



GUJARAT NRE COKE LIMITED

REGISTERED OFFICE : 22, CAMAC STREET, BLOCK-C, 5TH FLOOR, KOLKATA - 700 016
PHONE : +91-33-2289-1471 ; FAX : +91-33-2289-1470 ; E-MAIL : kolkata@gujaratnre.com
CIN: L51909WB1986PLC040098 ; WEBSITE : www.gujaratnre.com

2nd February 2017

Dear Shareholder(s),

Happy New Year!

The previous year brought in much needed confidence to our industry experiencing a challenging global environment, along with a positive turn of the economic cycle.

Following the infrastructure push provided by the government in last year's budget, the company started the process to ramp up production to meet this new demand. Furthermore, the year 2016 saw the present government introduce more positive and encouraging measures to consolidate the domestic metcoke and steel industry with the imposition of safeguard duty and MIP on various steel products. This resultant increase in the demand of domestic steel helped the demand graph for met coke to climb too. After an extended period of a challenging macroeconomic environment this glimmer of hope served to revitalize and invigorate the company.

Thus the year 2016 saw our met coke production revamped from 5% to 25-30%.

The price of metallurgical coke increased by over three times last year—from around USD 120 per tonne to around USD 360 per tonne. However, the price of coking coal rose much sharper negating much of the benefit that the domestic met coke industry would have accrued from this increase in price. Come 2017, the price of coking coal has reduced, while that of metallurgical coke is still holding on its ground. The normalisation of the price of coking coal, with metallurgical coke maintaining its price premium over coking coal is a positive sign indicating a boost for the domestic metallurgical coke industry. The company expects that the trend would sustain, providing an improved margin for the company.

I am happy to inform you that based on an application by the Indian Metallurgical Coke Manufacturers' Association (IMCOM) representing the domestic merchant met coke producers, the Government of India has imposed anti-dumping duty on import of low ash



metallurgical coke from China and Australia. The anti-dumping duty shall be effective for 5 years and has come as a huge relief from dumping of met coke primarily from China, which had plagued the industry for long. The imposition of anti-dumping duty would lead to sustained growth and development of domestic met coke industry and our company is well poised to reap its benefits.

Demonetisation has been one of the most recent setbacks that the company has faced. It is undisputedly an initiative with a noble intention. Barring the short term pains, I believe that in the longer term our country and therefore industry too, would benefit from this exercise. The sudden absence of liquidity in the market caused by the abrupt withdrawal of 86% currency did affect business. Sales slumped immediately as dealers stopped lifting since customers did not have the money to buy. Since the announcement of demonetization, sales have seen a dip of 25%. The short-term effects of demonetisation has hit the revival process of the company. To tackle this unforeseen bottleneck, we modified our plans of increasing capacity utilisation till the market has stabilised with the completion of remonetisation. We have continued production at 25% till sales pick up again.

The company expects positive EBIDTA once the operational efficiency is restored with normalisation in market liquidity. We expect to reach capacity utilisation of around 60% by the end of this year.

The company is in negotiation with its lenders on restructuring of its debt. Various options are being worked out and I would keep updating you on any development.

As it is rightly said, "Strength and growth come only through continuous effort and struggle", we have been through a rough patch, but I am confident that success is on our side. I thank you for your continued support and faith that you have placed in me and the company. Your trust and cooperation has been the source of greatest strength and inspiration to us at Gujarat NRE Coke Ltd and we look forward to your best wishes for a better future.

Yours sincerely,

Arun Kumar Jagatramka
Chairman and Managing Director