 through the acquisition of two coal mines in Australia (NRE No. 1 and NRE Avondale Colliery) with estimated resources of

over 300 million tonnes and 200 million tonnes respectively.

To facilitate the smooth import and exports of coal and coke respectively, your Company obtained necessary permissions from the relevant authorities to set up a captive jetty in Belekari, Karnataka, near the Dharwad plant.

To further strengthen its logistics your Company entered into a strategic agreement to acquire on time four charter vessels, each with a capacity of 60,000 DWT. Concurrently, it will protect the Company against the fluctuations in the freight rates.

Your company is also in the process of commissioning two captive 15-MW power plant for generating power from waste heat, emanating from the coke plants situated in Bhachau and Dharwad (BNCL)

#### **Subsidiaries**

A 100% wholly owned subsidiary Gujarat NRE Pty Ltd, GNPL (formerly known as Bulli Resources Pty Ltd.) was floated in Australia in August 2006 to control the overseas resources operations. GNPL controls your company's coal resources assets through step down subsidiaries Gujarat NRE Resources NL, Gujarat NRE FCGL Pty Ltd., Gujarat NRE Coal Pty Ltd., Wonga Coal Pty Ltd. and India NRE Minerals Ltd. (formerly known as Gujarat NRE Australia Pty Ltd).

The Australian subsidiary India NRE Minerals Ltd. was listed on Australian Securities Exchange on July 10, 2007 after a successful IPO under which AUD 21.84 million was raised and for issue of 43,678,500 ordinary shares.

Bharat NRE Coke Limited (BNCL), an Indian subsidiary, posted a turnover of Rs.64.43 crore and a profit after tax of Rs.1.10 crore in the second year of its operations. The company is setting up a railway siding in Dharwad to ensure faster and economical movement of goods to plant. The company is also setting up a captive power plant based on waste heat generated from its coke ovens.

Manor Dealcom Pvt. Ltd. and Huntervalley Coal Pvt. Ltd. became the wholly owned subsidiaries of the Company during the year under review. Both these companies were incorporated during February / March 2007. The first financial closure of these companies would be for the period ending March 31, 2008 and as such their annual accounts are not annexed hereto and neither the same could be considered in preparation of the consolidated accounts.

The Central Government granted an exemption to your Company under Section 212(8) of the Companies Act, 1956 from attaching copies of the Balance Sheet, Profit and Loss Account, Report of the Board of Directors and the Report of the Auditors of all the subsidiary companies. Accordingly, the same have not been annexed hereto. The annual accounts of the subsidiary companies and the related detailed information will be made available to the Company's and its 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. Further, the Consolidated Financial Statements, prepared by the Company in accordance with the Accounting Standard 21, which forms a part of the annual report, have taken into account the financial information of its subsidiaries.

#### **Recognitions**

Your Company is accredited with the ISO 9001:2000 certification for its coke production facilities at Khambhalia.

As per a Businessworld survey report, dated July 16, 2007, your Company was ranked as the third best performing mid-sized company for its performance (based on five parameters over the preceding three years).

#### **Compliance**

The Company did not default in the payment of interest and/or repayment of loans to any of the financial institutions and /or banks during the period under review.

#### **Corporate governance**

Your Company took adequate steps to ensure that all mandatory provisions of corporate governance, as provided under the amended Clause 49 of the Listing Agreement with the stock exchanges, where the Company's shares were listed, were complied with.

A separate report on corporate governance along with the Auditors' Certificate for its due compliance and Management Discussion and Analysis are annexed hereto and form a part of this annual report.

#### **Employee Stock Option Scheme**

Human resource 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 Committee at its meeting held on January 20, 2007, issued grants to employees under the Employees Stock Option Scheme, 2005. As required by Clause 12 of SEBI's (Employee Stock Option Scheme and Employee Stock Purchase Scheme) Guidelines, 1999, the disclosures of stock options are given in Annexure to this report.

The Company has also offered 25,06,000 grants to eligible Employees/Directors in accordance with GNCL Employees Stock Option Scheme, 2007 as recommended by the Remuneration Committee and approved by the Board at its meeting held on 2nd June, 2007

#### **Directors**

Shri Arun Kumar Jagatramka was reappointed as Vice Chairman and Managing Director of the Company by the Board at its meeting held on March 18, 2007 upon the recommendation of the Remuneration/ Compensation Committee for a period of five years with effect from March 28, 2007.

Shri Girdhari Lal Jagatramka and Shri Subodh Kumar Agrawal, Directors of the Company retire by rotation at the forthcoming Annual General Meeting and being eligible, offer themselves for re-appointment.

Mrs. Mona Jagatramka was appointed as an Additional Director of the Company with effect from October 18, 2006. She shall hold office upto the ensuing Annual General Meeting. A notice has been received from a member of the Company under Section 257 of the Companies Act, 1956 proposing her appointment as Director.

#### **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:

- a) in the preparation of annual accounts for the financial year ended March 31, 2007, the applicable accounting standards were followed and that no material departures were made from the same;

- b) the Directors selected such accounting policies and practices and applied them consistently and made judgements and estimates that were 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 ending on that date;
- c) 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
- d) the Directors have prepared the annual accounts for the financial year ending March 31, 2007 on a 'going concern' basis.

**Auditors**

M/s. N. C. Banerjee and Co., Chartered Accountants, retire as Auditors of the Company at the ensuing Annual General Meeting and are eligible for re-appointment. As required under Section 224 of the Companies Act, 1956, the Company has obtained 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.

**Auditors' Report**

The Report of the Auditors read with the notes on the accounts, as annexed, is 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.

**Particulars of conservation of energy, technology absorption**

**and foreign exchange earnings and outgo**

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**

Your Directors place on record their appreciation for the significant contribution made by the employees, who through their competence, hard work, solidarity, cooperation and support, have enabled the Company to achieve new milestones on a continual basis.

**Acknowledgements**

Your Directors also acknowledge with sincere gratitude the cooperation and assistance extended by the customers, suppliers, bankers, financial institutions, investors, media, Government and their agencies, which translated into a sound performance.

For and on behalf of the Board



**Girdhari Lal Jagatramka**

Chairman

Place: Kolkata

Date : the 28th day of July, 2007

## 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:**

The Company has set up and operated 22 wind turbine generators - with capacities to generate 27.5 MW power, to supplement its power requirements at its coke and steel plant.

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

The Company is in the process of setting up a co-generation power plant from waste heat emanating from its coke plants at Bhachau and Dharwad (BNCL), each having 15 MW capacity, to enable the Company not only to save power costs but also to continue its eco-friendly policies.

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

More efficient utilisation of power and reduction in energy consumption.

**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 earnings and outgo**

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

The Company's exports during the year under review at Rs.30.20 crore is lower than Rs.115.39 crore achieved during the 18 months period ended March 31, 2006 on account of depressed prices in the global markets.

**b) Total foreign exchange used and earned:**

(Rs. in crore)

	Current Year	Previous Period
Total foreign exchange earning	37.21	119.92
Total foreign exchange outgo	234.45	341.23

## Annexure to Directors' Report

### Form - A

Disclosure of particulars with respect to conservation of energy for the year ended March 31, 2007.

#### A. Power and fuel consumption

	Current year (12 months)	Previous period (18 months)
<b>1 Electricity</b>		
<b>a) Purchased</b>		
- Units (in lacs)*	567.77	84.32
- Total amount (in crores)	10.54	3.72
- Rate (Rs. /unit)	1.86	4.41
<b>b) Own generation</b>		
Through diesel generator		
- Units (in lacs)	2.01	1.93
- Units per litre of diesel oil	3.90	3.43
- Cost (Rs. / unit)	10.28	9.51
<b>c) Coal</b>		
- Quantity (MT)	Nil	Nil
- Total cost (Rs.)	Nil	Nil
- Average rate (Rs. /MT)	Nil	Nil
<b>d) Furnace oil/HSD</b>		
- Quantity (MT)	1,628.08	141.81
- Total cost (Rs.)	2.85	0.03
- Average rate (Rs. /K. Ltr)	17,513.00	21,698.00

#### B. Consumption per unit of production

Electricity (Units / Mt)	126.63	14.63
Coal	Nil	Nil
Furnace oil/HSD	0.03	1.44

\* 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 was proposed to be carried out by the Company:

None

##### 2. Benefits derived:

Not applicable.

##### 3. Future plan of action:

The Company is also planning to set up a power plant by utilising 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 % 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 the previous five 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 the 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 March 31, 2007

Employed throughout the year and was in receipt of remuneration of not less than Rs. 24 lacs per annum

Name	Designation	Remuneration (Rs.)	Qualification and experience (years)	Age (years)	Date of commencement of employment	Last employer, designation
Shri A. K. Jagatramka	Managing Director	79,95,321	B.Com [Hons.], FCA (Gold Medalist) 24 years	45	28.03.1997	None

#### Notes:

- 1) Remuneration includes salary, commission, Company's contribution to provident fund, gratuity and monetary value of prerequisites.
- 2) The appointment is contractual. Other terms and conditions are as per the 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

Date : the 28th day of July, 2007

**Disclosure under the provisions of SEBI (Employee Stock Option Scheme and Employee Stock Purchase Scheme) Guidelines, 1999**

1. Options granted	- 11,15,000 options
2. The pricing formula	- Options have been granted at the closing market price of the ordinary shares of the Company on the NSE on the day immediately preceding the date of grant of options. i.e. Rs. 33.40 per share.
3. Options vested	- Nil Vesting would commence from January 20, 2010.
4. Options exercised	- Nil
5. The total number of shares arising as a result of exercise of options	- Not applicable
6. Options lapsed	- Not applicable
7. Variation of terms of options	- 1,38,000 options
8. Money realised by exercise of options	- Not applicable
9. Total number of options in force	- 9,77,000 options
10. Employee-wise details of options granted to	
i) Senior managerial personnel	- As per the list attached. The options granted to Directors have been given in Corporate Governance Report
ii) any other employee who receives a grant in any one year of option amounting to 5% or more of options granted during that year	- Nil
iii) identified employees who were granted options, during any one year, equal to or exceeding 1% of issued capital (excluding outstanding warrants and conversions) of the Company at the time of grant	- Nil
11. Diluted earnings per share (EPS) pursuant to the issue of shares on the exercise of options calculated in accordance with Accounting Standard (AS) 20	- Not applicable
12. 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 recognised if it had used the fair value of the options, shall be disclosed. The impact of this difference on profits and on EPS of the Company shall also be disclosed.	- Nil
13. 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
14. A description of the method and significant assumptions used during the year to estimate the fair value of options including the following weighted average information.	The fair value of options is estimated using the 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

**Employee-wise details of options granted to senior managerial personnel**

Name of the senior managerial personnel	No. of options granted
1. Mr. R. P. Jain	3,000
2. Mr. P. R. Kannan	3,000
3. Mr. P. K. Agrawal	3,000
4. Mr. D. R. Sabherwal	3,000
5. Mr. S. K. Jhunjhunwala	3,000
6. Mr. S. Balasaria	3,000
7. Mr. A. S. Rao	3,000
8. Mr A K Chaturvedi	3,000
9. Mr. B. N. Tiwari	3,000
10. Mr. J Rajaraman	3,000
11. Mr. P. Saxena	3,000
12. Mr. R. K. Arora	3,000



# Management Discussion and Analysis

## Industry structure and developments

### Global coke scenario

The strategic decision of the Company to focus on quality business has resulted in your Company becoming a significant player in the industry globally, inspite of dominance of China in the global coke market. China dominates the global coke market due to the fact that the country, besides being the largest steel producer and consumer, is also the largest producer, consumer and exporter of coke. India is expected to emerge as the second largest coke producer, next only to China over the next decade.

In North America, the shortage of coke is currently estimated at more than 7.5 million tonnes per annum, an estimate that is likely to increase due to further shutdowns of obsolete capacity. In the UK and France, the shortage is estimated at over 2 million tonnes per annum. Other European countries are also shutting down plants: Coke-manufacturing units are being increasingly relocated to Asia.

Coke production declined over the last decade because of decline in capacity. The latter was the result of environmental constraints and high costs of replacing ageing manufacturing facilities.

### Domestic coke scenario

Coke is manufactured by a number of producers in India, primarily for captive consumption. As a result, the Indian coke industry is dominated by integrated steel plants that possess captive coking facilities.

### Coke demand by all segments

Segments	(million tonnes)	
	2004-05	2006-07
Integrated steel plants	12.60	13.70
Secondary steel sector	4.66	7.54
Foundries	3.00	3.00
Others	2.00	2.00
<b>Total</b>	<b>22.26</b>	<b>26.24</b>

(Source: Company estimates)

India's growing demand is addressed through imports.

There is a shortage of coke capacity in India. In the long term, India is expected to remain dependent on imports. It is estimated that the total coke availability in India will be 21 million tonnes in 2007. The domestic demand for coke in the same period is expected at 26 million tonnes. The national shortage of coke is estimated at 5 million tonnes for the year 2007.

### Opportunities and 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 194 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 could be adversely affected. On the other hand, sustained good realization / profit margins may entice sharp increase of capacities leading to competition.

### Segment-wise performance

The Company has two segments comprising coke and steel.

Segment	Revenue (Rs. in cr)	Profit before interest and tax (Rs. in cr)	Capital employed (Rs. in cr)
Coke	385.51	87.53	371.73
Steel	124.41	4.69	218.99
Un-allocated	23.68	6.12	785.78

Coke contributed 72.24% of the revenue while steel contributed 23.32%, the rest being un-allocated.

### Financial performance

The Company's income registered a 40% increase from Rs. 366.65 cr (annualised) in 2005-06 to Rs. 513.32 cr in 2006-07, the major contributor to the growth being the steel division.

Any comparison of the profitability of the company during the year under review with the previous period has to be made keeping in view the fact that during the previous accounting period ended 31st March 2006, an amount of Rs.226.43 crores was contributed to the bottomline as other income from the merger of FCGL Industries Ltd.

The company's EBITDA declined from 31.66% (annualized after adjustment for merger) to 22.30% in 2006-07. Similarly, the company's post tax profit declined by 2.31% from Rs.57.04 crores (annualized after adjustment for merger) to Rs. 55.73 crores during 2006-07. The decline in the bottomline is attributed to the depressed coke prices during major portion of the year.

### 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\$125, mainly due to a mismatch between the demand and supply for coking coal coming out of Australia witnessed since Jan 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\$ 280 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.

### Internal control systems and their adequacy

Gujarat NRE has adequate systems of internal control. Periodic audits by the internal auditors and statutory auditors help check adherence to the laid down systems and procedures and also compliance of various statutory requirements.

The Audit Committee of the Board supervises all important audit reports and suggests corrective actions, if any, for the management to

implement.

**Material development in human resources and industrial relations**

The Company believes that human resource is the driving force of progress and is a valuable asset of the Company. The Company stimulates a culture of excellence and links performance with pay. The Company reviews and evolves policies/processes to attract the best talents. The management and the employees are committed to achieve the corporate objectives and the targets set before the Company.

**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 secondlargest 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. The Company intends to meet 100% of its coking coal demand from its captive mines by 2008-09.

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.

**Expected Indian coke consumption and coking coal demand projections**

(Conservatively based on additional 50 million tons of steel)

(million tons)

Year	2004-05	2006-07	2011-12
Coke consumption	21	25	60
Coking coal required	28	35	84
Indian coal	8	8	9
Net import demand (equivalent coal)	21	27	75

**Imports into India**

(million tons)

Year	Coking coal	Coke imports
1990-91	5.854	0.153
1994-95	9.874	0.672
1995-96	9.378	1.177
1999-00	10.992	2.412
2000-01	12.253	2.376
2003-04	14.500	3.200
2004-05	16.925	2.841
2005-06	16.891	3.819
2006-07 (estimated)	19.000	5.000

# Corporate Governance Report

## 1. The Corporate governance philosophy

Gujarat NRE Coke Limited (Gujarat NRE) defines corporate governance as a systematic process by which companies are directed and controlled to enhance long-term stakeholders interest. The Company believes that good corporate governance lays the foundation of corporate excellence, focusing on equitable treatment of all shareholders and reinforces a sense of belonging.

Gujarat NRE is committed to good corporate governance by creating an environment based on entrepreneurship, professionalism and the pursuit of excellence. Its corporate governance is based on two core principles:

- The management must have executive freedom to drive the enterprise forward without undue restraints; and .
- This freedom of management should be exercised within a framework of effective accountability.

The above belief and core principles of corporate governance adopted by Gujarat NRE leads the Company's governance philosophy, trusteeship, transparency, independence, fairness, accountability and social responsibility which, in turn, reinforces public confidence in the corporate system.

## 2. Board of Directors

### Composition and category

The Board of Directors of the Company comprises eminent persons with commendable professional expertise. As on March 31, 2007 the Board comprised:

- One Promoter, Non-Executive Chairman
- One Promoter, Executive Director
- One Promoter, Non-Executive Director
- Five Independent, Non-Executive Directors

The members of the Board of Directors and the number of other Boards and Board Committees served by them as members/chairperson comprise:

Name of the Director	Category	No. of other Directorships*	No. of other Board Committee** position as	
			Member	Chairperson
Mr. Girdhari Lal Jagatramka Chairman	Promoter Non-Executive	4	3	3
Mr. Arun Kumar Jagatramka Vice-Chairman & Managing Director	Promoter Executive	6	3	-
Mrs. Mona Jagatramka (Appointed on 18.10.2006)	Promoter Non-Executive	3	2	-
Mr. Subodh Kumar Agrawal	Independent Non-Executive	2	-	-
Mr. Chinubhai R. Shah	Independent Non-Executive	13	6	4
Dr. Basudeb Sen	Independent Non-Executive	6	5	3
Dr. Mahendra Kumar Loyalka	Non-Executive	1	-	-
Mr. Murari Sananguly	Independent Non-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 committees in Indian public limited companies have been considered.

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

### Meetings and attendance record of Directors

During the year ended March 31, 2007, eight Board meetings were held on May 13, 2006, June 3, July 3, July 30, September 18, October 18, January 20, 2007 and March 18.

The last AGM was held on July 3, 2006.

The attendance of the Directors at the Board meetings and 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 03.07.2006
Mr. Girdhari Lal Jagatramka	8	8	Yes
Mr. Arun Kumar Jagatramka	8	8	Yes
Mrs. Mona Jagatramka (appointed on 18.10.2006)	2	-	N.A.
Mr. Subodh Kumar Agrawal	8	8	Yes
Mr. Chinubhai R. Shah	8	7	Yes
Dr. Basudeb Sen	8	7	Yes
Dr. Mahendra Kumar Loyalka	8	4	No
Mr. Murari Sananguly	8	6	No

\* Includes participation through tele-conference

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

**3. Board committees****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 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 fees.
- 3) To review with the management, the financial statements before submission to the Board, focusing primarily on the 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 discussions 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 and all significant transactions entered into by it.
- 8) To review the minutes of the Board meetings of the unlisted subsidiary company along with 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 Non-Executive Directors. Mr. Subodh Kumar Agrawal, an Independent Director is a qualified chartered accountant and Dr. Basudeb Sen and Mr. Chinubhai R. Shah who have executive experience in financial institutions, are independent directors. The Company Secretary acts as the Secretary to the committee.

**iii) Meetings and attendance**

During the financial year ended March 31, 2007, four meetings were held on June 2, 2006, July 29, October 17 and January 19, 2007.

The attendance of the Audit Committee Members is as follows:

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

\* Includes participation through tele-conference

The statutory auditors and the internal auditors of the Company also attended the meeting whenever required. The Vice Chairman and Managing Director, the Chief Financial Officer (CFO) and other senior executives are also invited to attend and deliberate in the meetings. Minutes of the Audit Committee meetings are also placed before the Board for discussion.

**b) Share Transfer Committee**

The Committee consists of Mr. Girdhari Lal Jagatramka (Chairman), Mr. Subodh Kumar Agrawal and Dr. Mahendra Kumar Loyalka as its members which meets at regular intervals as per the requirements to approve transfers, transmissions, and issue of duplicate share certificates, etc.

**c) Shareholders'/Investors' Grievance Committee**

The committee consists of the following members:

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

The committee looks into the redressal of shareholders' and investors' complaints like transfer of shares, non-receipt of annual reports and accounts, non-receipt of declared dividends, etc. The committee met four times during the year under review.

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 333 complaints received during the year ended 31st March, 2007, 330 complaints were redressed and 3 complaints were pending as on 31st March, 2007.

**d) Remuneration Committee**

The Company has formed a Remuneration Committee, comprising Mr. Subodh Kumar Agrawal, Chairman, Mr. Arun Kumar Jagatramka, Dr. Mahendra Kumar Loyalka, Dr. Basudeb Sen and Mr. Murari Sananguly, which meets at regular intervals as per requirements. The terms of reference is to consider and approve the remuneration payable to the managerial person, including the Managing Director and/or Whole-time Directors of the Company, as prescribed under the Companies Act, 1956 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 disclosure regarding its payment to all Directors. It does not pay any other

fees except sitting fees to the Non-Executive Directors. 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	03
Dr. Basudeb Sen	03	02
Dr. M. K. Loyalka	03	01
Mr. S. Murari	03	02
Mr. Arun Kumar Jagatramka	03	03

Payments made to the Vice-Chairman and the Managing Director during the year under review:

Name of the Director	Salary (Rs.)	Perquisites (Rs.)	Contribution to PF (Rs.)	Total (Rs.)	Service contract/ notice period/ severance fees
Mr. Arun Kumar Jagatramka	65,64,516	7,03,063	7,27,742	79,95,321	Service contract

Sitting fees paid to Non-Executive Directors for the year ended March 31, 2007 along with shares/convertible instruments held by them:

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	1,95,000	Retire by Rotation
Mrs. Mona Jagatramka	34,82,148	Nil	Retire by Rotation
Mr. Subodh Kumar Agrawal	-	2,01,000	Retire by Rotation
Mr. Chinubhai R Shah	50,200	1,04,000	Retire by Rotation
Dr. Basudeb Sen	-	1,46,000	Retire by Rotation
Dr. Mahendra Kumar Loyalka	20,700	63,000	Retire by Rotation
Mr. Murari Sananguly	-	74,000	Retire by Rotation

\* Includes sitting fees paid for attending any meeting of the committee.

Stock option details, if any and whether issued at a discount, as well as the period over which accrued and over which exercisable:

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	20.1.2010 to 19.1.2012
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 -

#### 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. All Board members and the senior management have affirmed compliance with the Company's code of conduct during the year. A declaration to this effect, duly signed by the Vice Chairman, the Managing Director and the CFO of the Company, is annexed and forms a part of this report.

#### 4. General body meetings

##### a) The details of the last three Annual General Meeting

Year	Meeting	Location	Date	Time	Special resolution, if any
2004-06	19th AGM	Gyan Manch 11, Pretoria Street, Kolkata - 700 071	03.07.2006	10 am	No
2004-05	18th AGM	Rotary Sadan 94/2, Chowringhee Road Kolkata - 700 020	08.01.2005	11:30 am	Yes
2003-04	17th AGM	Gyan Manch, 11, Pretoria Street, Kolkata - 700071	29.03.2004	10:30 am	Yes

**b) Postal Ballot**

The results as declared on 16th April, 2007 in respect of voting conducted through postal ballot for the following Special Resolutions based on the Scrutinizer Mr S K Ghosh's Report were as follows :-

Sr	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	Increase in limits under Section 372A of Companies Act, 1956	954	12,79,38,153	40,173	99.97	119
2	Alteration of Main Objects Clause of Memorandum of Association under Section 17 of the Companies Act, 1956	949	12,79,51,190	25,166	99.98	124
3	Offer and issue of shares under ESOP Scheme' 2007	952	12,78,80,200	97,931	99.92	121
4	Offer and issue of Shares under ESOP Scheme'2007 to employees/ Directors of Subsidiary Companies	951	12,78,53,478	1,23,473	99.90	122
5	Delisting of Shares of the Company from Calcutta Stock Exchange	953	12,79,28,947	49,269	99.96	120

No. of items (Special Resolution) proposed to be conducted through postal ballot this year : Nil

**5. Disclosures**

- The Company has not entered into any transactions of material nature, with its promoters, directors or the management, its subsidiaries or relatives, etc. that may have potential conflict with its interest at large, other than in the normal course of business. The transactions undertaken during the year have been disclosed in Note No. 7 of Schedule 17B, forming part of the accounts for the year ended March 31, 2007.
- The Company is regular in complying with the requirements of the regulatory authorities on the matters relating to the capital market and no penalties/strictures have been imposed on the Company by the stock exchange or SEBI or any regulatory authority during the last three years.
- In compliance with the Whistle Blower Policy, no personnel had been denied access to the audit committee.
- The Company duly complies with all mandatory requirements of Clause 49 of the Listing Agreement with stock exchanges. However, the Company has not adopted the non-mandatory requirements defined therein.

**6. Means of Communication**

- Quarterly results and the half-yearly results are published in leading newspapers such as Business Standard (English), The Financial Express (English), The Times of India, The Economic Times (English) and Aaj Kal/Dainik Statesman (Bengali).
- 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 Boards approval.
- 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.
- The Management Discussion and Analysis forms a part of this annual report.
- The quarterly results press releases and presentations of the Company are displayed on its website, [www.gujaratnre.com](http://www.gujaratnre.com).

**7. General Shareholders' information**

**a) Annual General Meeting**

Date and time : 28th September, 2007 at 3.00 pm

Venue : Ghanshyam Das Birla Sabhaghar, 29, Ashutosh Chowdhury Avenue, Kolkata - 700 019

**b) Financial year :**

12 months from April 1, 2006 to March 31, 2007

**c) Book closure period**

24th September, 2007 to 28th September, 2007 (Both days included)

**d) Dividend payment date :**

within 30 days from the date of Annual General Meeting

**e) Listing of equity shares on stock exchanges**

- Bombay Stock Exchange, PJ Towers, Dalal Street, Fort, Mumbai 400001
- National Stock Exchange of India Ltd., Exchange Plaza, Bandra Kurla Complex, Bandra (E), Mumbai 400051
- The Calcutta Stock Exchange Association Ltd.\*, 7, Lyons Range, Kolkata 700 001

\* The Company has applied for delisting of its shares from The Calcutta Stock Exchange Association Ltd.

**f) Listing fees**

Annual listing fees for the year 2007-08 have been paid to the stock exchanges. The Company has also paid the annual custodian fees to both the depositories.

**g) Depositories**

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

**h) Stock code**

Stock Exchange(s)	Stock code
Bombay Stock Exchange (BSE)	512579
National Stock Exchange (NSE)	GUJNRECOKE
Calcutta Stock Exchange (CSE)	17043
ISIN of equity shares (on both the depositories)	INE110D01013

i) **Market price data**

Market price of the equity shares of the Company during 2006-07:

Months	BSE		NSE	
	High	Low	High	Low
April 2006*	50.70	39.05	50.62	41.25
May 2006*	47.50	29.50	49.00	30.52
June 2006*	46.00	26.75	44.92	26.65
July 2006*	35.07	25.05	35.05	27.00
August 2006*	35.30	28.12	35.50	28.00
September 2006*	36.00	34.45	37.00	34.45
October 2006	40.05	32.50	41.05	32.25
November 2006	33.75	26.25	33.85	26.10
December 2006	31.50	26.40	31.35	26.30
January 2007	35.20	28.10	35.00	28.05
February 2007	36.80	32.00	36.70	32.00
March 2007	40.50	32.25	40.45	32.20
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

Data relating to BSE and NSE have been taken from their respective websites. Data relating to CSE have not been provided due to nil trading.

\*After adjustment of bonus in the ratio of 1:1

j) **Share price performance:**

Financial year	% Change in Gujarat NRE's share price	% Change in BSE Sensex
April 2006 to June 2007	24.26 *	21.66

\* After adjustment of bonus in the ratio of 1:1.

k) **Registrar and share transfer agents (RTA)**

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

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.

l) **Share transfer system**

Applications for transfer of shares held in the physical form are received at the office of the registrar and share transfer agents. The Committee of Directors attend to share transfer formalities at least

Physical shares received for dematerialisation are processed and computerised within a period of 15 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 shareholders.

m) **Shareholding pattern as on March 31, 2007**

Category	No. of shares	% of holding
Promoters and persons acting in concert	12,08,63,079	49.55
Financial institutions, banks, mutual funds, etc.	78,64,140	3.22
FII's	1,50,45,890	6.17
Indian public (including private corporate bodies)	9,58,12,929	39.29
NRIs	21,13,430	0.87
Clearing Members	22,06,574	0.90
<b>Total</b>	<b>24,39,06,042</b>	<b>100.00</b>

n) **Distribution of shareholding as on March 31, 2007**

Shareholding range	No. of shareholders	% of shareholders	No. of shares held	% of shareholding
1 - 500	58602	70.10	1,26,97,977	5.20
501 - 1000	12689	15.18	1,01,19,928	4.15
1001 - 5000	10223	12.23	2,28,42,303	9.36
5001 - 10000	1223	1.46	89,67,917	3.68
10001 - 50000	698	0.84	1,40,88,819	5.78
50001 - 100000	65	0.08	47,03,947	1.93
100001 - and above	92	0.11	17,04,85,151	69.90
<b>Total</b>	<b>83,592</b>	<b>100.00</b>	<b>24,39,06,042</b>	<b>100.00</b>

**o) Dematerialisation of shares and liquidity**

Approximately 89% of the Company's shares have been dematerialised as on March 31, 2007. The equity shares of Company are actively traded on stock exchanges and are permitted to be traded only in dematerialised form with effect from March 26, 2001.

**p) Outstanding GDRs/ADRs/warrants or any convertible instruments, conversion date and likely impact on equity**

The outstanding warrants and convertible bonds as on date are as under:

- 1,885 Nos. of 1% unsecured FCCBs due 2010 with an issue value of US\$25,000 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 4,28,57,852 equity shares of Rs. 10 each.
- 600 Nos. of zero-coupon unsecured FCCBs due 2011 with an issue value of US\$100,000 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 4,28,73,600 equity shares of Rs. 10 each.

**q) Plant location**

**Coke plant**

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

**Steel plant**

Village : Lunva, Taluka - Bhachau  
District : Kutch, Gujarat  
Pin : 370140

**r) Address of subsidiaries**

**Bharat NRE Coke Ltd.**

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

**Manor Dealcom Pvt. Ltd.**

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

**Huntervalley Coal Pvt. Ltd.**

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

**Gujarat NRE Pty Ltd. (formerly known as Bulli Resources Pty. Ltd.)**

NRE Colliery No. 1 Princess Highway, Cnr Bellambi Lane,  
Russel Vale 2517, NSW, Australia

**India NRE Minerals Ltd. (formerly known as Gujarat NRE Australia Pty. Ltd.)**

NRE Colliery No. 1 Princess Highway, Cnr Bellambi Lane,  
Russel Vale 2517, NSW, Australia

**Gujarat NRE Coal (NSW) Pty. Ltd. (formerly known as Gujarat NRE Coal Pty. Ltd.)**

NRE Colliery No. 1, Princess Highway, Cnr Bellambi Lane,  
Russel Vale 2517, NSW, Australia

**Gujarat NRE Resources NL**

NRE Colliery No. 1, Princess Highway, Cnr Bellambi Lane,  
Russel Vale 2517, NSW, Australia

**Gujarat NRE FCGL Pty. Ltd.**

NRE Colliery No. 1, Princess Highway, Cnr Bellambi Lane,  
Russel Vale 2517, NSW, Australia

**Wonga Coal Pty Ltd.**

NRE Colliery No. 1, Princess Highway, Cnr Bellambi Lane,  
Russel Vale 2517, NSW, Australia

**s) Address for correspondence**

Block - C, 5th Floor  
22, Camac Street,  
Kolkata-700 016  
Phone: +91-33-22891471-75  
Fax: +91-33-22891470  
E-mail: [kolkata@gujaratnre.com](mailto:kolkata@gujaratnre.com)

For and on behalf of the Board



**G. L. Jagatramka**  
Chairman

Place: Kolkata  
Date : July 28, 2007

## 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 March 31, 2007, as stipulated under Clause 49 of the Listing Agreement of the said Company with 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 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 have to state that as per the records maintained, there were 3 investors' complaints remaining pending as on 31st March, 2007 which were redressed within 30 days.

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  
Date : July 28, 2007

Membership No. 12748



## Managing Director (CEO) and Chief Financial Officer (CFO) Certification

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

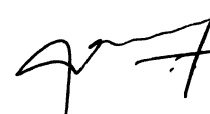
- 1) We have reviewed the balance sheet as at March 31, 2007 and profit and loss account, and all its schedules and notes on accounts, as well as the cash flow statement and the Director's report for the year ended on that date.
- 2) Based on our knowledge and information, these statements do not contain 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 flow 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 to the Company's code of conduct.
- 5) We are responsible for establishing and maintaining disclosure controls and procedures and 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 the 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:
  - i. All deficiencies in the design or operation of internal controls, which could adversely affect the Company's ability to record, process, summarise 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.
  - ii. All significant changes in internal controls during the year covered by this report, if any.
  - iii. 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.
  - iv. 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 system.
- 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.



**P. R. Kannan**  
Chief Financial Officer



**A. K. Jagatramka**  
Vice Chairman & Managing Director

Place: Kolkata

Date: June 2, 2007

## 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, 2007 and the Profit and Loss Account and Cash Flow Statement of the Company for the year ended on that date. 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, 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 (AS) 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, 2007, and taken on record by the Board of Directors, we report that none of the Directors are disqualified as at March 31, 2007 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 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, 2007;
    - 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 cash flows for the year ended on that date.

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



**B. Basu**  
Partner

Place : Kolkata  
Date : June 11, 2007

Membership No. 12748

## Annexure to the Auditors' Report

### Annexure referred to in paragraph 3 of our report of even date to the members of Gujarat NRE Coke Ltd. for the year ended March 31, 2007.

- i)
  - a) The Company has maintained proper records showing full particulars, including quantitative details and situation of fixed assets.
  - b) 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 period under review were not substantial and therefore do not affect the going concern status of the company.
- ii)
  - a) The inventories have been physically verified by the management at reasonable intervals during the period. 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.
- iii)
  - a) The company has granted unsecured loans amounting to Rs. 31.18 crores to its two subsidiary companies the maximum amount involved during the year was Rs. 53.97 crores and the year end balance of loans granted to such parties was Rs. 31.86 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 covered in the Register maintained under section 301 of the Companies Act, 1956, hence clause 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, 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 the said 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 with appropriate authorities 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 period under review.
- The Central Government has not prescribed the amount of cess 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 March 31, 2007, for a period of more than six months from the date they became payable.
- c) According to the information and explanations given to us there are 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 the statute	Nature of Dues	Amount (Rs./Crores)	Period to which the amount Relates (Asst. Year)	Forum where dispute is pending
Income Tax Act, 1961	Regular Assessment	0.10	2003-04	CIT (Appeals)
- do -	- do -	2.98	2003-04	CIT (Appeals)
- do -	- do -	2.14	2005-06	CIT

- x) The Company does not have accumulated losses at the end of the year March 31, 2007 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.
- xv) In our opinion and according to the information and explanations given to us, the terms and conditions on which the Company has given guarantees for loans taken by the subsidiaries 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 obtained by the Company 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 has not issued any debentures during the year
- 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 : June 11, 2007

Membership No. 12748

**Balance Sheet** As at March 31, 2007

(Rs. in Crore)

	Schedule	As at 31.03.2007	As at 31.03.2006
<b>SOURCES OF FUNDS</b>			
<b>Shareholders' Funds</b>			
Share Capital	1	243.91	119.95
Deposit against Share Warrants		5.25	16.85
Reserves & Surplus	2	305.17	393.64
		554.33	530.44
Foreign Currency Convertible Bonds		507.93	239.97
<b>Loan Funds</b>			
Secured Loans	3	257.59	270.72
Deferred Tax Liability		68.83	58.25
<b>Total</b>		<b>1,388.68</b>	<b>1,099.38</b>
<b>APPLICATION OF FUNDS</b>			
<b>Fixed Assets</b>			
Gross Block	4	454.99	392.46
Less: Depreciation		43.61	23.01
Net Block		411.38	369.45
Capital Work-in-Progress		10.13	1.55
		421.51	371.00
<b>Investments</b>	5	611.68	494.77
<b>Current Assets, Loans and Advances</b>			
Inventories	6	172.47	149.22
Sundry Debtors	7	166.47	82.91
Cash & Bank Balances	8	66.27	48.21
Loans and Advances	9	196.06	121.22
		601.27	401.56
<b>Less: Current Liabilities &amp; Provisions</b>	10		
Liabilities		147.14	110.53
Provisions		110.81	63.37
<b>Net Current Assets</b>		343.32	227.66
<b>Miscellaneous Expenditure</b>	11	12.17	5.95
<b>Total</b>		<b>1,388.68</b>	<b>1,099.38</b>
Notes on Accounts	17		
Balance Sheet Abstract & Business Profile	18		

In terms of our report of even date annexed hereto

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

Partner

Membership No.: 12748

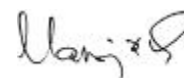
Place: Kolkata

Dated : June 11, 2007

For and on behalf of the Board

**G. L. Jagatramka**

Chairman

**A. K. Jagatramka**Vice-Chairman &  
Managing Director**P. R. Kannan**Chief Financial  
Officer**Manoj K. Shah**

Company Secretary

**Profit and Loss Account** For the year ended 31st March, 2007

(Rs. in Crore)

Schedule	For the year ended 31.03.2007	For 18 months ended 31.03.2006
<b>INCOME</b>		
Sales	513.32	549.97
Other Income 12	20.28	248.39
Increase/(Decrease) in Stocks 13	23.27	34.14
	<b>556.87</b>	<b>832.50</b>
<b>EXPENDITURE</b>		
Purchases	361.57	343.74
Manufacturing Expenses 14	29.79	15.22
Administrative, Selling and Other Expenses 15	46.49	64.76
	<b>119.02</b>	<b>408.78</b>
<b>INCOME FROM OPERATIONS</b>		
Interest 16	23.58	12.81
Depreciation 4	20.68	9.68
<b>Profit/(Loss) Before Tax</b>	<b>74.76</b>	<b>386.29</b>
<b>Provision For Taxation</b>		
Current Tax	8.37	28.45
Deferred Tax	10.58	45.66
Fringe Benefit Tax	0.08	0.18
<b>Profit/(Loss) After Tax</b>	<b>55.73</b>	<b>312.00</b>
Balance Brought Forward	123.91	25.68
	<b>179.64</b>	<b>337.68</b>
<b>APPROPRIATIONS</b>		
Transfer to General Reserve	50.00	150.00
Interim Dividend	-	38.97
Proposed Dividend	38.76	6.00
Dividend Tax	6.59	6.30
Transferred from Debenture Redemption Reserve	(12.50)	-
Transferred to Debenture Redemption Reserve	-	12.50
<b>Balance Carried to Balance Sheet</b>	<b>96.79</b>	<b>123.91</b>
Basic Earnings per Share (in Rs.)	3.16	13.00
Diluted Earnings per Share (in Rs.)	2.38	10.32
Notes on Accounts 17		

In terms of our report of even date annexed hereto

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

Chartered Accountants

**B. Basu**

Partner

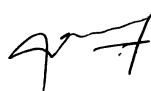
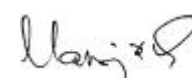
Membership No.: 12748

Place: Kolkata

Dated : June 11, 2007

**G. L. Jagatramka**

Chairman

**A. K. Jagatramka**Vice-Chairman &  
Managing Director**P. R. Kannan**Chief Financial  
Officer**Manoj K. Shah**

Company Secretary

## Schedules to the Accounts

(Rs. in Crore)

	As at 31.03.2007	As at 31.03.2006
<b>Schedule 1 - SHARE CAPITAL</b>		
<b>Authorised</b>		
1,50,00,00,000 Equity Shares (Previous year 25,00,00,000) of Rs. 10/- each.	1,500.00	250.00
<b>Issued, Subscribed and Paid-up</b>		
24,39,06,042 Equity Shares of Rs.10/- each fully paid up, (Previous year 9,92,68,816)	243.91	99.27
(Out of the above shares :		
196,895,137 Equity Shares of Rs.10/-each were issued as fully paid up Bonus Shares by Capitalisation of Free Reserves (Previous year 74,942,116),		
2,77,64,205 equity shares of Rs. 10/- each were issued for consideration other than cash (Previous year 70,80,000)		
<b>Share Suspense Account</b>	-	20.68
	<b>243.91</b>	<b>119.95</b>

<b>Schedule 2 - RESERVES &amp; SURPLUS</b>		
<b>Capital Reserve</b>		
Balance B/F	2.02	
Add: Transferred during the year	10.10	12.12
		2.02
<b>Share Premium</b>		
Balance B/F	94.05	
Add: Received during the year	13.00	
Less: Amount capitalised for Bonus Shares issued	107.05	-
		94.05
<b>General Reserve</b>		
Balance B/F	161.16	
Add: Transferred from Profit & Loss Account	50.00	
	211.16	
Less: Amount capitalised for Bonus shares issued	14.90	196.26
Profit & Loss Account		96.79
		161.16
		123.91
<b>Debenture Redemption Reserve</b>		
Balance B/F	12.50	
Less: - Transferred to Profit & Loss Account	12.50	-
		12.50
	<b>305.17</b>	<b>393.64</b>

<b>Schedule 3 - LOAN FUNDS</b>		
<b>SECURED LOANS</b>		
<b>Long Term Loans</b>		
7% Non Convertible Debentures	-	12.50
Term Loans from Financial Institution	25.00	25.00
Term Loans from Scheduled Banks	160.06	187.09
Accrued Interest On Term Loans	0.80	-
	185.86	224.59
<b>Short Term Loans</b>		
Cash Credit from Scheduled Banks	26.73	5.75
Loans From Scheduled Banks	45.00	40.29
Accrued Interest On Loans	-	0.09
	71.73	46.13
<b>Total Loan Fund</b>	<b>257.59</b>	<b>270.72</b>

(refer note no. 2 for details of securities offered for the above secured loans)

## Schedules to the Accounts

(Rs. in Crore)

Description	GROSS BLOCK				DEPRECIATION				NET BLOCK	
	As on 01.04.2006	Addition during the year	Sales/ Adjustments during the year	Total up to 31.03.2007	As on 01.04.2006	Provided during the year	Adjustments for sales	Total up to 31.03.2007	As on 31.03.2007	As on 31.03.2006
Land & Buildings	44.60	26.99	-	71.59	0.31	1.50	-	1.81	69.78	44.29
Plant & Machineries	184.27	30.90	(0.06)	215.11	19.56	9.72	-	29.28	185.83	164.71
Office Equipment	0.75	0.38	-	1.13	0.08	0.08	-	0.16	0.97	0.67
Furniture & Fixture	1.42	0.82	-	2.24	0.16	0.14	-	0.30	1.94	1.26
Material handling Equipments/Vehicles	11.42	2.61	(0.11)	13.92	1.68	1.39	(0.08)	2.99	10.93	9.74
Electrical Installations	16.22	1.00	-	17.22	0.31	0.79	-	1.10	16.12	15.91
Wind Mill	133.78	-	-	133.78	0.91	7.06	-	7.97	125.81	132.87
<b>Total</b>	<b>392.46</b>	<b>62.70</b>	<b>(0.17)</b>	<b>454.99</b>	<b>23.01</b>	<b>20.68</b>	<b>(0.08)</b>	<b>43.61</b>	<b>411.38</b>	<b>369.45</b>
Previous year	88.71	304.07	0.32	392.46	13.56	9.68	0.23	23.01	369.45	75.15
Capital W I P	1.55	35.81	27.24	10.13					10.13	1.55

## Schedules to the Accounts

(Rs. in Crore)

	Face Value (Rs.)	No. of Shares	As at 31.03.2007	As at 31.03.2006
<b>Schedule 5 - INVESTMENTS</b>				
<b>LONG TERM INVESTMENT</b>				
<b>Non-Trade Investments</b>				
<b>Quoted (Equity)</b>				
<b>Indian</b>				
CESC Ltd.	10	2	-	-
Himalaya Granites Ltd.	10	1,600	0.01	0.01
Interstate Oil Carrier Ltd.	10	2,22,500	0.19	0.19
Arvind Chemicals Ltd.	-	-	-	0.57
Arvind International Ltd.	10	85,500	0.14	0.14
Bellari Steel Alloys Ltd.	-	-	-	0.08
Shah Alloys Ltd.	10	2,99,809	4.26	6.11
Zenith Birla (India) Ltd.	-	-	-	2.48
Sal Steel Ltd.	10	15,85,660	2.70	2.93
Development Credit Bank Ltd.	10	4,984	0.01	-
Bank of Baroda	10	1,690	0.04	0.04
<b>Overseas Investments</b>				
Pluton Resources Ltd.	N.A.	98,00,000	1.65	-
Resource Pacific Holding Ltd.	N.A.	5,000	0.02	27.68
Rey Resources Ltd. * *	N.A.	1,40,00,000	6.28	6.28
Gujarat NRE Resources NL (formerly Zelos Resources NL)	N.A.	68,80,000	4.58	4.96
<b>Aggregate Book Value of Quoted Investments (Equity)</b>			<b>19.88</b>	<b>51.47</b>
<b>Unquoted (Equity)</b>				
<b>In Indian Subsidiaries</b>				
<b>Wholly owned</b>				
Huntermvalley Coal (P) Ltd.	1	1,55,12,850	153.16	-
Manor Dealcom (P) Ltd.	1	1,44,51,150	143.52	-
<b>Others</b>				
Bharat NRE Coke Ltd.	10	2,15,80,000	21.58	16.08
<b>In Foreign Subsidiaries</b>				
<b>Wholly owned</b>				
Gujarat NRE Pty Ltd.	N.A.	1,87,50,000	64.43	-
Gujarat NRE Coal Pty Ltd.	N.A.	5,00,000	0.02	-
Gujarat NRE FCGL Pty Ltd.	-	-	-	30.58
<b>Others</b>				
India NRE Minerals Ltd. (formerly Gujarat NRE Australia Pty Ltd.)	N.A.	8,51,71,320	134.75	97.21
<b>Overseas Investments</b>				
Pike River Coal Company Ltd.	N.A.	62,89,308	56.36	-
NRE Mining Pty Ltd.	N.A.	25,000	0.69	0.69



## Schedules to the Accounts

(Rs. in Crore)

	Face Value (Rs.)	No. of Shares	As at 31.03.2007	As at 31.03.2006
<b>Schedule 5 - INVESTMENTS (Contd..)</b>				
<b>In Associate Companies</b>				
Bulli Coke (P) Ltd.			-	41.25
Bellambi Coke (P) Ltd.			-	39.25
Critical Mass Mutilink (P) Ltd.			-	36.25
Gujarat NRE Energy Resources (P) Ltd.			-	36.26
Mangal Crystal Coke (P) Ltd.			-	57.03
FCGL Investments Ltd.			-	1.25
Madhur Coal Mining (P) Ltd.			-	55.37
<b>Others</b>				
Steel RX Corporation (P) Ltd.			-	0.68
Gaurav Vinimay (P) Ltd.			-	15.25
Newage Vinimay (P) Ltd.			-	15.25
Vartika Traders (P) Ltd.			-	0.90
<b>Aggregate Book Value of Unquoted Investments (Equity)</b>			<b>574.51</b>	<b>443.30</b>
<b>IN BONDS</b>				
<b>Others (Quoted)</b>				
Hindustan Construction Company	10,00,000	1	0.10	-
IDBI Ltd.	10,00,000	1	0.10	-
IDFC Ltd.	10,00,000	1	0.10	-
M & M Finance Ltd.	10,00,000	1	0.10	-
Power Grid Corporation	10,00,000	1	0.09	-
Saw Pipes Ltd.	10,00,000	1	0.10	-
Union Bank of India	10,00,000	1	0.10	-
<b>Aggregate Book Value of Quoted Investments (Bonds)</b>			<b>0.69</b>	<b>-</b>
<b>OVERSEAS (UNQUOTED)</b>				
India NRE Minerals Ltd. (formerly Gujarat NRE Australia Pty Ltd..)	N.A.	5	16.60	-
<b>Aggregate Book Value of Unquoted Investments (Bonds)</b>			<b>16.60</b>	<b>-</b>
<b>Total Investments</b>			<b>611.68</b>	<b>494.77</b>
<b>Market value of Quoted Investments (Equity)</b>			<b>23.73</b>	<b>40.53</b>
<b>Market value of Quoted Investments (Bonds)</b>			<b>0.70</b>	<b>-</b>
* * previous year unquoted				

<b>Schedule 6 - INVENTORIES</b>				
Stores, Spares & Consumables			3.67	3.70
Raw Materials			71.46	75.74
Stock in Process			1.81	2.02
Finished Products			95.53	67.76
			<b>172.47</b>	<b>149.22</b>

<b>Schedule 7 - SUNDRY DEBTORS (Unsecured, considered good)</b>				
Debts due for a period exceeding six months			7.89	8.60
Other Debts			158.58	74.31
			<b>166.47</b>	<b>82.91</b>

<b>Schedule 8 - CASH &amp; BANK BALANCES</b>				
Cash in hand			0.28	0.45
Balance with Scheduled Banks				
In Current Account			9.23	4.68
In Short Term Deposits (Including interest accrued)			56.76	43.08
			<b>66.27</b>	<b>48.21</b>

## Schedules to the Accounts

(Rs. in Crore)

	As at 31.03.2007	As at 31.03.2006
<b>Schedule 9 - LOANS AND ADVANCES (Unsecured, considered good)</b>		
(Unsecured, Considered Good)		
Loans to Subsidiaries	31.85	24.12
Advances recoverable in cash or in kind or value to be received	65.89	13.71
Deposits With Govt. Authorities & Others	21.24	16.46
Advance Tax (incl. Tax Deducted at Source)	77.08	66.93
	<b>196.06</b>	<b>121.22</b>

**Schedule 10 - CURRENT LIABILITIES & PROVISIONS**

<b>Liabilities</b>		
Sundry Creditors	127.63	80.86
Liabilities for:		
Capital goods and expenses	2.12	6.48
Others	15.97	21.17
Unclaimed Dividend	0.83	1.41
Interest Accrued but not due	0.59	0.61
	<b>147.14</b>	<b>110.53</b>
<b>Other Provisions</b>		
Provision for Taxation	64.28	56.02
Provision for Fringe Benefit Tax	0.26	0.18
Provision for Dividend	38.76	6.00
Provision for Dividend Tax	6.59	0.84
Provision for Gratuity & Leave Encashment	0.92	0.33
	<b>110.81</b>	<b>63.37</b>

**Schedule 11 - MISCELLANEOUS EXPENDITURE (To the extent not written off/or adjusted)**

Preliminary Expenses	0.03	0.04
Deferred Revenue Expenses		
Balance B/F	5.91	
Add: Incurred during the year	10.25	
Less: Written off during the year	4.02	5.91
	<b>12.17</b>	<b>5.95</b>

	For the year ended 31.03.2007	For 18 months ended 31.03.2006
<b>Schedule 12 - OTHER INCOME</b>		
Interest Income (TDS Rs 1.28 crores., Previous Year Rs. 1.21 crores)	11.34	9.16
Profit on Sale of Long Term Investments	0.12	233.14
Dividend received	0.06	5.87
Miscellaneous Income	8.76	0.22
	<b>20.28</b>	<b>248.39</b>

**Schedule 13 - INCREASE/(DECREASE) IN STOCKS**

Closing Stocks	168.79	145.52
Less :Opening Stocks	145.52	111.38
	<b>23.27</b>	<b>34.14</b>

**Schedule 14 - MANUFACTURING EXPENSES**

Power & Fuel	10.74	3.91
Factory Wages & Labour Charges	9.29	6.42
Repair & Maintenance (incl. Stores & Spares)	9.76	4.89
	<b>29.79</b>	<b>15.22</b>

## Schedules to the Accounts

(Rs. in Crore)

	For the year ended 31.03.2007	For 18 months ended 31.03.2006
<b>Schedule 15 - ADMINISTRATIVE, SELLING &amp; OTHER EXPENSES</b>		
Auditors Remuneration		
- For Audit Fees	0.02	0.02
- For Other Services	-	-
Internal Audit Fees	0.07	0.01
Bank & Finance Charges	3.47	3.14
Carriage & Cartage	22.48	22.91
Employees Emoluments	6.54	5.78
General Expenses	1.45	4.60
Loss on Sale of Fixed Assets	0.02	0.02
Insurance Expenses	2.74	2.86
Professional & Service Charges	2.79	4.88
Rent, Rates & Taxes	1.26	2.04
Communication Expenses	0.24	0.32
Travelling & Conveyance	1.38	2.50
Deferred Revenue Expenses Written Off	4.02	15.66
Preliminary Expenses Written Off	0.01	0.02
	<b>46.49</b>	<b>64.76</b>

<b>Schedule 16 - INTEREST</b>		
On 7% Non Convertible Debentures	0.55	1.06
To Financial Institutions	1.81	2.75
To Scheduled Banks	17.83	8.35
On Foreign Currency Convertible Bonds	2.44	0.65
To Others	0.95	-
	<b>23.58</b>	<b>12.81</b>

### Schedule 17 - NOTES TO 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 period 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 recognised 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. |

Revenue from product sales is stated net of taxes, returns, sales discount. Sales Returns are accounted for when goods are received back at the factory.

##### iv) Fixed Assets

All Fixed assets are valued 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.

##### 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.

## Schedules to the Accounts

### Schedule 17 - NOTES TO ACCOUNTS

#### vi) Inventories

1. Inventories are valued at cost or net realisable value, whichever is lower except as under:

- a) Stores & Spares : At cost.
- b) Stock in process : Raw material cost plus estimated cost of conversion upto the stage of completion.

2. Any shortages / surplus found on physical verification of stock are duly adjusted in the quantitative records as and when detected.

#### vii) Investments

Investments are classified as current and long term investments. Current investments are stated at lower of cost or market value. Long term investments are stated at cost. A provision for diminution is made to recognize a decline, other than temporary in the value of long term investments. Dividends are accounted for on receipt basis.

#### viii) 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.

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 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.

#### x) Borrowing Costs

Borrowing Costs incurred in relation to the acquisition and constructions of assets are capitalised as a part of the cost of such assets upto the date when such assets are ready for intended use. Other borrowing costs of the year are charged to revenue.

#### xi) Taxes on Income

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

Deferred Tax 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.

#### xii) Treatment of Retirement Benefits

- a) Contributions to Provident Fund and Pension schemes is accounted for on accrual basis and charged to the Profit & Loss Account of the year.
- b) Provision for Gratuity under the Payment of Gratuity Act, 1972 is made on actuarial valuation carried out at year end.
- c) Provision for Leave encashment is made on the actuarial valuation carried out at the end of the year.

#### xiii) Indirect Taxes

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

#### xiv) Insurance and other Claims

Insurance Claims are recognised for when they are settled.

#### xv) 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

#### 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 booked 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.

#### xviii) 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 for 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.

## Schedules to the Accounts

### Schedule 17 - NOTES TO ACCOUNTS

#### 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.

#### B. NOTES FORMING PART OF THE ACCOUNTS

##### 1. Contingent liabilities not provided for in respect of:

- Letters of Credit outstanding for purchase of raw materials pending shipments as on the Balance Sheet date aggregating to Rs. 47.34 crores (Previous Period Rs.54.97 crores)
- Outstanding Bank Guarantees and Counter/Corporate Guarantees given on behalf of subsidiary companies as on Balance Sheet date aggregating to Rs. 96.67 crores (Previous Period Rs. 75.43 crores)
- Capital commitments (net of advances) as on Balance Sheet date - Rs.9.96 crores (Previous Period- Rs. 1.96 crores)
- At Balance Sheet date, the disputed dues involved in two income-tax demand under appeal - Rs. 5.22 crores (Previous Period- Rs. 1.24 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 demand in the books of accounts during the year under review.
- Duty on account of Advance Authorisation against Export obligation is Rs.0.85 crores. (Previous Period - NIL)

##### 2. a) FCNRB Loan & Term Loan for Windmills from State Bank of India, Term Loans from State Bank of Hyderabad and YES Bank Ltd. are secured by following:

- Pari-passu equitable mortgage of Company's immovable property at Khambhalia, Bhachau and at Bayath Wind Park, Gujarat.
- 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 following :

- 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.

##### c) Corporate Loans from State Bank of Saurashtra, State Bank of Mysore, State Bank of Bikaner & Jaipur, State Bank of Travancore and Industrial Development Bank of India 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.

##### 3) Besides Sales of Coke, Coal and Steel, Sales also includes the following :

(Rs. in Crore)

	Current year	Previous period
Coal Conversion Income	NIL	8.34
Supervision & Technical know-how fee	5.89	5.37
Sale of Shares	NIL	0.98
Royalty Income	0.07	0.17
Sale of Chemicals	3.39	NIL

##### 4) 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 Crore)

	Current year	Previous period
<b>Deferred Tax Liabilities</b>		
Deferred Tax Liability on account of Depreciation	28.86	45.66
<b>Total Deferred Tax Liabilities</b>	<b>28.86</b>	<b>45.66</b>
<b>Deferred Tax Assets</b>		
Unabsorbed Depreciation and carry forward loss for set off	4.84	-
Deferred Revenue Expenditure carried forward for set off	4.73	-
Credit for Minimum Alternate Tax	8.72	-
<b>Total Deferred Tax Assets</b>	<b>18.28</b>	<b>-</b>
<b>Net Deferred Tax Liabilities</b>	<b>10.58</b>	<b>45.66</b>

## Schedules to the Accounts

## Schedule 17 - NOTES TO ACCOUNTS

## 5) Particulars of Managerial remuneration :

The remuneration paid to the Vice-Chairman & Managing Director of the company during the period is Rs. 0.80 crore (Previous Period- Rs. 0.54 crore):

	Current year	Previous period
Salary	0.66	0.45
Contribution to Provident Fund	0.07	0.05
Other Perquisites	0.07	0.04
<b>Total</b>	<b>0.80</b>	<b>0.54</b>

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

## 6) None of the Creditor have informed us as to their status of being micro, small and medium enterprise as per Micro, Small and Medium Enterprise Development Act, 2006.

## 7) The movement of investments made subsequent to the date of previous Balance Sheet but not existing as on March 31, 2007 since sold:

	Face Value	No of Shares	Purchase Cost Rs. / Crores
<b>Equity Shares</b>			
Bellary Steels & Alloys Ltd.	1.00	3,253,087	0.155
Gujarat NRE FCGL Pty Ltd.	N.A.	13,500	0.002

## 8) Segment Information

The Company has two reporting segments i.e. "Coke" & "Steel" as primary segments. (Rs. in Crore)

Segment	Revenue	Profit before Tax & Interest	Capital Employed
a) Coke	385.51	87.53	371.73
b) Steel	124.41	4.69	218.99
c) Unallocated/ Others	23.68	6.12	785.78

## 9) The Company has entered into forward exchange contracts in respect of its inward and outward exposure in foreign currency and has accounted for the same in accordance with Accounting Standard (AS) 11.

## 10) 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

- Gujarat NRE Pty Ltd.
- Gujarat NRE Coal (NSW) Pty Ltd.
- Huntervalley Coal (P) Ltd.
- Manor Dealcom (P) Ltd.

## b) Others

- Bharat NRE Coke Ltd.
- India NRE Minerals Ltd. (formerly Gujarat NRE Australia Pty Ltd.)

## Sub-Subsidiary Companies

- Wonga Coal Pty Ltd.
- Gujarat NRE Resources NL. (formerly Zelos Resources NL)
- Gujarat NRE FCGL Pty Ltd.

## Enterprises in which key management personnel have significant influence

- Gujarat NRE Mineral Resources Ltd.
- Brinda Dealing Pvt. Ltd.
- Marley Foods Pvt. Ltd.
- Matangi Traders & Investors Pvt. Ltd.
- Malgudi Investment Ltd.

## B. Key Management Personnel

- Mr. A. K. Jagatramka - Vice-Chairman & Managing Director
- Mr. R. P. Jain - Chief Operating Officer
- Mr. P. R. Kannan - Chief Financial Officer

## Enterprise in which key management person is a trustee

- Girdharilal Arun Kumar Family Trust

## Schedules to the Accounts

## Schedule 17 - NOTES TO ACCOUNTS

## C. Transaction with Related Parties

(Rs. in Crore)

	Current year (12 months)	Previous period (18 months)
<b>i) Sale/(Sales Return) of Goods/Services</b>		
- Subsidiaries	63.53	16.97
- Enterprises in which key management person has significant influence	(51.74)	67.36
<b>ii) Purchase of Goods</b>		
- Subsidiaries	79.79	17.98
<b>iii) Remuneration</b>		
- Key Management persons	0.99	0.85
<b>iv) Receiving of Services</b>		
- Enterprises in which key management person has significant influence	0.04	0.35
<b>v) Investments</b>		
- Subsidiaries	124.97	143.87
- Associates	-	273.21
<b>vi) Purchase of Fixed Assets</b>		
- Subsidiaries	1.28	0.02
- Associates	0.02	-
<b>vii) Purchase of Securities</b>		
- Subsidiaries	1.65	-
- Sub-Subsidiaries	7.01	-
- Associates	-	0.07
- Enterprises in which key management person has significant influence	-	3.91
<b>viii) Sale of Securities</b>		
- Subsidiaries	10.20	-
- Sub-Subsidiaries	21.09	-
- Associates	-	3.94
- Enterprises in which key management person has significant influence	-	3.29
<b>ix) Share Application Received</b>		
- Enterprises in which key management person has significant influence	13.50	-
<b>x) Shares Alloted</b>		
- Enterprises in which key management person has significant influence	15.00	-
<b>xi) Share Warrant Deposit Forfeited</b>		
- Enterprises in which key management person has significant influence	10.10	-
<b>xii) Share Application Money Given</b>		
- Sub-Subsidiaries	20.52	-
<b>xiii) Share Application Money Refunded</b>		
- Sub-Subsidiaries	20.52	-
<b>xiv) Interest Received</b>		
- Subsidiaries	4.41	2.76
<b>xv) Royalty Income Received</b>		
- Subsidiaries	0.07	-
<b>xvi) Rent Paid</b>		
- Enterprises in which key management person is a trustee	0.24	0.38
<b>xvii) Security Deposit Given</b>		
- Enterprises in which key management person is a trustee	9.35	-
<b>xviii) Loans / Advances Given</b>		
- Subsidiaries	31.18	24.06
<b>xix) Loans / Advance Refund Received</b>		
- Subsidiaries	25.09	-
<b>xx) Guarantees / Collateral Securities / Indemnity Outstanding as at the year end</b>		
- Given on behalf of Subsidiaries	96.67	75.33
- Given by Key Management Personnel on behalf of the Company	523.27	80.00
- Given by Enterprises in which key management person has significant influence	413.20	63.03

## Schedules to the Accounts

## Schedule 17 - NOTES TO ACCOUNTS

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

(Rs. in Crore)

	Current year		Previous period	
	Outstanding Balance	Maximum balance during the year	Outstanding Balance	Maximum Balance during the year
<b>i. Due from Related Parties (included in loans &amp; advances and sundry debtors)</b>				
Subsidiaries				
- included in Sundry Debtors	25.82	62.45	13.42	6.58
- included in Loans & Advances	32.54	53.97	24.12	25.13
Enterprises in which key managerial persons has significant influence				
- include in Sundry Debtors	-	-	0.49	-
- include in Loans & Advances	0.50	0.50	-	-
<b>ii. Due to Related Parties (included in current liabilities)</b>				
Subsidiaries	16.65		18.38	

## 11) Foreign Currency Convertible Bonds (FCCB)

- a) The Company issued 2,200, 1% Foreign Currency Convertible Bonds (FCCB) of US\$ 25,000 each aggregating to US\$ 55 Million on March 14, 2005. These bonds are convertible into equity shares of the Company at the option of bondholders on any day after six months from the date of the issue up to and including February 27, 2010 with a reset price of Rs. 48.04 per share. If all the bonds are converted into equity shares at the reset price of Rs. 48.04 per share taking the exchange conversion price to be US\$ 1 = Rs. 43.69, then the Share Capital of the Company will increase by 50,019,775 Equity Shares of Rs. 10/- each. If not converted then they are Redeemable on 14th March, 2010 at 127.25% of the face value.
- b) During this year, the Company has issued 600, Zero Coupon Unsecured Foreign Currency Convertible Bonds (FCCB) of US\$ 100,000 each aggregating US\$ 60 Million on April 11, 2006. These bonds are convertible into equity shares of the Company at the option of bondholders on any day after one business day from the date of the issue upto and including March 28, 2011. If all the bonds are converted into equity shares at present conversion price of Rs. 62.50 per share taking the exchange rate on conversion to be US\$ 1 = Rs. 44.66, then the Share Capital of the Company will increase by around 42,873,600 Equity shares of Rs. 10/- each. If not converted then they are redeemable on April 12, 2011 at 139.36% of the face value.
- c) Out of the above FCCBs of Rs. 507.93 crores, a sum of Rs. 22.57 crores remained unutilised at Balance Sheet date.

- 12) Pursuant to the approval of the shareholders at the General Meeting, the company approved an Employee Stock Option Scheme - 2005. Under the scheme, the company is authorized to issue upto 1,115,000 equity shares to the eligible employees. Eligible employees are granted an option to purchase shares subject to vesting conditions. The option can be exercised within 3 years from the date of the vesting at a price of Rs. 33.40 per share (the closing market price of the equity share on immediately preceding day of grant of option). No compensation expenses is arising under this scheme as there being no difference between the option price and market price on the date of approval.

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

(Rs. in Crore)

Particulars	As at 31.03.2007 Basic & Diluted EPS (12 months period)	As at 31.03.2006 Basic & Diluted EPS (18 months period)
<b>Earnings</b>		
Net Profit for the year (Rs. / Crores)	55.73	311.99
Add: Interest on FCCB (w.e.f. 14.03.05)	1.62	1.75
Earnings for Diluted EPS	57.35	313.74
<b>Shares</b>		
Number of shares at the beginning of the year/period	119,953,021	67,843,613
Add: Share Alloted against Share Warrants	2,000,000	4,950,000
Add: Bonus Issue	121,953,021	47,159,408
<b>Total number of equity shares outstanding at the end of the year/period</b>	<b>243,906,042</b>	<b>119,953,021</b>
<b>Weighted average number of shares outstanding during the year/period (for Basic EPS)</b>	<b>176,096,168</b>	<b>104,843,861</b>
Add: Weighted average number of equity shares arising out of exercise of option of outstanding Share Warrants that have dilutive effect on the EPS (option to be exercisable w.e.f. 01.10.2005)	14,000,000	1,680,256
Add: Weighted average number of equity shares arising out of conversion of outstanding Foreign Currency Convertible Bonds that have dilutive effect on the EPS (to be convertible w.e.f. 14.03.2005)	50,019,775	9,094,618
Add: Number of Equity Shares arising out of exercise of option of Employee Stock Option Scheme- 2005, that have dilutive effect in the EPS	1,115,000	



## Schedules to the Accounts

## Schedule 17 - NOTES TO ACCOUNTS

(Rs. in Crore)

Particulars	As at 31.03.2007 Basic & Diluted EPS (12 months period)	As at 31.03.2006 Basic & Diluted EPS (18 months period)
<b>Weighted average number of shares outstanding during the year/period (for Diluted EPS)</b>	<b>241,230,943</b>	<b>115,618,734</b>
<b>Earning per share :</b>		
- Basic (Rs.)	3.16	13.00*
- Diluted (Rs.)	2.38	10.32*

\* Adjusted - EPS for bonus issues as per Accounting Standard - 20.

- 14) a) The indicators 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. 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 realisation 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.
- 15) **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	
		2006-07 (12 months)	2004-06 (18 months Annualised)	2006-07 (12 months)	2004-06 (18 months)
Low-Ash Metallurgical Coke	M.T.	682,000.000	682,000.000	393322.488	583,842.005
Rolled & Alloy Steel Products	M.T.	311,000.000	311,000.000	56640.814	3,353.687

## Note:

Weighted Average capacity utilisation based on weighted average installed capacity

Low-Ash Metallurgical Coke - 57.67 % (Previous Period - 61.89%)

Rolled &amp; Alloy Steel Products - 18.21 % (Previous Period - 4.19%)

## B) Particulars of Stocks and Sales

Description	Units	Stocks				Sales	
		Opening		Closing		2006-07 (12 months)	2004-06 (18 months)
		2006-07 (12 months)	2004-06 (18 months)	2006-07 (12 months)	2004-06 (18 months)		
LAMC	M.T.	73,446.877	55,254.342	101,901.488	73,446.877	364,277.480	545,415.480
	Rs. Crore	62.43	61.09	86.62	62.43	314.44	514.45
Coal	M.T.	134,846.370	67,413.300	127,709.088	134,846.370	150,256.805	41,834.040
	Rs. Crore	74.17	47.86	70.24	74.17	65.10	20.13
Coal in Process	M.T.	3,317.000	2,447.200	2,964.800	3,317.000	-	-
	Rs. Crore	2.02	2.39	1.81	2.02	-	-
Billets & Ingots	M.T.	2,919.958	-	667.115	2,919.958	32,779.920	101.120
	Rs. Crore	4.95	-	1.43	4.95	67.72	0.16
Rolled Products	M.T.	157.279	-	3,117.834	157.279	21,760.080	175.330
	Rs. Crore	0.38	-	7.48	0.38	53.76	0.36
Sponge Iron	M.T.	10.790	-	119.203	10.790	111.670	-
	Rs. Crore	0.01	-	0.16	0.01	0.15	-
M.S. Scrap	M.T.	1,349.317	-	692.040	1,349.317	1,345.368	-
	Rs. Crore	1.56	-	1.06	1.56	2.79	-
<b>Total</b>	<b>Rs. Crore</b>	<b>145.52</b>	<b>111.34</b>	<b>168.80</b>	<b>145.52</b>	<b>503.96</b>	<b>535.10</b>

## C) Particulars Of Raw Materials Consumed

Description	Current year		Previous period	
	Quantity M.T.	Value Rs. Crores	Quantity M.T.	Value Rs. Crores
Raw Coal	468185.675	237.08	7,11,202.500	291.51
Sponge Iron	24524.492	27.19	1,043.140	1.08
M. S. Scrap	41667.168	62.12	2,749.750	3.20

## Schedules to the Balance Sheet as at 31st March, 2007

## Schedule 17 - NOTES TO ACCOUNTS

## D) Other Additional Information

(Rs. in Crore)

	Current year	Previous period
<b>i) Expenditure in foreign currency -</b>		
- Travelling	0.06	0.28
- Interest on FCCB to bondholders	2.44	1.93
- FCCB Issue Expenses	9.52	6.63
- Professional & Consultancy Fees	0.07	0.55
<b>ii) CIF value of imports - Raw Materials - Coking Coal</b>	203.07	326.12
- M. S. Scrap	14.05	4.71
- Capital Goods	1.92	1.01
- Others	3.32	-
<b>iii) Earning in Foreign Exchange</b>		
- FOB value of exports	30.20	115.39
- Interest on Fixed Deposits with foreign banks	3.98	1.98
- Interest on Loan from subsidiaries	3.03	2.55

	Current year		Previous period	
	Rs. Crores	%	Rs. Crores	%
<b>iv) Value of imported / indigenous raw materials consumed</b>				
<b>a) Raw Materials</b>				
Imported	230.21	97.10	279.68	95.94
Indigenous	6.87	2.90	11.83	4.06
	<b>237.08</b>	<b>100.00</b>	<b>291.51</b>	<b>100.00</b>
<b>b) Sponge Iron</b>				
Imported	-	-	-	-
Indigenous	27.19	100.00	1.08	100.00
	<b>27.19</b>	<b>100.00</b>	<b>1.08</b>	<b>100.00</b>
<b>c) MS. Scrap</b>				
Imported	17.39	27.99	3.17	99.21
Indigenous	44.73	72.01	0.03	0.79
	<b>62.12</b>	<b>100.00</b>	<b>3.20</b>	<b>100.00</b>

## E) 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 remittable in this respect is given herein below:

(Rs. in Crore)

	Current year (12 months)	Previous period (18 months)
A) Number of Non-Resident Shareholders	755	370
B) Number of Equity Shares held by them	1,535,094	5,755,493
C) i) Amount of Dividend Paid (Gross) Rs. Crores	0.33	a) 0.04 b) 0.93 c) 1.29
Tax deducted at Source - NIL (Previous Period Rs. NIL)		
ii) Year to which dividend relates	2006-07 (12 months)	a) 2002-2003 (12 months) b) 2003-2004 (12 months) c) 2004-2006 (18 months)

## 16) Previous period figures have been regrouped / rearranged wherever considered necessary.

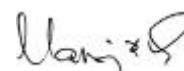
In terms of our report of even date annexed hereto

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

**B. Basu**  
Partner  
Membership No.: 12748

**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

Place: Kolkata  
Dated : June 11, 2007

## Schedules to the Balance Sheet as at 31st March, 2007

### 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

<b>I. Registration Details</b>	
Registration No.	40098
State Code No.	021
Balance Sheet Date	31-Mar-07
<b>II. Capital raised during the year</b>	
	<u>Rs. in crores</u>
Public Issue	NIL
Rights Issue	NIL
Bonus Issue	121.95
Private Placement	15.00
<b>III. Position of Mobilisation and Deployment of Funds</b>	
Total Liabilities	1,388.68
Total Assets	1,388.68
<b>Source of Fund</b>	
Paid-up Capital	243.91
Deposit Against Share Warrants	5.25
Reserve & Surplus	305.17
Foreign Currency Convertible Bonds	507.93
Secured Loans	257.59
Deferred Tax Liability	68.83
<b>Application of Fund</b>	
Net Fixed Assets	411.38
Capital Work in Progress	10.13
Investments	611.68
Net Current Assets/Liabilities	343.32
Miscellaneous Expenditure	12.17
<b>IV. Performance of Company</b>	
Turnover (Including other Income)	556.87
Total Expenditure	482.11
Profit/(Loss) before Tax	74.76
Profit/(Loss) after Tax	55.73
Earning Per Share (Basic) in Rs.	3.16
Earning Per Share (Diluted) in Rs.	2.38
Dividend	15%
<b>V. Generic Names of Principal Products/Services of the Company (as per monetary terms)</b>	
<b>Product Description</b>	<b>Item Code No. (ITC Code)</b>
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



**G. L. Jagatramka**  
Chairman



**A. K. Jagatramka**  
Vice-Chairman &  
Managing Director



**P. R. Kannan**  
Chief Financial  
Officer



**Manoj K. Shah**  
Company Secretary

Place: Kolkata  
Dated : June 11, 2007

For and on behalf of the Board

# Cash Flow Statement

For the year ended March 31, 2007

(Rs. in Crore)

	For the year ended 31.03.2007	For 18 months ended 31.03.2006
<b>A. CASH FLOW FROM OPERATIVE ACTIVITIES</b>		
Net Profit Before Tax & Extraordinary Items	75.50	386.28
<b>Adjustments for:</b>		
Depreciation / Other non cash items	24.72	25.11
Interest Paid / Payable	23.58	12.81
Net Other Income	(8.94)	(239.23)
Net Loss on Sale / Discard of Fixed Assets	0.02	0.02
Interest Received / Receivable	(11.34)	(9.16)
<b>Operating Profit before working Capital Changes</b>	<b>103.54</b>	<b>175.83</b>
<b>Adjustments for:</b>		
Trade & Other Receivables	(148.24)	(79.74)
Inventories	(23.25)	(35.97)
Trade Payables	37.79	(6.12)
<b>Cash Generated from Operations</b>	<b>(30.17)</b>	<b>53.99</b>
Direct Taxes Paid / Refunds	(10.26)	(48.80)
<b>Cash Generated from Operating Activities</b>	<b>(40.43)</b>	<b>5.19</b>
<b>B. CASH FLOW FROM INVESTING ACTIVITIES</b>		
Addition to Fixed Assets	(71.27)	(285.41)
Sale of Fixed Assets	0.07	0.07
Addition to Investments	(489.69)	(546.28)
Sale of Investments	372.89	294.67
Interest Paid	(22.89)	(12.81)
Interest Received	11.34	9.16
Dividend / Misc Income	8.82	6.09
<b>Net Cash used in Investing Activities</b>	<b>(190.73)</b>	<b>(534.51)</b>
<b>C. CASH FLOW FROM FINANCING ACTIVITIES</b>		
Net Proceeds to Share Capital / Reserves (incl Share Warrant)	13.50	99.00
Share issued pursuant to amalgamation	-	20.68
Deposit against Share Warrant	-	10.10
Proceed from Foreign Currency Convertible Bond	267.96	239.97
Increase in Long / Short term borrowing	(13.84)	224.23
Dividend / Dividend Tax Paid	(7.41)	(50.59)
Unsecured Loans	-	(5.61)
Payment for Increase in Authorised Capital	(0.74)	(0.93)
FCCB issue related expenses	(10.25)	(21.57)
<b>Net Cash Generated from Financing Activities</b>	<b>249.22</b>	<b>515.28</b>
<b>Net Increase / (Decrease) in Cash &amp; Cash Equivalents</b>	<b>18.06</b>	<b>(14.04)</b>
<b>Cash &amp; Cash Equivalents (Opening Balance)</b>	<b>48.21</b>	<b>62.24</b>
<b>Cash &amp; Cash Equivalents Received on Amalgamation</b>	<b>-</b>	<b>0.01</b>
<b>Cash &amp; Cash Equivalents (Closing Balance)</b>	<b>66.27</b>	<b>48.21</b>

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 : June 11, 2007



**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 Crore)

Name of the Subsidiary Company	Gujarat NRE Coal (NSW) Pty Ltd.	Bharat NRE Coke Ltd.	Hunter Valley Coal Pvt. Ltd.	Manor Dealcom Pvt. Ltd.	Gujarat NRE Pty. Ltd.	Gujarat NRE Resources NL	Wonga Coal Pty. Ltd.	Gujarat NRE FCGL Pty. Ltd.	India NRE Minerals Ltd.
1. Financial Year of the subsidiary ended on	31.03.07	31.03.07	N.A *	N.A *	31.03.07	31.03.07	31.03.07	31.03.07	31.03.07
2. Holding Company's Interest Equity Shares of Rs.10 each									
a) Number of Shares Fully paid	500000	21580000	15512850	14451150	18750000	176880000	14854000	40022500	116271320
b) % Share held by Gujarat NRE Coke Ltd and its Subsidiaries	100%	59.86%	100%	100%	100%	84.03%	100%	100%	99.65%
3. 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	(0.01)	0.66	N.A	N.A	(0.53)	(0.60)	(0.44)	(1.23)	(6.84)
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	-	(3.40)	-	-	-	-	-	1.09	5.26
4. As the Financial Year of the 2 Subsidiary Companies do not coincide with the Financial Year of the Holding Company, Section 212(5) of the Companies Act, 1956 is applicable									
Changes in the interest of the Holding Company between the end of the subsidiary's incorporation date and 31st March, 2007									
Number of shares acquired									
Material changes between the end of the subsidiary's incorporation on date and 31st March, 2007									
a) Fixed assets (net additions)									
b) Investments (Net)			153.10	143.48					
c) Moneys lent by the subsidiary									
d) Moneys borrowed by the subsidiary company other than for meeting current liabilities									

**Notes:**

- The Ministry of Company Affairs, Government of India, New Delhi vide its order no. 47/164/2007-CL-III dt 02.07.2007 issued under section 212(8) of the Companies Act, 1956 has exempted the company from attaching the accounts of subsidiaries of the Company. However, 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.

\* First Balance Sheet of the Company would be prepared on 31.03.08

Particulars of Subsidiary Companies as required by order no. 47/164/2007-CL-III dated 02.07.2007 of Ministry of Company Affairs, Government of India, issued under section 212 (8) of the Companies Act, 1956 for the financial year 2006-07 are as follows :-

Name of the Subsidiary Company	Gujarat NRE Coal (NSW) Pty Ltd.		Bharat NRE Coke Ltd.		Hunter Valley Coal Pvt. Ltd.		Manor Dealcom Pvt. Ltd.		Gujarat NRE Pty. Ltd.		Gujarat NRE Resources NL		Wonga Coal Pty. Ltd.		Gujarat NRE FCGL Pty. Ltd.		India NRE Minerals Ltd.		
	AU\$	INR	AU\$	INR	AU\$	INR	AU\$	INR	AU\$	INR	AU\$	INR	AU\$	INR	AU\$	INR	AU\$	INR	
a) Share Capital (Equity and Preference)	0.0005	0.02	36.05	1.55	1.45	1.45	1.87	66.47	3.86	136.27	1.56	54.60	0.30	10.54	5.40	187.27			
b) Reserve & Surplus (net of debit balance of profit & loss account)	(0.0003)	(0.01)	(4.58)	151.60	142.08	(1.19)	(0.15)	(1.19)	(0.13)	(4.95)	(0.01)	(0.45)	(0.03)	(1.56)	(0.18)	(8.23)			
c) Total assets (Fixed Assets + Current Assets)	0.0004	0.02	113.83			0.004	0.15	0.003	0.01	9.41	0.0003	0.01	0.42	14.31	3.18	109.03			
d) Total Liabilities (Debts + Current Liabilities & Provision)	0.0002	0.01	82.39			0.0009	0.03	0.001	0.16	0.0005	0.02	0.18	5.32	3.80	133.87				
e) Details of Investment (excluding investments in the subsidiary companies)																			
- Equity / Preference Shares						0.001	0.03												
- Government Securities																			
- Bonds/ Mutual Funds Units																			
f) Turnover (Net Sales)	-		64.697			0.0001	0.005	0.01	0.23	-	-	0.006	0.22	2.36	82.22				
g) Profit/(Loss) Before Taxation	(0.0003)	(0.01)	(5.16)			(0.02)	(0.53)	(0.02)	(0.69)	(0.01)	(0.44)	(0.01)	(0.36)	(0.21)	(6.71)				
h) Provision for Taxation	-		(6.27)					0.0005	0.02						0.15				
i) Profit/ (Loss) after Taxation	(0.0003)	(0.01)	1.10			(0.02)	(0.53)	(0.02)	(0.71)	(0.01)	(0.44)	(0.009)	(0.34)	(0.21)	(6.86)				
j) Proposed Dividend (including Corporate Dividend Tax)	-		-																

Exchange Rate as on 31st March 2007 - 1 AUD = INR 34.75 (Buy) For Assets / INR 35.45 (Sell) For Liabilities

## Auditors' Report to the 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 seven subsidiaries (collectively referred to as the "NRE Group") as at March 31, 2007 and the consolidated Profit and Loss Account of the Company for the year ended on that date annexed thereto and the consolidated Cash Flow Statement for the year ended on that date. 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. These Standards require that we plan and perform the audit to obtain reasonable assurance whether the financial statements are prepared, in all material respects, in accordance with an identified financial reporting framework and are free of material misstatements. 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. 323.28 crores as at March 31, 2007 and total revenue of Rs. 82.67 crores and net Cash Outflows of Rs. 10.47 crores for the period 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 " issued by the Institute of Chartered Accountants of India except considering the Balance Sheet of two wholly owned subsidiaries.
5. We further report that on the basis of the information and on the consideration of the audit reports on individual audited financial statements of Gujarat NRE Coke Ltd. and its seven 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 NRE Group as at March 31, 2007;
  - ii) in the case of the Consolidated Profit and Loss Account, of the consolidated results of operation of the 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 NRE Group for the year ended on that date.

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



**B. Basu**  
Partner

Place : Kolkata  
Dated : July 28, 2007

Membership No. 12748

**Consolidated Balance Sheet** As at March 31, 2007

(Rs. in Crore)

	Schedule	As at 31.03.2007	As at 31.03.2006
<b>SOURCES OF FUNDS</b>			
<b>Shareholders' Funds</b>			
Share Capital	1	243.91	119.95
Deposit against Share Warrants		5.25	10.10
Reserves & Surplus	2	291.30	388.50
		540.46	518.55
<b>Minority Interest</b>		34.52	15.16
<b>Foreign Currency Convertible Bonds</b>		507.93	239.97
<b>Loan Funds</b>			
Secured Loans	3	344.77	325.55
<b>Unsecured Loans</b>		0.72	-
<b>Deferred Tax Liability</b>		65.41	61.10
<b>Total</b>		<b>1,493.81</b>	<b>1,160.33</b>
<b>APPLICATION OF FUNDS</b>			
<b>Fixed Assets</b>			
Gross Block	4	615.89	512.79
Less: Depreciation		54.30	26.20
Net Block		561.59	486.59
Capital Work-in-Progress		27.36	17.92
		588.95	504.51
<b>Goodwill</b>		19.72	53.94
<b>Investments</b>	5	369.06	306.80
<b>Current Assets, Loans and Advances</b>			
Inventories	6	212.33	161.33
Sundry Debtors		152.94	73.30
Cash & Bank Balances	7	75.36	55.71
Loans and Advances	8	169.84	107.89
		610.47	398.23
<b>Less: Current Liabilities &amp; Provisions</b>	9		
Liabilities		175.41	134.40
Provisions		136.18	92.40
		311.59	226.80
<b>Net Current Assets</b>		298.88	171.43
<b>Miscellaneous Expenditure</b>	10	217.20	123.65
<b>Total</b>		<b>1,493.81</b>	<b>1,160.33</b>
Notes on Accounts	16		

In terms of our report of even date annexed hereto

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

Chartered Accountants

**B. Basu**

Partner

Membership No.: 12748

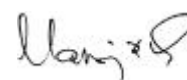
Place: Kolkata

Dated : July 28, 2007

For and on behalf of the Board

**G. L. Jagatramka**

Chairman

**A. K. Jagatramka**Vice-Chairman &  
Managing Director**P. R. Kannan**Chief Financial  
Officer**Manoj K. Shah**

Company Secretary



# Consolidated Profit and Loss Account

For the year ended March 31, 2007

(Rs. in Crore)

Schedule	For the year ended 31.03.2007	For 18 months ended 31.03.2006
<b>INCOME</b>		
Sales	514.54	556.55
Other Income 11	18.52	253.68
Increase/(Decrease) in Stocks 12	44.81	49.87
	<b>577.87</b>	<b>860.10</b>
<b>EXPENDITURE</b>		
Purchases	288.83	334.56
Manufacturing Expenses 13	85.95	33.81
Administrative, Selling and Other Expenses 14	90.09	79.27
	<b>464.87</b>	<b>447.64</b>
<b>INCOME FROM OPERATIONS</b>		
	<b>113.00</b>	<b>412.46</b>
Interest 15	27.29	16.63
Depreciation 4	25.20	12.10
<b>Profit/(Loss) Before Tax</b>	<b>60.51</b>	<b>383.73</b>
<b>Provision For Taxation</b>		
Current Year	8.37	28.65
Previous Year	(0.18)	-
Deferred Tax	4.31	49.65
Fringe Benefit Tax	0.41	0.36
<b>Profit/(Loss) After Tax</b>	<b>47.60</b>	<b>305.07</b>
Less : Minority Interest	(1.55)	(1.92)
	<b>49.15</b>	<b>306.99</b>
Balance Brought Forward	122.68	25.69
	<b>171.83</b>	<b>332.68</b>
<b>APPROPRIATIONS</b>		
Transfer To General Reserve	50.00	150.00
Interim Dividend	-	38.97
Proposed Dividend	38.76	6.00
Dividend Tax	6.59	6.30
Transferred from Debenture Redemption Reserve	(12.50)	-
Transferred to Debenture Redemption Reserve	-	12.50
<b>Balance Carried To Balance Sheet</b>	<b>88.98</b>	<b>118.91</b>
Basic Earnings per share (in Rs.)	2.79	12.80
Diluted Earnings per Share (in Rs.)	2.10	10.16
Notes on Accounts 16		

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

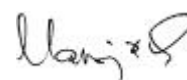
Dated : July 28, 2007

For and on behalf of the Board


**G. L. Jagatramka**

Chairman


**A. K. Jagatramka**Vice-Chairman &  
Managing Director

**P. R. Kannan**Chief Financial  
Officer

**Manoj K. Shah**

Company Secretary

## Schedules to the Consolidated Accounts

(Rs. in Crore)

	As at 31.03.2007	As at 31.03.2006
<b>Schedule 1 - SHARE CAPITAL</b>		
<b>Authorised</b>		
150,00,00,000 Equity Shares (Previous year 25,00,00,000) of Rs. 10/- each.	1,500.00	250.00
	<b>1,500.00</b>	<b>250.00</b>
<b>Issued, Subscribed and Paid-up</b>		
24,39,06,042 Equity Shares of Rs.10/- each fully paid up, (Previous year 9,92,68,816)	243.91	99.27
(Out of the above shares : 196,895,137 Equity Shares of Rs.10/-each were issued as fully paid up Bonus Shares by Capitalisation of Free Reserves (Previous year 74,942,116), 2,77,64,205 equity shares of Rs. 10/- each were issued for consideration other than cash (Previous year 70,80,000)		
<b>Share Suspense Account</b>	-	20.68
	<b>243.91</b>	<b>119.95</b>

<b>Schedule 2 - RESERVES &amp; SURPLUS</b>		
Capital Reserve	12.12	2.02
Share Premium	-	102.95
General Reserve	196.25	152.12
Profit & Loss Account	88.98	118.91
Foreign Currency Translation Reserve	(7.08)	-
Debenture Redemption Reserve	-	12.50
Equity Conversion Bond Reserve	0.72	-
Employee Stock Option Plan	0.31	-
	<b>291.30</b>	<b>388.50</b>

<b>Schedule 3 - LOAN FUNDS</b>		
<b>SECURED LOANS</b>		
<b>Long Term Loans</b>		
7% Non Convertible Debentures	-	12.50
Term Loans from Financial Institution	25.00	25.00
Term Loans from Scheduled Banks	185.48	185.54
Accrued Interest On Term Loan	1.01	-
	211.49	223.04
<b>Short Term Loans</b>		
Cash Credit from Scheduled Banks	63.46	22.00
Loan From Scheduled Bank	69.82	80.42
Accrued Interest On Loan	-	0.09
	133.28	102.51
<b>Total Loan Fund</b>	<b>344.77</b>	<b>325.55</b>

## Schedules to the Consolidated Accounts

(Rs. in Crore)

Schedule 4 - FIXED ASSETS										
Description	GROSS BLOCK				DEPRECIATION				NET BLOCK	
	As on 01.04.2006	Addition during the year	Sales/ Adjustments during the year***	As on 31.03.2007	Opening balance as on 01.04.2006	Provided during the year	Adjustments during the period for sales***	Closing balance as on 31.03.2007	As on 31.03.2007	As on 31.03.2006
Land & Buildings	59.81	28.90	1.35	87.36	0.49	1.79	0.00	2.28	85.08	59.32
Plant & Machineries	254.59	84.08	17.93	320.74	21.77	12.78	(3.07)	37.62	283.12	232.82
Furniture & Fixtures	1.74	0.83	-	2.57	0.18	0.17	0.00	0.35	2.22	1.56
Material Handling Equipment/Vehicle	14.41	3.06	0.69	16.78	2.11	1.75	0.16	3.70	13.08	12.30
Weighing Machine	0.22	-	-	0.22	0.02	0.01	0.00	0.03	0.19	0.20
Office equipment	1.65	0.58	0.02	2.21	0.20	0.32	0.01	0.51	1.70	1.45
Electrical Installations	18.35	1.00	(0.01)	19.36	0.40	0.89	0.00	1.29	18.07	17.95
Wind Turbine	133.78	-	-	133.78	0.91	7.06	0.00	7.97	125.81	132.87
Mining Lease	28.24	4.63	-	32.87	0.12	0.43	0.00	0.55	32.32	28.12
<b>Total</b>	<b>512.79</b>	<b>123.08</b>	<b>19.98</b>	<b>615.89</b>	<b>26.20</b>	<b>25.20</b>	<b>(2.90)</b>	<b>54.30</b>	<b>561.59</b>	<b>486.59</b>
Previous Year	99.21	425.94	12.36	512.79	13.71	12.80	0.31	26.20	486.59	85.50
Capital Work In Progress	17.92	52.89	43.45	27.36	-	-	-	-	27.36	17.92

\*\*\*Includes Inter Company Transactions

	As at 31.03.2007	As at 31.03.2006
<b>Schedule 5 - INVESTMENTS</b>		
Investments in Shares, Bonds & Others	72.39	84.33
Investments in Associates	-	222.47
Investments in Subsidiaries	296.67	-
	<b>369.06</b>	<b>306.80</b>

<b>Schedule 6 - INVENTORIES</b>		
Stores, Spares & Consumables	6.70	5.75
Raw Materials	94.43	81.31
Stock in Process	7.78	2.15
Finished Products	103.42	72.12
	<b>212.33</b>	<b>161.33</b>

<b>Schedule 7 - CASH &amp; BANK BALANCES</b>		
Cash in hand (As Certified by Management)	0.36	0.53
Balance with Scheduled Banks		
In Current Account	9.64	5.94
In Short Term Deposits (Including interest accrued)	56.76	43.08
Balance with Non-Scheduled Banks		
In Current Account	7.70	3.71
In Short Term Deposits (Including interest accrued)	0.90	2.45
	<b>75.36</b>	<b>55.71</b>

<b>Schedule 8 - LOANS AND ADVANCES</b>		
(Unsecured, Considered Good)		
<b>Loans</b>	-	-
<b>Advances</b>		
Advances recoverable in cash or in kind or value to be received or pending adjustment	69.49	22.86
Deposits With Govt. Authorities & Others	22.52	18.27
Advance Tax (Including Tax Deducted at Source)	77.83	66.76
	<b>169.84</b>	<b>107.89</b>

## Schedules to the Consolidated Accounts

(Rs. in Crore)

	As at 31.03.2007	As at 31.03.2006
<b>Schedule 9 - CURRENT LIABILITIES &amp; PROVISIONS</b>		
<b>Liabilities</b>		
Sundry Creditors	145.43	91.20
Liabilities for:		
Capital goods and expenses	2.41	6.48
Others	26.11	34.70
Unclaimed Dividend Account	0.83	1.41
Interest Accrued but not due	0.61	0.61
Advance Received from Debtors	0.02	-
	<b>175.41</b>	<b>134.40</b>
<b>Other Provisions</b>		
Provision for Taxation	64.27	56.36
Provision for Fringe Benefit Tax	0.45	0.01
Provision for Dividend	38.76	6.00
Provision for Dividend Tax	6.59	0.84
Provision for Gratuity & Leave Encashment	6.67	3.29
Restoration Guarantee	19.44	25.90
	<b>136.18</b>	<b>92.40</b>

<b>Schedule 10 - MISCELLANEOUS EXPENDITURE</b>		
(To the extent not written off/or adjusted)		
Preliminary Expenses	185.31	91.50
Deferred Revenue Expenses	13.29	6.25
Restoration Guarantee	18.60	25.90
	<b>217.20</b>	<b>123.65</b>

	For the year ended 31.03.2007	For 18 months ended 31.03.2006
<b>Schedule 11 - OTHER INCOME</b>		
Interest Income	7.71	7.78
Income from Lease	0.15	-
Profit on Sale of Investments	-	233.14
Exchange Gain on Sales	-	6.59
Dividend Received	0.06	5.87
Miscellaneous Income	10.60	0.30
	<b>18.52</b>	<b>253.68</b>

<b>Schedule 12 - INCREASE/(DECREASE) IN STOCKS</b>		
Closing Stocks	201.44	162.92
Less :Opening Stocks	156.63	113.05
	<b>44.81</b>	<b>49.87</b>

<b>Schedule 13 - MANUFACTURING EXPENSES</b>		
Mine Operating Expenses	46.32	8.25
Power & Fuel	13.60	9.43
Factory Wages & Labour Charges	10.47	7.03
Repair & Maintenance (Incl. Stores & Spares)	15.56	9.10
	<b>85.95</b>	<b>33.81</b>

## Schedules to the Consolidated Accounts

(Rs. in Crore)

	For the year ended 31.03.2007	For 18 months ended 31.03.2006
<b>Schedule 14 - ADMINISTRATIVE, SELLING &amp; OTHER EXPENSES</b>		
Auditor's Remuneration	0.65	0.28
Internal Audit Fees	0.09	0.01
Bank & Finance Charges	5.04	3.45
Carriage & Cartage	39.50	26.82
Employees Emoluments	9.75	8.85
General Expenses	2.62	5.51
Loss on Sale of Fixed Assets	0.55	0.05
Loss on Investment (Net)	0.40	-
Insurance Expenses	3.56	3.56
Professional & Service Charges	7.45	6.38
Rent, Rates & Taxes	2.95	3.33
Communication Expenses	0.36	0.57
Travelling & Conveyance	2.23	2.98
Marketing & Distribution Expenses	0.28	-
Royalties Paid	3.19	0.89
Exploration & Evaluation Expenses	0.16	-
Environment Expenses	1.94	0.32
Prior Year Expenses	0.89	-
Defferred Revenue Expenses Written Off	8.04	15.93
Preliminary Expenses Written Off	0.44	0.34
	<b>90.09</b>	<b>79.27</b>

**Schedule 15 - INTEREST**

On 7% Non Convertible Debentures	0.55	1.06
To Financial Institutions	1.81	2.75
To Scheduled Banks	21.41	11.94
On Foreign Currency Convertible Bonds	2.44	0.65
To Others	1.08	0.23
	<b>27.29</b>	<b>16.63</b>

**Schedule 16 - NOTES TO ACCOUNTS****1. Principles of Consolidation**

- a) The Consolidation Financial Statement (CFS) comprises the financial statements of the Gujarat NRE Coke Limited, its subsidiaries including sub-subsidiaries as mentioned below:

Sr. Name of the Subsidiaries	Country of Incorporation	Date of Holding	Percentage Holding
1. Bharat NRE Coke Ltd.	India	June 30, 2004	59.86 %
2. India NRE Minerals Ltd. (formerly Gujarat NRE Australia Pty Ltd.)	Australia	October 18, 2004	99.65 % (includes 26.65% shares held by Wonga Coal Pty Ltd.)
3. Gujarat NRE Coal (NSW) Pty. Ltd.	Australia	June 21, 2006	100 %
4. Gujarat NRE Pty Ltd. (formerly Bulli Resources Pty Ltd.)	Australia	March 23, 2007	100 %
5. Wonga Coal Pty Ltd.	Australia	March 23, 2007	100 % (held by Gujarat NRE Pty Ltd.)
6. Gujarat NRE Resources NL (formerly Zelos Resources NL)	Australia	November 23, 2006	84.03 % (includes 80.82 % Shares held by Gujarat NRE Pty Ltd.)
7. Gujarat NRE FCGL Pty Ltd.	Australia	March 15, 2005	100 % (held by Gujarat NRE Resources NL)
8. Huntervalley Coal (P) Ltd.	India	March 25, 2007	100%
9. Manor Dealcom (P) Ltd.	India	March 7, 2007	100%

Accounts of two wholly owned Indian subsidiary companies viz. Huntervalley Coal (P) Ltd. & Manor Dealcom (P) Ltd. were not available for consolidation since their first Balance Sheet are to be prepared on March 31, 2008.

## Schedules to the Consolidated Accounts

## Schedule 16 - NOTES TO ACCOUNTS (Contd.)

b) The consolidated financial statements are prepared in accordance with Accounting Standard 21 on "Consolidated Financial Statements" and "Accounting for Investment in Associates in Consolidation Financial Statements" (AS23), issued by the Institute of Chartered Accountants of India.

The consolidated financial statements are presented, in accordance with the Generally Accepted Accounting Policies.

The consolidated financial statements are prepared using uniform accounting policies for like transactions and other events in similar circumstances.

c) Accounting Policies and Notes on Accounts of the financial statement of the company and all the subsidiaries & sub-subsidiaries are set out in their respective financial statements.

## 2) Segment Information

The Group has three reporting segments i.e. "Coke", "Steel" and "Mining" as primary segments.

(Rs. in Crore)

Segment	Revenue	Profit/(Loss) before Tax & Interest	Capital Employed
a) Coke	386.56	82.60	416.34
b) Steel	124.41	4.69	218.99
c) Mining	82.67	(4.63)	317.74
d) Unallocated/Others	23.68	5.14	322.85
Less: Inter Segment Revenue	84.26	-	-
<b>Total</b>	<b>533.06</b>	<b>87.80</b>	<b>1275.92</b>

## 3) Related Party Transactions:-

## A. Related Parties with whom transactions have taken place during the year:-

## Name of Related Parties

## Subsidiaries company :

- Gujarat NRE Pty Ltd. (formerly Bulli Resources Pty Ltd.)
- Gujarat NRE Coal (NSW) Pty Ltd.
- Huntervalley Coal (P) Ltd.
- Manor Dealcom (P) Ltd.
- Bharat NRE Coke Ltd.
- India NRE Minerals Ltd. (formerly Gujarat NRE Australia Pty Ltd.)
- Wonga Coal Pty Ltd.
- Gujarat NRE Resources NL (formerly Zelos Resources NL).
- Gujarat NRE FCGL Pty Ltd.
- Others :  
Kalyani Steels Ltd.

## Enterprises in which key management person have significant influence

- Gujarat NRE Mineral Resources Ltd.
- Marley Foods Pvt. Ltd.
- Matangi Traders & Investors Pvt. Ltd.
- Malgudi Investment Ltd.

- Brinda Dealing Pvt. Ltd.

## Enterprise in which Key management personnel is a trustee

- Girdharilal Arun Kumar Family Trust

## B. Key Management Personnel :

## Name of Related Parties

## Relationship

- Mr. Arun Kumar - Vice-Chairman & Managing Director, Jagatramka Gujarat NRE Coke Limited
- Mr. R. P. Jain - Chief Operating Officer, Gujarat NRE Coke Limited
- Mr. P.R. Kannan - Chief Financial Officer, Gujarat NRE Coke Limited
- Mr. Andrew Firek - Non-Executive Director, India NRE Minerals Limited
- Mr. Raymond Schoer - Non-Executive Director, Gujarat NRE Resources NL
- Mr. Albert Wong - Non-Executive Director, Gujarat NRE Resources NL
- Hon Mr Neville Wran A.C.Q.C. - Non-Executive Director, Gujarat NRE Resources NL
- Dr. Chris Harvey - Non-Executive Director, Gujarat NRE Resources NL

## C. Transactions with related parties:

(Rs. in Crore)

	Current year (12 months)	Previous period (18 months)
<b>i) Sale/(Sales Return) of Goods/Services</b>		
- Subsidiaries	63.53	16.97
- Enterprises in which key management person has significant influence	(51.74)	67.36
- Other Related Party	10.56	NIL
<b>ii) Purchase of Goods</b>		
- Subsidiaries	79.79	17.98
- Other Related Party	1.30	NIL
<b>iii) Remuneration</b>		
- Key Management persons	1.23	1.86
<b>iv) Receiving of Services</b>		
- Enterprises in which key management person has significant influence	0.04	0.35
<b>v) Investments</b>		
- Subsidiaries	300.49	143.87
- Associates	-	273.21
<b>vi) Purchase of Fixed Assets</b>		
- Subsidiaries	1.28	0.02
- Associates	0.02	-
<b>vii) Purchase of Securities</b>		
- Subsidiaries	1.65	-
- Sub-Subsidiaries	7.01	-
- Associates	-	0.07
- Enterprises in which key management person has significant influence	-	3.91

## Schedules to the Consolidated Accounts

## Schedule 16 - NOTES TO ACCOUNTS (Contd.)

## C. Transactions with related parties: (Contd.)

(Rs. in Crore)

	Current year (12 months)	Previous period (18 months)
<b>viii) Sale of Securities</b>		
- Subsidiaries	10.20	-
- Sub-Subsidiaries	21.09	-
- Associates	-	3.94
- Enterprises in which key management person has significant influence	-	3.29
<b>ix) Share Application Received</b>		
- Enterprises in which key management person has significant influence	13.50	-
<b>x) Shares Alloted</b>		
- Enterprises in which key management person has significant influence	15.00	-
<b>xi) Share Warrant Deposit Forfeited</b>		
- Enterprises in which key management person has significant influence	10.10	-
<b>xii) Share Application Money Given</b>		
- Sub-Subsidiaries	20.52	-
<b>xiii) Share Application Money Refunded</b>		
- Sub-Subsidiaries	20.52	-
<b>xiv) Interest Received</b>		
- Subsidiaries	4.41	2.76
<b>xv) Royalty Income Received</b>		
- Subsidiaries	0.07	-
<b>xvi) Rent Paid</b>		
- Enterprises in which key management person is a trustee	0.24	0.38
<b>xvii) Security Deposit Given</b>		
- Enterprises in which key management person is a trustee	9.35	-
<b>xviii) Loans / Advances Given</b>		
- Subsidiaries	36.45	24.06
<b>xix) Loans / Advance Refund Received</b>		
- Subsidiaries	25.09	-
<b>xx) Rendering of Services</b>		
- Other Related Party	14.12	-
<b>xxi) Guarantees / Collateral Securities / Indemnity Outstanding as at the year end</b>		
- Given on behalf of Subsidiaries	96.67	75.33
- Given by Key Management Personnel on behalf of the Company	523.27	80.00
- Given by Enterprises in which key management person has significant influence	413.20	63.03

## 4) The basis of calculation of dilutive EPS as per the requirement of Accounting Standard (AS) - 20 is as under: (Rs. in Crore)

Particulars	2006-2007 Basic & Diluted EPS (12 months period)	2004-2006 Basic & Diluted EPS (18 months period)
<b>Earnings</b>		
Net Profit for the year (Rs. / crores)	49.22	306.99
Add: Interest on FCCB (w.e.f. 14.03.05)	1.62	1.75
Earnings for Diluted EPS	50.84	308.74
<b>Shares</b>		
Total number of equity shares outstanding at the end of the year/period	243,906,042	119,953,021
Weighted average number of shares outstanding during the year/period (for Basic EPS)	176,096,168	104,843,861
Weighted average number of shares outstanding during the year/period (for Diluted EPS)	241,230,943	115,618,734
<b>Earning per share :</b>		
- Basic (Rs.)	2.79	12.80*
- Diluted (Rs.)	2.10	10.16*

\* Adjusted - EPS for bonus issue as per Accounting Standard - 20.

## 5) Previous year figures has been regrouped/rearranged whenever considered necessary.

Previous years figures includes only three subsidiaries and hence are not comparable with the current year figures.

In terms of our report of even date annexed hereto

For N. C. Banerjee &amp; Co.

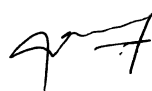
Chartered Accountants

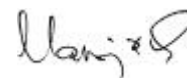

B. Basu  
Partner

Membership No.: 12748

Place: Kolkata

Dated : July 28, 2007


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

**Consolidated Cash Flow Statement** For the year ended March 31, 2007

(Rs. in Crore)

	For the year ended 31.03.2007	For 18 months ended 31.03.2006
<b>A. CASH FLOW FROM OPERATIVE ACTIVITIES</b>		
Net Profit Before Tax & Extraordinary Items	61.25	384.48
<b>Adjustments for:</b>		
Depreciation / Other non cash items	33.68	26.90
Net Other Income	(10.47)	(239.23)
Net Loss on Sale / Discard of Fixed Assets	0.55	0.04
Interest charged	27.29	16.63
Interest Received	(7.71)	(6.40)
Loss on sale of Investment ( Net)	0.40	-
<b>Operating Profit before working Capital Changes</b>	<b>104.99</b>	<b>182.42</b>
<b>Adjustments for:</b>		
Trade & Other Receivables	(130.52)	(51.05)
Inventories	(51.01)	(48.08)
Trade Payables	37.91	37.32
<b>Cash Generated from Operations</b>	<b>(38.63)</b>	<b>120.61</b>
Direct Taxes Paid / Refunds	(11.31)	(48.82)
<b>Cash Generated from Operating Activities</b>	<b>(49.94)</b>	<b>71.79</b>
<b>B. CASH FLOW FROM INVESTING ACTIVITIES</b>		
Addition to Fixed Assets	(127.15)	(394.79)
Sale of Fixed Assets	16.94	9.60
Addition to Investments	(403.99)	(358.32)
Sale of Investments	375.53	294.67
Interest Received	7.71	6.40
Dividend / Misc Income	10.47	6.09
Minority Interest	20.91	-
<b>Net Cash used in Investing Activities</b>	<b>(99.58)</b>	<b>(436.34)</b>
<b>C. CASH FLOW FROM FINANCING ACTIVITIES</b>		
Net Proceeds to Share Capital / Reserves	18.12	50.61
Shares issued pursuant to amalgamation	-	20.68
Proceed from Foreign Currency Convertible Bond	267.96	239.97
Increase in Long / Short term borrowing	19.23	257.98
Interest Paid	(26.69)	(16.63)
Dividend / Dividend Tax Paid	(7.41)	(50.59)
Unsecured Loans	0.72	(5.61)
Payment for Increase in Authorised Capital	(0.74)	(0.93)
FCCB issue related expenses	(10.25)	(21.57)
Miscellaneous Expenditure	(91.76)	(116.45)
<b>Net Cash Generated from Financing Activities</b>	<b>169.17</b>	<b>357.45</b>
<b>Net Increase / (Decrease) in Cash and Cash Equivalents</b>	<b>19.65</b>	<b>(7.09)</b>
<b>Cash and Cash Equivalents (Opening Balance)</b>	<b>55.71</b>	<b>62.79</b>
<b>Cash and Cash Equivalents received on Amalgamation</b>	<b>-</b>	<b>0.01</b>
<b>Cash and Cash Equivalents (Closing Balance)</b>	<b>75.36</b>	<b>55.71</b>

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 : July 28, 2007

For and on behalf of the Board

  
**G. L. Jagatramka**  
Chairman

  
**A. K. Jagatramka**  
Vice-Chairman &  
Managing Director

  
**P. R. Kannan**  
Chief Financial  
Officer

  
**Manoj K. Shah**  
Company Secretary