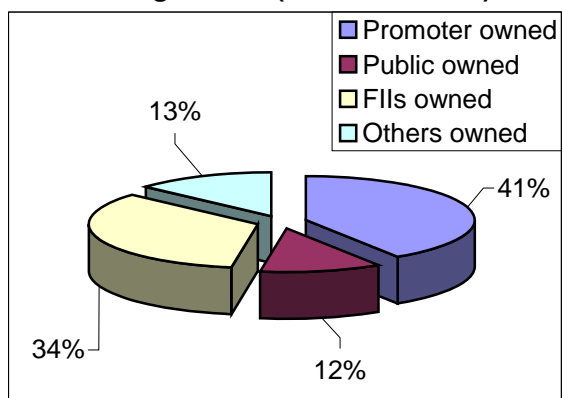


Stock statistics	19 July 2008
Market Cap (Rs Mn) :	39337.86
52-Week high/low (Rs) :	181.00/50.00
Face value :	10.00
BSE Code :	512579
NSE Code :	Gujnrecoke
Industry :	Coke
Shares outstanding :	33,70,85,384
Avg. daily vol. (30 days) :	126.40

Gujarat NRE Coke Ltd was incorporated in 1986 and converted into a public limited company on July 5, 1993. The company is the largest independent producer of Metallurgical Coke in India and is the only Indian company with coking coal mines in Australia having more than 500 million tons of Metallurgical Coal with excellent coking properties. The company is set to emerge as one of the largest coking coal producers in Australia over the next few years. The coal mines are owned through its subsidiaries – Gujarat NRE Minerals Limited. Besides ownership of these coal mines, the company has done cornerstone investments in resource prospecting companies that are scouting for coal, gold, iron-ore and various other base metals. The company has 27.5 MW wind power energy and has also set up mini steel mill in Gujarat to recycle steel scraps using green wind energy to manufacture TMT Bars. The company clientele includes Hindustan Zinc, Nirma, Kalyani Steels, Jindal Vijaynagar Steel, GHCL, Lanco Steel, Birla Copper and Saurashtra Chemicals. The company is ISO 9001:2000 certified for its coke production facilities in Khambhalia.

Shareholding Pattern (as on 31 Mar'08)



Key Statistics (as on 19 July 2008)

CMP	:	117
BV	:	34.65
PE	:	17.00
PB	:	3.28
Beta	:	1.28
Turnover (Rs Mn)	:	483.14
Net worth (Rs Mn)	:	5369.10

Investment Rationale

- Gujarat NRE Coke, which has coke units in India and coking coal mines in Australia, plans to set up a greenfield one-million tonne coke plant in Andhra Pradesh at an investment of Rs. 450 crore. The work on this plant would begin soon. The plant would be complementary to the group's mining plans in Australia, which is poised for growth, and would require coke production facilities to ensure maximisation of efficiencies.
- Gujarat NRE Coke, the largest independent producer of LAMC in the country, is in a spree to expand its wind power generating capacities. The company currently has 22 operating wind mills in Gujarat with a total installed capacity of 27.5 megawatts (MW). In the current phase, it is in the process of setting up twenty more mills which will be followed by twenty more in the third phase, taking the total installed capacity to 87.5 MW. The total addition is expected to be progressively switched on within Sep. 30, 2008. The wind mills are a part of the company's greater goal of generating clean, green energy. It is also in the process of setting up waste heat recovery power plants at its coke making facilities at Khambhalia, Bhachau and Dharwad with a total capacity of 60 MWs.
- Gujarat NRE Coke is going to invest Rs 750 million to expand its steel TMT bars manufacturing capacity by 60%. It will add value & boost the top & bottomline of the financials of the firm.

FINANCIAL STATEMENT ANALYSIS

Rs. in million

Particulars	Q1FY08	Q2FY08	Q3FY08	Q4FY08	Q1FY09
Total Income	1488.90	1020.70	2428.00	3806.40	3776.40
Growth (%)	-----	(31.45)	137.88	56.77	(0.79)
Total Expenditure	897.00	846.30	1683.10	2933.60	2511.60
Operating Profit	591.90	174.40	744.90	872.80	1264.80
Growth (%)	-----	(70.54)	327.12	17.17	44.91
OPM	39.75	17.09	30.68	22.93	33.49
Other Income	34.90	115.20	97.70	187.20	44.80
EBIDTA	626.80	289.60	842.60	1060.00	1309.60
EBITDA margin	42.10	28.37	34.70	27.85	34.68
Depreciation	56.00	59.90	60.20	57.60	75.40
PBT	570.80	229.70	782.40	1002.40	1234.20
Interest	68.70	71.00	80.90	111.70	97.30
Tax	73.90	33.20	201.80	248.70	192.90
Adjusted PAT	428.20	125.50	499.70	642.00	944.00
Growth (%)	-----	(70.69)	298.17	28.48	47.04
Adjusted NPM	28.76	12.30	20.58	16.87	25.00
Reported PAT	428.20	125.50	499.70	642.00	944.00
EPS	1.64	0.44	1.54	1.90	2.80
Cash EPS	1.85	0.64	1.73	2.08	3.02
Equity Capital	2611.30	2881.10	3240.40	3370.20	3370.90

The company posted excellent financial figures for the quarter ended June 2008. The net sales for the company gone up by 153.64% to Rs 3776.40 million for the Q1FY09 as against the net sales of Rs 1448.90 million for the Q1FY08. The operating profit for the company stood at Rs 1264.80 million for the Q1FY09 in comparison to the operating profit of Rs 591.90 million for Q1FY08 with the growth rate of 113.68%. The company posted the EBITDA of Rs 1309.60 million for the Q1FY09 as against the EBITDA of Rs 1309.60 million for the Q1FY08 with the growth rate of 108.93%. The net profit for the company rose to Rs 428.20 million for the Q1FY09 in comparison to net profit of Rs 944.00 million for the Q1FY08 with the growth rate of 120.46%. The Operating Profit margins & Net Profit margins have been impacted due to increased interest & depreciation cost. The EPS for the company stood at Rs 2.80 for the quarter ended in June 08 versus the EPS of Rs1.64 for the quarter ended June 07. The cash EPS of the company stood at Rs.3.02 for the quarter ended in June 08 versus the cash EPS of Rs.1.85 for the quarter ended in June 07. The EPS on TTM (Trailing twelve months) stood at Rs 6.68 for the company. The company is expected to post strong results for the quarter ended September 2008 and for the full financial year ended FY09.

Valuation

The company with strong capital expenditure plans supplemented by robust demand for coke, rising prices, gains from capacity addition and backward integration make the stock attractive in the medium to long term. The demand for metallurgical coke is likely to remain strong in the medium term at domestic as well as global front with strong demand generating at domestic level from steel sector caused by rise in economic growth led by infrastructure and capital good sector. The global scenario also offers positive outlook for the demand of coke with demand outstripping supply and prices of coke on the roof. The company being the market leader is well positioned to take the advantage of growing demand for coke by capitalizing on its strength of production capacity and providing quality products to its clients. The rising coke prices will help the company to get better per unit realization.

The stock at the current market price of Rs 117 will trade 17.00 times to its earnings and 3.28 times to its book value and is expected to provide huge upside potential in medium to long – term.

Therefore, we maintain our previous price target of Rs 210 on the stock.

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