

43rd
Annual Report
2005-2006

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**GUJARAT MINERAL DEVELOPMENT
CORPORATION LIMITED**


GUJARAT MINERAL DEVELOPMENT CORPORATION LTD.
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AGM DATE, DAY, TIME & VENUE

Date of AGM	:	22nd December, 2006
Day	:	Friday
Time	:	11-00 A.M.
Venue	:	Registered Office of the Company
		Khanij Bhavan,
		Off: 132 Ft. Ring Road,
		Near University Ground,
		Vastrapur, Ahmedabad - 380 052.



GUJARAT MINERAL DEVELOPMENT CORPORATION LTD.

FINANCIAL RESULTS

Sr.no. Particulars	2005-06	2004-05	2003-04	2002-03	2001-02	2000-01	1999-00	1998-99	1997-98	1996-97
(Rs. in lakhs)										
(A) Profit & Loss Account										
1. Total Sales	43,623.29	36,925.50	27,295.60	29,275.01	25,256.58	21,789.94	18,892.05	23,140.22	23,914.24	21,535.75
2. Profit before tax	6,669.12	16,799.15	12,046.25	13,052.92	10,978.86	10,879.88	7,180.10	14,139.15	13,995.35	12,538.26
3. Interest	5,054.94	20.34	88.56	113.93	164.19	91.54	81.14	22.21	63.23	672.77
4. Depreciation	13,034.02	804.22	1,133.37	1,262.56	2,116.62	2,776.20	2,860.39	3,240.67	3,683.53	3,320.55
5. Provision for tax	2,494.48	6,478.03	3,950.57	4,561.87	4,360.58	4,891.92	3,423.45	5,705.15	5,425.00	5,523.13
6. *Profit after tax	3,525.32	10,341.45	8,095.51	8,491.05	6,618.46	5,874.69	3,774.71	8,434.00	8,570.35	7,020.76
7. Dividend in %	60.00%	50.00%	45.00%	45.00%	40.00%	45.00%	40.00%	50.00%	45.00%	30.00%
8. Dividend in Rupees	1,908.00	1,590.00	1,431.00	1,431.00	1,272.00	1,431.00	1,272.00	1,590.00	1,431.00	954.00
(B) Balance Sheet										
(Rs. in lakhs)										
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	3,180.00	3,180.00
2. Reserves & Surplus	74,966.36	73,616.63	65,088.77	58,607.00	51,730.30	47,537.99	43,225.36	41,020.56	34,335.42	27,339.17
3. Gross Fixed Assets	1,71,358.45	92,749.45	37,249.35	36,937.07	36,335.47	35,008.23	35,223.74	33,709.47	33,333.42	33,167.93
4. Net Fixed Assets	1,36,496.96	70,877.57	7,055.98	7,825.87	8,459.20	8,046.77	10,473.35	10,792.17	13,665.05	17,205.38
5. Current Assets	65,679.37	59,790.43	44,423.45	43,164.17	34,480.09	60,957.07	63,489.88	58,396.63	43,435.04	29,934.58
6. Current Liabilities	20,314.65	21,546.83	19,635.83	21,906.55	12,184.29	3,945.18	4,956.74	3,532.42	3,978.04	3,328.99
7. Capital Employed	1,89,376.29	1,80,521.34	1,37,391.26	1,05,200.96	63,635.94	44,134.76	37,812.11	32,949.60	26,285.78	22,921.05
8. Net worth	74,446.76	73,713.62	66,141.06	60,558.49	53,550.24	49,579.60	45,300.51	41,990.31	35,207.46	28,086.08
(C) Financial Ratios										
1. % of Net Profit										
On Sales	9.57	27.95	29.66	28.94	26.20	26.96	19.98	36.45	35.83	32.60
On Gross Fixed Assets	2.44	11.13	21.73	23.31	18.21	16.78	10.72	25.02	25.71	21.17
On Capital Employed	2.24	5.72	5.89	8.06	10.40	13.31	9.98	25.60	32.60	30.63
On Net Worth	5.61	14.00	12.24	13.99	12.36	11.85	8.33	20.09	24.34	25.00
On Share Capital	131.28	324.56	254.58	266.45	208.13	184.74	118.70	265.20	269.50	220.78
2. Debt/Equity Ratio	1.39	1.45	1.16	0.84	0.33	0.03	0.00	0.00	0.00	0.10

* Including Provision for Tax for earlier year

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BOARD OF DIRECTORS

CHAIRMAN & MG.DIRECTOR

Smt. Sudha Anchlia IAS
(upto 3-7-2006)

Shri C.J. Jose IAS
(w.e.f. 3-7-2006)

DY.COMPANY SECRETARY

Shri Joel Evans

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/
1822/0969

E-Mail : contact@gmdcltd.com

Website : www.gmdcltd.com

DIRECTORS

Shri D. Rajagopalan IAS (w.e.f.31-7-2002)
Shri A.K. Joti IAS (w.e.f.22-12-2004)
Shri A. M. Tiwari IAS (w.e.f. 28-7-2005)
Shri C. P. S. Nair (upto 26-12-2005)

BANKERS

Bank of Baroda
Dena Bank
Vijaya Bank
UTI Bank Ltd.,

PROJECTS**Lignite Projects**

Panandhro (Dist. Kutch)
Ra.pardi (Dist. Braruch)
Tadkeshwar (Dist. Surat)
Mata-No-Madh (Dist. Kutch)

Fluorspar Project

Kadipani (Dist. Baroda)

Bauxite Projects

Ratadia (Dist. Kutch)
Bhatia (Dist. Jamnagar)

Calcination Project

Gadhsisa (Dist. Kutch)

Multi-Metal Project

Ambaji (Dist. Banaskantha)

Power Project

Nani Chher (Dist. Kutch)

Registrar & Share Transfer Agent for Physical & D-mat Shares

M/s. MCS Limited
101, Shatdal Complex, 1st floor
Opp: Bata Show Room,
Ashram Road,
Ahmedabad - 380 009.
Tel. 3007 0671 to 76
Fax: (079) 3007 0678



GUJARAT MINERAL DEVELOPMENT CORPORATION LTD.

NOTICE

Notice is hereby given that the 43rd Annual General Meeting of the Shareholders of "Gujarat Mineral Development Corporation Limited" will be held on Friday the 22nd December 2006 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 - 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, 2006 and the 'Balance Sheet' as on that date and the Report of the Board-of-Directors and Auditors thereon.
2. To declare dividend on Equity Shares for the year ended 31st March, 2006.
3. To appoint a Director in place of Shri D. Rajagopalan, IAS who retires by rotation and being eligible offers himself for re-appointment.
4. To fix up the remuneration of Statutory Auditors for the year 2006-07 who has been appointed by the Comptroller & Auditor General of India.

SPECIAL BUSINESS :

5. To delist Equity Shares of GMDC Ltd.,

To consider and, if thought fit, to pass with or without modifications, the following resolution as a Special Resolution :

"RESOLVED THAT pursuant to the applicable provisions of the Securities and Exchange Board of India (Delisting of Securities) Guidelines, 2003 (hereinafter referred to as the Delisting Guidelines) and subject to the provisions of all other applicable rules, regulations and guidelines, the consent of the Company be and is hereby accorded to delist the equity shares of the Company from the Stock Exchange, Ahmedabad, Vadodara Stock Exchange and Saurashtra Kutch Stock Exchange.

"RESOLVED FURTHER THAT Chairman & Managing Director of the Company be and is hereby authorised to take all necessary steps to give effect to this resolution."

By Order of the Board-of-Directors

Joel Evans
Dy. Company Secretary

Date : 28th November, 2006
Place : Ahmedabad

Registered Office :

Gujarat Mineral Development Corporation Limited
'Khanij Bhavan', Vastrapur, Ahmedabad - 380 052.

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 Friday, the 15th December, 2006 to 22nd December, 2006 (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 23rd December, 2006. 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 merge/ consolidate their multiple folios held in the same names and in the same order.
4. Admissibility of questions and the order of speakers 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 notify immediately any change of address to their Depository Participants (DPs) in respect of their holdings in electronic form to M/s. MCS Limited, Ahmedabad in respect of their physical share folios, if any.
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. Pursuant to the provisions of Section 205A(5) of the Companies Act, 1956 dividends for the financial year ended 31st March, 1999 which had remained unclaimed for a period of seven years from the date of transfer of the same will have to be transferred to the 'Investor Education and Protection Fund' established by the Central Government. Shareholders who have not encashed the dividend warrant(s) so far for the financial year ended 31st March, 1999 or any subsequent financial years are requested to make their claim to M/s. MCS Limited, Ahmedabad. Shareholders are requested to note that no claims shall lie against the said Fund or the Company in respect of any amounts which were unclaimed and unpaid for a period of seven years from the dates that they first became due for payment and no payment shall be made in respect of any such claims.

By Order of the Board-of-Directors

Joel Evans
Dy. Company Secretary

Date : 28th November, 2006
Place : Ahmedabad

Registered Office :

Gujarat Mineral Development Corporation Limited
'Khanij Bhavan', Vastrapur, Ahmedabad - 380 052.

ANNUAL REPORT 2005-2006**Explanatory Statement
pursuant to Section 173 (2) of the Companies Act, 1956****Item No. 5****Delisting of Equity Shares**

The Securities and Exchange Board of India (SEBI) has issued the Securities and Exchange Board of India (Delisting of Securities) Guidelines, 2003 incorporating among other things, provisions for voluntary delisting of securities of a body corporate.

The Equity Shares of the Company are currently listed on the following five Stock Exchanges in India :

1. The National Stock Exchange of India Limited (NSE)
2. The Bombay Stock Exchange Ltd. (BSE)
3. The Stock Exchange, Ahmedabad
4. Vadodara Stock Exchange
5. Saurashtra Kutch Stock Exchange

With nation wide terminals of NSE and BSE, the investors have access to online trading in the Equity Shares of the Company across the country. The trading volumes of the Company's shares are significant only at NSE and BSE. Further, trading in the company's equity shares is in compulsory dematerialized format.

In line with SEBI Guidelines, the members' approval is being sought for a Special Resolution for enabling voluntary delisting of its securities from the above said stock exchanges.

The proposed delisting of the company's equity shares from the said stock exchanges, as and when it takes place, will not affect the investors adversely.

The special resolution is therefore recommended for members' approval.

None of the Directors of the Company, are in any way, concerned or interested in the said Resolution

By Order of the Board-of-Directors

Joel Evans
Dy. Company Secretary

Date : 28th November, 2006
Place : Ahmedabad

Registered Office :

Gujarat Mineral Development Corporation Limited
'Khanij Bhavan',
Vastrapur,
Ahmedabad - 380 052.



GUJARAT MINERAL DEVELOPMENT CORPORATION LTD.

DIRECTORS' REPORT

To,
The Shareholders,
Gujarat Mineral Development Corporation Limited

Your Directors have pleasure in presenting 43rd Annual Report along with the audited accounts of your Corporation for the financial year 2005-2006. Our post tax profit for the year is Rs.3525.32 lacs as against Rs.10341.45 lacs last year.

Financial Results	2005-06 (Rs.in lakh)	2004-05 (Rs.in lakh)
Operating profit	25252.85	17634.15
Less : Interest	<u>5054.94</u>	<u>20.34</u>
Profit after interest, but Before depreciation	20197.91	17613.81
Less : Depreciation	<u>13034.02</u>	<u>804.22</u>
Profit after interest and Depreciation therefrom	7163.89	16809.59
-Prior period adjustments(net),	192.65	- 137.13
-Pre-operative mining Expenses written off/back	<u>302.12</u>	<u>147.57</u>
Profit for the year before tax	6669.12	16799.15
Less : Provision for tax for the year including Deferred & Earlier years. Provision for Fringe Benefit Tax	<u>3143.80</u>	<u>6457.70</u>
Net profit after tax	3525.32	10341.45
Add : Balance of profit brought forward	<u>2989.79</u>	<u>1461.34</u>
Profit available for appropriation	6515.11	11802.79
Less: Appropriation		
(i) Proposed Dividend	1908.00	1590.00
(ii) Corporate tax on Dividend	267.60	223.00
(iii) General Reserve	<u>3000.00</u>	<u>7000.00</u>
Balance carried to Balance Sheet	<u>1339.51</u>	<u>2989.79</u>

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, 2006, 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, 2006 on a going concern basis.

DIVIDEND

Your Directors have pleasure to recommend a dividend of 60% on equity shares. An amount of Rs.1908 lacs on equity share capital of Rs.3180 lacs shall be paid as dividend.

CONTRIBUTION TO STATE EXCHEQUER :

The Corporation has contributed to the State Exchequer an amount of Rs.11417 lacs including Royalty Rs.3743 lacs and Sales Tax Rs.7674 lacs.

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 2002-03 and the Sales Tax assessment has been completed up to the Financial Year 2001-02.

REVIEW OF THE OPERATION :

- 1. Lignite Project, Panandhro (Dist. Kutch)**
Effective quality control, efficient services to the customers and judicious utilization of men and machinery resulted in better productivity and cost control. The mine produced 57.75 lac MT of Lignite during the year 2005-06, valued at Rs.319.79 Crores.
- 2. Lignite Project, Rajpardi (Dist. Bharuch)**
The Lignite mines at Rajpardi produced 8.00 lac MT Lignite in the year 2005-06 valued at Rs.76.03 Crores.
- 3. Lignite Project, Mata-no-Madh (Dist. Kutch)**
Lignite mining operations were started in Mata-no-Madh from March 2004. The production during the year was 4.71 lac MT valued at Rs. 21.50 crores.
- 4. Lignite Project, Tadkeshwar (Dist. Surat)**
The Corporation has acquired mining lease at village Tadkeshwar in Surat District where mineable reserves of 30 million tonnes are available. To meet the Lignite demand of South Gujarat industries, the mine is designed with a capacity of 10 lac MT Lignite per year. The mining operations commenced during the year 2004-05 and Lignite dispatch started from March 2006 on commercial basis. Dispatches during 05-06 was 8424 MT valued at Rs. 0.97 Crores.
- 5. Fluorspar Project, Kadipani (Dist. Baroda)**
During the year, production of fluorspar powder was 3328 M.T. yielding a revenue of Rs.3.72 Crores. To improve the fluorspar process based on latest techniques, certain modifications in the circuit has been undertaken by installation of new floatation cells. This would improve the process efficiency by increased yield and recovery of fluorspar.

NEW PROJECTS AND SCHEMES OF THE CORPORATION

- 1. Amod Lignite mines, (Dist. Bharuch)**
Availability of lignite in the Rajpardi mines is virtually exhausted. Corporation has obtained lease for Amod mines. It is expected to commence mining work in the last quarter of financial year 06-07. Mine is designed to produce 1 million tones of lignite per year. Full-fledged lignite production is expected to be achieved from financial year 2007-08.

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2. Bhavnagar Lignite Project, (Dist. Bhavnagar)

This mine is being started mainly to cater to lignite requirement of Saurashtra and Central Gujarat based industries. The mine is designed to produce 3 million tones of lignite per year. All clearances have already been received except environmental clearance which is under process and expected by the end of third quarter of 2006-07. Immediately after receipt of this clearance, mining operations shall start after following necessary formalities.

3. Gujarat Alumina & Bauxite Limited

The final decision regarding the selection of the Joint Venture partner is pending with Govt. of Gujarat.

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

No objection has been given by the Chief Wild Life Warden and Nodal Officer for the renewal of the Ambaji base metal mining lease. The State Forest Department has also recommended the mining lease renewal proposal to the Ministry of Environment and Forest, Government of India.

Power Project, Nani-Chher (Dist. Kutch)

During the year 2005-06, after commissioning of the Material Handling System, the 1st Unit was taken on Lignite Trials and successfully reached its rated capacity of 125 MW by end of October, 2005.

The 2nd Unit was lighted up on 10th October, 2005 and was successfully synchronized with the Grid on 19-12-2005. Both the Units are under stabilization, generation being 151.65 MWs by Unit : 1 and 24.13 MWs by Unit : 2 till end of March, 2006.

Environment Programme

During the financial year environmental clearance of Daban Wamoti, Naredi, Mota Nandra, Roha, Kotda, Mothala, Balachod Bauxite mines and Tadkeshwar Lignite mine is received from MoEF New Delhi. Corporation has intensified its environmental protection activities by way of reclamation of mined area and massive afforestation of reclaimed area in the mines as well as on virgin land near office premises, residential area and road sides surrounding the play ground. Corporation has 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 of project *staff and inhabitants within the surrounding areas of mines* by providing :

- 1) A well equipped and staffed dispensaries at Panandhro, Rajpardi and Kadipani Projects.
- 2) Ambulance Vans to Taluka Panchayats of Kutchh.
- 3) Two (2) Mobile dispensaries visiting all villages of Lakhpat Taluka twice every week.
- 4) Potable drinking water by Tankers to villages surrounding Panandhro and Rajpardi mines.
- 5) Uniform, ISI & DGMS approved safety shoes, helmets and all safety devices as per the provisions of the 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 as Annexure-1 and forms part of this report.

PARTICULARS OF EMPLOYEES

No employee was in receipt of emoluments in excess of Rs.2,00,000 per month or Rs.24,00,000 per annum during the year under review.

INTERNAL AUDIT OF THE CORPORATION

M/s. D.V. Shah & Co., Chartered Accountants were appointed as Internal Auditor of the Corporation for the year 2005-2006.

APPOINTMENT OF AUDITORS

M/s. Ramanlal G. Shah & Co., Chartered Accountants were appointed as Statutory Auditors of the Corporation by the Comptroller & Auditor General of India for the year 2005-06. 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 C.P.S. Nair ceased to be a Director.

After the end of the financial year Shri C.J. Jose, IAS has been appointed as Chairman-cum-Mg.Director vice Smt. Sudha Anchlia, IAS.

The Board-of-Directors took note of the valuable services rendered by Smt. Sudha Anchlia, IAS as Chairperson-cum-Mg.Director and Shri C.P.S. Nair, as Director of the 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 for 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 and shareholders of the Corporation for their valued co-operation.

For and on behalf of the Board-of-Directors

C.J. Jose
Chairman

Date : 27th October, 2006
Place : Ahmedabad



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. Energy audit of all the major Projects has been carried out. The details of consumption of Electricity and Furnace Oil are given here-under :

	2005-06	2004-05
1. Electricity		
Gadhsisa	6,85,325	6,76,206
Fluorspar	29,21,660	45,00,773
Total units consumed	36,06,985	51,76,979
2. Furnace Oil		
Gadhsisa	840.66	Nil
Fluorspar	1,14,904.00	2,43,813
Total Consumption KL	1,15,744.66	2,43,813
3. Production (MT)		
Gadhsisa	20,551	15,300
Fluorspar	4,298	7,311
Total	24,849	22,611

FORM - B

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

A Research & Development

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

1. Specific Areas in which R & D carried out by Company

- Experimental Project of Dew Harvesting in waste lands of lignite mines at Panandhro
- Experimental plantations of Jethropa, a source of bio-fuel, on reclaimed lands at Panandhro and Gadhsisa mines

(iii) Aeroculture at Shivrajpur Manganese mines.

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

- The method of dew harvesting, if successful, can be an answer to produce potable water all along the coastal areas where underground water has become brackish.
- Bio-fuel produced out of Jethropa can serve as a cheap source of fuel.
- The activity of aeroculture will not only produce eco friendly ahimsa fiber but can also generate self employment opportunities for poor and marginal section of the society.

3. Future Plan of Action

- Value addition of low grade manganese mineral
- Development of deep seated lignite deposit through Underground Coal Gasification method
- Value addition of Rajpardi silica sand.

B Technology absorption, adaptation and innovation

- Efforts in brief made towards technology absorption, adaptation and innovation :
 - Physical work of modernization of Kadipani project i.e. installation of equipment like cyclones, pumps, conditioners and floatation cells has been completed.
- Benefits derived as a result of the above efforts :
 - Improvement in quality of the products
 - Considerable positive impact on economies of operations.

C. Foreign exchange earnings & outgo:

- Total foreign exchange used:

Euro	-	730044
Yen	-	Nil
Dollar	-	41,878.80

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

- Total foreign exchange earned Rs. Nil

ANNEXURE : II

Views of the Management on the remarks of the Statutory Auditors in respect of the Accounts of the Corporation for the year 2005-06

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

Item 4 (d) (i) "Certain items of income are accounted on cash basis as stated in Accounting Policy No.1(a) in Schedule 16 which is not in accordance with Accounting Standard AS-9 'Revenue Recognition'."

Reply : The Accounts of the Corporation are prepared under the historical cost convention method using the accrual method except the item mentioned as per Significant Accounting Policy No.1(a) as the exact amount of income is recognized at the time of final settlement/negotiations.

Item 4 (f)(i) "The balances with Gujarat State Electricity Corporation Limited, Indian Oil Corporation Limited and Hindustan Petroleum Corporation

Limited for Rs.7.56 lakhs, Rs.147.65 lakhs and Rs.154.07 lakhs respectively are subject to reconciliation and adjustment in accounts on confirmation of the balances (Refer Note No.9(a) and (b))."

Reply : Reconciliation work with the parties is in progress. Necessary adjustment, if any, will be made on finalization of reconciliation.

Replies to the remarks in the Annexure to Auditors' Report

Item (i), (ii)(c), (iii)(a) to (c), (iv) to (vii), (ix) to (xx) No comments.

Item (ii)(a)" The Corporation has maintained proper records showing full particulars, including quantitative details and situation of fixed assets except depreciation. The quantitative details and situation of fixed assets maintained at Head Office needs to be reconciled with Project Registers maintained at Projects."

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- (b) "The fixed assets were physically verified during the year by the various firms of Chartered Accountants. However, reconciliation with fixed assets register kept at Head Office has not been carried out. In respect of assets given on lease, certificates as to their existence and operating conditions have been obtained. Physical verification in respect of discarded assets written off but not disposed off is not carried out."

Reply : Physical verification in respect of all the assets of all the units of the Corporation 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 firms of the Chartered Accountants. However, an in-house exercise is being done to reconcile the Fixed Assets Register maintained at the Projects with HO Register.

Physical verification of discarded assets is not done because no depreciation is charged in books

of account and nominal value is kept in books but the details have been shown in Schedule 5 of Fixed Assets.

- Item (viii) "The Corporation has an internal audit system carried out departmentally as well as by the firm of Chartered Accountant. In our opinion, the scope of internal audit needs to be enlarged and strengthened so as to make it commensurate with the size of the Corporation and nature of its business."

Reply : Post internal audit of books of account is being attended by senior level outside reputed firm of Chartered Accountants. Departmental pre audit work of financial proposals and bills is being carried out by the Audit Department. Further, we will increase the frequency of internal audit in the current financial year and also, the Corporation will utilize staff of Audit Division to undertake the audit of the Projects to cover more areas.

ANNEXURE-III CORPORATE GOVERNANCE REPORT

MANDATORY REQUIREMENTS

Company's philosophy on Code of Governance

It has been the endeavor of the Company to achieve highest level of transparency and full disclosure within the frame work of legal provision. It is committed to enhance the shareholders value and to be accountable to its shareholders, State & Central Government, financial institutions, bankers and lenders.

BOARD-OF-DIRECTORS

Composition

The composition of the Board-of-Directors during the financial year ending on 31-3-2006 is detailed below :

Sr. No.	Name of the Directors	Designation	Category	No. of outside Directorship held	No. of Chairmanship in the Committees of Board	No. of membership in the Committees of Board
1.	Smt. Sudha Anchlia, IAS	CMD	Executive	4	-	-
2.	Shri D. Rajagopalan, IAS	Director	Non-Executive	7	-	-
3.	Shri A.K. Joti, IAS	Director	Non-Executive	9	-	-
4.	Shri A.M. Tiwari, IAS (from 28-7-2005)	Director	Non-Executive	1	-	-
5.	Shri C.L. Meena, IAS (till 28-7-2005)	Director	Non-Executive	1	-	-
6.	Shri C.P.S. Nair (upto 26-12-2005)	Director	Non-Executive	0	-	-

Notes :

- None of the Directors is related to any other Director.
- None of the Directors has any business relationship with the Company.
- None of the Directors received any loans and advances from the Company during the year.

All the Directors play an active and important role by participating in deliberations at the Board/Committees Meetings.

11 meetings of the Board-of-Directors were held during the year i.e. on 30.4.2005, 4.6.2005, 28.6.2005, 28.7.2005, 3.8.2005, 22.8.2005, 28.9.2005, 24.10.2005, 7.1.2006, 30.1.2006 and 17.3.2006.

The attendance of each Director at the Board Meetings held during the year and at the last Annual General Meeting held on 30th September, 2005 is as under :

Sr. No.	Name of the Directors	Meeting held during the tenure of Directors	No. of meetings attended	Attendance at the last AGM
1.	Smt. Sudha Anchlia, IAS (C.M.D.)	11	11	Yes
2.	Shri D. Rajagopalan, IAS (Director)	11	7	X
3.	Shri A.K. Joti, IAS (Director)	11	9	X
4.	Shri C.L. Meena, IAS (Director) (Upto 28.7.2005)	6	5	Not Applicable
5.	Shri A. M. Tiwari, IAS (Director) (From 28.7.2005)	5	3	X
6.	Shri C.P.S. Nair Director (Upto 26.12.05)	8	0	X

Board's Procedure

Apart from matters which are required to be decided by the Board as per relevant statutes and rules, all major decisions involving large capital expenditure, award of major contracts, mobilization of resources, pricing policies, loans and investments, policy relating to all borrowings and personnel matters including Employees' compensation etc., are decided by the Board.

COMMITTEES OF THE BOARD

In addition to the Audit Committee and Shareholders' / Investors' Grievance Committee as required to be constituted under the Listing Agreement, the Board has constituted the following Committees :

- Tender / Purchase Committee
- Personnel Committee
- Share Transfer Committee
- Power Project Progress Committee
- Finance Committee