

GUJARAT MINERAL DEVELOPMENT CORPORATION LIMITED



39th
Annual Report
2001-2002



GUJARAT MINERAL DEVELOPMENT CORPORATION LTD.

BOARD OF DIRECTORS

CHAIRMAN

Shri Mukeshbhai B. Zaveri

VICE-CHAIRMAN

Shri Sunilbhai J. Singhi

MANAGING DIRECTOR

Shri Ashok Narayan, IAS (upto 31-12-2001)

Shri G. C. Murmu, IAS (From 31-12-2001 to 19-4-2002)

Shrimati Vilasini Ramachandran, IAS (From 19-4-2002)

DIRECTORS

Shri L. Mansingh, IAS (upto 31-7-2002)

Shri D. Rajgopalan, IAS (w.e.f. 31-7-2002)

Shri Chaman Kumar, IAS

Shri P. V. Trivedi, IAS (upto 28-5-2001)

Shri G. C. Murmu, IAS (w.e.f. 21-07-2001)

Shri C. P.S. Nair

Shri Nanubhai Vanani

Shri Jayantibhai Patel

Shri Chimanbhai Dobarra

Shri Lalubhai Patel (w.e.f. 20-06-2001)

Shri Navinbhai Vyas (w.e.f. 20-6-2001)

Shri Kamleshbhai Patel (w.e.f. 20-6-2001)

Shri Kantibhai Patel (w.e.f. 20-6-2001)

COMPANY SECRETARY

Shri D.P.Shah, FCS

AUDITORS

Manubhai & Co.

Chartered Accountants

REGISTERED OFFICE

Khanij Bhavan,

132 Ft. Ring Road,

Near University Ground,

Vastrapur,

Ahmedabad-380 052

Phone : 791 3200 / 3501 / 1662 / 0665

Fax : 079 791 1454

E-mail : gmdcltdadl@sancharnet.in

Website : www.gmdcltd.com

BANKERS

Bank of Baroda

Dena Bank

Vijaya Bank

Central Bank of India

PROJECTS :

Lignite Project,

Panandhro (Dist Kutchh)

Rajpardi (Dist Broach)

Fluorspar Project,

Kadipani (Dist Baroda)

Bauxite Projects,

Ratadia (District Kutchh)

Bhatia (Dist Jamnagar)

Calcination Project,

Gadhsisa (Dist Kutchh)

Multi-Metal Project,

Ambaji (Dist Banaskantha)

Power Project

Nani Chher (Dist. Kutchh)

Share transfer agent for Physical & D-mat

M/s MCS Limited

101, Shatdal Complex, 1st floor,

Opp. Bata Shop Room, Ahsram Road,

Ahmedabad - 380 009.

Tel. : 6582878 / 6581296



GUJARAT MINERAL DEVELOPMENT CORPORATION LTD.

FINANCIAL RESULTS

(Rupees in Lakhs)

Particulars/Years	2001-02	2000-01	1999-00	1998-99	1997-98	1996-97	1995-96	1994-95	1993-94	1992-93
(A) Profit & Loss Account										
1. Total Sales	25,256.58	21,789.94	18,892.05	23,140.22	23,914.24	21,535.75	21,202.34	15,775.31	13,633.26	11,724.94
2. Profit before tax	10,978.86	10,879.88	7,180.10	14,139.15	13,995.35	12,538.26	8,507.99	7,848.09	6,925.03	6,471.74
3. Interest	164.19	91.54	81.14	22.21	63.23	672.77	319.58	254.18	479.20	762.20
4. Depreciation	2,116.62	2,776.20	2,860.39	3,240.67	3,683.53	3,320.55	2,414.32	1,650.20	974.32	1,009.43
5. Provision for Tax	4,360.58	4,891.92	3,423.45	5,705.15	5,425.00	5,523.13	4,602.50	595.59	2,971.36	3,471.46
6. Profit after tax	6,618.46	5,874.69	3,774.71	8,434.00	8,570.35	7,020.76	3,905.48	7,252.50	3,953.67	3,000.27
7. Dividend %	40%	45%	40%	50.00%	45.00%	30.00%	30.00%	20.00%	20.00%	30.00%
8. Dividend (Rs.)	1,272.00	1,431.00	1,272.00	1,590.00	1,431.00	954.00	381.60	254.40	254.40	190.80
(B) Balance Sheet										
1. Share Capital	3,180.00	3,180.00	3,180.00	3,180.00	3,180.00	3,180.00	1,272.00	1,272.00	1,272.00	636.00
2. Reserves & Surplus	51,730.30	47,537.99	43,225.36	41,020.56	34,335.42	27,339.17	23,186.03	19,683.47	12,685.37	10,152.95
3. Gross Fixed Assets	36,335.47	35,008.23	35,223.74	33,709.47	33,333.47	33,167.93	27,009.37	25,494.73	15,100.94	12,298.88
4. Net Fixed Assets	8,459.20	8,046.77	10,473.35	10,792.17	13,665.05	17,205.38	14,280.55	15,107.58	6,100.87	4,256.58
5. Current Assets	34,480.09	60,957.07	63,489.88	58,396.63	43,435.04	29,934.58	23,945.11	17,821.86	17,033.23	16,417.46
6. Current Liabilities	12,184.29	3,945.18	4,956.74	3,532.42	3,978.04	3,328.99	4,962.63	3,920.69	3,191.30	3,244.65
7. Capital Employed	63,635.94	44,134.76	37,812.11	32,949.60	26,285.78	22,921.05	18,468.41	18,861.48	10,471.40	10,602.22
8. Net Worth	53,550.24	49,579.60	45,300.51	41,990.31	35,207.46	28,086.08	22,744.77	18,997.70	12,372.66	9,214.34
(C) Financial Ratios										
1. % of Net profit										
On Sales	26.20	26.96	19.98	36.45	35.83	32.60	18.42	48.23	29.01	25.59
On Gross Fixed Assets	18.21	16.78	10.72	25.02	25.71	21.17	14.46	29.84	26.19	24.39
On Capital employed	10.40	13.31	9.98	25.60	32.60	30.63	21.15	40.34	37.77	28.30
On Net Worth	12.36	11.85	8.33	20.09	24.34	25.00	17.17	40.10	31.97	32.56
On Share Capital	208.13	184.74	118.70	265.20	269.50	220.78	307.04	598.16	310.93	471.74
2. Debt Equity Ratio	0.33	0.03	0.00	0.00	0.00	0.11	0.08	0.26	0.10	0.54

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NOTICE

Notice is hereby given that the 39th Annual General Meeting of the Shareholders of 'Gujarat Mineral Development Corporation Limited' will be held on Monday, the 30th September, 2002 at 11-00 A.M. at the The Institution of Engineers' (India), Bhaikaka Bhavan, Law College Road, Ellisbridge, Ahmedabad - 380 006 to transact the following business :

ORDINARY BUSINESS

1. To receive, consider and adopt the 'Profit & Loss Account' of the Corporation for the year ended 31st March, 2002 and the 'Balance Sheet' as on that date and the Report of the Board-of-Directors and Auditors thereon.
2. To declare dividend
3. To fix up the remuneration of Statutory Auditors for the year 2002-2003 to be appointed by the Comptroller & Auditor General of India.
4. To revise the remuneration of Statutory Auditors for the year 2001-2002 from Rs. 2,00,000/- to Rs. 2,40,000/-.

By Order of the Board of Directors

D.P.Shah
Company Secretary

Date : 2nd September, 2002

Place : Ahmedabad

Registered Office :

Gujarat Mineral Development Corporation Limited
Khanij Bhavan, 132 Ft. Ring Road,
Near University Ground,
Vastrapur, Ahmedabad - 380 052
Gujarat State, INDIA.

NOTES

1. A Member entitled to attend and vote is entitled to appoint a proxy to attend and vote instead of himself and the proxy need not be a member. Proxies in order to be effective shall be deposited at the Registered Office of the Corporation, not less than 48 hours before the Commencement of the meeting.
2. The "Members' Register" and the "Share Transfer Book" of the Company shall remain closed from Thursday, the 19th September, 2002 to Friday, the 27th September, 2002 (both days inclusive).
3. The Dividend declared by the Company will be paid within 30 days from the date of the meeting to those Shareholders whose names appear on

the Members Register of the Company on Saturday, the 28th September, 2002. The Share holders are advised to encash their Dividend Warrants during their validity period. Thereafter, payment of the Dividend shall be made by cheques payable on the Company's Bankers at Ahmedabad. The share-holders are advised to get merge/consolidate their Multiple folios held in the same names and in the same order.

4. Relevancy of question's and the order of speaker at the meeting will be decided by the Chairman.
5. Members are requested to give full particulars of their Bank Account details to facilitate the quick payment of Dividend.
6. Members are requested to intimate the change of their address, if any, to the Company quoting reference to their registered folio number.
7. Members desiring any information about accounts at the meeting, are requested to write to the Company at least seven days in advance of the Annual General Meeting.
8. Members/proxies are requested to bring a copy of their Annual Report and are also requested to produce the attendance slip at the entrance of the Meeting hall.
9. In the last Annual General Meeting the remuneration of Statutory Auditor was fixed at Rs. 2,00,000/- by the Shareholders, but subsequently looking to the increase in the workload on-account-of Akrimota Power Project, after considering the request of the Statutory Auditor, our Board-of-Directors recommended to increase the remuneration of Statutory Auditor from Rs. 2,00,000/- to Rs. 2,40,000/- and therefore, the business is placed for the same in the agenda of Annual General Meeting. None of the Director is interested.

By Order of the Board of Directors

D.P.Shah
Company Secretary

Date : 2nd September, 2002

Place : Ahmedabad

Registered Office :

Gujarat Mineral Development Corporation Limited
Khanij Bhavan
132 Ft. Ring Road,
Near University Ground
Vastrapur, Ahmedabad - 380 052
Gujarat State, INDIA.



GUJARAT MINERAL DEVELOPMENT CORPORATION LTD.

DIRECTORS' REPORT

To,
The Shareholders,
Gujarat Mineral Development Corporation Limited,

Your directors have pleasure in presenting 39th Annual Report alongwith the audited accounts of your Corporation for the financial year 2001-2002. This was again the year of excellent performance for your Company in all respects. In spite of severe competition from imported coal and overall recessionary situation, we have shown excellent results. Our post tax profit has gone up from Rs. 5987.96 lakhs to Rs. 6618.27 lakhs.

Financial Results	2001-02	2000-01
	(Rs in lakh)	(Rs in lakh)
Operating profit	13,574.49	13,958.66
Less : Interest	164.19	91.54
Profit after interest but before depreciation	13,410.30	13,867.12
Less : Depreciation	2,116.62	2,776.20
Profit after interest and depreciation	11,293.68	11,090.92
Adjusting therefrom prior period Adjustments(net),	-153.71	-41.47
Pre-operative mining Expenses written off/back	-161.12	-169.57
Profit for the year before tax	10,978.85	10,879.88
Less : Provision for tax for the year Including earlier year	4,360.58	4,891.92
Net profit after tax	6,618.27	5,987.96
Add: Balance of profit brought forward	1,757.19	2,346.19
Profit available for appropriation	8,375.46	8,334.15
Less : Appropriation :		
(i) Proposed Dividend	1,272.00	1,431.00
(ii) Corporate tax on dividend	---	145.96
(ii) General Reserve	5,000.00	5,000.00
Balance carried to Balance-sheet	2,103.46	1,757.19

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:

- (1) in the preparation of the accounts for the financial year ended 31st March, 2002, the applicable accounting standards have been followed along with proper explanation relating to material departures.
- (2) the Directors have selected such accounting policies and applied them consistently and made judgement and estimates that were 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 financial year and of the profit of the company for the year under review.
- (3) the Directors have taken 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.
- (4) the Directors have prepared the accounts for the financial year ended 31st March, 2002 on a going concern basis.

DIVIDEND

Your Directors have pleasure to recommend a dividend of 40% on equity shares. An amount of Rs. 1272 lakhs on equity share capital of Rs. 3180 lakhs shall be paid as dividend.

CONTRIBUTION TO STATE EXCHEQUER :

The Corporation has contributed to the State Exchequer an amount of Rs.7084.85 lakhs including royalty Rs.2660.85 lakhs, Sales-tax Rs.4424.00 lakhs.

SHARE CAPITAL

During the year under review the issued, subscribed and paid up share capital remained constant at Rs.31.80 Crores divided into 3,18,00,000 equity shares of Rs.10 each.

FINANCE AND TAXATION :

Income-tax assessment of the Corporation has been completed upto the financial year 1999-2000 and Sales-tax assessment has been completed upto the financial year 1999-2000.

REVIEW OF THE OPERATIONS :

1. Lignite Project, Panandhro (Dist. Kutchh)

During the year 2001-2002, the Lignite production has increased from 36,56,858 MT to 43,41,993 MT which is 18.73% more than the previous year. During the same period the sale figures have also gone up from 137.92 Crores to 192.00 Crores, thus showing increase of 39.21%. These figures were achieved in spite of tough

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competition of imported Coal, pet-coke and other fuel like agriculture waste etc., To be competitive in the market some major steps were initiated such as quality control of the products, prompt services to the customers, supply of the "A" grade Lignite to Gujarat Electricity Board. The cost of the production reduced by improving mine planning, judicious selection and development of men and machinery for the optimum utilisation. Expenses were also controlled by removal of overburden done departmentally, reducing overtime expenses and also overall improvement in the productivity.

2. **Lignite Project, Rajpardi (Dist. Broach)**

During the year under review, production of Lignite has reduced from 9,05,702 MT amounting to Rs. 65.48 Crores to 5,06,845 MT amounting to Rs. 42.05 Crores. This was because of shortage of working place as the mine has reached to lease boundry and efforts are being made to get further leases to sustain the output. However, the machinery from this project was shifted to Panandhro Lignite Project to sustain overall level of production and productivity.

3. **Fluorspar Project, Kadipani (Dist. Baroda)**

The beneficiation plant is running on a continuous basis after a brief stoppage in the beginning of the year for complying with pollution norms by constructing cascading ponds lined with polythene for tailing disposal. Action was initiated to modernise the plant by introducing latest technology to make the process more efficient. Fluorspar sample was sent to a Canadian laboratory for technological testing. The results are encouraging. The laboratory test results would be further confirmed by a pilot plant level testing. A detailed feasibility will also be prepared to establish the viability for modernisation. Investment decision will be taken after the DFR is found viable.

4. **Bauxite Calcination project, Gadhsisa (Dist. Kutchh)**

With the expected rise in the demand of refractories by the Cement and Steel industry, the Bauxite Calcination Plant at Gadhsisa was operated successfully to its full capacity and achieved production of 34258 Tonnes during the year under guaranteed buyback arrangements. The performance was quite encouraging as the Plant was operated on the better fuel and power efficiency than the standard norms.

NEW PROJECTS AND SCHEMES OF THE CORPORATION

1. **Alumina Project (Dist. Kutchh)**

Test report of the Bauxite samples sent earlier for technological testing has been received. A presentation was also made by the Chief of Technologist of M/S Reynolds Metals Company, USA, who conducted the test.

As per the test report, the bauxite is found to be suitable for processing into Alumina. The Bauxite quality is comparable to any International Bauxite used for producing Alumina.

The Detailed Feasibility Report, the main instrument for investment decision, has been prepared by American Partners. The summary feasibility report has been received showing strong technical feasibility and financial viability with the estimated IRR of more than 20 %.

Application for acquisition of land for the Plant has been made and most of the NOCs required for the purpose have been received. The allotment of land is expected shortly.

Shareholders' Agreement has also been finalised and action being initiated to complete other activities like signing of PPA with GEB, long term raw-material supply contract for Bauxite, Lignite and Caustic Soda. Shareholders will be pleased to note that if the Project comes up, it will be assured buyer of large quantity of Lignite and Bauxite. This will add substantially to the profit of our existing Lignite operation of GMDC.

2. **Multi Metal Project, Ambaji (Dist. Banaskantha)**

A Memorandum of Understanding was signed between RBW Mineral Industries, Udaipur for the development of Ambaji Multi Metal deposit. A pre-feasibility prepared by RBW Mineral Industries indicated a larger ore concentrator by combining the ore deposits of Ambaji, Deri and Basanthgarh in Rajasthan. A Detailed Feasibility Report is being prepared by leading consultant firm from USA. Test drilling is also to be carried out for confirming the ore deposit and also for mineralogical and metallurgical testing. The geological data has been reviewed and drill holes are proposed. Final decision for investment will be taken after the preparation of Detailed Feasibility Report which is expected within a period of one year.

3. **Power Project, Nani Chher, Taluka Lakhpat (Dist. Kutchh)**

The foundation stone for the Project was laid on 21st October, 1999 by the Hon'ble Chief Minister of Gujarat State. Order for Main Plant Foundations, Structural Steel Works, Desalination Plants, Switch Yard, CW Pumps, Sea Water Intake System, Chimney etc., were placed.

The total worth of the order placed so far is Rs. 760 Crores as against the total works cost of Rs. 1080 Crores. The progress achieved in overall implementation of the Project is 40%.



GUJARAT MINERAL DEVELOPMENT CORPORATION LTD.

The Civil Works commenced at site in December, 2000 and the Boiler Drum for First Unit was lifted in September, 2001 and for the Second Unit in March, 2002. The activities at site are going as per schedule and the First Unit of 125 MW is expected to be commissioned by May, 2003 and that of the Second Unit by six months thereafter.

4. Environmental Programme

With more and more weightage being imposed to environmental protection, the Corporation has intensified its environmental protection activity by way of massive afforestation on the reclaimed area in the mines as well as on virgin land near office premises, residential area, road sides, surrounding the Play-ground. Corporation is having its own well equipped environmental cell, which is used to monitor environmental parameters of different Projects at regular interval.

INDUSTRIAL RELATION, HEALTH AND SAFETY

The relations between your Corporation and its employees continued to be cordial throughout the year. Your Corporation continues to take care of the health and safety within and surrounding areas of the mines.

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

Additional information on conservation of energy, technology absorption, foreign exchange earnings and outgo as required by the Companies (Disclosure of particulars in the report of Board of Directors) Rules, 1988 is annexed hereto as Annexure I and forms part of this report.

PARTICULARS OF EMPLOYEES

No employee is in receipt of Rs. 2,00,000 per month or Rs. 24,00,000 per annum during the year under review as required under the provisions of Section 217 (2A) of the Companies Act, 1956.

INTERNAL AUDIT OF THE CORPORATION

M/s Shitin Shirish & Company, Chartered Accountants were appointed as Internal Auditor of the Corporation for the year 2001-2002. This was in addition to the departmental pre-audit system.

APPOINTMENT OF AUDITORS

M/s Manubhai & Company, Chartered Accountants were appointed as Statutory Auditors of the Corporation by the Comptroller & Auditor General of India. The views of the

management on the remarks in the auditor's report are given in the Annexure II.

BOARD OF DIRECTORS

During the year under review Shri Sunil Singhi has been appointed as Vice Chairman of our Corporation by the Govt. of Gujarat.

The Director, Shri G. C. Murmu, IAS was given additional charge for the post of Managing Director for the period commencing from 31st December, 2001 to 16th April, 2002 of our Corporation.

After close of the year Smt. Vilasini Ramachandran, IAS has taken over as Managing Director of our Corporation.

During the year under review Shri G. C. Murmu, IAS has been appointed as Director vice Shri P. V. Trivedi, IAS.

During the year under review the Govt. of Gujarat has appointed Shri Lalubhai Patel, Shri Navinbhai Vyas, Shri Kamleshbhai Patel and Shri Kantibhai Patel as Director on the Board-of-Directors of our Corporation.

CORPORATE GOVERNANCE

As per Clause 49 of the Listing Agreement with the various Stock Exchanges, the detailed report on the Corporate Governance is given in Annexure-III.

ACKNOWLEDGEMENT

Your directors are pleased to place on record their deep appreciation towards the sincere services and co-operation extended by the officers, employees and workmen of the Corporation at all levels. They also wish to place on record their gratitude for the confidence placed in them by financial institutions and banks. Further, your directors wish to thank the various departments of the Central Government and officers of the Industries and Mines Department, the Finance Department of the State Government and Commissionerate of Geology and Mining of the State Government. The Directors also extend their heartiest thanks to the esteemed customers of the Corporation for their valued co-operation.

For and on behalf of the Board of Directors

Ahmedabad
Dated 18th July, 2002

Mukeshbhai Zaveri
Chairman

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ANNEXURE : I

FORM A

FORM FOR DISCLOSURE OF PARTICULARS WITH RESPECT TO CONSERVATION OF ENERGY, POWER AND FUEL CONSUMPTION

Your corporation has continued its efforts in the direction of energy conservation at various projects. The energy audit at all the major Projects has been carried out. The details of consumption of Electricity and Furnace Oil are given hereunder.

	2001-02	2000-01
1. Electricity		
Total units consumed	1,62,02,646	1,04,97,400
Units of production per MT	2.19	2.30

Note : The unit consumption per MT of Lignite production has decreased due to improved mine planning, judicious selection and optimum utilization of manpower and machinery resulting which production and productivity improved.

2. Furnace Oil		
Total Consumption	51,65,703	47,32,343
Production norm- 172 Ltr./Tonne		

Note : The consumption of Furnace Oil has gone up on account of increase of production of Calcined Bauxite.

FORM B

FORM FOR DISCLOSURE OF PARTICULARS WITH RESPECT TO TECHNOLOGY ABSORPTION, RESEARCH AND DEVELOPMENT**1. Research and Development**

- a) Particular fields in which Research and Development carried out by the Corporation are as follows :
 - i) The Project for conversion of Lignite into liquid fuel was awarded to the Chemistry Department of MS University, Baroda. Initial results are quite encouraging and the demonstration was also done for various consumers and industries using liquid fuel.

- ii) Industrial use of Silica Sand and clay occurring as a part of overburden in Lignite Project, Rajpardi has been established to laboratory and plant scale trials. Efforts are now being made to commercialise the said plant for Silica Sand initially.

2. Benefits derived as a result of above R & D

- a) Having established application of column flotation in Fluorspar Benefication, it is now possible to introduce the same in plant scale operation which may result in cost reduction.
- b) Technology absorption, adaptation and innovation :
 1. Efforts are continuing to improve the performance of Fluorspar Plant by adopting the column technology as well as new generation machinery for flotation, filtration and brine.
 2. Combination continued in mining Machinery with hydraulic excavation has enabled the Corporation to increase production of Lignite at Panandhro without major capital investment.

2. Benefits derived as a result of above efforts e.g. production improvement, cost reduction, product development, import substitution etc.

Clay and sand from Rajpardi which was earlier waste products are now being sold for industrial consumption.

3. Foreign exchange earnings & outgo :

- a) Total foreign exchange used : Rs. 1,18,00,699.10. It was mainly for the Akrimota Power Project in Nani Chher.
- b) Total foreign exchange earned Rs. Nil



GUJARAT MINERAL DEVELOPMENT CORPORATION LTD.

ANNEXURE : II

Views of the Management on the remarks of the Statutory Auditors in respect of the Accounts of the Corporation for the year 2001-2002

Item no. 1,2,3 ——— No comments.

Item no.4 (IV) Allocation is not made in respect of the cost of spares which can be used in connection with an item of fixed assets and their use is expected to be irregular, which is not in accordance with the Accounting Standard-10 on "Accounting for Fixed Assets".

Reply: The specialised mining equipments installed at Panandhro Projects though it has completed the expected life, but still it is in a good working condition. Therefore, the spare-parts purchased for the SME are shown as assets in the inventory at a cost without depreciating the same. The inventory is required to be kept for the above machinery, because our project is in remote area and for uninterrupted working of the above machine, it is necessary to have sufficient inventory of the spare-parts for the above machine.

Further, the mining industry is a different industry than the companies operating in city area. Company has to keep insurance inventory for the machineries being operated at project level. Under the circumstances, it is difficult to make provisions for the spares as suggested in the accounting standard.

Item 4. VI (a)(i) In our opinion, the principal amounts of the fixed deposit aggregating to Rs.375 lakhs and interest of Rs.52.86 lakhs thereof with Ahmedabad Urban Co-operative Bank Limited and Ahmedabad Mahila Nagrik Sahkari Bank Limited are doubtful of recovery for which provision is not made.

Reply: In both of the above cases, our Corporation has got decrees against both the Banks and Execution Petitions have been filed in the City Civil Court, Ahmedabad.

Necessary actions are being taken to get the execution of the decrees and therefore, it is not bad debts. Our

management has considered the same as good. Necessary disclosure is already made in the note no.10(a) and 10(b) of the Schedule-XVI - "Notes on Accounts". "Necessary provision shall be made as and when final decision is arrived at.

Item 4.VI (a) (ii) In our opinion, the balance amount of loan of Rs.629.27 lakhs given to Gujarat Communication and Electronics Limited, a company which has become sick, is doubtful of recovery for which provision is not made.

Reply : With regard to the balance amount of Rs.629.27 lakhs from Gujarat Communication and Electronics Limited, in note no.18 of the Schedule-XVI - "Notes on Accounts", we have already disclosed that the Company has become sick and matter is pending before official liquidator. Necessary entries will be passed as and when matter is finalised by official liquidator.

Item 4.VI(a)(iii) The Corporation provides depreciation on leased assets on straight line method so as to write off 95 % of the total cost of the asset over primary period of lease. This accounting treatment is not in accordance with the accounting practice recommended by the Institute of Chartered Accountants of India in its guidance note on "Accounting for leases" since the lease transactions were entered into prior to the issuance of the Accounting Standard-19 on leases.

Reply : The Corporation started practice of providing depreciation on leased assets since 1993-94 onwards and has been consistently following the same. Necessary disclosure in this regard is made in note no.4(d) of Schedule-XV "Significant Accounting Policies".

Item 4.VI(a)(iv) The Corporation has made payment of Rs.2.42 lakhs towards salary and other perquisites of the staff at the residence of the Chairman and Vice-Chairman. This payment is not in accordance with the guidelines issued by the Government of Gujarat vide

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	their resolution no.GHU/51/GMC/1095/467/CHH-I dated 25th August,1998 and consequently it is in violation of article no.192 of the Articles of Association of the Corporation.		Even during the financial year 2001-2002, under review we have received Rs.1889.36 lakhs on account of supply of Lignite. We are already in correspondence with GEB for recovery of various dues.
Reply:	Payment of salary of the staff of Chairman and Vice-Chairman has been approved by the Board of Directors.	Item 4.VI(c)	Had the effect of (a)(i) and (ii) as well as (b)(i) above is considered, the profit would have been Rs.5,058.76 lakhs as against the reported figure of Rs.6,618.28 lakhs, the assets would have been Rs.71,727.51 lakhs as against the reported figure of Rs.73,287.03 lakhs, the reserves and surplus would have been Rs.50,170.78 lakhs as against the reported figure of Rs.51,730.30 lakhs and earning per share would have been Rs.15.91 as against the reported figure of Rs.20.81. The effect of the qualifications mentioned at (a)(iii) and (b)(ii) above on profits, reserves, assets and earning per share could not be ascertained.
Item 4.VI(b)(i)	The Corporation has not made provision for diminution of Rs.502.39 lakhs in the aggregate value of investments of Rs.840.97 lakhs in the Units-1964 scheme of Unit Trust of India and equity shares of the Gujarat State Financial Corporation.		
Reply:	With regard to the diminution in the value of above investments, we wish to state both the above companies have yet not been closed and are still running organizations, may be at a loss. Unless and until the companies are closed, we cannot make provision for market fluctuations and reduce or increase our profits every year on the basis of their market value. The investments, in our opinion, are rightly shown at cost price to the Company.	Reply :	In view of clarifications given on the various points raised, above calculations of profits, reserves, assets and earning per share has no significance.
Item 4.VI(b)(ii)	We are unable to form an opinion about realisation of the amount of Rs.12,537.58 lakhs due on various accounts from Gujarat Electricity Board, as during the year no payment was received and the confirmation of balance is not obtained from GEB though the same is considered as good and recoverable by the management.	Replies to the remarks in the annexure to auditor's report	
		Item 1	Regarding fixed assets records and physical verification thereof.
Reply :	With regard to the amount receivable from Gujarat Electricity Board, we are of the strong opinion that the same are good and recoverable, because the GEB is a Government organisation and amount due from Government concern cannot be treated as bad and doubtful.	Reply :	Physical verification in respect of all the assets of all the units are carried out by outside firms of Chartered Accountants and reconciled with the respective records of the units. No significant discrepancies were noticed and reported by the firm of the Chartered Accountants.
		Item no. 2 to 20	No comments.