

GUJARAT NRE COKE LIMITED

The Undiscovered Coking Coal Producer



May, 2011

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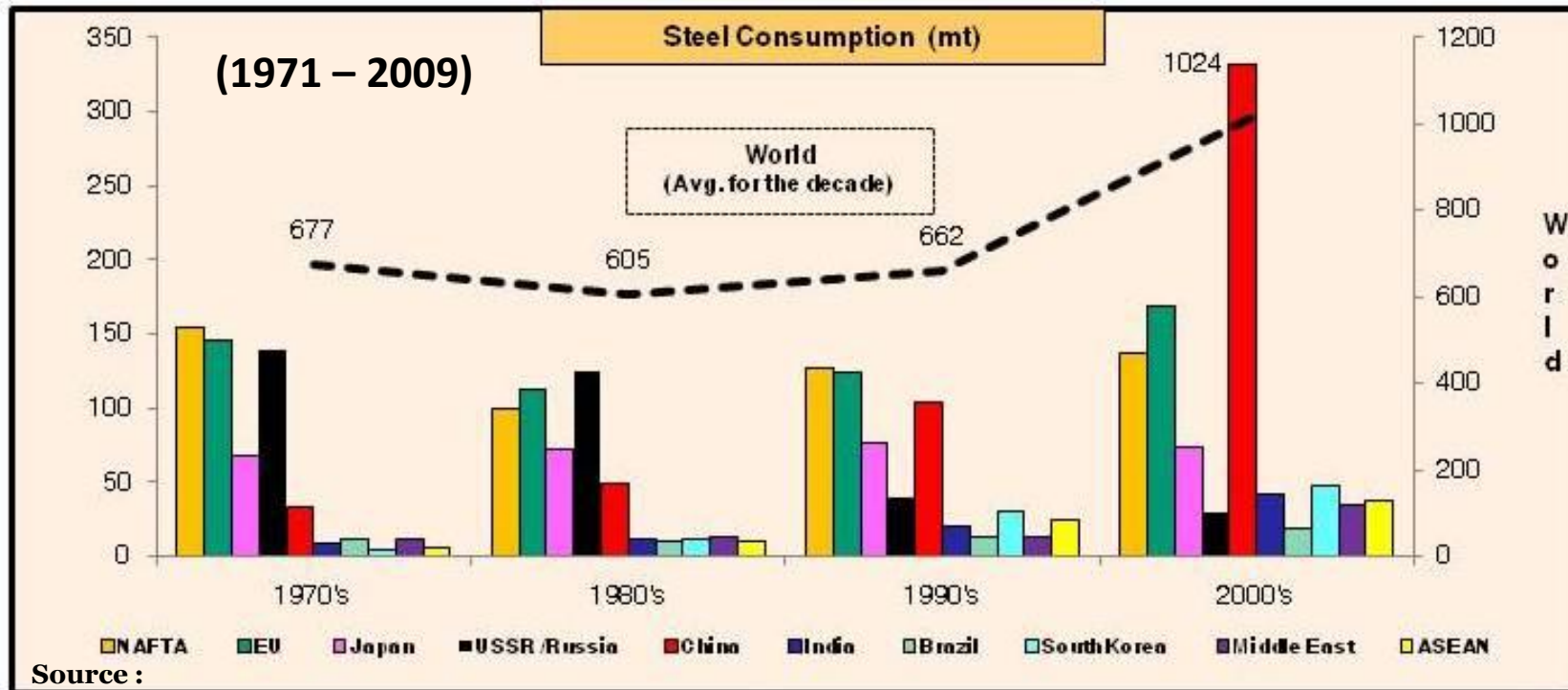
SECTION A

India's Changing Coking Coal & Met Coke Scenario

WORLD STEEL CONSUMPTION TREND

POWERED PRIMARILY BY CHINA

AS THE DEVELOPED WORLD DECLINED, ASIA GREW

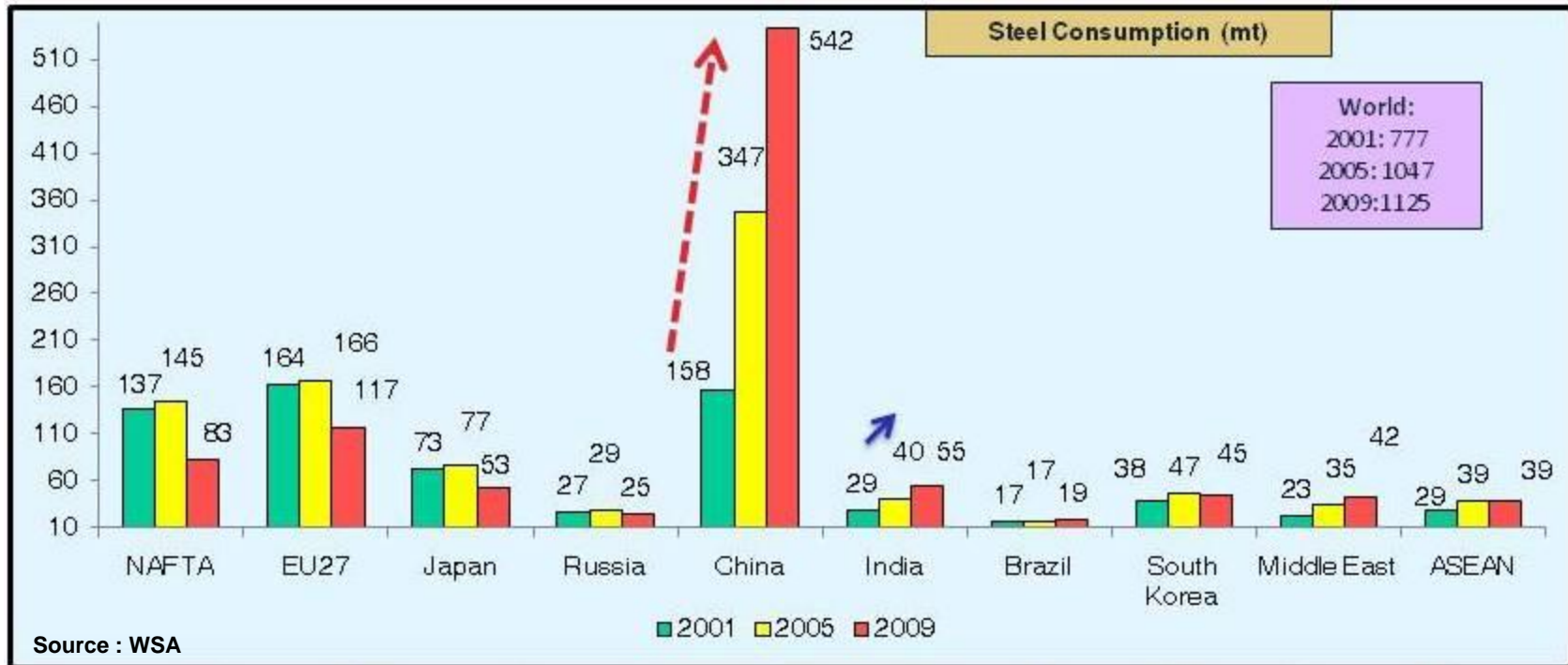


Source :

WSA	NAFTA	EU	Japan	USSR/Russia	China	India	Brazil	South Korea	Middle East	ASEAN	World
1971	143	138	58	115	24	8	7	2	6	4	579
2009	83	117	53	25	542	55	19	45	42	39	1125
Change 2009/1971 (mt)	-60	-21	-5	-90	518	47	12	43	36	35	546

21st Century – China remains the key growth driver

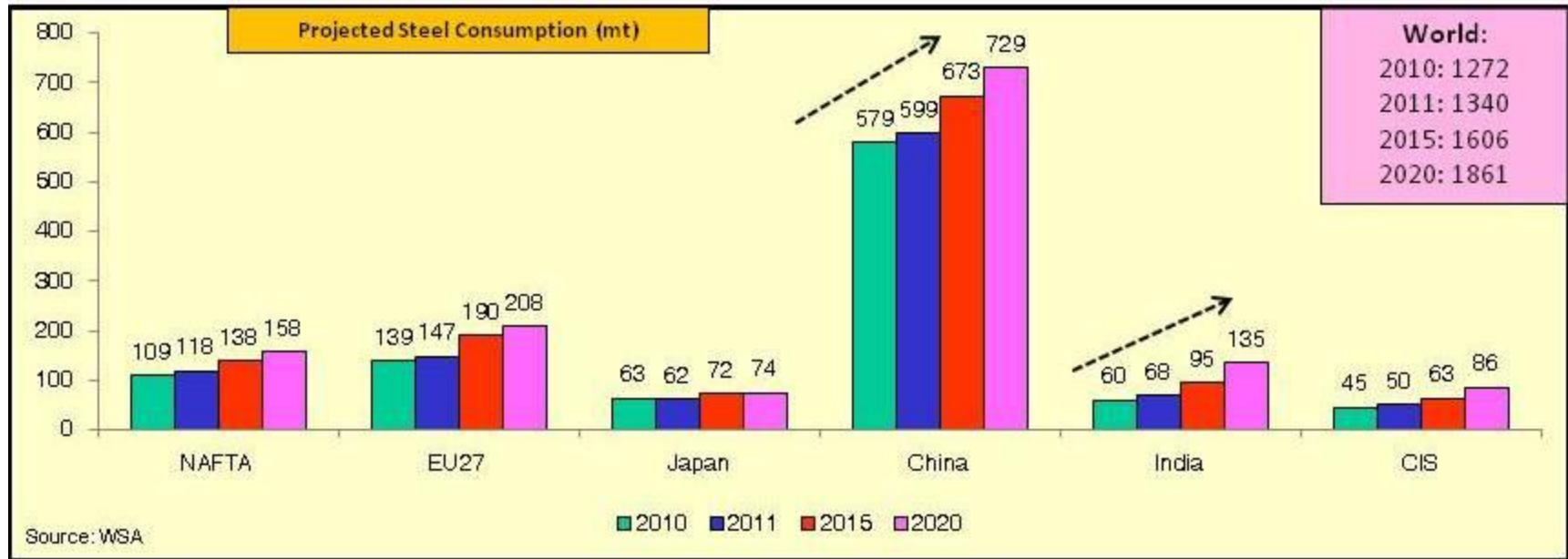
Elephant on the move – India emerges as a growth economy



	NAFTA	EU 27	Japan	Russia	China	India	Brazil	S. Korea	ASEAN	World
Consumption (Avg.)	137	168	73	30	332	41	19	48	37	1024
% Share	13%	16%	7%	3%	32%	4%	2%	5%	4%	100%
CAGR% 2001-2009	-6.1%	-4.1%	-4%	-1%	16.7%	8.6%	1.4%	2.2%	3.6%	4.7%

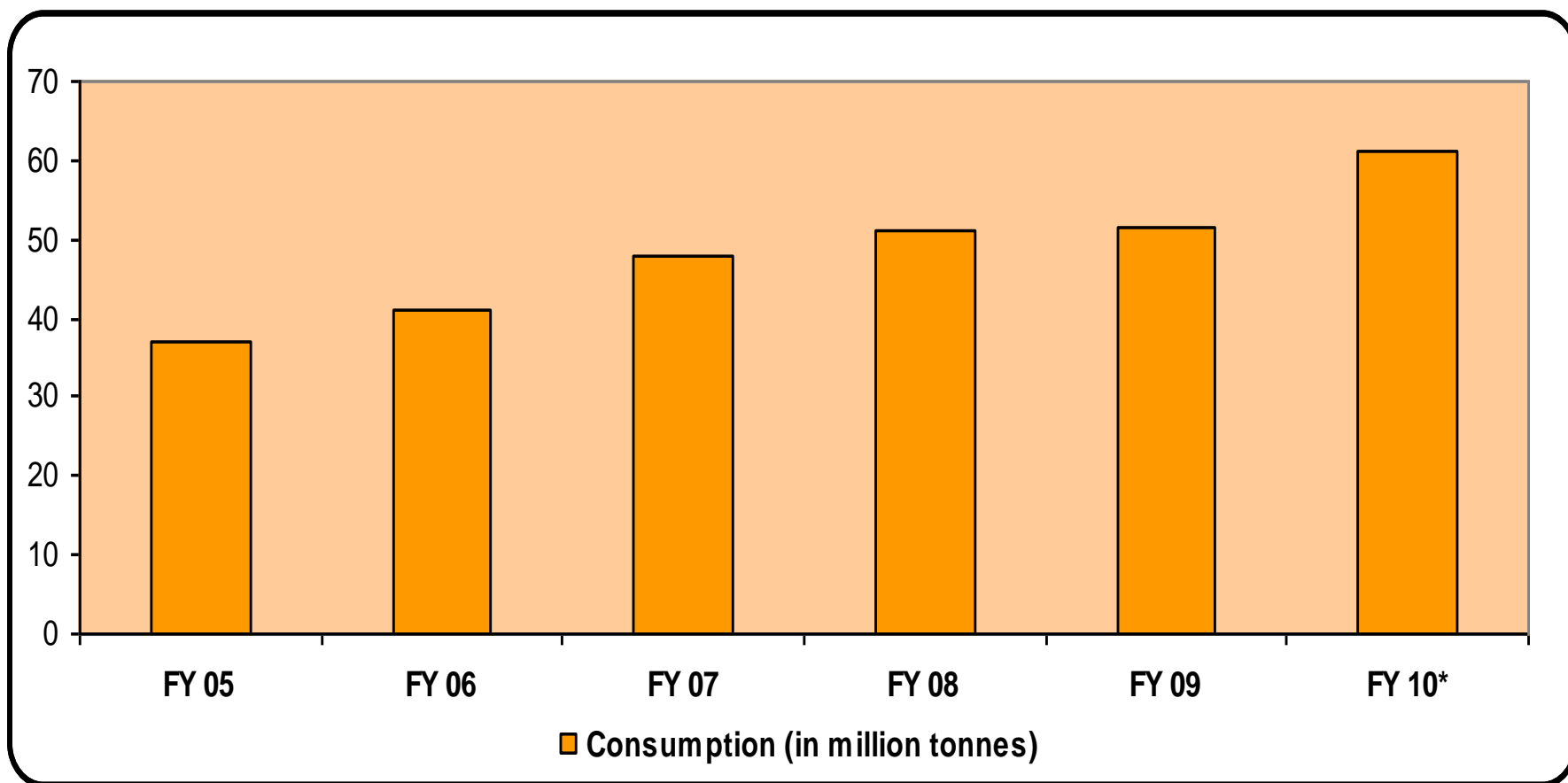
The current decade belongs to India

India projected to be the fastest growing market while growth in China would be tapering in coming years



	NAFTA	EU 27	Japan	CIS	China	India	World
% Share (2011)	9%	11%	5%	4%	45%	5%	-
% Share (2015)	9%	12%	4%	4%	42%	6%	-
% Share (2020)	8%	11%	4%	5%	39%	7%	-
% Growth (2011/2010)	8%	6%	-1%	4%	14%	11%	5%
% CAGR (2011-2015)	4%	7%	4%	3%	9%	6%	5%
% CAGR (2015 -2020)	3%	2%	1%	2%	7%	6%	3%

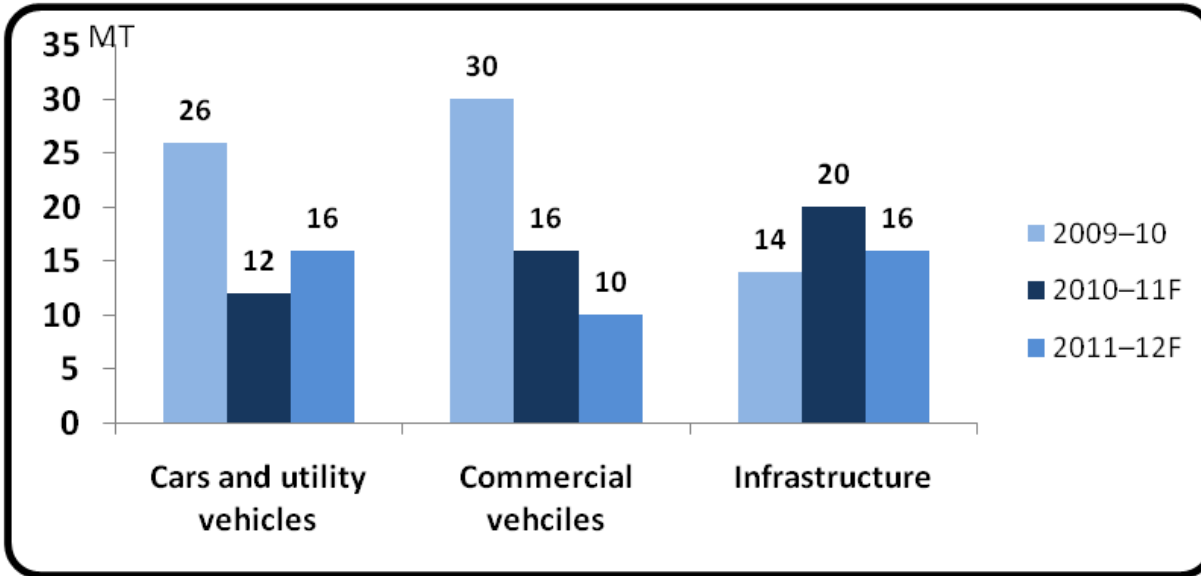
India's finished steel consumption trend



Source: Annual report 2009–10, Ministry of Steel, Government of India, E&Y.

*Annualizing the data till December 2009

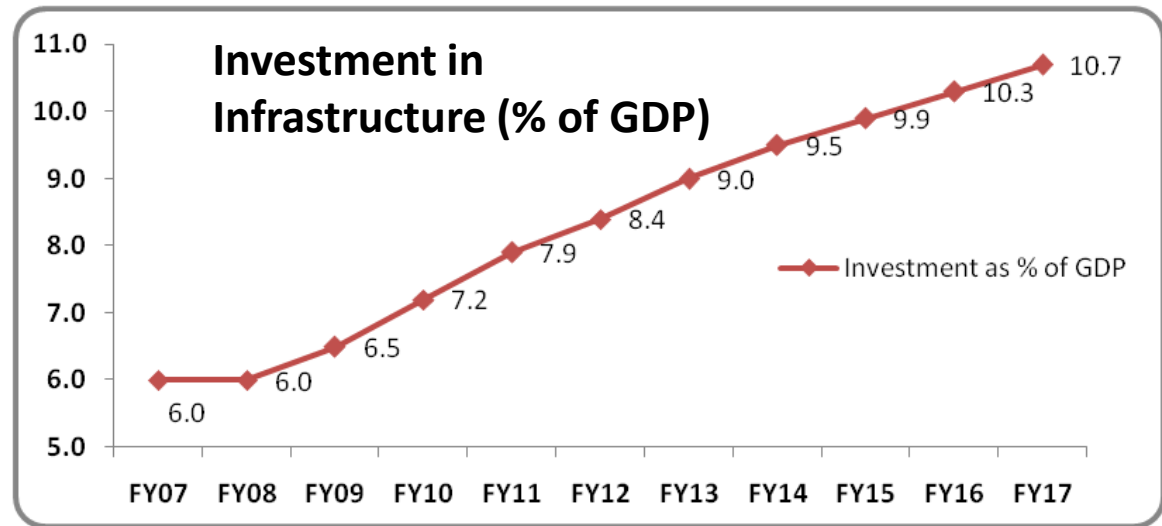
STRONG DOMESTIC DEMAND



Steel demand to grow at 10 to 12% over the next 2 years

Source: Steel Products update, CRISIL Research, E&Y, June 2010

Infrastructure to be one of the key drivers in steel consumption growth



Source: Goldman Sachs via Thomson Research, E&Y, 11 October 2010

India's Projected Steel Capacity by 2012-13

Investor	Existing	Brownfield	Greenfield	Total by 2013
SAIL	12.84	8.56	-	21.40
RINL	2.90	3.40	-	6.30
TATA STEEL	6.80	3.20	3.00*	13.00*
ESSAR STEEL	4.60	3.90	6.00*	14.50*
JSW STEEL	6.60	4.40	-	11.00
JSPL	2.40	4.80	3.25	10.45
ISPAT Industries	3.60	0.60	-	4.20
Bhusan Power & Steel	1.20	1.60	-	2.80
Bhusan Steel	0.80	2.20	-	3.00
Others & Secondary	31.00	3.20	-	34.20
Total	72.74	35.86	12.25	120.85

Source: ministry of steel

* TATA Steel (Kalinga Nagar-Orissa) and Essar Steel (Paradeep-Orissa) Greenfield projects are likely to be delayed beyond 2012

Capacity Addition projections till 2015

Projections as per work completed till date of the proposed projects and MoU signed

Year	Capacity Addition (MTPA)	Total Capacity (MTPA)
2010		72
2011	7	79
2012	17	96
2013	28	124
2014	20	144
2015	9	153

Source: projects monitor

URGENT NEED FOR COKING COAL TO MEET INDIA'S PROJECTED STEEL GROWTH

MT

	2020 Steel increase	Increase in Met Coal Demand by 2020
10%pa	100	61
12%pa	135	84
15%pa	202	132
20%pa	361	226

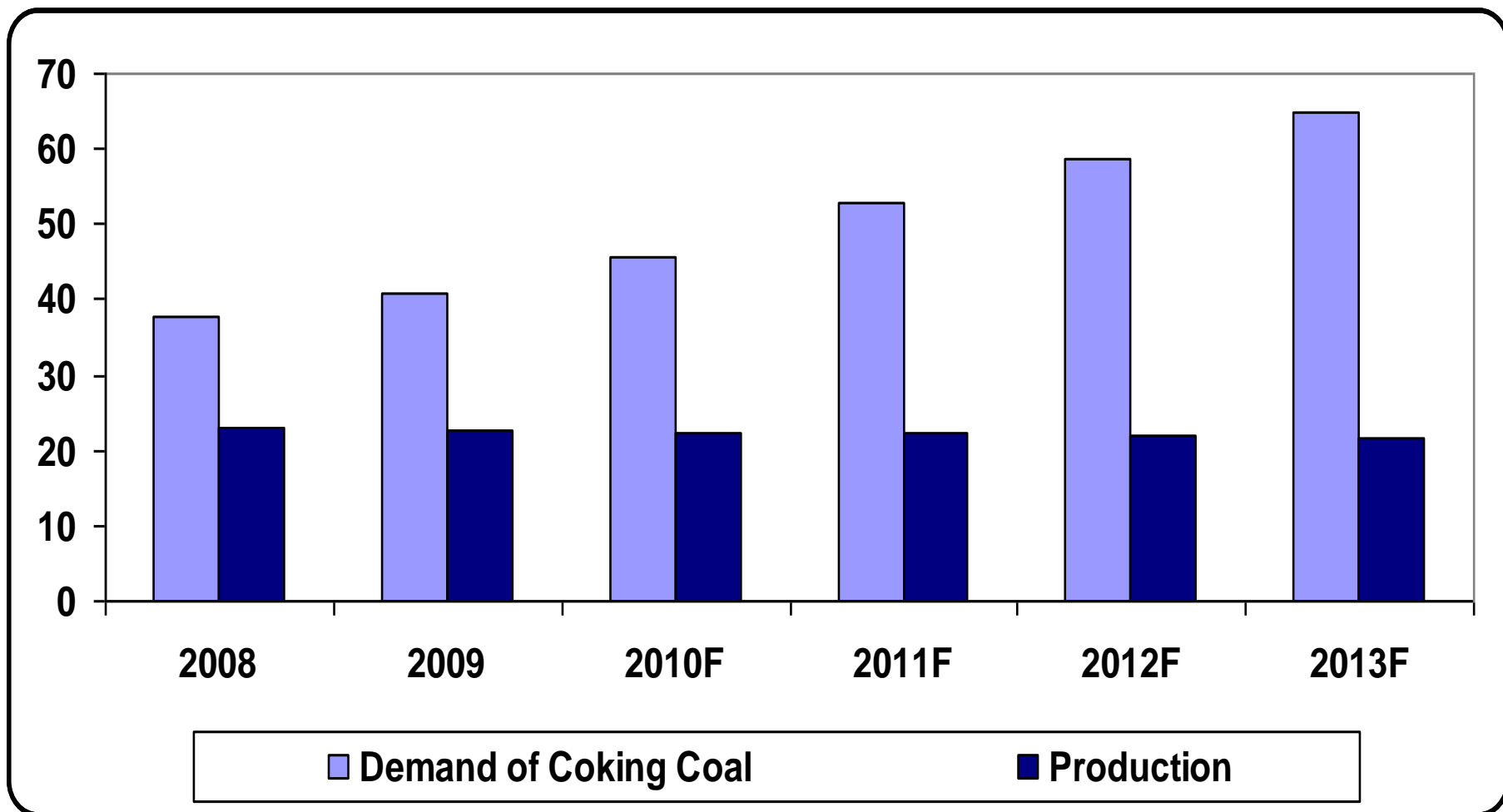
- 10%pa will see a doubling of import demand
- 20%pa increase is equal to current seaborne market for all Met Coal

India's domestic coking coal scenario

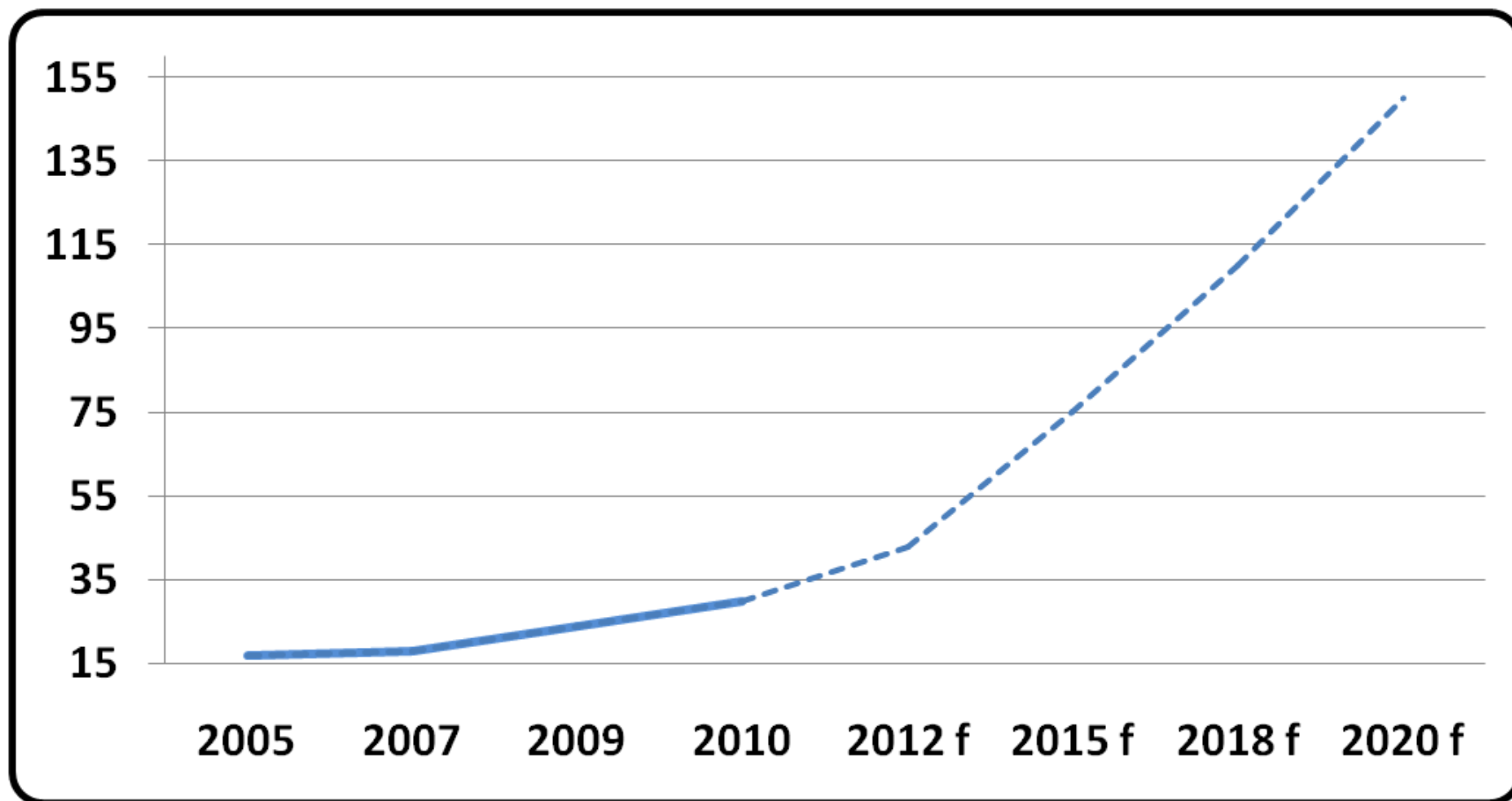
- Although India has large coal reserves it is very short of prime HCC
- Domestic Coking coal is:-
 - High ash
 - Tends to have poor coke strength
 - Requires imported high quality HCC
 - Not really suitable for PCI
- Production of domestic coking coal has declined since 2004
- Coke production has risen by almost 30% since 2004 and is poised to grow further

The future of India's coking coal is Imports

Increasing Coking Coal Demand (in MT)



FORECAST OF INDIAN COKING COAL IMPORT (IN MT)



Source: various reports and internal estimates

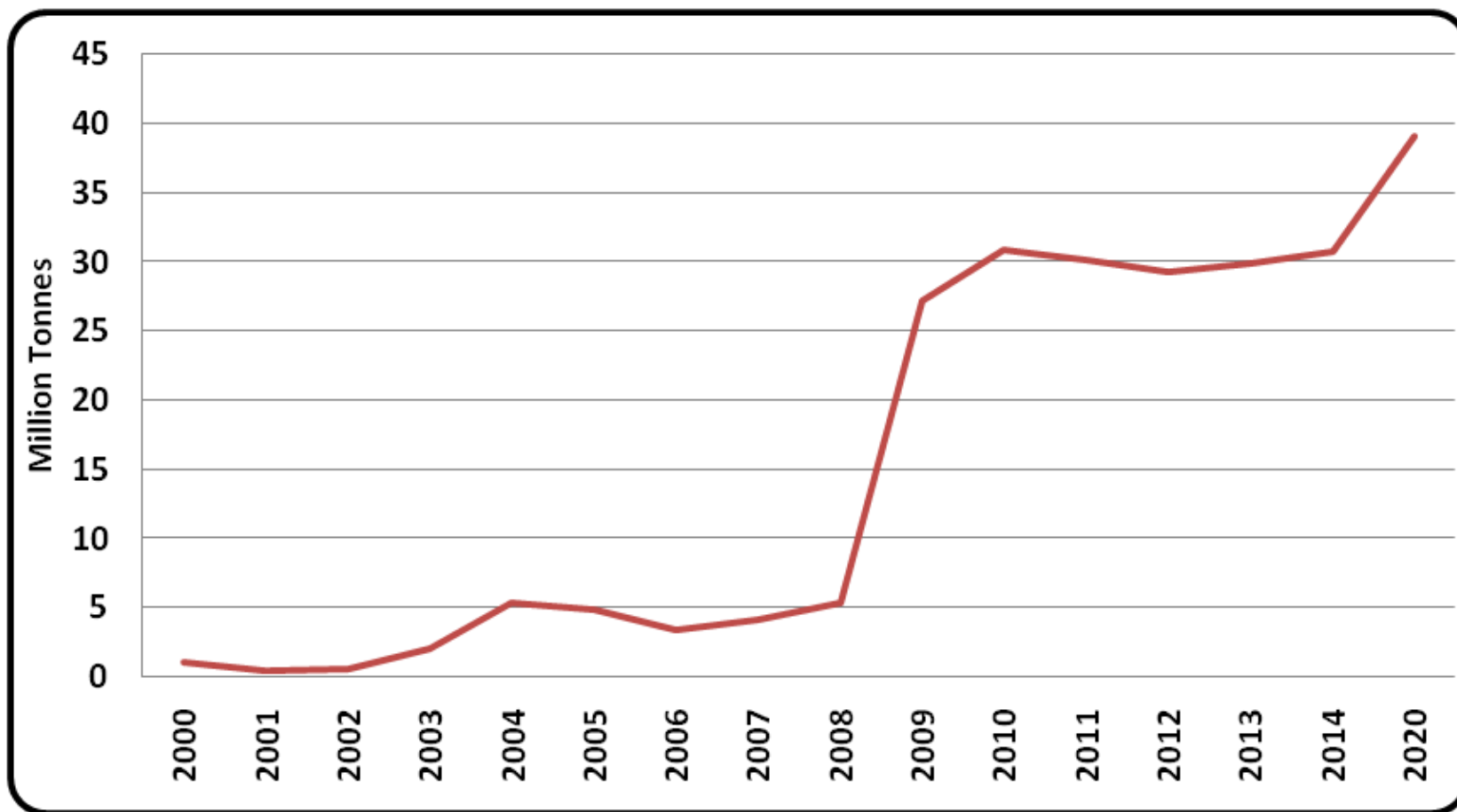
Global Trend in Coking Coal

- With increased demand, coking coal supply will find it difficult to meet demand
- Coking coal price too would remain extremely high for some years
- China likely to dominate and its offshore mine and corporate ownership is likely to accelerate. India to follow suit
- Australia the major potential source has its own limitations of logistics & capacity
- Real anxiety of availability when seaborne demand breaches >>400Mt tonnes/year.

China's Emergence as a major market

China has become a major importer of coking coal in less than 10 years with major impact on coking coal trade flows in 2009 which is going to stay for the entire decade

Forecast of Chinese coking coal import for the decade



Global Coking Coal Demand - 2020

Million Tonnes	2008	2009	2010	2011	2012	2015	2020
A: Seaborne Hard Coking	138	139	161	182	191	213	243
B: Seaborne Semi-soft/weak	44	35	48	55	58	65	74
C: Seaborne PCI	36	32	40	47	50	57	69
Sub-Total SS & PCI (B+C)	80	67	88	102	108	122	143
All Met Combined	218	206	249	284	299	335	386

Source: Merlin Trade and Consultancy Ltd

THE GLOBAL COKING COAL SUPPLY FRONT

- Australia remains the major supplier of Coking Coal
- But production not likely to increase to match demand – infrastructure remains the main bottleneck in further expansion
- Natural disasters like Floods in Queensland which supplies nearly 60% of coking coal globally further strains the already scarce market
- New locations emerging – Indonesia, Siberian Russia, Mozambique, Mongolia.
- However quality concerns and infrastructure bottlenecks remain

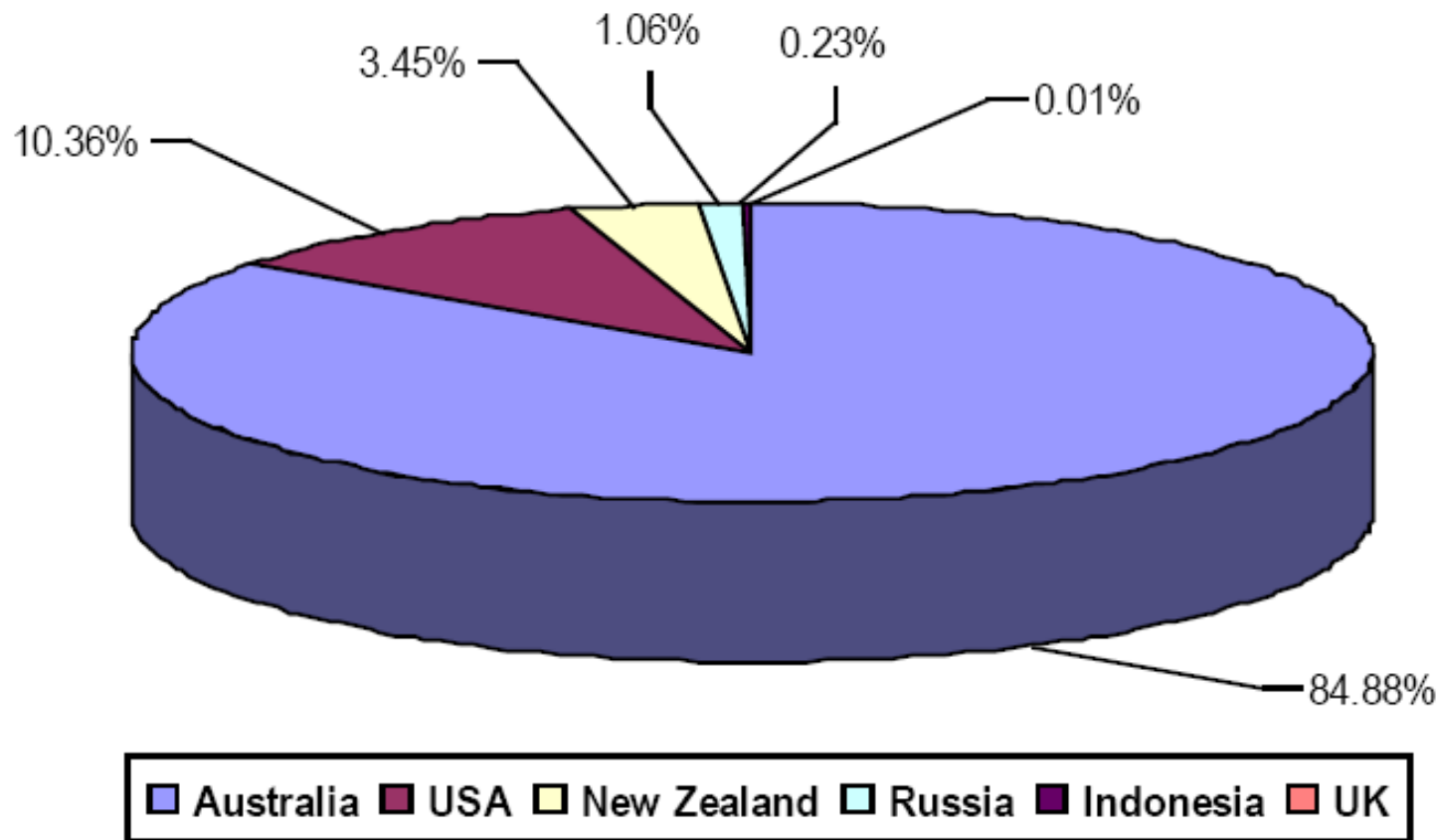
Sourcing of 400 Mt of Met Coal by 2020 – Global Scenario

- Eastern Russia – Early coal from Elga possible, but >10 Mt plus would require investment in new port, rail
- Indonesia – Transportation & Logistics remain key concern....Doubts on HCC availability and timing
- Mozambique – lots of coal but with promised deadlines unmet, fails to inspire confidence..... Infrastructure for transportation not ready
- This leaves us with = Canadian & **a lot of Australian coking coal**

Fundamental trends in Global Met coal supply

- Major challenges exist around infrastructure and cost
- New coal basins are coming on stream but have quality and / or political factors
- Future coal quality is probably declining in current major producers
- Future coal costs are likely to be higher than today – with flow on effect to price
- Key issue for future is - will new supply arrive in time under strong demand conditions?

Major Coking Coal Supplying Countries to India



Source: ISMW