

# GUJARAT MINERAL DEVELOPMENT CORPORATION LIMITED



## 41st *Annual Report* 2003-2004



# GUJARAT MINERAL DEVELOPMENT CORPORATION LTD.

## BOARD OF DIRECTORS

### CHAIRMAN

Shri D. Rajagopalan, IAS

### MANAGING DIRECTOR

Shri G. C. Murmu, IAS (upto 7-5-2003)

Shri B. K. Sinha, IAS (from 7-5-2003 to 19-7-2004)

Shri C. L. Meena, IAS (from 19-7-2004 to 31-7-2004)

Mrs. Sudha Anchalia (w.e.f. 31-7-2004)

### 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** : 2791 3200 / 3501 / 1662 / 1680 / 0665 /

0096 / 0465 / 2416 / 2457 / 2443 / 1340

**FAX** : (079) 2791 3038 / 1151 / 1454 / 1822

**E-Mail** : [gmdcltdadl@sancharnet.in](mailto:gmdcltdadl@sancharnet.in)

**Website** : [www.gmdcltd.com](http://www.gmdcltd.com)

### DIRECTORS

Shri C. P. S. Nair

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

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

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

### BANKERS

Bank of Baroda

Dena Bank

Vijaya Bank

Central Bank of India

### PROJECTS :

#### Lignite Projects

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)

### Registrar & Share Transfer Agent for

#### Physical & D-mat Shares

M/s. MCS Limited

101, Shatdal Complex, 1<sup>st</sup> floor

Opp: Bata Show Room

Ashram Road

Ahmedabad - 380 009

Tel. : 2658 2878 / 1296 Fax : (079) 2658 4027



GUJARAT MINERAL DEVELOPMENT CORPORATION LTD.

## Financial Results

Sr.no	Particulars	2003-04	2002-03	2001-02	2000-01	1999-00	1998-99	1997-98	1996-97	1995-96	1994-95
<b>(A) Profit &amp; Loss Account</b>											
1.	Total Sales	27,295.60	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
2.	Profit before tax	12,046.25	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
3.	Interest	88.56	113.93	164.19	91.54	81.14	22.21	63.23	672.77	319.58	254.18
4.	Depreciation	1,133.37	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
5.	Provision for tax	3,950.57	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
6.	Profit after tax	8,095.51	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
7.	Dividend in %	45.00%	45.00%	40.00%	45.00%	40.00%	50.00%	45.00%	30.00%	30.00%	20.00%
8.	Dividend in Rupees	1,431.00	1,431.00	1,272.00	1,431.00	1,272.00	1,590.00	1,431.00	954.00	381.60	254.40
<b>(B) Balance-Sheet</b>											
1.	Share Capital	3,180.00	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
2.	Reserves & Surplus	65,088.17	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
3.	Gross Fixed Assets	37,249.35	36,937.07	36,335.47	35,008.23	35,223.74	33,709.47	33,333.42	33,167.93	27,009.37	25,494.73
4.	Net Fixed Assets	7,055.98	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
5.	Current Assets	44,423.45	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
6.	Current Liabilities	19,635.83	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
7.	Capital Employed	1,37,391.26	1,05,200.96	63,635.94	44,134.76	37,812.11	32,949.60	26,285.78	2,29,21.051	18,468.41	18,861.48
8.	Net worth	66,141.06	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
<b>(C) Financial Ratios</b>											
1.	% of Net Profit										
	On Sales	29.66	28.94	26.20	26.96	19.98	36.45	35.83	32.60	18.42	48.23
	On Gross Fixed Assets	21.73	23.31	18.21	16.78	10.72	25.02	25.71	21.17	14.46	29.84
	On Capital Employed	5.89	8.06	10.40	13.31	9.98	25.60	32.60	30.63	21.15	40.34
	On net worth	12.24	13.99	12.36	11.85	8.33	20.09	24.34	25.00	17.17	40.10
	On Share Capital	254.58	266.45	208.13	184.74	118.70	265.20	269.50	220.78	307.04	598.16
2.	Debt/Equity Ratio	1.16	0.84	0.33	0.03	0.00	0.00	0.00	0.10	0.08	0.26

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### NOTICE

#### NOTICE

Notice is hereby given that the 41<sup>st</sup> Annual General Meeting of the Shareholders of 'Gujarat Mineral Development Corporation Limited' will be held on Thursday, the 30<sup>th</sup> September, 2004 at 11-00 A.M. at the Registered Office of the Company, at Khanij Bhavan, Off: 132 Ft Ring Road, Near University Ground, Vastrapur, Ahmedabad - 380052 to transact the following business:

#### ORDINARY BUSINESS:

1. To receive, consider and adopt the 'Profit & Loss Account' of the Corporation for the year ended 31<sup>st</sup> March, 2004 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.L. Meena, IAS who retires by rotation and being eligible offers himself for re-appointment
3. To fix up the remuneration of Statutory Auditors for the year 2004-05 to be appointed by the Comptroller & Auditor General of India.
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 25<sup>th</sup> September, 2004. The Shareholders are advised to encash their Dividend Warrants during their original validity period. Thereafter, payment of the dividend shall be made by cheques payable on the Company's Bankers at Ahmedabad. The Shareholders 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 for safe 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

Date : 4<sup>th</sup> September, 2004  
Place : Ahmedabad

(D.P. Shah)  
Company Secretary

#### Registered Office:

Gujarat Mineral Development Corporation Limited  
Khanij Bhavan,  
132 Ft Ring Road,  
Gujarat 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,

By Order of the Board-of-Directors

Date : 4<sup>th</sup> September, 2004  
Place : Ahmedabad

(D.P. Shah)  
Company Secretary

#### Registered Office:

Gujarat Mineral Development Corporation Limited  
Khanij Bhavan,  
132 Ft Ring Road,  
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## ANNUAL REPORT 2003-2004

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By Order of the Board-of-Directors

Date : 4<sup>th</sup> September, 2004

Place : Ahmedabad

(D.P. Shah)

Company Secretary

## Registered Office:

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2. The 'Members Register' and the 'Share Transfer Book' of the Company shall remain closed from Thursday,

the 16<sup>th</sup> September to Friday, the 24<sup>th</sup> September, 2004 (both dates 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 25<sup>th</sup> September, 2004. The Shareholders are advised to encash their Dividend Warrants during their original validity period. Thereafter, payment of the dividend shall be made by cheques payable on the Company's Bankers at Ahmedabad. The Shareholders are advised to get merge/ consolidate their multiple folios held in the same names and in the same order.
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Date : 4<sup>th</sup> September, 2004

Place : Ahmedabad

(D.P. Shah)

Company Secretary

## Registered Office:

Gujarat Mineral Development Corporation Limited

Khanij Bhavan,

132 Ft Ring Road,

Gujarat 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 41<sup>st</sup> Annual Report along with the audited accounts of your Corporation for the financial year 2003-2004. 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 for the year is Rs.8095.51 as against Rs.8491.06 lakhs last year.

Financial Results	2003-04 (Rs.in lakh)	2002-03 (Rs.in lakh)
Operating profit	13,459.33	14,656.77
Less : Interest	88.56	113.92
Profit after interest, but Before depreciation	13,370.77	14,542.85
Less: Depreciation	1,133.37	1,262.56
Profit after Interest and Depreciation	12,237.40	13,280.29
adjusting there from :		
-Prior period adjustments(net),	29.90	-65.09
-Pre-operative mining Expenses written off	161.25	-162.28
Profit for the year before tax	12,046.25	13,052.92
Less: Provision for tax for the year including earlier year	3,950.74	4,561.86
Net profit after tax	8,095.51	8,491.06
Add : Balance of profit brought forward	1,980.17	2,103.46
Profit available for appropriation	10,075.68	10,594.52
Less: Appropriation :		
(i) Proposed Dividend	1,431.00	1,431.00
(ii) Corporate tax on Dividend	183.35	183.35
(iii) General Reserve	7,000.00	7,000.00
Balance carried to Balance Sheet	1,461.33	1,980.17

#### DIRECTORS' RESPONSIBILITY-STATEMENT

Pursuant to the requirement 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, 2004, 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 judgements 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 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, 2004 on a going concern basis.

#### DIVIDAND

Your Directors have pleasure to recommend a dividend of 45% on equity shares. An amount of Rs.1,431 lakhs on equity share capital of Rs. 3,180 lakhs shall be paid as dividend.

#### CONTRIBUTION TO STATE EXCHEQUER :

The Corporation has contributed to the State Exchequer an amount of Rs. 6,897.38 lakhs including Royalty Rs. 3,023.42 lakhs and Sales Tax Rs.3,873.96 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 up to the Financial Year 2001-02 and the Sales Tax assessment has been completed up to the Financial Year 2000-01.

#### REVIEW OF THE OPERATION :

1. **Lignite Project, Panandhro (Kutchh)**  
During the year 2003-04, the mines produced 49.02 lac MT of Lignite. This has given over higher sales realization by Rs.228.05 Crores. These figures were achieved in spite of tough 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 mines 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.



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2. **Lignite Project, Rajpardi (Dist. Broach)**  
During the year under review, the mines maintained consistency in production by producing 3.16 lac MT with sales turn over of Rs.27.23 Crores. Decrease in production capacity was 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 mines by another 2/3 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. **Lignite Project, Mata-no-Madh (Kutchh)**  
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 mines with annual production capacity of 6 lacs MT of Lignite per year. The mining activities have started during the year 2003-04 and the mines produced 0.2 lacs MT of Lignite with sales realization of Rs. 1.01 Crores.
4. **Tadkeshwar Lignite Project (Dist: Surat)**  
The Corporation is supplying over 10 lacs MT of 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 mines to produce 10 lacs MT of Lignite per year and meet the entire Lignite demand of South Gujarat industries from this mines alone. Mining operations, have been commenced during 2004-05 with annual target of 7.00 lacs MT of Lignite.
5. **Flourspar Project, Kadipani (Baroda)**  
The beneficiation plant is being run on a continuous basis. To improve the process and obtain better quality product (fluorspar), under Research & Development programme, Pilot Plant testing with modifications in the Floation Section has been undertaken during the year under review. During the year the production has been of 5,586 MT with revenue yield from sale of Fluorspar to the tune of Rs.6.07 Crores.
6. **Bauxite Calcination Project, Gadhsisa**  
For production of Calcined Bauxite from raw-Bauxite, we have been using Furnace Oil as fuel in our Bauxite Calcination Project, Gadhsisa. Due to increase in the price of Furnace Oil, the cost of production has gone up considerably making it difficult to withstand market competition of Calcined Bauxite. As a result, the management decided to go for installation of Dual Kiln Firing System whereby Pet-coke and Furnace Oil would be used in the ratio of 70:30 as fuel against

the Furnace Oil alone, thereby to reduce the cost of production considerable extent. For installation work of Dual Firing System, the Plant has been idle. The work is in progress and likely to be completed by May, 2004. However, the mines under Gadhsisa Group were operated and the sale of Non-plant Grade Bauxite has been of the order of 5,17,253MT during the year under review. The Project turnover during the year has been Rs.10.02 Crores.

## NEW PROJECTS AND SCHEMES OF THE CORPORATION

1. **Gujarat Alumina & Bauxite Limited**  
The Letter-of-Intent executed between GABL and American partners expired in July, 2003. The Board of GMDC and GABL decided not extend further, because of non-satisfactory progress of the work. Further, both the Boards decided to invite global Expression-of-Interest to select a technically and financially sound party for implementation of the Alumina Project. Further decision shall be taken in consultation with Govt. of Gujarat.
2. **Multi Metal Project, Ambaji (Dist. Banaskantha)**  
A Memorandum-of-Understanding has been signed with M/s. RBG Minerals Industries, Udaipur, for jointly developing a mining and concentration project. Detailed Feasibility Report prepared by M/s. S.R.K. Consulting, USA, indicated the project as "Robust" with 44.78% IRR. Development activities including financial tie-up for implementing the Project, are being taken care of by M/s. RBG Minerals Industries, Udaipur.
3. **Power Project, Nani-Chher (Kutchh)**  
All the orders pertaining to the Power Station have been placed during the year and civil, erection works of Sea Water Intake System, Desalination Plant, Switch Yard have been completed. The first unit Boiler has been Hydrotested, refractory and Insulation works are currently under progress.  
Switch Yard has been energized in the month of March, 2004. The Generator Transformer and Unit Auxiliary Transformer are also commissioned and the auxiliary plant systems, such as Cooling Water Pumps, Desalination Plant are under commissioning stage. Overall, 70% of the construction has been completed. The commissioning activities of various packages are currently in progress. The Financial Closure for the Project has been achieved and an amount of Rs.784 Crores have been drawn against the total Term Loan of Rs.1116 Crores. It is planned to commission the First Unit of 125 MW in the year 2004-05.
4. **Lignite Project, Bhavnagar (Bhavnagar)**  
The Corporation has acquired another mining lease over an area of 4,690 Hectares in Bhavnagar District, where mineable reserves of over 50 million tonnes of Lignite are established. Currently, the Corporation is supplying about 12 lakhs tonnes of Lignite from Panandhro to Saurashtra based industries. It is



## GUJARAT MINERAL DEVELOPMENT CORPORATION LTD.

therefore, proposed to meet this demand from Bhavnagar Project alone. In addition to this the 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 lacs MT per year and commence mining operation some time during 2004-05.

### Environment 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. Corporation is having its own well equipped environment 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 continued to take care of the health and safety within and the surrounding areas of mines by :

- 1) We have provided well equipped and staffed dispensaries at Panandhro, Rajpardi and Kadipani Projects which are providing medical services not only to GMDC town ship, but also to the local populations from the surrounding villages.
- 2) GMDC has provided Ambulance Vans to Taluka Panchayats of Kutchh. In addition to this, 2 (two) Mobile Medical Units are visiting all villages of Lakhpat Taluka twice every week. All dispensaries are also provided Ambulance Vans.
- 3) We are supplying potable drinking water by Tankers to villages surrounding Panandhro and Rajpardi mines. We have also provided R.O. Plant to provide good potable water for the purpose.
- 4) For safety of the labourers staff and officers, we have provided ISI & DGMS approved Safety Shoes, Helmets and all safety devices as per the provisions 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 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 and M/s. R.S. Patel & Co., Chartered Accountants were appointed as Internal Auditors of the Corporation for the year 2003-2004. This was in addition to the departmental pre-audit system.

### APPOINTMENT OF AUDITORS

M/s. Kamanlal G. Shah & Co., Chartered Accountants were appointed as Statutory Auditors of the Corporation by the Comptroller & Auditor General of India for the year 2003-04. The views of the management on the remarks on the Auditors' Report are given in the Annexure-II.

### BOARD-OF-DIRECTORS

During the year under review Shri B.K. Sinha, IAS appointed as Director and Managing Director vice Shri G.C. Murmu, IAS Director and Managing Director.

Shri M.M. Shrivastav, IAS and Shri C.L. Meena, IAS have been appointed as Directors and Shri Chaman Kumar, IAS ceased as Director of our Company. The Board of Directors took note of the valuable services rendered by Shri G. C. Murmu, IAS and Shri Chaman Kumar, IAS

Director, Shri C.L. Meena, IAS retires by rotation and being eligible offers himself for re-appointment and the 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 Director wish to thank the various department 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 and shareholders of the Corporation for their valued co-operation.

For and on behalf of the Board-of-Director

D. Rajagopalan  
Chairman

Place: Ahmedabad  
Date : 29th July, 2004



## ANNUAL REPORT 2003-2004

## 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 here-under :

	2003-04	2002-03
1. Electricity		
Gadhisa	76,470	8,69,850
Fluorspar	27,00,029	19,04,140
Total units consumed	27,76,499	27,73,990
2. Furnace Oil		
Gadhisa	Nil	33,70,783
Fluorspar	1,95,563	2,0,1,492
Total Consumption	1,95,563	35,72,275
3. Production		
Gadhisa	Nil	23,652
Fluorspar	5.586	4.340
Total	5.586	27.992

## FORM B

## FORM FOR DISCLOSURE OF PARTICULARS WITH RESPECT TO TECHNOLOGY ABSORPTION, RESEARCH AND DEVELOPMENT

## 1. Research and Development

Particular fields in which Research and Development carried out by the Corporation are as follows:

- 1) GMDC sponsored Project Investigation Studies for upgradation of low grade China Clay available in Kutchh for the possibility of producing paper quality China Clay. The study was conducted by Regional Research Laboratory, Thiruvananthapuram. A Flow-sheet has been developed and final Project Report has been prepared.

- 2) After having established an improved Flow-sheet, including new types of Floatation Cells and new chemicals for beneficiation, Pilot scale pasting of the Flow-sheet is being undertaken in Kadipani Fluorspar Beneficiation Plant.
- 3) As part of the environmental improvement, a pilot project has been undertaken to grow Mangroves in the industrial zone of the Kori Creek area adjacent to the Akrimota Power Project.

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

- a) Based on the new technology developed for upgradation of China Clay, the possibility of commercial scale project has been established.
- b) Technology absorption, adaptation and innovation:
  - 1) The adaptation of the beneficiation technology of China Clay which is currently being imported in India.
  - 2) Successful Pilot Plant studies at Kadipani Fluorspar Project may lead to modernization of the project which will become competitive to the imported Fluorspar.
- c) Successful application of R&D Scheme may lead to substantial cost reduction in addition to improve the product specifications.

## 3. Foreign exchange earnings and outgo:

- 1) Total foreign exchange used:

Euro	50,51,765
Yen	Nil
Dollar	205,997

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

- 2) 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 2003-2004

Item no. 1, 2, 3 and  
4 (a), (b), (c) and (e) ————— No comments.

**Item 4 (d) (i) Certain items of income are accounted on cash basis as stated in the Accounting policy No. 1 of Schedule-XVII, which is not in accordance with the Accounting Standard AS-9 "Revenue Recognition".**

**Reply :** Note no. 1 (a) (i) & (ii) of Schedule XVII "Significant Accounting Policies" specifically mentions that Insurance, interest and other claims are accounted for as and when received from concerned authorities.  
The Accounting Standard AS-9 specifies about recognition of revenue of sales of goods and rendering of services only. It specifically excludes any revenue (including interest) arising from lease agreements and of insurance claims. Corporation, therefor believes that there is no breach or violation of Accounting Standard-AS-9.

**Item 4 (d) (ii) and Item 4 (f) (iii)**

**Non-provision for diminution in the value of permanent investments is not in accordance with the Accounting Standards AS-13 "Accounting for Investments".**

**Reply :** Since the investments are of long term nature, and reduction in the value of the long term investments in the market being of temporary in nature, diminution is not provided in the accounts. Accounting Standard-AS-13 also confirms that short term decline in value of investments need not be provided.

**Item 4 (f) (i) The debit balances of Indian Oil Corporation Limited and Hindustan Petroleum Corporation Limited for Rs. 111.31 lakhs and Rs.49.21 lakhs respectively are subject to reconciliation and adjustments in the accounts on confirmation of the balances [Refer note no. 6 (b) ].**

**Reply :** Reconciliation work for both the parties is in progress. Necessary adjustments, if any, will be made on finalisation of the reconciliation.

**Item 4(f)(ii) Non-recognition of lease rent income for the period from the date of expiry of lease periods up to 31st March, 2004 amounting to Rs. 4598.55 lakhs in respect of Boilers leased to Gujarat Electricity Board, Vadodara (Refer note no.9)**

Lease agreement was only for 84 months, on expiry of which GEB has not paid lease rent to the Corporation.

GEB has exercised an option not to renew the lease agreement, and requested Corporation to issue debit note for transfer of the leased assets and accept one percent residual value. Corporation is negotiating with GEB in this regard.

**Item 4(f)(iv) 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 thereon and Inter-corporate deposit placed with Gujarat Communication and Electronics Limited (in liquidation) together with interest thereon aggregating to Rs. 1056.13 lakhs [Refer note no. 15 (ii)]**

**Reply :** In the cases of both the Banks/Corporation has received decrees against them and the execution petitions have been filed in the City Civil Court, Ahmedabad. Necessary action has been taken to get the decrees executed through Registrar of Co-operative Society and the Corporation is hopeful of the recovery of the same. Hence the same will be provided in the accounts as and when the same is finally settled.

With regard to the balance amount of Rs. 629.27 lakhs from Gujarat Communication and Electronics Limited, we have disclosed in note no. 15 (ii) (b) of the Schedule-XVIII- "Notes on Accounts", that the Company has become sick and the matter is pending before BIFR. Corporation has also filed a claim before the Honourable Gujarat High Court on 2nd July, 2003. Necessary provision for the loss, if any will be accounted for on final outcome.

**Item 4 (f) (v) Non-provision of interest income of Rs. 55.88 lakhs for the financial year 2002-2003 and 2003-2004 receivable from Gujarat Industrial and Investment Corporation Limited (Refer note no. 16)**