

40th
Annual Report
2002-2003



GUJARAT MINERAL DEVELOPMENT CORPORATION LIMITED



GUJARAT MINERAL DEVELOPMENT CORPORATION LTD.

BOARD OF DIRECTORS

CHAIRMAN

Shri Mukeshbhai B. Zaveri (upto 22-11-2002)

Shri D. Rajagopalan, IAS (w.e.f. 25-11-2002)

VICE-CHAIRMAN

Shri Sunilbhai J. Singhi (upto 27-1-2003)

MANAGING DIRECTOR

Shri G. C. Murmu, IAS (Upto 19-4-2002 and from 4-10-2002 to 7-5-2003)

Smt. Vilasini Ramachandran, IAS

(From 19-4-2002 to 4-10-2002)

Shri B. K. Sinha, IAS (w.e.f. 7-5-2003)

DIRECTORS

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

Shri C. P. S. Nair

Shri C. L. Meena, IAS (w.e.f. 9-6-2003)

Shri M. M. Shrivastava, IAS (w.e.f. 9-6-2003)

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

Shri Chaman Kumar, IAS (upto 9-6-2003)

Shri G. C. Murmu, IAS (upto 9-6-2003)

Shri Nanubhai Vanani (upto 27-1-2003)

Shri Jayantibhai Patel (upto 27-1-2003)

Shri Chimanbhai Dobaria (upto 27-1-2003)

Shri Lalubhai Patel (upto 27-1-2003)

Shri Navinbhai Vyas (upto 27-1-2003)

Shri Kamleshbhai Patel (upto 27-1-2003)

Shri Kantibhai Patel (upto 23-11-2002)

COMPANY SECRETARY

Shri D.P.Shah, FCS

AUDITORS

Ramanlal G. Shah & Co.

Chartered Accountants

REGISTERED OFFICE

Khanij Bhavan,

132 Feet Ring Road,

Near University Ground,

Vastrapur,

Ahmedabad-380 052

Phone: 791 3200 / 3501 / 1662 / 1680 / 0665 /
0096 / 0465 / 2416 / 2457 / 2443 / 1340

Fax: (079) 791 1151 / 1454 / 3038 / 1822

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 (Dist 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 / 1296 Fax : (079) 658 4027



GUJARAT MINERAL DEVELOPMENT CORPORATION LTD.

FINANCIAL RESULTS

(Rupees in Lakhs)

Particulars/Years	2002-03	2001-02	2000-01	1999-00	1998-99	1997-98	1996-97	1995-96	1994-95	1993-94
(A) Profit & Loss Account										
1 Total Sales	29,275.01	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
2 Profit before tax	13,052.92	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
3 Interest	113.93	164.19	91.54	81.14	22.21	63.23	672.77	319.58	254.18	479.20
4 Depreciation	1,262.56	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
5 Provision for Tax	4,561.87	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
6 Profit after tax	8,491.05	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
7 Dividend %	45.00%	40.00%	45.00%	40.00%	50.00%	45.00%	30.00%	30.00%	20.00%	20.00%
8 Dividend (Rs.)	1,431.00	1,272.00	1,431.00	1,272.00	1,590.00	1,431.00	954.00	381.60	254.40	254.40
(B) Balance Sheet										
1 Share Capital	3,180.00	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
2 Reserves & Surplus	58,607.00	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
3 Gross Fixed Assets	36,937.07	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
4 Net Fixed Assets	7,825.87	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
5 Current Assets	43,164.17	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
6 Current Liabilities	21,906.55	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
7 Capital Employed	1,05,193.94	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
8 Net Worth	60,558.49	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
(C) Financial Ratios										
1 % of Net profit										
On Sales	28.94	26.20	26.96	19.98	36.45	35.83	32.60	18.42	48.23	29.01
On Gross Fixed Assets	23.31	18.21	16.78	10.72	25.02	25.71	21.17	14.46	29.84	26.19
On Capital employed	8.06	10.40	13.31	9.98	25.60	32.60	30.63	21.15	40.34	37.77
On Net Worth	13.99	12.36	11.85	8.33	20.09	24.34	25.00	17.17	40.10	31.97
On Share Capital	266.45	208.13	184.74	118.70	265.20	269.50	220.78	307.04	598.16	310.93
2 Debt Equity Ratio	0.84	0.33	0.03	0.00	0.00	0.00	0.11	0.08	0.26	0.10

ANNUAL REPORT 2002-2003**NOTICE**

Notice is hereby given that the 40th Annual General Meeting of the Shareholders of 'Gujarat Mineral Development Corporation Limited' will be held on Monday, the 29th September, 2003 at 11-00 A.M. at the Registered Office of the Company at Khanij Bhavem, Off : 132 Ft. Ring Road, Near University Ground, Vastrapur, Ahmedabad 380 052 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, 2003 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 appoint a Director in-place-of Shri C.P.S. Nair who retires by rotation and being eligible offers himself for re-appointment.
3. To fix up the remuneration of Statutory Auditors for the year 2003-2004 to be appointed by the Comptroller & Auditor General of India.

By Order of the Board of Directors

D.P.Shah
Company Secretary

Date : 1st September, 2003

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

Tuesday, the 16th September, 2003 to Wednesday, the 24th September, 2003 (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 Thursday, the 25th September, 2003. 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.

By Order of the Board of Directors

D.P.Shah
Company Secretary

Date : 1st September, 2003

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 40th Annual Report alongwith the audited accounts of your Corporation for the financial year 2002-2003. 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. 6618.27 lakhs to Rs. 8491.07 lakhs.

Financial Results	2002-03 (Rs in lakh)	2001-02 (Rs in lakh)
Operating profit	14,656.77	13,574.49
Less : Interest	133.92	164.19
Profit after interest but before depreciation	14,542.85	13,410.30
Less : Depreciation	1,262.56	2,116.62
Profit after interest and depreciation	13,280.29	11,293.68
Adjusting therefrom prior period Adjustments(net),	-65.09	-153.71
Pre-operative mining Expenses written off/back	-162.28	-161.12
Profit for the year before tax	13,052.92	10,978.85
Less : Provision for tax for the year including earlier year	4,561.86	4,360.58
Net profit after tax	8,491.06	6,618.27
Add: Balance of profit brought forward	2,103.46	1,757.19
Profit available for appropriation	10,594.52	8,375.46
Less: Appropriation :		
(i) Proposed Dividend	1,431.00	1,272.00
(ii) Corporate tax on dividend	183.35	---
(ii) General Reserve	7,000.00	5,000.00
Balance carried to Balance-sheet	1,980.17	2,103.46

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, 2003, 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 & 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 or loss 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, 2003 on a going concern basis.

DIVIDEND

Your Directors have pleasure to recommend a dividend of 45% on equity shares. An amount of Rs. 1431 lakhs on equity share capital of Rs. 3180 lakhs shall be paid as dividend.

CONTRIBUTION TO THE STATE EXCHEQUER :

The Corporation has contributed to the State Exchequer an amount of Rs.8062.82 lakhs including royalty Rs.3046.08 lakhs, Sales-tax Rs.5016.74 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 (Kutch)

During the year 2002-03, the mine produced 50.03 lac MT of Lignite over 15% more than 43.42 lac MT produced during the previous year. This has given over 15% higher sales realization, which increased from Rs.192.00 Crores during 2001-02 to Rs.232.00 Crores in 2002-03. These figures were achieved inspite 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 utilization. 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, the mine maintained consistency in production by producing 5.00 lacs MT with sales turn over of Rs.42.24 Crores. Increase in production capacity was not possible due to shortage of working place. Recently, some more land was acquired through regular and consent awards, which will help in extending life of the mine by another ¾ years at the current rate of production. In addition, Corporation has also acquired additional mining lease in the adjoining area where mining will be commenced after the deposit exhausts in the current lease area.

3. Flourspar Project, Kadipani (Baroda)

The beneficiation plant is being run on a continuous basis. To improve upon the process and to obtain better quality Fluorspar, Pilot Plant testing with modifications in the floatation section of the plant is proposed. During the year under review the production was 4340 MT amounting to a revenue of Rs.6.28 Crores.

4. Bauxite Calcination Project, Gadhsisa

With the expected rise in the demand of refractories by the Cement and Steel industry, the Bauxite Calcination Plant at Gadhsisa was operated successfully with production of 23652 Tonnes achieved during the year, under guaranteed buy-back arrangements. The performance was quite encouraging as the Plant was operated on better fuel and power efficiency than the standard norms.

NEW PROJECTS AND SCHEMES OF THE CORPORATION

1. Alumina Project (Dist. Kutch)

Bauxite samples were sent to M/s. Reynolds Metals Company, USA for technological testing and their report has been received. Subsequently, a presentation in this regard was also made by their Chief of Technologies.

As per the analysis report, the quality of Bauxite found is comparable to any international standards and it is quite suitable for processing into Alumina.

Based on the Detailed Feasibility Report prepared by American Partners, the main instrument for investment decision, the summary feasibility report shows strong technical feasibility and financial viability with 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 major activities such as site selection, oceanographic survey, EIA/EMP Disaster Management Plan etc., have been completed. Action is being initiated to complete other activities like signing of PPA with GEB, Long-term raw-material supply contract for Bauxite, Lignite and Caustic Soda. The procedure for obtaining various clearances from Central & State Governments is under progress.

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

To jointly develop the Multi Metal Project a Memorandum-of-Undertaking was signed with RGB Mineral Industries, Udaipur. A Detailed Feasibility Report was prepared by SRK Consulting Co., Colorado, USA for mining at Ambaji along with the nearby deposits in Rajasthan. The DFR indicated an IRR of 44.78% which is considered good for investment. The Project was declared by United States Trade Development Agency as "Robust"

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

The execution of erection works of the Power Project continued during the year and the works of Foundations, Structural Steel Fabrication, Sea Water Intake System, Desalination Plant etc., was completed upto about 60%. The first unit Boiler and Turbine erection is completed upto 80%. Generator and generator Transformer were installed at site. Also, major remaining orders of Switch Gear, Cooling Tower, Fuel Oil Handling System etc., also have been placed and execution commenced.

Meanwhile, having received required sanction from the Financial Institutions and Banks for raising of Term Loan of Rs.1116 Crores, after specific allocation, "Financial Closure" was achieved and Common loan Agreement, Inter Creditor Agreement, Mortgage Agreement etc., have been executed.

The value of the total orders placed, so far is Rs.855 Crores against the total works cost of Rs.1080 Crores.



GUJARAT MINERAL DEVELOPMENT CORPORATION LTD.

The over-all progress achieved for implementation is approximately 65%.

4. Lignite Project, Mata-no-Madh (Kutch)

The mining lease extending over 1314 hectares area was granted to GMDC at Mata-no-Madh in 2001. The Corporation carried out confirmatory drilling during past two years and established over 22 million tonnes of mineable reserves of Lignite. The Corporation has designed the mine with annual production capacity of 6 lacs MT per year. The mining activities were started during the March, 2003 and the production of Lignite is expected from November, 2003. In the first year the mine will produce 1.5 lac MT of Lignite and thereafter at rate 6.00 lac MT per year.

5. Tadkeshwar Lignite Project (Dist. Surat)

The Corporation is supplying over 10 lacs MT Lignite to South Gujarat based industries. Half of this demand is met with from Rajpardi Mines, whereas the balance demand is met with from Panandhro Project. The Corporation recently acquired mining lease at village Tadkeshwar in Surat District where mineable reserves of 30 million tonnes are established. The Corporation proposes to design the mine to produce 10 lacs MT Lignite per year and meet the entire Lignite demand of South Gujarat industries from this mine alone. Mining operations are proposed to be commenced during 2003-04.

6. Lignite Project, Bhavnagar

The Corporation has acquired another mining lease over an area of 4690 hectares in Bhavnagar District where mineable reserves of over 50 million tonnes of Lignite are established. Currently the Corporation is supplying about 12 million tonnes of Lignite from Panandhro to Saurashtra based industries. It is, therefore, proposed to meet this demand from Bhavnagar Project alone. In addition, this Project will also meet requirements of Lignite to the 375 MW Power Station proposed to be set up by GPCL. The Corporation as such proposes to design a mine with production capacity of 35 lac MT per year and commence mining operation some time during 2003-04.

Environmental Programme

With more and more weightage being imposed to environmental protection, the Corporation has intensified its environmental protection activities by way of reclamation and mined out area and massive afforestation on such reclaimed area in the mines as-well-as on virgin land near office premises, residential area, road sides, surrounding the play ground. The 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 Corporation and its employees continued to be cordial throughout the year. Corporation continues to take care of the health and safety within and surrounding areas of mines by.

Corporation has provided well equipped and staffed dispensaries at Panandhro, Rajpardi and Kadipani Projects which are providing medical services not only to GMDC Township, but also to the local populations from the surrounding villages.

Corporation has also provided Ambulance Vans to Taluka Panchayats of Kutchh. In addition 2(two) mobile medical units are visiting all villages of Lakhpat taluka twice every week. All dispensaries are also provided Ambulance Vans.

Corporation is supplying potable drinking water by tankers to villages surrounding Panandhro and Rajpardi mines. Corporation has also provided RO Plant to provide good potable water for the purpose.

For safety of the labour staff and officers, we have provided ISI & DGMS approved Safety Shoes, Helmets and all safety devices as per the Provision under Mines Act.

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 remunerations 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 2002-2003. This was in addition to the departmental pre-audit system.

APPOINTMENT OF AUDITORS

M/s. Ramanlal G. Shah & Co. Chartered Accountants were

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appointed as Statutory Auditors of the Corporation by the Comptroller & Auditor General of India. The views of the management on the remarks in the Auditors' Report are given in the Annexure-II.

BOARD OF DIRECTORS

During the year under review Shri Mukeshbhai Zaveri, Chairman had resigned and Shri D. Rajagopalan, IAS has taken over as Chairman of the Corporation.

During the year under review, Smt. Vilasini Ramachandran, IAS had taken over as Managing Director for a period of four months, except the above period Shri G. C. Murmu, IAS was holding the additional charge of post of the Managing Director.

After the close of the year Shri B. K. Sinha, IAS has taken over as Managing Director.

Shri Sunilbhai Singhi, Vice Chairmain has also resigned during the year under review.

In addition to this, Shri L. Mansingh, IAS; Shri Nanubhai Vanani; Shri Jayantibhai Patel; Shri Chimanbhai Dobaria; Shri Lalubhai Patel; Shri Navinbhai Vyas; Shri Kamleshbhai Patel and Shri Kantibhai Patel also ceased as Directors.

Shri D. Rajagopalan, IAS has been appointed as Director vice Shri L. Mansigh, IAS.

The Board-of-Directors took note of the valuable services

rendered by the outgoing Chairman, Vice Chariman, Managing Director and Directors and gave warm welcome to all new Directors.

Director, Shri C.P.S. Nair retired by rotation and being eligible offers himself for reappointment and board recommends for his re-appointment.

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 19th July, 2003

D. Rajagopalan
Chairman



GUJARAT MINERAL DEVELOPMENT CORPORATION LTD.

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.

	2002-03	2001-02
1. Electricity		
Gadhsisa	8,69,850	13,25,911
Fluorspar	19,04,140	27,00,019
Total units consumed	27,73,990	40,26,930
2. Furnace Oil		
Gadhsisa	33,70,783	48,62,650
Fluorspar	2,01,492	2,20,121
Total Consumption	35,72,275	50,82,771
3. Production		
Gadhsisa	23,652	34,258
Fluorspar	4,340	6,950
Total	27,992	41,208

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) After satisfactory lab trials for conversion of Lignite into fuel, GMDC sponsored studies for conversion of carbonaceous shale into liquid fuel. The studies were conducted by the Chemistry Department of M.S. University, Vadodara. The results are found quite encouraging, but it needs further studies before a decision for pilot scale plant can be taken up, Corporation proposes to take up more studies during the year 2003-04.

- ii) The market survey for Silica Sand found as a part of overburden at Rajpardi mine suggests a large demand and supply gap. The Silica Sand is also tested and found suitable for use in foundry and Glass industries after a little beneficiation. The Corporation is now working out plan for commercialize production of cleaner.

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

- a) Further to establishing the applicability of column flotation, investigations were taken up to determine effectiveness of new reagent scheme for beneficiation of Fluorspar and positive results were achieved at Laboratory stage.

- b) Technology absorption, adaptation and innovation :

1. The laboratory scale experiment is now being extended to plant scale trial to formally established commercial applicability of new types of Flotation Cells in conjugation with new reagents for Fluorspar beneficiation. The trials are planned in plant itself, so that future implementation will be faster and cost effective.

2. Judicious combination of existing hydraulic excavation technique with continuous mining machinery as a base is being utilised to meet the increased target without substantial increased capital cost.

2. Successful application of R&D Scheme may lead to substantial cost reduction in addition to improve the product specifications.

3. Foreign exchange earnings & outgo :

- a) Total foreign exchange used :

Euro 2,61,40,032

Yen 103,823

Dollar 2743

It was mainly for the Akrimota Power Project in Nani Chher.

- b) Total foreign exchange earned Rs. Nil

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ANNEXURE : II

Views of the Management on the remarks of the Statutory Auditors in respect of the Accounts of the Corporation for the year 2002-2003

Item no. 1,2,3 and

4 (a),(b),(c) & (e) ————— No comments.

Reply :

respectively are subject to reconciliation and adjustments in accounts on confirmation of the balances [Refer note no.5(ii)].

Item no.4(d)(i) Certain items of income are accounted on cash basis as stated in Accounting Policy no.1 of Schedule-XVII, which is not in accordance with the Accounting Standards AS-9-“Revenue Recognition”.

Both the petroleum companies are delivering material against payments by drafts only. We are, however, reconciling balances of both the parties and adjustments of the discrepancies, if any, shall be made in the current financial year 2003-2004.

Reply : On advice from earlier Statutory auditors, income and expenditure below Rs.25000 are recognised in the same financial year and taken on cash basis. Now since the Accounting Standards requires this to be eliminated and rectified and auditors have objected to, necessary correction in the accounts as well as policy will be done from next financial year.

Item 4(f)(ii)

Provision for diminution in the value of permanent quoted investments has not been considered in the accounts aggregating to Rs.3930.87 lakhs. [Refer note no.11 (i)].

Reply :

Diminution in the value of the following quoted investments being of temporary nature no provision of the same is made in the accounts, and necessary disclosure is already made in note no. 11 (i) of the Schedule-XVIII-“Notes on Accounts” of the accounts of the year under review.

Item no.4(d)(ii) Non-Provision for diminution in the value of permanent investments is not in accordance with Accounting Standard AS-13 ‘Accounting for Investments’.

- (a) 10,00,000 equity shares each of Rs. 10, of Gujarat State Fertiliser Corporation Limited, Baroda, amounting to Rs.1001.25 lakhs.
- (b) 9,35,600 equity shares each of Rs.10 of Gujarat State Financial Corporation limited.
- (c) 20,42,800 equity shares each of Rs.10 of Gujarat Alkalies and Chemicals Limited amounting to Rs.3261.03 lakhs.

Reply : Permanent investments made by the Company is shown at cost price in Schedule-VI of the Balance-Sheet. The diminution in the value of quoted investments is generally of temporary nature, because the value of shares fluctuates everyday in the market. One can not provide for hypothetical loss in the value of shares and change value of investments every now and then in the books of the accounts. Company also believes that as long as the invested Company is a going concern, variation in the market value of the shares need not be provided in the books of accounts. Necessary disclosure is already made in the note no.5 of the Schedule-XVII-“Significant Accounting Policies”, that all long term investments are valued at cost.

In our opinion, since all the three companies are in working condition and not gone in liquidation, and diminution in the market value being of temporary nature, no provision for diminution in the value of investments is considered necessary to be made in the books of accounts.

Item 4(f)(i) The debit balances of Indian Oil Corporation Limited and Hindustan Petroleum Corporation Limited for Rs.88.23 lakhs and Rs.40.04 lakhs

Item 4(f)(iii)

Provision has not been considered in respect of Fixed deposits placed with the Ahmedabad Urban Co-operative Bank Limited and the Ahmedabad Mahila Nagrik Sahkari Bank Limited (both in liquidation) together with interest