



“ there is much more coal in your life than you know of ”



GUJARAT NRE COKE LIMITED

**annual
report
2009-10**



CORPORATE INFORMATION

BOARD OF DIRECTORS

(As on 9th July, 2010)

Mr. Girdharilal Jagatramka, *Chairman Emeritus*
Mr. Arun Kumar Jagatramka, *Chairman & Managing Director*
Mrs. Mona Jagatramka, *Director*
Mr. Subodh Kumar Agrawal, *Director*
Mr. Chinubhai R Shah, *Director*
Dr. Basudeb Sen, *Director*
Dr. Mahendra Kumar Loyalka, *Director*
Mr. Murari Sananguly, *Director*
Mr. Rajendra Prasad Jain, *Executive Director*

CHIEF FINANCIAL OFFICER

Mr. P.R. Kannan

COMPANY SECRETARY

Mr. Manoj K Shah

AUDITORS

M/s. N. C. Banerjee & Co.
Chartered Accountants,
2, Ganesh Chandra Avenue,
Room No. 9, 1st Floor, Kolkata - 700 013

SOLICITORS & ADVOCATES

M/s. L. P. Tiwari & Co.
Emerald House,
1B, Old Post Office Street, Kolkata - 700001

BANKERS

State Bank of India
Bank of Baroda
ING Vysya Bank Ltd.
Standard Chartered Bank
Axis Bank Ltd.

REGISTERED OFFICE

22, Camac Street,
Block - C, 5th Floor,
Kolkata - 700016, India
Phone : +91-33-22891471
Fax : +91-33-22891470
Email : investor@gujaratnre.com
Website : www.gujaratnre.com

WORKS

COKE

- 1) Village Dharampur, Khambhalia,
Jamnagar, Gujarat, India
- 2) Village Lunva, Bhachau,
Kutch, Gujarat, India
- 3) Road No. 16, 1st Cross, KIADB,
Belur Industrial Area,
Dharwad - 580 011,
Karnataka, India

STEEL

Village Lunva,
Bhachau, Kutch,
Gujarat, India

REGISTRAR & SHARE TRANSFER AGENT

M/s. Niche Technologies (P) Ltd.
D-511, Bagri Market, 5th Floor,
71, B. R. B. Basu Road,
Kolkata - 700 001
Phone : +91-33-2235-7270 / 7271
Fax : +91-33-2215-6823

Shareholders, who wish to be informed on a regular basis about material events relating to the company, are requested to mail us at investor@gujaratnre.com. Shareholders can also log on to www.gujaratnre.com for current information.

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Directors' Report

To

The Members,

Your Directors are pleased to present the Twenty-third Annual Report and the Audited Financial Results of the Company for the financial year ended on March 31, 2010.

FINANCIAL RESULTS/HIGHLIGHTS

	(Rs. in crores)	
	2009-10	2008-09
Income from Operations	246.98	357.01
Less : Interest	126.14	64.75
Less : Depreciation	46.47	39.35
Profit before Tax & Exceptional Items	74.37	252.91
Less : Exceptional Items	0.00	114.72
Profit before Tax	74.37	138.19
Less : Provision for Taxation	22.50	30.95
Profit after Tax	51.87	107.24
Add : Balance brought forward	80.39	90.88
Amount available for appropriation	132.26	198.12
Less : Appropriations		
Transferred to General Reserve	5.00	-
Dividend & Dividend Tax for earlier year	0.59	0.02
Proposed dividend on equity shares	54.80	47.19
Corporate Tax on Dividend	9.10	8.02
Debenture Redemption Reserve	56.25	62.50
Balance carried to Balance Sheet	6.52	80.39

REVIEW OF OPERATIONS

The unprecedented crash in the commodity prices witnessed during the second half of the financial year 2008-09 coupled with global financial crisis had a major impact on the company's performance during the year under review. The market took its own time to regroup, stabilise and commence recovery. The lower commodity price along with the fall in margins affected the company's topline and bottomline. Consequently, the Company reported income from operations of Rs.246.98 Crores during the financial year ended 31st March, 2010 as compared to Rs 357.01 Crores during the previous year. The net profit after tax earned during the financial year ended 31st March, 2010 amounted to Rs. 51.87 crores as compared to Rs.107.24 crores during the previous year.

ISSUE OF EQUITY

The Company allotted 1,91,008 Equity Shares of Rs.10 each at a premium of Rs.24.31 per share during the year upon conversion of 6 (six) 1% Unsecured Foreign Currency Convertible Bonds (FCCBs) of USD 25000 each issued in 2005 and 50,02,240 Equity Shares of Rs.10 each at a premium of Rs.34.64 per share upon conversion of 50 (fifty) Zero Coupon Foreign Currency Convertible Bonds (FCCBs) of USD 100000 each issued in 2006.

The Company also allotted 1,64,50,000 Equity Shares of Rs.10 each at a premium of Rs.55.78 per share to promoters/promoter group companies and 40,00,000 Equity Shares of Rs.10 each at a premium of Rs.40 per share to non-promoter entity on preferential/private placement basis apart from an allotment of 6,31,429 Equity Shares of Rs.10 each at a premium of Rs. 13.86 per share upon conversion of Options issued under Employee Stock Option Scheme, 2005.

BONUS ISSUE

The Board recommended a bonus issue of "B" Equity Shares of Rs. 10 each in the ratio of 1 "B" Equity Share for every 10 Equity shares held during the year under review, to handover a new instrument to its shareholders. These "B" Equity Shares carry similar rights as carried by Equity Shares except right to vote as every 100 "B" Equity Shares carry 1 voting right as compared to every Equity Share carrying 1 voting right.

This was 6th bonus issue by your Company in the span of last 7 years. The Company accordingly allotted 4,98,19,421 "B" Equity Shares of Rs. 10 each on 10th May, 2010 after the close of year under review upon receipt of approval from shareholders through Postal ballot and requisite exemptions from SEBI.

ISSUE OF NON-CONVERTIBLE DEBENTURES

During the year under review, the company raised Rs. 50 crores through issue of Non-Convertible Secured Redeemable Debentures (NCDs) on a private placement basis to Corporation Bank and State Bank of Hyderabad amounting Rs.40 crores and Rs. 10 crores respectively for Capex and General Corporate purposes. The aforesaid NCD issues are in addition to NCDs worth Rs. 250 crores issued to Axis Bank Ltd & Life Insurance Corporation of India in the preceding years. The redemption of these Debentures is being made as per their respective terms of issue.

QUALIFIED INSTITUTIONAL PLACEMENT

The Company also made a Qualified Institutional Placement (QIP) comprising of 11% Secured Redeemable Non convertible Debentures amounting Rs. 250 crores alongwith 2,08,00,000 Warrants at a conversion price of Rs.120 each to Qualified Institutional Buyers on 29th April, 2010 after the close of year under review to raise funds for Capex and General Corporate purposes.

STATUS OF FCCBs

Your Directors are pleased to inform that 1% Unsecured Foreign Currency Convertible Bonds (FCCBs) of USD 55 million were fully converted by its holders before its due date of redemption.

Further, at the year end, bonds worth USD 17.50 million remain outstanding out of Unsecured Zero Coupon FCCBs of USD 60 million issued in 2006 due for redemption in 2011.

DIVIDEND

The Directors are pleased to recommend a dividend of Re.1 per Equity Share of Rs.10 each and Re.1 per "B" Equity Share of Rs.10 each for the year ended March 31, 2010 as compared to Re. 1/- per Equity share for the year ended March 31, 2009. The total payout will amount to Rs.63.90 crores (with dividend tax) as compared to Rs.55.80 crores for the previous year.

TRANSFER TO INVESTOR EDUCATION & PROTECTION FUND

In terms of Sections 205A & 205C of the Companies Act, 1956, the company had transferred a sum of Rs.2,90,326.55 (Rupees Two lacs, ninety thousand three hundred twentysix & paise fifty five only) to the Investor Education & Protection Fund created by the Central Government towards dividend for the year 2001-02 remaining unclaimed for a period of 7 years.

LISTING

The equity shares of your Company are listed on the National Stock Exchange of India Limited (NSE) and Bombay Stock Exchange Limited (BSE). The FCCBs of the Company are listed on

Directors' Report (Contd.)

the Luxembourg Stock Exchange (LuxSE) and the Non-convertible Debentures of the company including debentures issued under QIP are listed at Bombay Stock Exchange.

The warrants issued under QIP are listed at both Bombay Stock Exchange and National Stock Exchange w.e.f. 18th May, 2010. The bonus issue of "B" Equity Shares was also listed at both Bombay Stock Exchange and National Stock Exchange w.e.f. 26th May, 2010.

BUSINESS PLANS

Your Company continues to focus its business plans on its core competence i.e. coking coal and metcoke. It owns and operates through its Subsidiaries, two coking coal mines in Australia having an estimated resource of 560 million tonnes of good quality coking coal. The mines are under production and are undergoing extensive expansion, which would take the projected output to around 6 million tonnes in next 3-4 years. It also holds strategic stakes in various resource companies in Australia and New Zealand through its Australian Subsidiaries.

The Company also plans to increase its existing metcoke producing capacity of 1.25 MTPA by setting up Greenfield and Brownfield coke plants in the States of Andhra Pradesh, Gujarat and Karnataka by ramping up the total production capacity to around 4 million tonnes per annum in a period of another 3-4 years.

In line with its commitment to cleaner environment, your Company has already undertaken implementation of power plants through waste heat recovery for captive consumption having a capacity of 60 MW which are expected to be implemented in phases by 2011-12 in addition to the existing capacity to generate 87.5 MW of power through wind mills.

SUBSIDIARIES

Your company strongly believes that coking coal imports would be essential to keep the India's steel dreams burning as India takes giant strides in its quest to become second largest producer of steel by 2020. Accordingly, the Company has already invested around \$ 300 million in its mining operations in Australia with plans to further invest \$ 400 million to ensure sufficient supply of coking coal to its production facilities in India. The Company manages its mining operations in Australia through its wholly owned subsidiary M/s. Gujarat NRE Ltd and other wholly owned subsidiaries as well as step down subsidiaries. The mining of premium quality low ash coking coal at both the mines in Australia are going on as per schedule and it is expected to cross 2 MTPA by the end of the financial year 2010-11. The summary of financial performance of these subsidiaries is provided in the statements under Section 212 of the Companies Act, 1956 annexed to the Annual Accounts.

The wholly owned Indian subsidiaries of the Company, M/s. Manor Dealcom Pvt. Ltd recorded an income of Rs.3.72 lacs and net profit after tax of Rs.3.13 lacs for the year under review as compared to an income of Rs. 0.80 Lacs and net profit after tax of Rs. 0.14 Lacs respectively reported last year. M/s. Huntervalley Coal Pvt. Ltd recorded an income of Rs.4.48 lacs and net profit after tax of Rs.3.78 lacs as compared to an income of Rs. 0.74 Lacs and net profit after tax of Rs. 0.13 Lacs respectively reported last year.

There is a requirement for attachment of Directors Report, Balance Sheet & Profit & Loss Account of the subsidiaries to the Annual Report & Accounts of the Company. The Central Government has granted an exemption to your Company under

Section 212(8) of the Companies Act, 1956 from the said requirement. Accordingly, the same have not been annexed hereto. However, the Consolidated Financial Statements of the Company prepared in accordance with Accounting Standard 21, which forms a part of the Annual Report, have taken into account the financial information of all the subsidiaries.

The Annual Accounts of the subsidiary Companies and the related detailed information will be made available to the Company's and Subsidiary Company's investors seeking such information at any point of time. The Annual accounts of the Subsidiary Companies are also kept open for inspection by any investor at the Registered Office of the Company.

ACCOLADES

Your Company believes in continuously striving for Excellence, Quality and Leadership with a commitment to improve. Therefore, your Company continues to receive better rankings year on year and some notable rankings of your Company for the year 2009 are as follows –

- The Financial Express has upgraded the Company's Composite rankings to 146 among top 500 companies for the year 2009 as compared to a ranking of 185 for the year 2008.
- Business Standard has ranked your company at 260 for the year 2009 among top 1000 companies as compared to a ranking of 374 for the year 2008.

FINANCIAL OBLIGATIONS

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

CORPORATE GOVERNANCE

Your Company continues to be committed to Good Corporate Governance aligned with best-of-breed practices. A Report on 'Corporate Governance' as on 31st March, 2010 in accordance with the provisions of Clause 49 to the Listing Agreement is annexed hereto. The same has been certified by the Statutory Auditors of the Company. A Report on Management Discussions & Analysis is also annexed hereto and forms a part of this Report.

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

EMPLOYEE STOCK OPTION SCHEME

With a view to remain a preferred employer, Stock Options were granted to the Directors/Employees of the Company/its subsidiaries under Employee Stock Options Scheme 2005 and GNCL Employee Stock Option Scheme 2007 during the financial years 2006-07 and 2007-08. The Options under Employee Stock Option Scheme 2005 got vested on 20th January, 2010. The eligible employees/Directors exercised 6,31,429 options under this scheme till the end of the year under review.

As required by clause 12 of the SEBI (Employee Stock Option Scheme and Employee Stock Purchase Scheme) Guidelines 1999, the disclosures with regard to Stock Options in respect of both Employee Stock Option Scheme, 2005 and GNCL Employee Stock Option Scheme 2007 as on 31st March, 2010 are given in an Annexure to this report.

Directors' Report (Contd.)

DIRECTORS

Mr Subodh Kumar Agrawal and Mrs Mona Jagatramka, Directors of the Company retire by rotation at the forthcoming Annual General Meeting and being eligible, offer themselves for re-appointment in terms of the Articles of Association of the Company.

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, 2010, the applicable accounting standards had been followed and that no material departures have been made from the same;
- b) the Directors had selected appropriate accounting policies and applied them consistently and made judgments and estimates that are reasonable and prudent so as to give a true and fair view of the state of affairs of the Company at the end of the year under review and of the profit of the Company for the year ended on that date;
- 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 had prepared the annual accounts for the financial year ending March 31, 2010 on a 'going concern' basis.

AUDITORS

M/s. N. C. Banerjee & Co., Chartered Accountants, who are Statutory Auditors hold office upto the forthcoming Annual General Meeting of the Company and are eligible for reappointment to audit the Accounts of the Company for the financial year 2010-11. As required under the provisions of Section 224(1B) of the Companies Act, 1956, the Company has received written confirmation from M/s. N C Banerjee & Co., that their re-appointment as Auditors, if made, would be in conformity with the limits prescribed in the said section and that they are not disqualified from being appointed as the Auditors of the Company within the meaning of Section 226 of the said Act.

AUDITORS' REPORT

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

PUBLIC DEPOSITS

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

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

The information on 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 forms a part of this Report as an Annexure. A copy of the said Annexure(s) is annexed hereto.

PARTICULARS OF EMPLOYEES

The information on Particulars of employees as required under Section 217(2A) of the Companies Act, 1956, read with the Companies (Particulars of Employees) Rules, 1975 forms a part of this Report as an Annexure. A copy of the said Annexure(s) is annexed hereto.

PERSONNEL / INDUSTRIAL RELATIONS

Industrial Relations remained cordial and harmonious at the offices and plants of the Company and its subsidiaries throughout the year under review.

APPRECIATION

Your Directors take this opportunity to express their deep sense of gratitude to its customers, dealers, suppliers, bankers, government and all other business associates for their continuous guidance and support to the Company and their confidence in its management. We would also like to place on record our sincere appreciation for the total commitment, dedication and hard work put in by every member of Gujarat NRE Family. We are deeply grateful to our shareholders for the confidence and faith that they have always reposed in us.

For and on behalf of the Board



Arun Kumar Jagatramka

Place : Kolkata

Dated : 9th day of July, 2010

Chairman & Managing Director

ANNEXURE TO THE DIRECTORS' REPORT

Information as required under Section 217(1)(e) of the Companies Act, 1956 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 in line with its Eco-friendly philosophy continues to lay emphasis on generation of green energy through alternate sources such as wind, flue gas emanated by its coke ovens instead of fossil fuels. It continued to generate power through its wind mills having a capacity of 87.5 MW during the year under review. Further, the Company is at an advanced stage for setting up co-generation power plants at its coke plants at Bhachau and Khambhalia in the State of Gujarat and at Dharwad in the State of Karnataka for generating power using the gas emanating from its coke ovens.

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

The Company is setting up co-generation power plants having aggregate capacity of 60 MW at its plants in the States of Gujarat and Karnataka at an investment of around Rs. 275 crores which are expected to be commissioned by 2011-12. Such captive generation of power through co-generation power plants reduces use of power acquired from external agencies. Apart from this, the Company has also installed energy efficient equipment wherever required.

Annexure To The Directors' Report (Contd.)

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

The increase in generation of power through alternate means such as wind mills provides power at a rate lower than the generally prevailing prices for purchasing power and thereby reducing the cost of production.

(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 export, initiative taken to increase exports; development of new export markets for products and services; and export plans:**

The exports of the Company during the year under review was NIL as compared to Rs.539.39 crores in the previous year. The Company decided to postpone taking any fresh initiative to increase exports or development of new export markets in the wake of prevalent recession in global metcoke markets during the year under review. However, it plans to continue its exports in subsequent years.

(b) Total foreign exchange used and earned:

(Rs. in crores)

Amount	Current Year	Previous Year
Total Foreign exchange earning	0.26	540.18
Total Foreign exchange outgo	767.95	1185.94

FORM-A

Disclosure of particulars with respect to Conservation of Energy for the year ended 31st March, 2010

A. POWER AND FUEL CONSUMPTION

	Current Year	Previous Year
1. Electricity		
a) Purchased		
- Units (kwh in Lacs)*	1032.93	814.77
- Total Amount (in crores)**	7.93	17.23
- Rate (Rs./ Unit)	0.77	2.11
b) Own Generation		
Through Diesel Generator		
- Units (kwh In Lacs)	3.39	3.46
- Units per ltr. of Diesel Oil	2.91	2.43
- Cost (Rs./ Unit)	12.60	15.65
2. Coal		
- Quantity (MT)	Nil	2099.53
- Total Cost (Rs. in crores)	Nil	1.36
- Average Rate (Rs./ MT)	Nil	6467.54
3. Furnace Oil		
- Quantity (K. Ltrs.)	4209.55	3,131.28
- Total Cost (Rs. in crores)	10.25	6.71
- Average Rate (Rs./ K.Ltr.)	24,340.25	21,439.14

B. CONSUMPTION PER UNIT OF PRODUCTION (MT)

1. Coke		
Electricity (Kwh)	19.51	18.50
2. Rolled & Alloy Steel Products		
Electricity (kwh)	853.86	849.16
Coal (MT)	NIL	0.03
Furnace Oil (K. Ltrs.)	0.04	0.04

* includes units through wind turbine generators.

** represents cost of Electricity purchased after adjusting generation 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**

CARRIED OUT BY THE COMPANY : None

2. BENEFITS DERIVED : Not Applicable.

3. FUTURE PLAN OF ACTION : None

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

(a) Capital : NIL

(b) Recurring : NIL

(c) Total : NIL

(d) Total R&D Expenditure as

a Percentage of total turnover : N.A.

TECHNOLOGY ABSORPTION, ADAPTATION AND INNOVATION

1. EFFORTS MADE : Efforts are being made towards improvements in the existing production process through indigenous methods.

2. BENEFITS :

a) Improved quality and productivity.

b) Conservation of fuel & reduced emissions.

3. PARTICULARS OF TECHNOLOGY IMPORTED DURING LAST 5 YEARS:

(a) Technology imported : 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 therefore and future plan of action : N.A.

Annexure To The Directors' Report (Contd.)

PARTICULARS OF EMPLOYEES AS REQUIRED UNDER SECTION 217(2A) OF THE COMPANIES ACT, 1956 AND FORMING PART OF THE DIRECTORS' REPORT FOR THE YEAR ENDED 31st MARCH, 2010

Employed throughout the year and were in receipt of remuneration in the aggregate, of not less than Rs.24 Lacs p.a. or employed for a part of the year and were in receipt of remuneration in the aggregate, of not less than Rs. 2 Lacs per month.

Name	Designation & Nature of Duties	Remuneration Received(Rs.)	Qualification & Experience(years)	Age (years)	Date of Commencement of Employment	Last Employment held with Designation
Mr. Arun Kumar Jagatramka	Chairman & Managing Director (Managerial)	1,63,73,858	B.Com [Hons.], FCA (Gold Medalist) 27 Years	48	28.03.1997	None
Mr. Rajendra Prasad Jain	Executive Director (In charge of Operations)	41,12,468	B.Com, FCA, 36 Years	60	11.08.2006	Birla VXL Ltd. Jt. President

Notes:

- 1) Remuneration includes salary, commission, company's contribution to provident fund, gratuity and monetary value of perquisites.
- 2) Pursuant to the approval of the Shareholders through postal ballot as per its results declared on 2nd May 2009 Mr. Arun Kumar Jagatramka Chairman and Managing Director was rewarded by assigning and endorsing 7 (seven) keyman insurance policies having a surrender value of Rs. 2.58 crores during the year under review. Considering the above Keyman Policies endorsed, the total managerial remuneration & commission of Rs. 2.05 Crores as stated above for Managing & Executive Director comes to Rs. 4.63 crores, which is within the Maximum permissible remuneration under section 198 & Section 309 (5) of the Companies Act, 1956.
- 3) The appointment of Chairman & Managing Director and Executive Director is contractual. Terms and conditions of employees other than those aforesaid, are as per respective agreements and as per the Rules of the Company.
- 4) Mr. A K Jagatramka is related to Mrs. Mona Jagatramka, Director of the Company within the meaning of Section 6 of the Companies Act, 1956.
- 5) Apart from Mr A K Jagatramka, Chairman & Managing Director, no employee holds by himself or alongwith his/her spouse and dependant children, two percent or more of the equity shares of the company.

For and on behalf of the Board of Directors



Arun Kumar Jagatramka

Chairman & Managing Director

Place : Kolkata

Dated : 9th day of July, 2010

Annexure forming part of the Directors' Report

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

Sr.	Particulars	Employee Stock Option Scheme, 2005	GNCL Employee Stock Option Scheme, 2007
1	Total number of options under the Plan	14,95,000 Options (including 3,80,000 options on account of bonus issue)	38,17,400 Options (including 10,02,400 options on account of bonus issue)
2	Options Granted during the year	Nil	Nil
3	Pricing Formula	Options have been granted at the closing market price of the shares of the Company on NSE on the day immediately preceding the date of grant of the options, i.e. Rs.33.40 per share. Price of all options granted under the Scheme was adjusted to Rs.23.86 per share on account of bonus issue.	25,06,000 Options have been granted on 02.06.2007 at the closing market price of the shares of the Company on NSE on the day immediately preceding the date of grant of the options i.e. Rs.60.20 per share and 3,09,000 Options have been granted on 19.01.2008 at Rs.120 per share. All options were repriced at Rs.18.05 per share as per Note given below.
4	Options Vested (as on March 31, 2010)	12,41,800 Options	8,400 Options
5	Options Exercised during the year	6,31,429 Options	Not yet Exercised
6	Total number of shares arising as a result of exercise of options	6,31,429 Shares	Not Applicable
7	Options lapsed/forfeited during the year	25,200 (options lapsed till Prev. Yr.-2,28,000)	89,600 (options lapsed till Prev. Year – 5,84,800)
8	Variation of terms of options upto March 31, 2010	Nil	Nil

Annexure forming part of the Directors' Report (Contd.)

Sr.	Particulars	Employee Stock Option Scheme, 2005	GNCL Employee Stock Option Scheme, 2007
9	Money realized by exercise of options during the year	Rs.1,50,65,895.94	Nil
10	Total number of options in force at the end of the year	6,10,371	31,43,000
11	Employee wise details of options granted to: i) Senior Managerial Personnel ii) Employees holding 5% or more of the total number of options granted during the year iii) Identified employees who were granted option, during any one year, equal to or exceeding 1% of the issued capital (excluding outstanding warrants and conversions) of the Company at the time of grant.	List given below. Options to Directors given in Corporate Governance Report Nil Nil	List given below. Options to Directors given in Corporate Governance Report Nil Nil
12	Diluted Earnings Per Share (EPS) pursuant to issue of shares on the exercise of option calculated in accordance with Accounting Standard (AS) 20	1.02	Not Applicable
13	Where the Company has calculated the employee compensation cost using the intrinsic value of the stock options, the difference between the employee compensation cost so computed and the employee compensation cost that shall have been recognized if it had used the fair value of the options. The impact of this difference on profits and on EPS of the Company.	Not Applicable	The company has calculated Employee Compensation Costs on the basis of Intrinsic Value Method and has amortized Rs.1.65 crores for the year ended 31 st March, 2010. However, had the company followed Fair Value Method for calculating Employee Compensation Costs, such costs for the year would have been lower by Rs.18,99,642 and the profit after tax higher by the like amount and its impact on Basic as well as Diluted EPS would have been negligible.
14	Weighted average exercise prices and weighted average fair values of options shall be disclosed separately for options whose exercise price either equals or exceeds or is less than the market price of the stock on the grant date	Not Applicable	Not Applicable
15	A description of the method and significant assumptions used during the year to estimate the fair values of options, including the following weighted average information.	The fair value of options is estimated using Black Scholes Option Pricing Model after applying the following key assumptions i) Risk free interest rate - 6.3% ii) expected life - 2.1 years iii) expected volatility - 73% iv) expected dividends - 3% v) the price of the underlying share in market at the time of option/grant - the market price (i.e. closing price at NSE) on the day immediately preceding the day of grant i.e. Rs. 33.40 per share	The fair value of options is estimated using Black Scholes Option Pricing Model after applying the following key assumptions i) Risk free interest rate – 6.23% ii) expected life - 10 Years iii) expected volatility – 84% 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. 60.20 & Rs. 139.15 per share for 1 st and 2 nd tranches respectively.

NB – The shareholders through postal ballot as per its results declared on 2nd May, 2009 have approved re-pricing of all options issued under GNCL Employee Stock Option Scheme, 2007 at Rs.18.05 per option.

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

Sr.	Name of the Senior Managerial Personnel	Options granted under GNCL Employee Stock Scheme, 2007
1	Mr. P. R. Kannan	42000
2	Mr. P. K. Agrawal	42000
3	Mr. D. R. Sabherwal	42000
4	Mr. Sunil Maskara	46200
5	Mr. B. Ramaprasad	33600
6	Mr. S. Balasaria	19600
7	Mr. B. N. Tiwari	29400
8	Mr. J. Rajaraman	29400
9	Mr. M. K. Shah	33600

NB – Options granted to Senior Managerial Personnel under Employee Stock Option Scheme, 2005 have been fully exercised by them.

Report on Corporate Governance

1. PHILOSOPHY ON CORPORATE GOVERNANCE :

Gujarat NRE Coke Limited defines Corporate Governance as a systematic process by which companies are directed and controlled keeping in mind the long term interest of the stakeholders. It firmly believes that good Corporate Governance is the foundation of corporate excellence. It focuses on equitable treatment of all shareholders and reinforces that it is "your company" and it belongs to you, the shareholders.

Gujarat NRE Coke is committed to good Corporate Governance by creating an environment based on entrepreneurship, professionalism and pursuit for excellence. The company's corporate governance is based on two core principles:

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

The above belief and core principles of Corporate

Governance adopted by Gujarat NRE Coke leads the company's governance philosophy, trusteeship, transparency, independence, fairness, accountability and social responsibility, which in turn is the basis of public confidence in corporate system.

A Report in line with the requirement of clause 49 of listing agreement with Stock Exchange for the year ended 31st March, 2010 is given below.

2. BOARD OF DIRECTORS:

Composition and category

The Board of Directors of your Company presently comprises of professionals with considerable experience in their respective fields. The Board consists of eight members as follows :

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

The following Table indicates the composition of Board of Directors of the Company and the number of other Boards and Board committees served by them as member(s)/chairman :

Name of the Director	Category	No. of other Directorships* Committee** position as	No. of other Board	
			Member	Chairman
Mr. Arun Kumar Jagatramka, <i>Chairman & Managing Director</i>	Promoter Executive	8	3	—
Mrs. Mona Jagatramka	Promoter Non-Executive	5	3	—
Mr. Subodh Kumar Agrawal	Non Promoter Non-Executive	2	1	1
Mr. Chinubhai R Shah	Non Promoter Non-Executive	14	6	3
Dr. Basudeb Sen	Non Promoter Non-Executive	6	9	2
Dr. Mahendra Kumar Loyalka	Non Promoter Non-Executive	—	—	—
Mr. Murari Sananguly	Non Promoter Non-Executive	1	1	—
Mr. Rajendra Prasad Jain	Non Promoter Executive	4	3	—

* 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, share transfer and shareholders' grievance committee in Indian Public Limited Companies have been considered.

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

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

Meetings and Attendance Record of Directors

Board holds periodic meetings to review and discuss performance of the Company, its future plans, strategies and other pertinent items relating to the Company. Board also reviews inter-alia the information as mentioned in Annexure 1A to clause 49 of the Listing Agreement with Stock Exchange. During the year ended on March 31, 2010, 7 (Seven) Board Meetings were held on May 30, June 27, July 18, September 19 & 24, October 29 in 2009 and on January 24 in 2010. The last AGM was held on September 19, 2009.

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

Name of the Directors	No. of Board Meetings held	No. of Board Meetings Attended *	Attendance at last AGM held on 19.9.2009
Mr. Arun Kumar Jagatramka	7	7	Yes
Mrs. Mona Jagatramka	7	5	No
Mr. Subodh Kumar Agrawal	7	7	Yes
Mr. Chinubhai R Shah	7	7	Yes
Dr. Basudeb Sen	7	7	Yes
Dr. Mahendra Kumar Loyalka	7	5	Yes
Mr. Murari Sananguly	7	3	No
Mr R P Jain	7	5	No

(* Includes participation through tele-conference/video-conference)

Report on Corporate Governance (Contd.)

3. CODE OF CONDUCT

The Company has a Code of Conduct for all its Board Members and Senior Management Personnel for avoidance of conflict of interest. It has received necessary declarations affirming compliance with it from all of them during the year 1.4.2009 to 31.3.2010. A declaration to this effect, duly signed by the Chairman & Managing Director and Chief Financial Officer of the Company, is given in CEO & CFO's Certificate as annexed hereto and forms a part of this Report.

4. BOARD COMMITTEES :

There were five Board committees (constituted by the Board) namely, Audit Committee, Share Transfer Committee, Shareholders/Investors' Grievance Committee, Remuneration/Compensation Committee and Management Committee during the year under review. The scope of the said Committees, and its membership etc are given below.

(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 Directors Responsibility Statement which forms part of the Directors Report, accounting policies, compliance with accounting standards, compliance with Stock Exchanges and legal requirements and any related party transactions etc.
- 4) To review with the management, external and internal auditors, the adequacy of internal control systems.
- 5) To discuss with the Auditors on the scope and nature of Audit and also to have Post Audit discussion to ascertain any area of concern.
- 6) To review the Company's financial and risk management policies.
- 7) To review the financial statements, in particular, the investment made by the unlisted subsidiary company, all significant transactions entered into by the subsidiary company.
- 8) To review the minutes of the Board meetings of the unlisted subsidiary company along with a statement of significant transactions and arrangements it has entered into if any.
- 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:

- i. Mr. Subodh Kumar Agrawal, Committee Chairman
- ii. Dr. Basudeb Sen., Director
- iii. Mr. Chinubhai R Shah, Director
- iv. Dr. M K Loyalka, Director - appointed as member on 27.6.2009.

All the members of the Committee are Non-Executive Directors. Mr. Subodh Kumar Agrawal, an Independent Director is a qualified Chartered Accountant. Dr. Basudeb Sen, Mr. Chinubhai R Shah are other independent Directors on the Committee possessing extensive experience in accounting and financial management and Dr M K Loyalka joined the committee on 27.6.2009. The Company Secretary acts as the Secretary to the Committee.

iii) Meetings and Attendance

During the financial year ended on March 31, 2010, four meetings of Audit Committee were held on June 26, July 17 and October 29 in 2009 and on January 24 in 2010.

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

Name (s)	Held	Attended*
Mr. Subodh Kumar Agrawal	04	04
Dr. Basudeb Sen	04	04
Mr. Chinubhai R Shah	04	04
Dr. M K Loyalka	03	02

(*Includes participation through tele-conference/video-conference)

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

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

(B) SHARE TRANSFER COMMITTEE

The Committee at present consists of the following members :

- i. Dr. Basudeb Sen, appointed as Committee Chairman on 27.6.2009.
- ii. Mr. Subodh Kumar Agrawal, Director
- iii. Dr. Mahendra Kumar Loyalka, Director
- iv. Mr. Pawan Kumar Agrawal, Sr. Vice President

The Committee meets at regular intervals as per requirements, to approve transfers, transmissions, and issue of duplicate share certificates, etc. During the year under review, 16 meetings were held and the attendance of the committee members in these meetings were as follows :

Name (s)	Held	Attended*
Dr. Basudeb Sen	12	11
Mr. Subodh Kumar Agrawal	16	16
Dr. Mahendra Kumar Loyalka	16	04
Mr Pawan Kumar Agrawal	16	16

(*Includes participation through tele-conference/video-conference)

Report on Corporate Governance (Contd.)

(C) SHAREHOLDERS'/INVESTORS' GRIEVANCE COMMITTEE

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

- Mr. Subodh Kumar Agrawal, Committee Chairman
- Dr. Mahendra Kumar Loyalka, Director
- Dr. Basudeb Sen, Director - appointed as member on 27.6.2009.

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

Name (s)	Held	Attended*
Mr. Subodh Kumar Agrawal	4	4
Dr. Mahendra Kumar Loyalka	4	1
Dr Basudeb Sen	3	3

(*Includes participation through tele-conference/video-conference)

Mr. Manoj K Shah, Company Secretary has been designated as the Compliance Officer by the Board and assigned with the responsibilities of overseeing shareholders'/investors' grievances under the supervision of the Committee. There were no complaints which remained pending at the beginning of the year and out of 231 complaints received during the year ended 31st March, 2010, 231 complaints were redressed and no complaint was pending as on 31st March, 2010.

(D) REMUNERATION/COMPENSATION COMMITTEE

The Committee consists of following members :

- Dr. Mahendra Kumar Loyalka, Committee Chairman
- Mr.Subodh Kumar Agrawal, Director
- Mr. Arun Kumar Jagatramka, CMD
- Dr. Basudeb Sen, Director
- Mr. Murari Sananguly, Director

The terms of reference is to consider and approve the remuneration payable to the managerial person(s), including Managing Director and/or Whole time Directors of the Company, as prescribed under the Companies Act, 1956 and/or rules under the Act. The Committee aims to attract and retain talent to strengthen the Company's human resource pool. The Company is committed to make full disclosures regarding its payment to all directors.

Apart from sitting fees for attending Board and Committee meetings, the Company did not pay any other remuneration to the non-executive directors during the year under review.

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

Name (s)	Held	Attended*
Mr. Subodh Kumar Agrawal	01	01
Mr Arun Kumar Jagatramka	01	01
Dr. Mahendra Kumar Loyalka	01	01
Dr Basudeb Sen	01	01
Mr. Murari Sananguly	01	00

(*Includes participation through tele-conference/video-conference)

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

Name of the Directors	Salary (Rs.)	Perquisite (Rs.)	Contribution To PF (Rs.)	Contribution (Rs.)	Total (Rs.)	Service Contract/ Notice Period/ Severance Fees
Mr. Arun Kumar Jagatramka	1,20,00,000	29,33,858	nil	14,40,000	1,63,73,858	Service Contract
Mr. Rajendra Prasad Jain	34,19,400	4,77,068	nil	2,16,000	41,12,468	Service Contract

NB – Apart from the aforesaid remuneration, the Company upon the approval of the shareholders vide Postal Ballot as per its results declared on 2nd May, 2009 had assigned and endorsed 7 (seven) Keyman Insurance Policies taken by the Company in 2004 to cover Mr Arun Kumar Jagatramka, Chairman & Managing Director, maturing in 2019 (having a surrender value of Rs. 2.58 crores as on February, 2009) in his favour as an additional reward to him in recognition of the valuable contributions made by him to the growth and development of the Company. Considering the above Keyman Policies endorsed, the total managerial remuneration & commission of Rs. 2.05 Crores as stated above for Managing & Executive Director comes to Rs. 4.63 crores, which is within the Maximum permissible remuneration under section 198 & Section 309 (5) of the Companies Act, 1956.

(ii) Details of sitting fees paid to the non-executive Directors for the year ended March 31, 2010 along with shares/convertible instruments held by them are given in the following Table:

Name of the Director	Shares/ convertible instruments held	Sitting Fees Paid * (Rs.)	Commission Paid (Rs.)	Service Contract/ Notice Period/ Severance Fees
Mrs. Mona Jagatramka	58,55,007	1,00,000	Nil	Retire by Rotation
Mr. Subodh Kumar Agrawal	35,000	5,40,000	Nil	Retire by Rotation
Mr. Chinubhai R Shah	50,600	2,00,000	Nil	Retire by Rotation
Dr. Basudeb Sen	18,000	3,70,000	Nil	Retire by Rotation
Dr. Mahendra Kumar Loyalka	15,120	1,60,000	Nil	Retire by Rotation
Mr. Murari Sananguly	22,440	20,000	Nil	Retire by Rotation

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

Report on Corporate Governance (Contd.)

(iii) Details of stocks options held by the Directors, if any, and whether issued at a discount as well as the period over which accrued and over which exercisable are given in the following Tables :

A) The Options issued by the Company to Directors under Employee Stock Option Scheme, 2005 got vested with effect from 20th January, 2010. The outstanding options under the said Scheme as on 31st March, 2010 are as follows –

Name of the Director	Options Outstanding as on 31.3.2010	Whether issued at a discount	Period over which Accrued	Period over which exercisable
Dr. Basudeb Sen	17,000	No	On or After 20.01.2010	20.01.2010 to 19.01.2012
Dr. Mahendra Kumar Loyalka	35,000	No	- do -	- do -
Mr. Murari Sananguly	15,000	No	- do -	- do -

B) The outstanding Options under GNCL Employee Stock Option Scheme, 2007 as on 31st March, 2010 are as follows -

Name of the Director	Options Outstanding as on 31.3.2010	Whether issued at a discount	Period over which Accrued	Period over which exercisable
Mr. Subodh Kumar Agrawal	70,000	No	On or After 1.6.2022	1.6.2022 to 31.5.2025
Mr. Chinubhai R Shah	70,000	No	On or After 1.6.2013	1.6.2013 to 31.5.2016
Dr. Basudeb Sen	70,000	No	- do -	- do -
Dr. Mahendra Kumar Loyalka	70,000	No	- do -	- do -
Mr. Murari Sananguly	70,000	No	- do -	- do -
Mr. Rajendra Prasad Jain (issued prior to his appointment as an Executive Director)	42,000	No	- do -	- do -

(iv) Other Remuneration :

The shareholders of the Company at the AGM held on 17th September, 2008 had approved the payment of remuneration to all the non-executive directors not exceeding 1% of the net profits of the company to be equally divided among them on an annualized basis for a period of 3 years commencing from 1st April, 2007 provided that the Company makes a net profit of not less than Rs.100 crores during the corresponding year. Besides the above, no other pecuniary relationship or transactions vis-a-vis the Company exists with the non-Executive Directors. No such remuneration/commission was paid during the year under review.

(E) MANAGEMENT COMMITTEE

Management Committee consists of the following members :

- Mr. Arun Kumar Jagatramka, CMD, Committee Chairman
- Mr. Subodh Kumar Agrawal, Director

iii. Mr. P. R. Kannan, Chief Financial Officer,

iv. Mr. Pawan Kumar Agrawal, Senior Vice President

The term of reference of the committee is allotment of shares on conversion of FCCBs, Warrants, ESOP etc., and to borrow other than by issue of Debenture(s) and to give Loan(s) and Advance(s) as well as to invest funds of the company on the basis of limits prescribed by the Board and subject to guidelines and control of the Board. The committee met 24 times during the year under review. The attendance at the meeting of the Committee members were as follows :

Name (s)	Held	Attended*
Mr. Arun Kumar Jagatramka	24	24
Mr. Subodh Kumar Agrawal	24	22
Mr. P. R. Kannan	24	21
Mr. Pawan Kumar Agrawal	24	24

(*Includes participation through tele-conference/video-conference)

5. General Body Meetings:

a) The details of last 3 Annual General Meetings :

Year	Meeting	Location	Date	Time	Special Resolution, if any
2008-09	22 nd AGM	Ghanshyam Das Birla Sabhagar 29, Ashutosh Choudhury Avenue, Kolkata 700 019	19.09.2009	11.45 AM	No
2007-08	21 st AGM	Kala Mandir, 48, Shakespeare Sarani, Kolkata – 700 017	17.09.2008	11.45 AM	Yes
2006-07	20 th AGM	Ghanshyam Das Birla Sabhagar 29, Ashutosh Choudhury Avenue, Kolkata 700 019	28.09.2007	3.00 PM	No

Report on Corporate Governance (Contd.)

b) Postal Ballot : Three Special Resolutions were passed by the members during the financial year ended 31st March, 2010 through Postal Ballot as per results declared on 16th day of November, 2009. Mr. S. K. Ghosh, Practicing Company Secretary, duly appointed by the Board as Scrutinizer, conducted this Postal Ballot exercise and the details of voting pattern as per report submitted by him to the Chairman is as follows :

Sr No.	Subject Matter of Resolutions	No of valid postal ballot form received	Votes in favour of the resolution	Votes against the resolution	% of votes in favour	No. of invalid postal ballot forms received
1	Issue of "B" Equity Shares of Rs.10 each credited as fully paid up bonus shares to the holders of the existing Equity Shares of the Company.	1127	22,23,95,864	1,69,39,505	92.92	21
2	Issuance of Securities (including Foreign Currency Convertible Bonds) for an amount not exceeding USD 60 million or INR 300 crores whichever is higher.	1127	22,22,65,309	1,69,57,695	92.91	21
3	Issuance of Convertible Warrants to Promoters/ Promoter Group Companies on a Private Placement/ Preferential Basis	1127	23,89,03,291	3,13,490	99.87	21

6. SUBSIDIARIES

The Company has two Indian Subsidiaries i.e. Manor Dealcom Pvt. Ltd and Huntervalley Coal Pvt. Ltd. and nine Australian Subsidiaries i.e. Gujarat NRE Ltd., Gujarat NRE Coking Coal Ltd., Gujarat NRE Coal (NSW) Pty Ltd., Gujarat NRE Resources NL, Gujarat NRE FCGL Pty Ltd., Gujarat NRE Properties Pty Ltd., Wonga Coal Pty Ltd., Gujarat NRE India Pty Ltd. and Southbulli Holdings Pty Ltd as on 31st March, 2010. The Company has nominated its Directors/Executives as its representatives on the Board of its Subsidiaries who regularly monitor and oversee the performance of subsidiaries. The financial performance of the Subsidiaries is discussed by the Board at its meeting and the details of investment made and minutes of unlisted subsidiaries are placed before the Company's Board.

7. DISCLOSURES:

a) Materially significant Related Party Transactions - The Company has not entered into any transactions of material nature, with its promoters, Directors or the Management, its Subsidiaries or with Director's relatives, etc. that may have potential conflict with its interest at large, other than those in the normal course of business. The transactions undertaken during the year have been disclosed in Note No. 12 of Schedule No. 18B forming part of the Accounts for the year ended March 31, 2010. The Company's major related party transactions are generally with its Subsidiaries and Group Associates. The related party transactions are entered into based on consideration of various business exigencies, synergy in operations, optimization of market share, profitability, legal requirements, liquidity and capital resources of Subsidiaries/ Associates. All related party transactions are negotiated at arms length basis and in the interest of the Company.

b) Details of Compliance - 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 Stock Exchange or SEBI or any regulatory authority, during last three years.

c) Whistle Blower Policy – The Company has a Whistle Blower Policy and appropriate mechanism in place. Employees can directly report to the top most management including

Chairman & Managing Director and/or the members of the Board any concerns about unethical behaviour, actual or suspected fraud or violation of the Company's Code of Conduct or Ethics Policy. Management on its turn is responsible for establishing a fearless atmosphere where reporting employee doesn't fear being harassed, demoted or retaliated or threatened in any way and simultaneously receiving, investigating and acting upon complaints and concerns regarding actual/ possible violation of Code of Conduct or an event that could affect the business and/or reputation of the Company and/or its Subsidiaries or its Associates. No personnel had been denied access to the audit committee.

d) Non-Mandatory Requirements – The Company is duly complying with all the mandatory requirements of Clause 49 of the Listing Agreement with the Stock Exchanges and it has also adopted some of the non-mandatory requirements defined therein such as formation of Remuneration Committee, regime of unqualified financial statements, whistle blower policy.

8. MEANS OF COMMUNICATION:

a) The quarterly, half yearly and yearly financial results of the Company as taken on record and approved by the Board of Directors are published in leading newspapers such as Economic Times (English) in its All India editions and Dainik Statesman (Bengali) in its West Bengal edition.

b) The quarterly, half yearly and yearly financial results are also sent immediately upon conclusion of the meeting approving them, to the Stock Exchange(s) on which the Company's shares are listed.

c) Copies of the financial results and Annual Reports of the Company are provided to various Analysts, Government Departments, Investors and others interested in getting the same upon receipt of requests.

d) The Management Discussion and Analysis forms a part of this Annual Report.

e) The quarterly, half yearly and yearly results, press releases and presentations of the Company are displayed in the company's website: www.gujaratnre.com.

Report on Corporate Governance (Contd.)

9. GENERAL SHAREHOLDERS' INFORMATION:

a) Annual General Meeting :

Date and Time : Friday, 10th September, 2010 at 11.30 a.m.
Venue : Kalamandir, 48, Shakespeare Sarani Kolkata – 700 017.

b) Financial Year : 12 months from 1st April, 2009 to 31st March, 2010

c) Book Closure Date : Wednesday, 1st September, 2010 to Friday, 10th September, 2010. (Both days included)

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

e) Particulars in respect of Unclaimed dividends declared by the Company for the financial year 2002-03 and thereafter is given in the following Table:

Financial year	Date of declaration of Dividend	Last date of claiming unpaid Dividend
2002-03 (Final)	29.03.2004	28.03.2011
2003-04 (1 st Interim)	29.03.2004	28.03.2011
2003-04 (2 nd Interim)	27.07.2004	26.07.2011
2003-04 (Final)	08.01.2005	07.01.2012
2004-06 (1 st Interim)	08.01.2005	07.01.2012
2004-06 (2 nd Interim)	13.07.2005	12.07.2012
2004-06 (3 rd Interim)	29.10.2005	28.10.2012
2004-06 (Final)	03.07.2006	02.07.2013
2006-07 (Final)	28.09.2007	27.09.2014
2007-08 (Final)	17.09.2008	16.09.2015
2008-09 (Final)	19.09.2009	18.09.2016

f) Listing of Equity Shares on Stock Exchanges :

(i) Bombay Stock Exchange Ltd.

P J Towers, Dalal Street, Fort, Mumbai – 400001

(ii) National Stock Exchange of India Ltd.

Exchange Plaza, Bandra Kurla Complex, Bandra (E), Mumbai – 400051

g) Listing Fees:

Annual Listing Fees for the year 2010-2011 have been paid to the Stock Exchanges. The Company has also paid the Annual Custody Fees to both the Depositories for the year 2010-2011.

h) Depositories:

i) National Securities Depository Ltd.

Trade World, Kamala Mills Compound, Senapati Bapat Marg, Lower Parel, Mumbai - 400013

ii) Central Depository Services (India) Ltd.

P J Towers, 17th Floor, Dalal Street, Fort, Mumbai - 400001

i) Stock Code:

Equity Shares :

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

(on both the depositories)

Non Convertible Debentures :

Series	Non-convertible Debenture	Stock Code at BSE	ISIN No. at NSDL
1 st	10.6% NCD's of Rs. 10 lac each	GNCL27MAR08	INE110D07036
2 nd	11.9% NCD's of Rs. 10 lac each	GUJNRE07029	INE110D07044
3 rd	12.5% NCD's of Rs. 10 lac each	GUJNRE09039	INE110D07051
4 th	12.5% NCD's of Rs. 10 lac each	GNCL30MAY9A	INE110D07069
5 th	12.5% NCD's of Rs. 10 lac each	GNCL30 MAY9B	INE110D07077
6 th	12.5% NCD's of Rs. 10 lac each	GNCL30MAY9C	INE110D07085
7 th	12.5% NCD's of Rs. 10 lac each	GNCL30MAY9D	INE110D07093
8 th	12.5% NCD's of Rs. 10 lac each	GNCL30MAY9E	INE110D07101

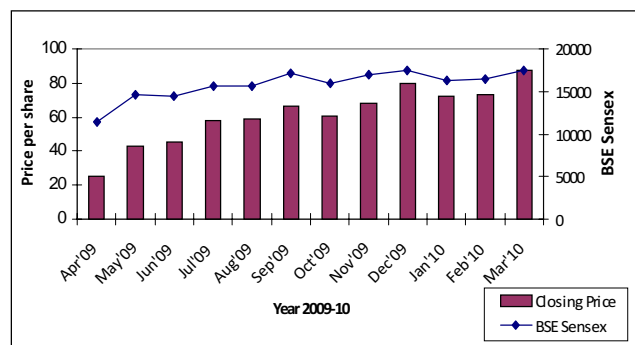
j) Market Price Data:

The Market Price of the Equity Shares of the Company during 2009–10 is given in the table below:

Months	BSE		NSE	
	High	Low	High	Low
April 2009	29.20	19.85	29.25	19.80
May 2009	43.80	25.70	43.70	25.85
June 2009	62.55	43.00	63.00	43.15
July 2009	60.90	35.15	61.00	35.00
August 2009	59.60	50.30	59.70	50.30
September 2009	71.40	53.20	71.45	53.10
October 2009	71.25	59.10	71.25	59.60
November 2009	70.50	51.60	70.40	51.60
December 2009	83.60	62.00	83.60	62.00
January 2010	97.90	70.25	97.90	70.10
February 2010	78.40	66.60	78.30	66.15
March 2010	94.00	74.00	94.00	73.50

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

k) Share Price Performance as compared to BSE Sensex during 2009-10 :



Report on Corporate Governance (Contd.)

l) Registrar and Share Transfer Agents:

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

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

n) Share Transfer System:

All matters pertaining to share transfers are being handled by M/s. Niche Technologies Pvt Ltd., the Registrars & Share Transfer Agents (RTA) of the Company. The share transfer requests received by them are processed and a

memorandum of transfer is sent to the Company for approval by the Share Transfer Committee. The company regularly monitors and supervises the functioning of the system so as to ensure that there are no delays and lapses in the system. 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 notices, corporate communications and Dividend payments etc. to the beneficial owners of shares.

The average time taken for process of share transfer requests including dispatch of share certificates etc. is 15 to 20 days. Physical shares received for dematerialisation are processed and computerised within a period of ten to twelve days from the date of receipt, provided they are found in order in every respect. Bad deliveries are immediately returned to the respective Depository Participant under advice to the Shareholders.

o) Shareholding Pattern as on 31st March 2010 is given in the following Table

Category	No. of Shares	% of Holding
Promoters & Persons Acting in Concert	231464701	46.46
Financial Institutions, Banks, Mutual Funds, etc.	29420250	5.91
FII's	133937474	26.88
Indian Public (incl. Private Corporate Bodies)	95654033	19.20
NRIs/OCBs	3305255	0.66
Clearing Members & others	4412502	0.89
Total	498194215	100.00

p) Distribution of Shareholding as on 31st March 2010 is given in the following Table :

Shareholding Range	No. of Shareholders	% of Shareholders	No. of Shares Held	% of Shareholding
1 - 500	126505	81.28	18731488	3.76
501 - 1000	14762	9.49	10894528	2.19
1001 - 5000	11793	7.58	24653185	4.95
5001 - 10000	1467	0.94	10061814	2.02
10001 - 50000	873	0.56	17122949	3.43
50001 - 100000	85	0.05	6188944	1.24
100001 - and above	151	0.10	410541307	82.41
Total	155636	100.00	498194215	100.00

q) Dematerialisation of Shares and Liquidity:

Approximately 98.69% of the Company's Shares have been dematerialised as on March 31, 2010. The Equity Shares of Company are actively traded in Stock Exchanges and are permitted to be traded only in dematerialised form w. e. f. March 26, 2001.

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

The outstanding convertible bonds, warrants and ESOS as on 31st March, 2010 are as under:

- 175 Nos. of Zero Coupon Unsecured FCCB due 2011 with an issue value of US\$ 100000 each. If all the bonds are converted into equity shares at its conversion price, then the Share Capital of the Company will increase by around 1,75,07,840 Equity shares of Rs. 10/- each.

- 85,50,000 Warrants of Rs. 65.78 each issued on preferential basis to Promoter/ Promoter Group Companies with option to the warrant holder to get allotment of 1 share in lieu of every warrant. The warrant holders have the right to exercise the option for conversion of warrants latest by 26th May, 2011. If all warrants are

Report on Corporate Governance (Contd.)

converted then the Share Capital of the Company will increase by 85,50,000 Equity Shares of Rs. 10/- each.

- The status on outstanding options under Employee Stock Option Schemes (each option convertible into one Equity Share of Rs. 10 each) has already been provided in an Annexure to the Directors Report.

s) Plant Location:

Coke Plant(s)

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

Steel Plant (s)

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

t) Address of Subsidiaries

Manor Dealcom Private Ltd

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

Huntervalley Coal Private Ltd

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

Gujarat NRE Ltd.

(Formerly known as Gujarat NRE Pty Ltd)
Lot No. 1, Princes Highway,
Cnr Bellambi Lane, Russell Vale 2517,
NSW, Australia

Gujarat NRE Coking Coal Ltd.

(Formerly known as Gujarat NRE Minerals Ltd.)
Lot No. 1, Princes Highway,
Cnr Bellambi Lane, Russell Vale 2517,
NSW, Australia

Gujarat NRE Coal (NSW) Pty Ltd.

(Formerly known as Gujarat NRE Coal Pty Ltd.)
Lot No. 1, Princes Highway,
Cnr Bellambi Lane, Russell Vale 2517,
NSW, Australia

Gujarat NRE Resources NL

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

Gujarat NRE FCGL Pty. Ltd.

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

Gujarat NRE Properties Pty. Ltd.

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

Wonga Coal Pty Ltd.

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

Gujarat NRE India Pty. Ltd.

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

Southbulli Holdings Pty Ltd.

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

u) Address for Correspondence :

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

v) Queries :

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

10. AUDITOR'S CERTIFICATE ON CORPORATE GOVERNANCE

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

For and on behalf of the Board



Arun Kumar Jagatramka

Place : Kolkata

Dated, the 9th day of July' 2010

Chairman & Managing Director

Management Discussion & Analysis

Industry Structure & Developments

Economy

The financial year 2009-10 began with the global economy steadily returning to normalcy after going through one of the worst downturns the world has seen after the great depression. Timely and exigent steps taken by the governments across the world helped most of the economies to tide over the crisis, restore faith and rebuild confidence.

However, increased financial market volatility, reflecting investor concerns over the fiscal health of European countries, poses a major downside risk to the global economy. With parts of Europe still going through a tough balancing act to recovery, it is widely believed that Asia led by China and India would lead the global economy in the years to come.

India's GDP Growth for 2009-10 is estimated at 7.4%, up from 6.7% recorded in 2008-09. With assumption of normal monsoon and sustainable good performance of the industry and services sector, GDP Growth is expected to be over 8.6% for the year 2010-11 and reach the magical double digit figure in 2011-12. Indian Industry substantially recovered during the latter half of 2009-10. The IIP figures available for entire fiscal shows industrial production registering a growth of 10.4% as against 2.8% last year. Strong consumption and investment demand is expected to drive industrial growth in 2010-11 with industrial production likely to grow by a buoyant 9.2 per cent in 2010-11.

World Met Coke Industry

With steel production increasing in the developing countries like China and India and blast furnace activity attaining the pre-crisis levels in the developed world, the demand of coking coal and met coke is seeing a steady rise. Availability of good quality coking coal is in acute shortage globally. Aggravating the crisis is China turning to be a net importer of coking coal in 2009 with imports totaling to 35MMT. With no new source of coking coal to meet the growing demand in sight, coking coal would remain in tight supply in the years to come, so would be met coke.

The bulk of the seaborne trade of metcoke of upto 20 MMT was done by China in 2008. In 2007 China exported 14 MMT and in 2008 it exported 12 MMT, but with the imposition of 40% export tax on coke, coupled with increase in local demand in China, Chinese exports of metcoke came down to just 0.5 MMT in 2009.

Hence in the global met coke arena, today we are entering into a phase of undersupply where supply would find it difficult to meet demand. As coke trade returns to the levels of 20 MMT, the big question that we face today is how the potential shortfall of 14 MMT of Chinese exports would be met globally.

Coking coal and met coke prices consequently are on the rise due to this huge demand supply gap. For the first time Coking coal contract pricing has moved to quarterly basis this year. Coking coal benchmark price for quarter April to June was set at USD 200 per tonne compared to last year benchmark at USD 129 per tonne and has been revised to USD225 for the second quarter. With the spot prices hovering around USD 240, the analysts are expecting the prices to challenge previous heights of coking coal price in the near future. Met coke price similarly is on the rise.

Domestic Coking Coal and Met Coke Industry

Indian steel industry has embarked upon an ambitious growth path. India is targeting to double its steel production by 2012 and grow to over 200 MTPA by 2020, the demand for coking coal and met coke would be huge in India. Hence, on conservative estimate, India's coking coal and met coke demand would double by 2012 and would quadruple by 2020 to match with the

targeted steel production capacity expansion as well as demand growth.

Indian steel industry heavily depends on imported coking coal as there are hardly enough reserves of good coking coal in India. India is expected to face an increased demand of around 8-9 MMT of coking coal for met coke production this year. India produces around 18 MMT of met coke and the rest is met through imports. With considerable absence of Chinese coke for Indian market, the shortage would be even greater for the demand to be met by domestic merchant coke producers. India may still have an estimated 2 MMT shortage of met coke in 2010.

Indian Steel Industry

The steel industry in India has been moving from strength to strength and according to the year end review by Press Information Bureau, India has emerged as the fourth largest producer of steel in the world. The Indian steel industry has made a name for itself on the global map. Today, it is catching up with the fast pace of advancement the world over and luring steel majors from all around the globe. It has gained strength from the strong Indian economy and strong sectors like infrastructure, construction and automobile. The growing middle class, the demographic dividend derived from the increasing young population has further strengthened the consumption in Indian economy, increasing the steel demand in the country. And all this, despite the fact that India is known to consume less steel as compared to the world average. While India's per capita steel consumption in 2010 stands at 54 Kg, when compared to Chinese consumption of above 385 kgs, Brazil's around 100 kg and Japan's 650 Kg, and world average of around 180 kg, we have a huge scope of development and it only speaks volumes of the vast scope that the country's steel industry has to offer in the days to come.

Our company has been key beneficiary of the growing demand from domestic steel industry as met coke is the critical input for production of steel through blast furnace route. Gujarat NRE is accordingly, looking to increase its domestic met coke production as well as significantly ramp up coking coal output at its Australian mines.

Opportunities & Threats

The global steel industry started recovery from the 3rd quarter of 2009-10. Globally, blast furnaces restarted post the 3rd quarter of 2009-10 and has provided a strong signal of recovery. The massive plans of Steel Industries world over and India in particular, present a golden opportunity for metcoke manufacturers.

The steps taken by China in trying to conserve its coking coal resources to ensure supplies to its domestic steel industry also allows a great opportunity to merchant manufacturers of met coke in India such as our Company to cater to the growing domestic and global hunger of met coke.

On the supply side, India does not have premium quality coking coal resource. World over, any new commercially viable source for supply of coking coal to meet the huge demand supply gap is still not visible.

Hence, to summarise the above scenario, an increase in steel production leading to increased met coke demand, coupled with global shortage of coking coal and met coke opens up immense opportunity for met coke producers in India and Gujarat NRE Coke Ltd is very well poised to take this benefit through increased volume and growth in margin.

China being a largest producer of both coking coal and metcoke, plays a critical role in determining its global demand and supply and consequently its prices. Therefore, any major shift

Management Discussion & Analysis (Contd.)

in policy by China may pose a threat to this industry. Most of the global steel plants use blast furnace route for manufacturing steel and in the process create demand for coking coal. Fluctuations in demand witnessed by global steel industry might act as a threat to this industry.

Company's Performance

The income from operations of the Company was lower at Rs. 246.98 crores in the year under review as compared to Rs.357.01 crores during the previous year and consequently, the net profit during the year under review stood at Rs. 51.67 crores as compared to Rs. 107.24 crores during the previous year. Accordingly, the Basic & Diluted earnings per share of the Company were reported at Rs.1.08 and Rs.1.02 respectively, for the year under review as compared to Rs.2.27 and Rs.1.97 during the previous year.

Segment wise Performance & Outlook

Coal & Coke

Coking coal and Coke has been at the core of the operations of the Company contributing around 80% of the total turnover during the year under review. Net Sales/income from this segment for the year under review amounted to Rs. 1111.55 crores as compared to Rs.1231.18 crores in the previous year.

Steel

Steel contributes around 20% to the total turnover. It achieved a turnover of Rs. 290.31 crores during the year under review as compared to Rs.289.24 crores during previous year.

The Company is generating power through its Wind Turbines and is in the process of setting up co-generation power plant mostly for captive consumption. This helps the Company to reduce its power costs and ensure regular supply of clean power to its production facilities.

Outlook

2009 was a turbulent year for the metallurgical coke industry. As a result of the global downturn, demand around the world disintegrated as overhanging stock levels took their toll. However, 2010 has been a promising year and has so far seen iron and steel production rising again, resulting in increased global demand for metallurgical coke from a rapidly tightening market. This has resulted in prices being supported upwards again as international buyers are forced to look to the export market to meet the growing demand.

Since many of the shut down blast furnaces have returned to production and some of the hot-idled coke plants are resumed to re-start production, the consumption of coke and coking coal is expected to increase. In preparation for the increased coke demands, the coal contracts for domestic mills for 2010 were signed with mostly full tonnage requirements. This fact, coupled with rising global steel production, has led to increased global demand for coking coal. In anticipation of the increased demand of coking coal from China and India, the global coking coal prices have started rising from the first quarter of 2010.

Risks & Concerns

The risk be it external or internal is inherent in every business. Economic slowdown impacted most segments of the economy including infrastructure and steel. The main concerns were slowdown in growth in economy, reduced spending, demand constraints etc. In order to mitigate the risk, costs were closely monitored and wherever it was prudent to cut down the costs, it was given effect to. Diversified portfolio of customers, focus on financial discipline including effective management of working capital helped to overcome the above risks and concerns to some extent.

The risks and concerns concerning our company could be generally identified as follows.

- a) **Commodity Price Risk** : The Company is exposed to the risk of price fluctuations on raw materials, finished goods. However, considering the normal correlation in the prices of raw material i.e coking coal and finished good i.e. met coke, this risk gets reduced/adjusted over a period of time.
- b) **Production Risk** : Coking coal, the critical raw material required for manufacture of met coke is in short supply internationally resulting in uncertainty in its availability and consequently, its prices. Timely availability of raw material at reasonable prices is therefore, critical for survival in this industry. The Company's strategy of backward integration by acquiring coking coal mines in Australia helps in minimising the effect of volatility in prices and availability of premium quality hard coking coal.
- c) **Forex Risk** : The Company has a policy to hedge its foreign exchange risk within the defined parameters. As imports (raw materials etc) exceed exports, the Company suitably hedges the differential from time to time to appropriately manage the currency risk.

Internal Control Systems and its Adequacy

The Company has in place adequate system of Internal Controls. These controls have been designed to provide a reasonable assurance with regard to maintaining of proper accounting controls, monitoring of operations, protecting assets from unauthorised use or losses, compliance with regulations and for ensuring reliability of financial reporting. The Company has continued its efforts to align all its processes and controls with best global practices in these areas as well.

The internal control system is supplemented by extensive internal audits carried out by Internal Audit Cell supported by external auditors by preparing Annual Audit Plans and conducting extensive reviews covering financial, operational and compliance controls. The Audit Committee of the Board of Directors periodically reviews the adequacy and effectiveness of Company's control and also analyses the Internal Audit Reports and suggests ways to improve the existing Controls. The Company has strong Management Information system which is an integral part of control mechanism.

Human Resources

Your company is developing fast and has entered into diverse business interests requiring talent from various fields of business. The speed and quality of growth of the company depends on quality of human resources available with it. Your company firmly believes in giving topmost priority to its human resource assets which acts as a prime mover in attaining its goals. The company continuously strives for inculcating a culture of learning by building the capabilities and competencies of its workforce. Safety at plant and office premises, medical care requirement of workers and on job training is provided at all the production facilities to avoid mishaps and ensure high level of confidence among employees. The company's relations with its workers and employees were cordial during the year under review.

Cautionary Statement

The statement in this Management Discussion and Analysis Report describing the Company's objectives, projections, estimates, expectations or predictions may be 'forward-looking statement' within the meaning of applicable securities laws and regulations. These statements being based on certain assumptions and expectations of future events, actual results could differ materially from those expressed or implied. The Company assumes no responsibility whatsoever, in this regard.

Auditors' Certificate on Corporate Governance

To the Members of

Gujarat NRE Coke Limited

We have examined the compliance of conditions of Corporate Governance by Gujarat NRE Coke Limited for the year ended on 31st March 2010, as stipulated in Clause 49 of the Listing Agreement of the said Company with the Stock Exchanges.

The compliance of the conditions of the Corporate Governance is the responsibility of the management. Our examination was limited to a review of the procedures and implementations thereof, adopted by the Company for ensuring the compliance of the conditions of the Corporate Governance as stipulated in the said clause. It is neither an audit nor an expression of 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 based on the representation made by the Directors and the management, we certify that the Company has substantially complied with the conditions of Corporate Governance as stipulated in the above-mentioned clause of the Listing Agreement.

As required by the guidance note issued by the Institute of Chartered Accountants of India, we state that as per the records maintained, there were no investors' complaints remaining unattended/pending for more than 30 days as at 31st March 2010.

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
(Registration No. 302081E)



B Basu
(Partner)

Place : Kolkata
Dated : 9th July, 2010

Membership No. 12748

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

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

- 1) We have reviewed the Balance Sheet as at 31st March, 2010 and Profit & Loss Account, and all its Schedules and Notes on Accounts, as well as the Cash Flow Statements and the Directors' Report for the year ended on that date;
- 2) Based on our knowledge and information, these statements do not contain any untrue statement of a material fact or omit to state a material fact or does not contain any statements that might be misleading;
- 3) Based on our knowledge and information, the Financial Statements, and other financial information included in this Report, present in all material respects, a true and fair view of the Company's Affairs, the Financial condition, results of operations and cash flows of the Company as of, and for the year presented in this report and are in compliance with the existing accounting standards and/or applicable laws and regulations;
- 4) To the best of our knowledge and belief, no transactions entered into by the company during the aforesaid year are fraudulent, illegal or violative of the Company's Code of Conduct;
- 5) We are responsible for establishing and maintaining 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
 - i i. disclosed in this report any change in company's internal control over Financial Reporting that occurred during the Company's most recent accounting period that may have

materially affected, or is reasonably likely to affect, its internal control over Financial Reporting;

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



A K Jagatramka
Chairman and
Managing Director



P R Kannan
Chief
Financial Officer

Place : Ahmedabad
Date : 30th May' 2010

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, 2010 and the Profit and Loss Account and the Cash Flow Statement of the Company for the year ended on that date annexed thereto. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audit.
2. We conducted our audit in accordance with auditing standards generally accepted in India. Those Standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.
3. As required by the Companies (Auditor's Report) Order, 2003 as amended by the Companies (Auditor's Report) (Amendment) Order, 2004, issued by the Central Government of India in terms of sub-section (4A) of section 227 of the Companies Act, 1956 and on the basis of such checks of books and records of the company as we considered appropriate and according to the information and explanations given to us, we enclose in the Annexure a statement on the matters specified in paragraphs 4 and 5 of the said Order to the extent applicable.
4. Further to our comments in the Annexure referred to in paragraph 3 above, we report that:
 - (a) We have obtained all the information and explanations, which to the best of our knowledge and belief were necessary for the purposes of our audit;
 - (b) In our opinion, proper books of account as required by law have been kept by the Company so far as appears

- from our examination of those books;
- (c) The Balance Sheet, Profit and Loss Account and Cash Flow Statement dealt with by this report are in agreement with the books of account;
 - (d) In our opinion, the Balance Sheet, Profit and Loss Account and Cash Flow Statement dealt with by this report comply with the Accounting Standards referred to in sub-section (3C) of section 211 of the Companies Act, 1956 to the extent applicable;
 - (e) On the basis of written representations received from the directors as on 31st March, 2010, and taken on record by the Board of Directors, we report that none of the directors is disqualified as at March 31, 2010 from being appointed as a director in terms of clause (g) of sub-section (1) of section 274 of the Companies Act, 1956;
 - (f) In our opinion and to the best of our information and according to the explanations given to us, the said accounts read together with the significant accounting policies in schedule 18 and notes appearing thereon, give the information required by the Companies Act, 1956, in the manner so required and give a true and fair view in conformity with the accounting principles generally accepted in India:
 - (i) in the case of the Balance Sheet, of the state of affairs of the Company as at March 31, 2010;
 - (ii) in the case of the Profit and Loss Account, of the profit for the year ended on that date; and
 - (iii) in the case of Cash Flow Statement, of the cash flows for the year ended on that date.

For **N.C. Banerjee & Co.**
Chartered Accountants
(Registration No. 302081E)



B Basu
(Partner)

Place : Kolkata
Dated : 30th May, 2010

Membership No. 12748

Annexure referred to in paragraph 3 of our report of even date to the members of Gujarat NRE Coke Ltd. for the year ended 31st March 2010.

- (i) (a) The Company has maintained proper records showing full particulars, including quantitative details and situation of fixed assets.
- (b) We were informed that the Company has a phased programme of physical verification of its fixed assets which, in our opinion, is reasonable having regard to the size of the Company and the nature of its assets. In accordance with this programme, fixed assets required to be verified were physically verified by management during the period under review and no material discrepancies were noticed on such verification.
- (c) Fixed assets disposed off during the year under review were not substantial and therefore do not affect the going concern status of the company.
- (ii) (a) During the year inventories have been physically verified by the management at reasonable intervals. In our opinion, the frequency of verification is reasonable.
- (b) In our opinion and according to the information and explanations given to us, the procedures of physical verification of inventories followed by the management are reasonable and adequate in relation to the size of the Company and the nature of its business.
- (c) The Company is maintaining proper records of inventory. The discrepancies noticed during the physical verification of inventories as compared to book records were not material and have been properly dealt with in the books of account.
- (iii)(a) During the year the company has not granted loans, Secured or unsecured, to companies, firm and others parties covered in the register maintained under section 301 of the Companies Act, 1956. Unsecured loan granted in the earlier year to its sub- subsidiary company (maximum amount due was Rs. 6.92 Crores during the year) has since been received in full.
- (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 sub-subsidiary company was regular in payment of interests, the principal amount of loan has been received in full during the year.
- (d) There is no amount overdue in respect of loans granted by the company to parties covered in the register maintained under Section 301 of the Companies Act, 1956.
- (e) In our opinion and according to the information and explanations given to us, the company has not taken any loan from the companies, firm or other parties covered in the Register maintained under section 301 of the Companies Act, 1956, hence paragraph 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

Auditors' Report (Contd.)

- 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 rules. We have broadly reviewed the accounts and records of the steel plant in this connection and are of the opinion that prima facie the prescribed accounts and records have been made and maintained. We have not, however, carried out a detailed examination of such records.
- (ix) (a) According to the information and explanations given to us and on the basis of our examination of the books of account, in our opinion, the Company has been generally regular in depositing undisputed statutory dues including Provident Fund, Investor Education and Protection Fund, Employees' State Insurance, Income Tax, Sales Tax, Wealth Tax, Service Tax, Customs Duty, Excise Duty, Cess and any other material statutory dues with appropriate authorities during the year under review. Since the Central Government has, till date, not prescribed the amount of cess payable under Section 441A of the Companies Act, 1956, we are not in a position to comment upon the regularity or otherwise of the company in depositing the cess.
- (b) According to the information and explanations given to us, no undisputed amount payable in respect of Income Tax, Sales Tax, Wealth Tax, Service Tax, Custom duty and Excise duty were in arrear as at 31st March, 2010, for a period of more than six months from the date they became payable.
- (c) According to the information and explanations given to us and the records of the company examined by us, there were no dues in respect of Income Tax, Sales Tax, Wealth Tax, Service Tax, Customs Duty, Excise Duty and Cess that have not been deposited with the appropriate authorities on account of any dispute other than those as mentioned here-in-below:

Name of the statute	Nature of Dues	Amount (Rs./Crores)	Period to which the amount Relates	Forum where disputes are pending
Income Tax Act, 1961	Regular Assessment	3.52	2005-06	Income Tax Appellate Tribunal, Kolkata
Do-	-Do-	0.57	2006-07	Commissioner of Income Tax (Appeals), Kolkata
Finance Act, 1994 (Act 32 of 1994)	Service Tax	0.06	Oct'07- Mar'08	Commissioner (Appeals), Custom & Central Excise

- (x) The Company does not have accumulated losses at the year ended 31st March, 2010 and has not incurred cash losses during the year under review and in the immediately preceding financial year.
- (xi) In our opinion and according to the information and explanations given to us, the Company has not defaulted in repayment of dues to its banks or to any financial institutions or debenture holders.
- (xii) The Company has not granted loans and advances on the basis of security by way of pledge of shares, debentures and other securities.
- (xiii) In our opinion and according to the information and explanations given to us, the Company is not a chit fund / nidhi / mutual benefit fund / society.
- (xiv) According to the information and explanations given to us, the Company is not dealing or trading in shares, securities, debentures and other investments. The investments have been held by the company in its own name except to the extent of exemption granted under section 49 of the Companies Act, 1956
- (xv) In our opinion and according to the information and explanations given to us, the terms and conditions, on the basis of which the Company has given guarantees for loans taken by the other companies from banks or financial institutions, are not as such prejudicial to the interests of the Company.
- (xvi) In our opinion and according to the information and explanations given to us and on the basis of our examination of the books of account, the term loans were applied for the purpose for which such loans were obtained.
- (xvii) According to the information and explanations given to us and on an overall examination of the balance sheet of the Company, we report that no funds raised on short-term basis have been used for long term investment.
- (xviii) According to the information and explanations given to us the company has not made any preferential allotment of shares to parties and companies covered in the Register maintained under Section 301 of the Companies Act, 1956
- (xix) According to the information and explanations given to us, the company issued secured non-convertible debentures during the year (Refer note no. B- 4 (a) of schedule 18)
- (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
(Registration No. 302081E)



B Basu
(Partner)

Place : Kolkata
Dated : 30th May, 2010

Membership No. 12748

Balance Sheet As at 31st March, 2010

(Rs. in Crores)

SCHEDULES	As at 31st March 2010	As at 31st March 2009
SOURCES OF FUNDS :		
Shareholders' Funds :		
Share Capital	498.19	471.92
Deposit against Share Warrants	14.05	39.00
Reserves & Surplus	852.52	671.97
	1,364.76	1,182.89
Foreign Currency Convertible Bonds	79.00	115.39
Loan Funds	3	
Secured Loans	1,237.23	1,213.14
Un-Secured Loans	129.30	
Deferred Tax Liability	154.68	132.44
TOTAL	2,964.97	2,643.86
APPLICATION OF FUNDS :		
Fixed Assets	4	
Gross Block	1,002.48	933.01
Less: Depreciation	152.52	106.22
Net Block	849.96	826.79
Capital Work-in-Progress	143.15	117.98
	993.11	944.77
Investments	5	806.83
Current Assets, Loans and Advances		
Inventories	831.94	958.65
Sundry Debtors	441.73	263.19
Cash & Bank Balances	143.32	117.23
Loans and Advances	544.13	377.04
	1,961.12	1,716.11
Less: Current Liabilities & Provisions	10	
Liabilities	558.63	678.34
Provisions	172.23	149.91
Net Current Assets	1,230.26	887.86
Miscellaneous Expenditure	11	4.40
(To the Extent not Written off or adjusted)		
TOTAL	2,964.97	2,643.86
Significant Accounting Policies & Notes on Accounts	18	
Balance Sheet Abstract & Business Profile	19	

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

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

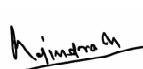
For and on behalf of the Board



B. Basu
Partner
Membership No. 12748
Place : Kolkata
Dated : 30th May, 2010



A K Jagatramka
Chairman &
Managing Director
Place : Ahmedabad



R P Jain
Executive Director
Place : Ahmedabad



P R Kannan
Chief Financial Officer
Place : Kolkata



Manoj K Shah
Company Secretary
Place : Kolkata

Profit & Loss Account For the year ended 31st March, 2010

(Rs. in Crores)

SCHEDULES		For the year ended 31 March, 2010	For the year ended 31 March, 2009
INCOME			
Sales		1,424.29	
Less: Excise Duty		22.43	1,522.60
Other Income	12	74.60	13.92
Increase/(Decrease) in Stocks	13	(124.10)	728.85
		1,352.36	2,265.37
EXPENDITURE			
Purchases		916.60	1,688.55
Manufacturing Expenses	14	57.93	41.36
Payment to and Provision for Employees	15	37.89	34.76
Administrative, Selling and Other Expenses	16	92.96	143.69
Income from Operations		246.98	357.01
Interest	17	126.14	64.75
Depreciation	4	46.47	39.35
Profit Before Tax and Exceptional Items		74.37	252.91
Exceptional Items		-	114.72
Profit Before Tax		74.37	138.19
Provision For Taxation			
Current Tax		12.89	15.67
Deferred Tax		9.61	17.79
Fringe Benefit Tax		-	0.18
Tax for Earlier Years			(2.69)
Profit After Tax		51.87	107.24
Brought Forward Profit		80.39	90.88
		132.26	198.12
APPROPRIATIONS			
Transfer to General Reserve		5.00	-
Dividend for Earlier Year		0.50	0.02
Proposed Dividend		54.80	47.19
Dividend Tax		9.19	8.02
Transferred to / (from) Debenture Redemption Reserve		56.25	62.50
Balance Carried to Balance Sheet		6.52	80.39
Basic Earnings per Share (in Rs.) [Face Value Rs. 10 per shares]		1.08	2.27
Diluted Earnings per Share (in Rs.) [Face Value Rs. 10 per shares]		1.02	1.97
Significant Accounting Policies & Notes on Accounts	18		

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

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

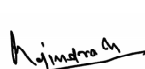
For and on behalf of the Board



B. Basu
Partner
Membership No. 12748
Place : Kolkata
Dated : 30th May, 2010



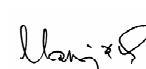
A K Jagatramka
Chairman &
Managing Director
Place : Ahmedabad



R P Jain
Executive Director
Place : Ahmedabad



P R Kannan
Chief Financial Officer
Place : Kolkata



Manoj K Shah
Company Secretary
Place : Kolkata

Schedules to the Accounts

(Rs. in Crores)

SCHEDULE - 1 : SHARE CAPITAL	As at 31st March, 2010	As at 31st March, 2009
DESCRIPTION		
AUTHORISED :		
1,60,00,00,000 Equity Shares (Previous Year 1,60,00,00,000) of Rs. 10/- each.	1,600.00	1,600.00
10,00,00,000 "A" Equity Shares (Previous Year 10,00,00,000) of Rs.10/- each Carrying 100 Voting Rights per "A" Equity Share.	100.00	100.00
30,00,00,000 "B" Equity Shares (Previous Year 30,00,00,000) of Rs.10/- each Carrying 1 Voting Right per 100 "B" Equity Shares	300.00	300.00
	2,000.00	2,000.00
ISSUED,SUBSCRIBED AND PAID-UP :		
49,81,94,215 Equity Shares of Rs.10/- each fully paid up, (Previous year 47,19,19,538)	498.19	471.92
<i>Of the above Shares:</i>		
i) 33,17,29,291 Equity Shares were issued as fully paid Bonus Shares by way of capitalisation of Free Reserves (Previous Year 33,17,29,291)		
ii) 2,77,64,205 Equity Shares were issued for consideration other than Cash (Previous Year 2,77,64,205)		
	498.19	471.92

SCHEDULE - 2 : RESERVES & SURPLUS			
Capital Reserve			
As per Last Balance Sheet	12.12		
Add: Transfer on forfeiture of Share Warrant	39.00	51.12	12.12
Share Premium Account :			
As per Last Balance Sheet	261.60		
Add: Received during the year	126.43	388.03	261.60
General Reserve :			
As per Last Balance Sheet	246.26		
Add: Transferred from Profit & Loss A/c	5.00	251.26	246.26
Foreign Currency Monetary Item Translation Difference Account		1.94	(16.41)
Debenture Redemption Reserve		143.75	87.50
Employee Stock Option Outstanding		9.90	0.51
Balance In Profit & Loss Account		6.52	80.39
		852.52	671.97

SCHEDULE - 3 : LOANS FUNDS			
SECURED LOANS			
Long Term Loans :			
Non Convertible Debentures*		275.00	245.00
External Commercial Borrowings		68.06	76.43
Term Loans from Scheduled Banks		602.48	367.66
		945.54	689.09
Short Term Loans :			
Term Loans from Scheduled Banks		110.00	130.00
Working Capital Facilities from Scheduled Banks		181.69	394.05
		291.69	524.05
Total Secured Loans:		1,237.23	1,213.14
UNSECURED LOANS			
Short Term Loans :			
Term Loans from Scheduled Banks		110.00	-
Working Capital Facilities from Scheduled Banks		19.30	-
		129.30	-
Total Un-secured Loans:		129.30	-
TOTAL LOANS FUND		1,366.53	1,213.14

* For terms of Redemption refer to Note-B-17 of Schedule-18
(Refer Note No.B-4 in Schedule 18 for details of securities offered for the above secured loans)

Schedules to the Accounts (Contd.)

(Rs. in Crores)

SCHEDULE - 4 : FIXED ASSETS

DESCRIPTION OF ASSETS	GROSS BLOCK				DEPRECIATION				NET BLOCK	
	As on 01.04.2009	Addition during the year	Sales / Adjustment during the year	Total up to 31.03.10	As on 01.04.2009	Provided during the year	Adjustment for Sales	Total up to 31.03.10	As on 31.03.2010	As on 31.03.2009
Land - Freehold	30.42	5.20	-	35.62	-	-	-	-	35.62	30.42
Land -Lease Hold*	8.03	-	-	8.03	-	-	-	-	8.03	8.03
Building	73.33	11.36	-	84.69	5.90	2.19	-	8.09	76.59	67.43
Plant & Machineries	291.95	49.99	-	341.94	54.62	15.27	-	69.89	272.06	237.33
Office Equipment	1.52	0.26	-	1.78	0.39	0.16	-	0.55	1.24	1.13
Furniture & Fixture	2.68	0.25	-	2.93	0.61	0.18	-	0.79	2.14	2.07
Material handling Equipments/ Vehicles	17.64	1.31	0.34	18.61	6.35	1.98	0.17	8.16	10.45	11.29
Weighing Machine	0.23	0.23	-	0.46	0.05	0.01	-	0.06	0.40	0.18
Electrical Installations	19.11	1.20	-	20.31	2.83	0.92	-	3.75	16.56	16.28
Wind Mill	488.10	-	-	488.10	35.47	25.77	-	61.24	426.86	452.63
Total	933.01	69.81	0.34	1,002.48	106.22	46.47	0.17	152.52	849.96	826.79
Previous Year	597.60	335.48	0.07	933.01	66.90	39.35	0.03	106.22	826.79	
Capital W I P									143.15	117.98

* Conveyance deed will be executed in favour of the company in due course.

Schedules to the Accounts (Contd.)

(Rs. in Crores)

SCHEDULE - 5 : INVESTMENTS	Face Value (Rs)	No. of Shares*	As at 31st March 2010	As at 31st March 2009
DESCRIPTION				
LONG TERM INVESTMENT (At Cost)				
Non-Trade Investments				
Quoted (Equity)				
Indian				
Interstate Oil Carrier Ltd.	10	- (222,500)	-	0.19
Arvind International Ltd.	10	101,193 (101,193)	0.08	0.08
Shah Alloys Ltd	10	969,769 (969,769)	7.34	7.34
Sal Steel Ltd.	10	2,737,682 (2,737,682)	6.14	6.14
Development Credit Bank Ltd.	10	- (4,984)	-	0.01
Bank of Baroda	10	- (1,690)	-	0.04
Edelweiss Capital Ltd	5	- (76)	-	0.01
Overseas Investments				
Plouton Resources Ltd.	N.A.	6,547,828 (7,400,000)	1.10	1.25
Gujarat NRE Coking Coal Ltd (Sub-Subsidiary) (formerly Gujarat NRE Minerals Ltd)	N.A.	86,092,966 (86,092,966)	42.18	42.18
Aggregate Book Value of Quoted Investments (Equity)			56.84	57.24
Unquoted (Equity)				
Indian				
In Indian Subsidiaries				
Wholly owned				
Hunter Valley Coal (P) Ltd	1	15,512,850 (15,512,850)	153.14	153.14
Manor Dealcom (P) Ltd	1	14,451,150 (14,451,150)	143.52	143.52
In Foreign Subsidiaries				
Wholly owned				
Gujarat NRE Ltd**	N.A.	121,550,000 (121,550,000)	369.15	442.10
Others				
Bharat NRE Coke Ltd	10	10,835,000 (10,835,000)	10.83	10.83
Aggregate Book Value of Unquoted Investments (Equity)			676.64	749.59
TOTAL INVESTMENTS			733.48	806.83
Market value of Quoted Investments (Equity)			262.76	115.53

* Previous Year figure are in bracket

** Investment partly refunded during the year on capital reduction.

*** Investment in Indian company equity shares are fully paid up

Schedules to the Accounts (Contd.)

(Rs. in Crores)

SCHEDULE - 6 : INVENTORIES		
DESCRIPTION	As at 31st March 2010	As at 31st March 2009
Stores, Spares & Consumables	6.16	9.21
Raw Materials	307.16	379.88
Stock in Process	6.40	5.79
Finished Products	512.22	563.77
	831.94	958.65

SCHEDULE - 7 : SUNDRY DEBTORS* (Unsecured, Considered Good)		
Debts due for a period exceeding six months	5.03	6.55
Other Debts	436.70	256.64
	441.73	263.19

* Refer Note B.12 (D) of Schedule-18

SCHEDULE - 8 : CASH & BANK BALANCES		
Cash in hand (as certified by the Management)	0.20	0.20
Balance with Scheduled Banks		
- In Current Account*	12.01	19.47
- In Term Deposits **	131.00	97.40
(Including interest accrued)		
Balance with Non Scheduled Banks		
- In Current Account	0.11	0.16
	143.32	117.23

* Includes Dividend accounts

** includes Term deposits held as margin on Letter of Credit and Bank Guarantee

SCHEDULE - 9 : LOANS AND ADVANCES (Unsecured, Considered Good)		
Loans to Subsidiaries [Max. Amount Due Rs. 6.92 Crores]	-	6.92
Advances recoverable in cash or in kind or value to be received*	298.77	200.63
Deposits With Govt. Authorities & Others	78.83	24.45
Advance Tax (incl. Tax Deducted at Source)	166.53	145.04
	544.13	377.04

* Refer Note B.12 (D) of Schedule-18

Schedules to the Accounts (Contd.)

(Rs. in Crores)

SCHEDULE - 10 : CURRENT LIABILITIES & PROVISIONS		
DESCRIPTION	As at 31st March 2010	As at 31st March 2009
Liabilities :		
Sundry Creditors		
- Micro, Small & Medium Enterprises*	-	-
- Others	524.11	645.30
Liabilities for:		
- Capital goods and expenses	21.89	21.46
- Others	8.41	9.07
Unclaimed Dividend	1.82	1.53
Interest Accrued but not due	2.40	0.98
	558.63	678.34
Other Provisions :		
Provision for Taxation	104.45	91.56
Provision for Fringe Benefit Tax	0.55	0.55
Provision for Proposed Dividend	54.80	47.19
Provision for Dividend Tax on Proposed Dividend	9.10	8.02
Provision for Gratuity & Leave Encashment	3.33	2.59
	172.23	149.91

*Refer Note B 9 of Schedule-18

SCHEDULE - 11 : MISCELLANEOUS EXPENDITURE (To the extent not written off/or adjusted)		
Deferred Employee Compensation Under ESOS		
Balance B/F	0.29	
Less- Adjusted during the year	(9.40)	
Amortised during the year (net)	1.65	8.04
Preliminary Expenses		0.00
Deferred Revenue Expenses		
- FCCB issue Expenses		0.08
		4.10
	8.12	4.40

SCHEDULE - 12 : OTHER INCOME		
	For the year ended 31.03. 2010	For the year ended 31.03. 2009
Interest Income	8.97	12.99
(TDS Rs.1.13 crores, Previous Year Rs. 3.01 crores)		
Income from Long Term Investment: Non Trade		
- Dividend Income	-	-
- Profit on Sale of Investments	8.35	-
Foreign Exchange Fluctuation	56.90	-
Miscellaneous Income	0.38	0.93
	74.60	13.92

Schedules to the Accounts (Contd.)

(Rs. in Crores)

SCHEDULE - 13 : INCREASE/(DECREASE) IN STOCKS		
DESCRIPTION	For the year ended 31.03. 2010	For the year ended 31.03. 2009
Closing Stocks	825.78	949.45
Less :Opening Stocks	949.45	219.94
	(123.67)	729.51
Less: Change in Excise Duty on Stock	(0.43)	(0.66)
	(124.10)	728.85

SCHEDULE - 14 : MANUFACTURING EXPENSES		
Power & Fuel	17.72	8.51
Stores, Spares & Consumables	20.41	18.83
Repair & Maintenance:		
- Plant & Machinery	12.71	6.80
- Building	0.39	0.45
- Others	2.48	2.30
Plant Hire Charges	4.22	4.47
	57.93	41.36

SCHEDULE - 15 : PAYMENT TO AND PROVISION FOR EMPLOYEES		
Salaries, Wages, Bonus & Labour Charges	33.83	28.64
Contribution to PF & Other Funds	1.48	1.26
Provision/Payment of Gratuity	0.61	0.61
Employees Welfare Expenses	1.97	4.25
	37.89	34.76

SCHEDULE - 16 : ADMINISTRATIVE, SELLING & OTHER EXPENSES		
Auditors Remuneration		
- For Audit Fees	0.07	0.06
Internal Audit Fees	0.08	0.08
Bank & Finance Charges	20.95	23.74
Carriage & Cartage	43.94	92.12
Commision on Sales	1.39	1.13
General Expenses	3.35	3.61
Loss on Sale of Fixed Assets	0.03	0.01
Loss on Sale of Long Term Investments	-	0.65
Insurance Expenses	6.57	5.16
Professional & Service Charges	7.85	5.28
Commission to Directors	-	2.88
Rent	0.34	0.36
Rates & Taxes	0.36	0.86
Communication Expenses	0.37	0.38
Travelling & Conveyance	3.63	3.34
Deferred Revenue Expenses Written Off	4.02	4.02
Preliminary Expenses Written Off	0.01	0.01
	92.96	143.69

Schedules to the Accounts (Contd.)

(Rs. in Crores)

SCHEDULE - 17 : INTEREST		
DESCRIPTION	For the year ended 31.03.2010	For the year ended 31.03.2009
On Non - Convertible Debentures	32.52	13.32
On Foreign Currency Convertible Bonds	0.01	0.01
On Term Loan to Banks / Financial Institution	67.24	49.80
To Banks / Financial Institution	41.26	13.90
To Others	4.53	2.51
	145.56	79.54
Less: Interest Capitalised	(19.42)	(14.79)
	126.14	64.75

SCHEDULE - 18 : SIGNIFICANT ACCOUNTING POLICIES & NOTES ON ACCOUNTS

A. SIGNIFICANT ACCOUNTING POLICIES

i. Accounting Conventions

The financial statements are prepared under historical cost conventions and as a going concern basis following the accrual basis of accounting and in accordance with the Generally Accepted Accounting Principles (GAAP) in India and in Compliance with the provision of the Companies Act, 1956.

ii. Use of Estimates

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

iii. Revenue Recognition

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the company and revenue can be reliably measured

- a. In respect of Sales : When the significant risks and rewards of ownership of goods have been passed on to the buyer, which generally coincides with delivery / shipment of goods to customers.
- b. In respect of Interest Income : On time proportion basis taking into account the amount outstanding and the rate applicable.
- c. In respect of Service Income : When the services are performed as per contract.
- d. In respect of Dividend Income : When right to receive payment is established.
- e. In respect of Insurance Claims : On Settlement of Claims

Revenue from product sales is recognised inclusive of Excise duty but exclusive of Sales Tax / Value added Tax (VAT) and net of returns, Sales Discount etc. Sales Returns are accounted for when goods are returned.

iv. Fixed Assets

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

v. Depreciation on Fixed Assets

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

vi. Inventories

1. Inventories are valued as under:

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

Cost includes all direct cost and applicable manufacturing and administrative overheads.

2. Inventories are valued on FIFO basis.

Schedules to the Accounts (Contd.)

SCHEDULE - 18 : SIGNIFICANT ACCOUNTING POLICIES & NOTES ON ACCOUNTS

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

vii. Investments

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

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

viii. Foreign Exchange Transactions

a. Initial Recognition:

Foreign Exchange transactions are recorded normally at the exchange rates prevailing on the date of the transactions.

b. Conversion

Foreign currency monetary items are reported using the closing rate. Non-monetary items which are carried in terms of historical cost denominated in a foreign currency are reported using the exchange rate at the date of transaction and non-monetary items which are carried at the fair value or other similar denominated in a foreign currency are reported using the exchange rates that existed when the values were determined.

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

c. Exchange differences

Exchange differences arising on settlement of transactions or on reporting monetary items of the Company at the rate different from those at which they were initially recorded during the year, or reported in previous financial statement, are recognised as income or expenses in the year in which they arise except in case where they relate to acquisition of fixed assets.

d. Forward Exchange Contract not intended for trading or speculative purposes

The premium or discount arising at the inception of forward exchange contract is amortized as expenses or income over the life of the respective contract. Exchange differences on such contracts are recognised in the statement of Profit or Loss in the year in which exchange rate changes. Any profit or loss arising on cancellation or renewal of forward exchange contract is recognised as income or as expenses for the year.

ix. Provisions, Contingent Liabilities and Contingent Assets

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

x. Borrowing Costs

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

xi. Taxation

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

Deferred Tax Liability is recognized for all timing differences 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.

Tax on Distributed Profit Payable is in accordance with the provision of Section 1550 of the Income Tax Act, 1961 and in accordance with guidance note on Accounting for Corporate Dividend Tax.

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

xii. Employee benefits

a) Short Term & Post Employment Benefits

Employee benefits of short-term nature are recognized as expense as and when those accrue. Post employments benefits are recognized as expenses based on actuarial valuation at year end which takes into account actuarial gains and losses.

b) Employee Stock Option Scheme (ESOS)

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

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

xiii. Indirect Taxes

Excise Duty on Finished Goods Stock is accounted for at the point of manufacture of goods and is accordingly considered for valuation of finished goods stock as on Balance sheet date. Customs duty on imported raw materials is accounted for on the clearance of goods from the Customs Authorities.

Schedules to the Accounts (Contd.)

SCHEDULE - 18 : SIGNIFICANT ACCOUNTING POLICIES & NOTES ON ACCOUNTS**xiv. Miscellaneous Expenditure**

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

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

xv. Impairment of Assets

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

xvi. Research and development

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

xvii. Earning per share (EPS)

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

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

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

xix. Segment Reporting**i. Identification of Segments :**

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

ii. Allocation of Common Costs :

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

B. NOTES FORMING PART OF THE ACCOUNTS**1. Of the equity shares of Rs. 10/- each comprised in the subscribed & paid up capital of the company:-**

- 1,91,008 (Previous Year 68,208) equity shares were allotted as fully paid up shares pursuant to exercise of options by bond holders of 1% Foreign Currency Convertible Bonds (FCCB) of USD 55 Million.
- 50,02,240 (Previous Year Nil) equity shares were allotted as fully paid up shares pursuant to exercise of options by bond holders of Zero Coupon Foreign Currency Convertible Bonds (FCCB) of USD 60 Million .
- 1,64,50,000 (Previous Year Nil) equity shares were allotted as fully paid up shares pursuant to conversion of share warrants by the Promoters.
- 40,00,000 (Previous Year Nil) equity shares were allotted as fully paid up shares pursuant to conversion of share warrants by holders of share warrants.

2. Stock Option Schemes

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

ii. Basic & Diluted EPS and Proforma Basic & Diluted EPS-

(Rs. in Crores)

	<u>Current Year</u>	<u>Previous Year</u>
Net Profit as reported	51.87	107.24
Add/(Less): Employee Compensation Expenses	0.19	(0.11)
Adjusted Proforma Net Profit	52.06	107.13
Basic & Diluted EPS as reported		
- Basic (Rs.)	1.08	2.27
- Diluted (Rs.)	1.02	1.97
Proforma Basic & Diluted EPS		
- Basic (Rs.)	1.09	2.27
- Diluted (Rs.)	1.02	1.97

Schedules to the Accounts (Contd.)

SCHEDULE - 18 : SIGNIFICANT ACCOUNTING POLICIES & NOTES ON ACCOUNTS

iii. Movement in Options granted in the year 2009-10 is given below

	No. of Options		Weighted Average Exercise Price (in Rs.)	
	31.03.10	31.03.09	31.03.10	31.03.09
1) a) Outstanding at the beginning of the year	4,499,600	3,792,000	53.50	58.17
b) Granted during the year	-	3,80,000	-	23.86
	-	8,84,800	-	43.00
-To give effect of Bonus	-	1,17,600	-	85.72
	-	13,82,400	-	41.37
c) Forfeited during the year	114,800	90,000	19.32	33.40
- Pre Bonus	-	3,09,000	-	67.21
- Post Bonus	-	2,75,800	-	48.02
	114,800	6,74,800	19.32	54.86
d) Exercised during the year	631,429	Nil	23.86	Nil
e) Expired during the year	Nil	Nil	Nil	Nil
2 Outstanding at the end of the year	3,753,371	44,99,600	59.54	53.51
3 Exercisable at the end of the year	610,371	Nil	Nil	Nil

iv. Fair value

	<u>No. of Options</u>	<u>Price (in Rs.)</u>	<u>(Rs./Crores)</u>
Granted during the year	Nil	Nil	Nil

v The Company has calculated Employee Compensation Costs on the basis of Intrinsic Value Method and has amortized Rs.1.65 crores (Previous Year 0.09 Crores) for the year ended 31st March, 2010. However, had the company followed Fair Value Method for calculating Employee Compensation Costs, such costs for the year would have been lower by Rs. 0.19 crores with corresponding impact on the Profit after Tax and Basic as well as Diluted EPS for the year.

3. **Contingent liabilities not provided for in respect of:**

- Letter of Credits outstanding for purchase of materials as on the Balance Sheet date aggregating to Rs. 162.75 crores (Previous Year Rs. 84.46 crores).
- Outstanding Bank Guarantees and Counter / Corporate Guarantees given on behalf of subsidiary companies as on Balance Sheet date aggregating to Rs. 886.06 crores (Previous Year Rs. 550.02 crores)
- Capital commitments as on Balance Sheet date - Rs. 164.64 crores (Previous Year - Rs. 189.53 crores)
- On Balance Sheet date, the disputed amount involved in two income-tax demands under appeal - Rs.4.09 crores (Previous Year - Rs. 3.55 crores). The management is of view that the outcome of the appeal would be favourable to the company, hence no provision has been made against these income-tax demands.
- A demand raised by the Service tax department of Rs. 0.06 crores, against which company has filed an appeal to the jurisdiction authorities.
- Duty on account of Advance Authorisation against Export obligation is Rs. 1.61 crores. (Previous Year - Nil.)
- Bills discounted under letter of credit with banks aggregating to Rs. 40.62 crores (Previous Year – Rs. 50.32 crores)

4. **a) Secured Long Term Loans:**

- Non-Convertible Debentures and External Commercial Borrowing are secured by following securities:
 - First pari-passu charge over entire fixed assets of the company, both present and future.
 - Second pari-passu charge over entire current assets of the company, both present and future.
- Term Loans from State Bank of India, State Bank of Hyderabad, YES Bank Ltd, State Bank of Mysore, Axis Bank Limited, ICICI Bank Limited, IDBI Bank Limited and State Bank of Patiala are secured by following securities:
 - First pari-passu charge over entire fixed assets of the company, both present and future.
 - Second pari-passu charge over entire current assets of the company, both present and future.
 - Personal guarantee of Mr. Arun Kumar Jagatramka, Chairman & Managing Director of the company.
- Term Loans from IDBI Bank Ltd and Tamilnad Mercantile Bank Ltd are collaterally secured by following securities:
 - Pledge of equity shares of the company held by Mr. Arun Kumar Jagatramka, Chairman & Managing Director of the company and/or Gujarat NRE Mineral Resources limited, a promoter company.
 - Personal Guarantee of Mr. Arun Kumar Jagatramka, Chairman & Managing Director of the company and /or Corporate Guarantee by Gujarat NRE Mineral Resources limited, a Promoter Company.