

World Met Coke Market & Future Pricing



Arun Kumar Jagatramka
Chairman and Managing Director
Gujarat NRE Coke Ltd



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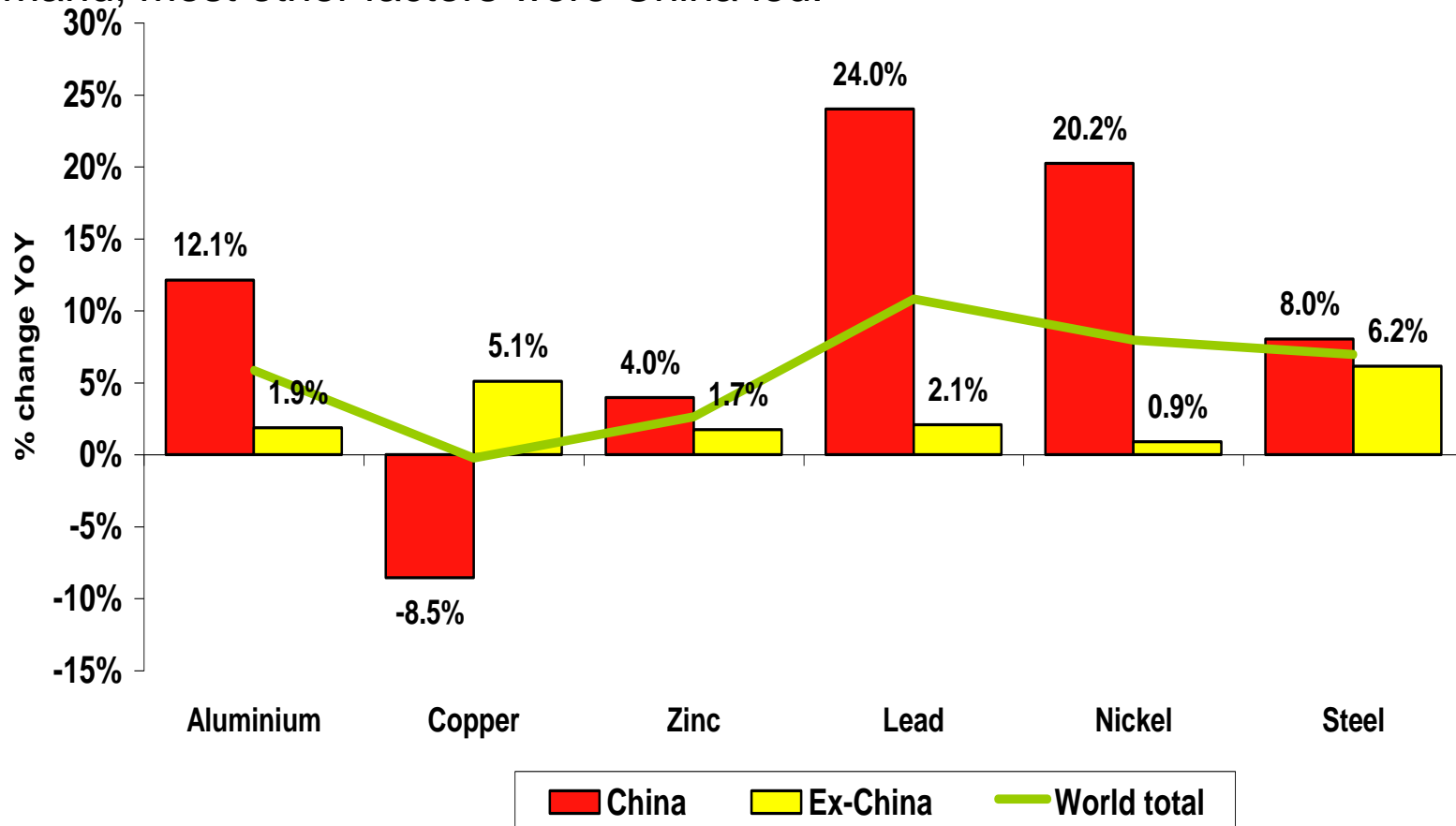
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A few basic questions on the top of everyone's mind...

- Are we facing a double dip recession?
 - Is this the start of a prolonged slow down - GFC II?
 - Is Sovereign debt and deficits in the US and the EU leading to a major banking crisis, can the euro survive?
 - Is China heading for a hard or soft landing?
 - Will China be there to pull the world out of problems as in 2008-9?
 - How will India be affected and how will the market respond?
 - What will happen to steel and pig iron production and met coal and coke demand.
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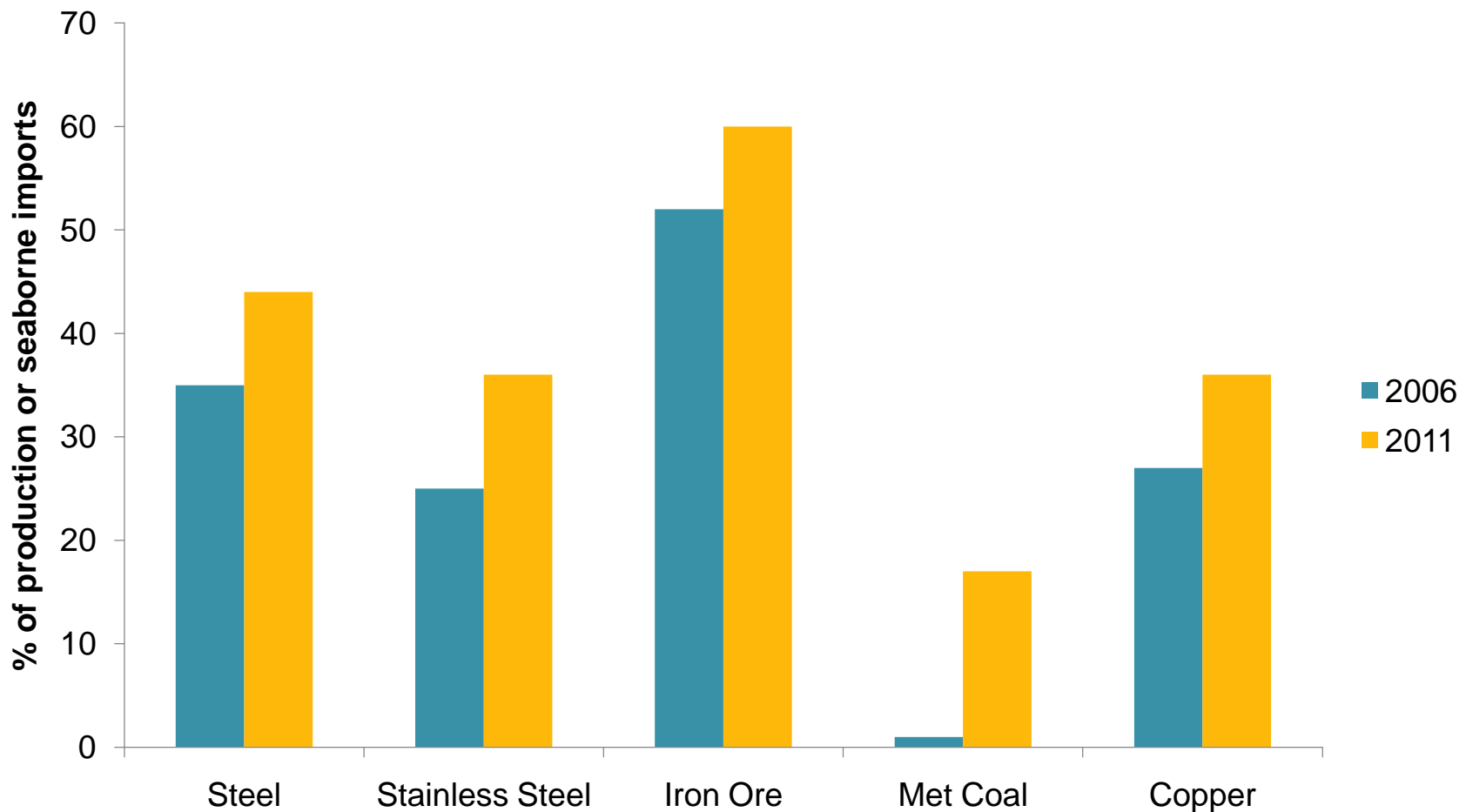
Apparent demand growth: Jan-August 2011

Early 2011 saw Developed world pick up steel demand and hence raw materials demand, most other factors were China led.



China came to the rescue last time and has grown further

In the previous recession China entered the met coal market in a big way and remained an important market post GFC, but in a future recession?

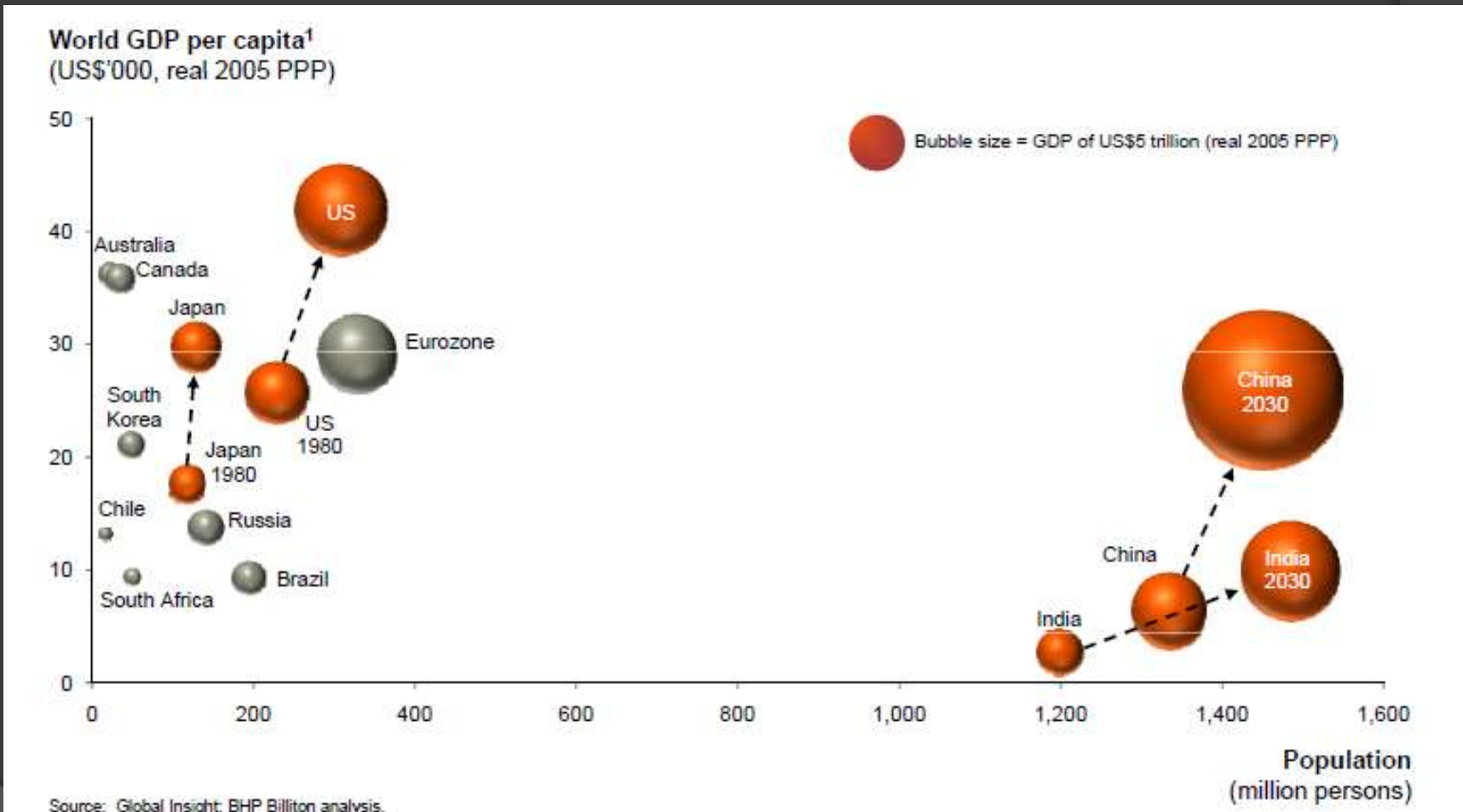


Future Outlook GFC II?

- Global economic conditions are weakening
- Leading indicators are predicting major slowing
- Major political factors are impacting solutions and aggravating a sense of crisis
- However, Chinese GDP remains strong, despite forecast to slow, expected to remain at relatively high levels....
- ..and Company results have been “on the whole” better than expected
- In summary while the chances of a global recession have increased it still remains the “less likely” scenario

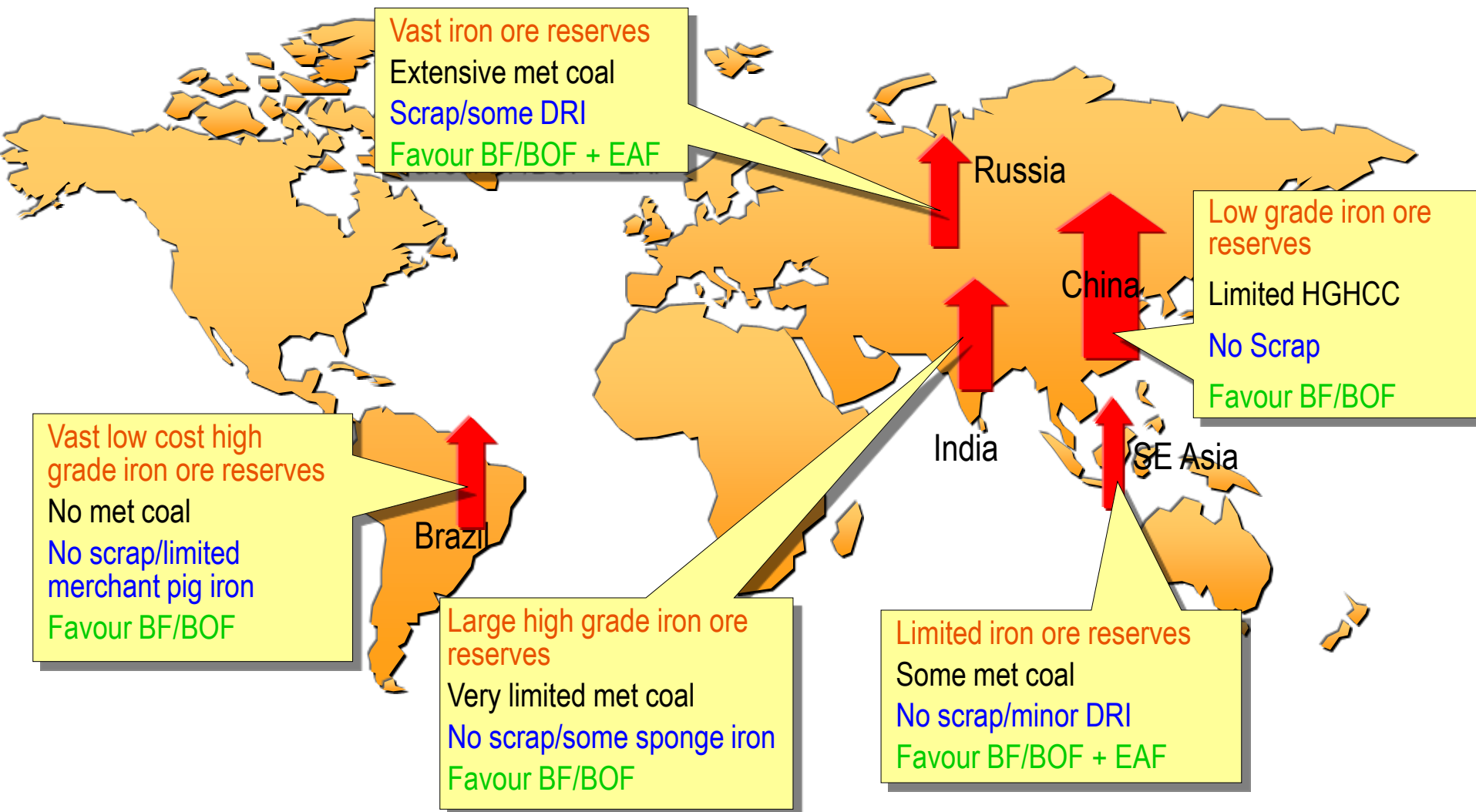
Global growth led by two emerging giants

Global GDP growth will continue led by China and India, large highly populous countries with different structures but both potentially larger than the US by 2030.



Future growth led by BRICS via BF/BOF

In addition to China steel growth will be driven by other countries, with a majority favouring the BF route relying on imported seaborne coking coal and iron ore.



Near Term Outlook of Crude Steel



Steel Outlook	2009	2010	2011f	2012f	2013f
Global Steel Demand	1104	1230	1381	1486	1589
World Steel Production	1220	1414	1546	1656	1740
China	568	881	985	1060	1127
world ex China	652	533	561	596	613
China %	46.6	62.3%	63.7%	64.0%	64.8%
World Steel Production	1232	1414	1546	1656	1740
Asia	789	881	985	1060	1127
China	568	626	695	750	797
Japan	87.5	110	113	115	117
India	62.8	67	72	77	89
Korea	48.6	59	60	62	66
Other Asia	28	35	38	41	58
North America	82.3	112	120	124	127
USA	58.1	81	84	87	88
Western Europe	168	206	211	218	225
Germany	32.7	44	45	46	48
CIS	97.4	108	115	122	127
Russia	59.9	67	70	73	75
Ukraine	29.8	34	39	43	45
South America	37.8	43	49	54	58
Brazil	26.5	33	35	39	42
Middle East	16.6	19	23	26	28
Other	40.9	45	43	47	48

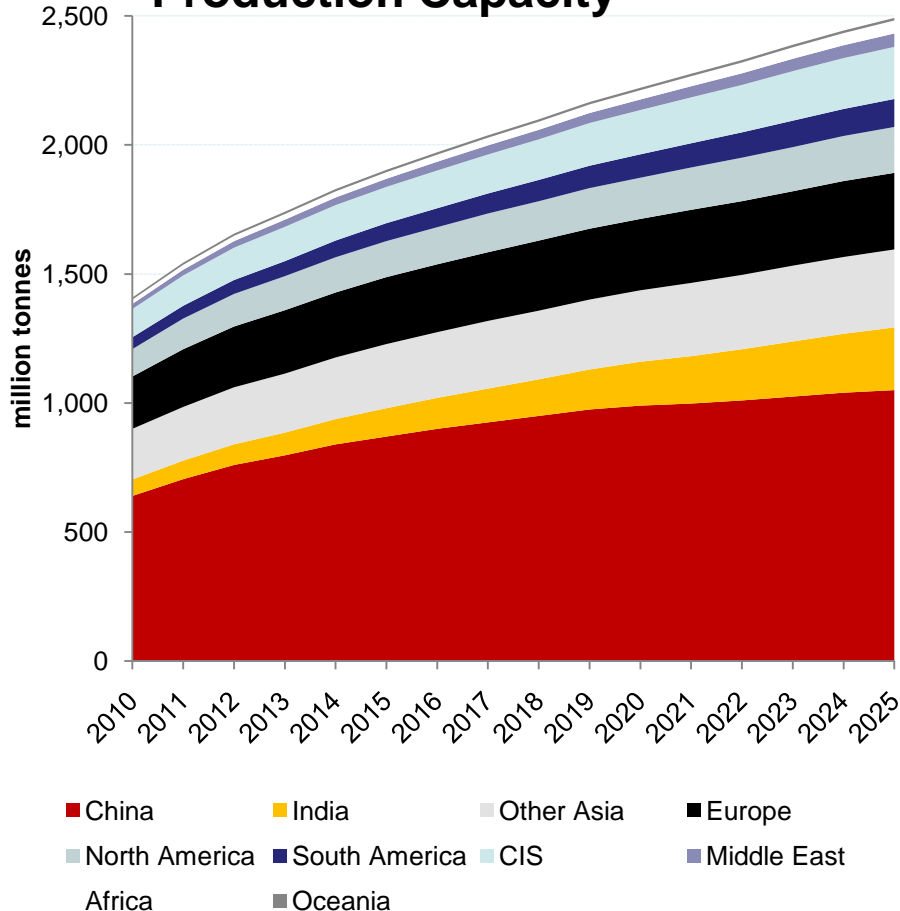
Source :
World Steel
Association

Long term steel forecasts

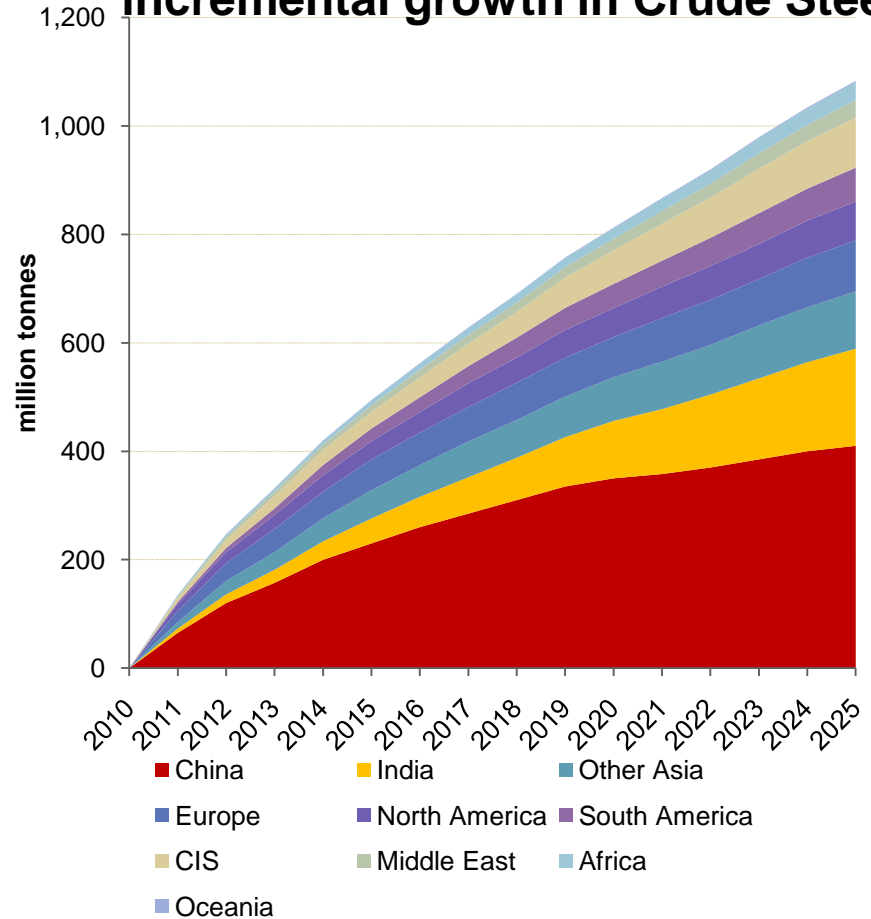


China remains strong, however growth tapers. Potential upside if India can accelerate growth and infrastructure developments.

Future World Crude Steel Production Capacity



Future Capacity Addition & incremental growth in Crude Steel



China is responsible for 48% of the future growth. India corresponds to ~20% of the growth, these dominate growth to 2025. Brazil equates to ~7%.

NEAR TERM OUTLOOK OF CRUDE STEEL - THE IMPLICATIONS

- Economic recovery in late 2011/early 2012 gathers pace steel demand follows
- Steel re-stocking and demand recovery in 2012
- Overall growth in Asian demand share continues
- 2007 peak close for developed markets
- Steel prices likely to begin rising later in 2011 and steelmakers recover margins
- Flow on effects of strong demand for steelmaking raw materials
- Is there concerns/potential for insufficient raw materials??? – coking coal / coke / scrap....

INDIAN STEEL PRODUCTION GROWTH RATE (%)

