



GUJARAT NRE MINERAL RESOURCES LIMITED

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21st September 2015

Dear Shareholders,

A mix of emotions run through me as I sit down to pen this letter. It has been my constant endeavour to communicate the developments of the Company from time to time. This letter is no different in its intention, yet so different in its content.

You are aware that our Company, Gujarat NRE Mineral Resources Ltd (GNMRL), having its focus on investment in group companies is one of the substantial shareholders of Gujarat NRE Coke Ltd (GNCL), the flagship of the group and one of largest independent producers of metallurgical coke in the country listed on NSE & BSE. As such the company benefitted on an ongoing basis due to excellent shareholder returns awarded by GNCL.

Metallurgical coke is a commodity which very few could understand and there exists a very large demand – supply gap both globally as well as in India. This has resulted in large volatility on an ongoing basis with 2-3 years of downward trend followed by a year of bumper profits. However, last 7 years since the GFC in September 2008, the industry has been in a severe recession in line with most other industries worldwide. The unexpected and sudden ban on iron ore mining in 2011 killed/negated whatever small chances of recovery that was being expected. The result has been the largest running continued downtrend in the industry. This has affected the performance and cash flows on GNCL in a major way.

The deteriorating cash flow position of Gujarat NRE Coke Ltd in view of sluggish economy and non-performance of steel industry has had a telling effect on our Company. Ultimately, GNCL had to approach lenders for restructuring of its debts and the same was approved by CDR-EG in March 2014. At the same time, the share prices of GNCL also fell sharply as detailed below:

Company : GUJARAT NRE COKE LTD. 512579
Period: Year 2009 to Year 2015

Exchange: BSE
All Prices in ₹

YEAR	OPEN	HIGH	LOW	CLOSE
2009	26.25	83.60	16.80	79.90
2010	80.00	97.90	51.05	65.40
2011	65.00	72.00	14.80	16.10
2012	16.20	28.90	15.40	20.00
2013	20.15	23.80	7.60	10.51
2014	10.46	19.32	5.35	6.08
2015	6.32	7.15	2.71	3.04

From the above price chart, it is evident that prices of GNCL shares fell from Rs 79.90 on 31.12.2009 to Rs 3 at present i.e. a fall of 96% over last 6 years. This fall is mainly due to the continued sluggishness in the industry despite the book value of GNCL being Rs 13.36 as on 31st March 2015. However, it is heartening to note that lenders have reposed their full confidence in GNCL and have agreed to convert a substantial portion of their loan into equity at a price of Rs 10/- per share. Besides, two promoter group companies, namely, NRE Metcoke Limited and Bajrangbali Coke Industries Limited are also being merged into GNCL where GNCL's shares have been valued at Rs 10.94 per share. Additionally, the promoters have recently subscribed and converted 18.5 crore warrants into equity at prices ranging from Rs 10.72 to Rs 12.00.

Every action has an equal and opposite reaction. When the downturn has been so long and deep, the upturn has to be equally, if not more, higher and bright. As such, veterans in the coke industry are looking for a much brighter future ahead



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especially with expected growth in steel production and shutting down of ageing coke batteries in Europe, America and especially Brazil.

With a view to be in the best position to get the full rewards of the expected upturn in the industry, the Board of directors of GNMRL and Bharat NRE Coke Limited (BNCL) decided to merge the two Companies. It may be noted that BNCL owns a coke oven plant at Dharwad, Karnataka with an annual production capacity of 0.32 million tonnes per annum and currently the same is leased out to GNCL. The process of merger is on track and is now passing through various stages of compliances.

On the external front, being aggrieved by the continuous slow down in domestic as well as global economy and also having injury by the dumping of Metcoke by China, associations have approached Ministries of Commerce and Finance to consider their case and impose suitable anti-dumping duty / Safe guard duty to protect the domestic industry. It is really heartening to note that a safeguard duty of 20% has already been imposed on steel, thereby lighting up hopes for an early revival of the industry having a cascading effect on GNCL in the coming days. We welcome this move and thank the Government of India for timely action.

Moreover, proposed spending by Govt of India in infrastructure sector may be a trigger to boost the performance of steel industry in the country leading to our fortunes as well.

As regards listing of the Company is concerned, due to continued fall in price of GNCL, the valuation of the Company had been adversely affected, and any effort of listing in this period would have penalized the investors. As such to enhance shareholder value, we decided to merge into an operating Company which provides the merged entity an opportunity to get listed when deemed appropriate.

We have been fortunate to receive your unstinted support all these years and look forward to receive your best wishes in the coming days.

Should you require any further information/ clarification, please feel free to write to us. We will be glad to address all your genuine concerns.

Yours sincerely,

Arun Kumar Jagatramka
Chairman