



GUJARAT INDUSTRIES POWER COMPANY LIMITED
VADODARA

24th Annual General Meeting on Saturday, the 19th September, 2009 at 11:00 a.m.

C H A I R M A N ' S S P E E C H

Dear Members ,

It gives me great pleasure to welcome you all, on behalf of myself and my colleagues on the Board of Directors at the 24th Annual General Meeting of your Company. Since the Annual Report has been with you for some time, with your permission, I will highlight only some of the key aspects of our performance during 2008-09.

POWER STATION OPERATIONS:

Generation:

I am happy to inform that the Operational Performance of your Company during the F.Y. 2008-09 was good despite certain constraints.

VADODARA STATION - I (145 MW CCPP):

The Station during the year under review generated 1061.672 Million Units at a Plant Load Factor (PLF) of 83.58% as compared to 1139.00 Million Units at a PLF of 89.45% in the preceding year. The PLF achieved was lower by 6% as compared to previous year mainly on account of backing down of the Plant due to costly gas , which has since been addressed by tying up cheaper gas. .

I am happy to inform that the scheduled maintenance of the Station was successfully carried out during the financial year under review. The availability factor has been maintained at 97.00% during the Financial Year under review.

VADODARA STATION - II (165 MW CCPP):

The Station during the year under review generated 1118.192 Million Units at a PLF of 77.36% as compared to 1126.13 Million Units at a PLF of 79.71%(165 MW) in the preceding year. The Station has undergone scheduled overhaul during the financial year under review. The Station has operated on Gas during the year under review with the availability factor of 95.13%. The reduced PLF is mainly due to backing down of the Plant due to costly gas which has since been addressed by tying up cheaper gas.

.

I am also pleased to inform that your Company has been making all possible efforts to tie up adequate supply of gas at lower costs for the gas based Power Stations at Vadodara. Currently out of the total gas requirements of 1.55 to 1.60 MMSCMD for both the Vadodara Station I & Station II, 1.01 MMSCMD is tied up with M/s GAIL (India) Ltd on firm basis. Long term Agreement for supply of R-LNG has been renewed with M/s. GAIL (India) Ltd for a period of 20 years. In addition to this your Company has also tied up a Gas supply Contract with M/s Reliance Gas for supply of .270M3 KG-D6 Gas per day .

You will be happy to note that during the financial year under review major energy conservation and efficiency improvement measures by way of modification in various auxiliaries and redefining operational parameters have been successfully implemented.

SAFETY:

It is my pleasure to apprise you that the Company's Station I & II at Vadodara completed 11 years of accident free operations on 23rd July, 2009. This significant achievement indicates the high safety standards, operational procedures and competence level of its personnel. Company is geared up to raise the bar and achieve further accident free years.

SURAT LIGNITE POWER PLANT (SLPP):

The Station achieved a Plant Load Factor (PLF) of 79.79% with Generation of 1747.472 Million Units as compared to 1878.54 Million Units at a PLF of 85.54% in the preceding year. This lower PLF was because the operations of the Company were affected during the month of November, 2008 due to fire which occurred in Lignite Conveyor System at Company's 2 X 125 MW Surat Lignite Power Station necessitating total shut down of the Power Plant for a period of 25 days in Unit I and 30 days in Unit II respectively.

The Station achieved lowest raw water consumption (2.33 M3/MWH) during the year. Constant endeavors are being made to improve the overall performance of the Station, including technology improvement and modifications.

MINING:

I am indeed happy to inform you that the performance of the Mining Division has been good in the Financial Year i.e. 2008-09. The total quantity of Lignite and Lime stone

were met from our captive Vastan Mine. Total quantity of Lignite and Limestone mined during the financial year 2008-09 were 1.72 Million Te and 0.15 Million Te respectively. Further to meet the additional Lignite and Limestone requirement of Unit no 3 & 4 in the coming years, steps have been taken for sufficient overburden removal at Vastan Mine. Overburden removal in the year 2008-09 was 21.06 Million Cu M against the overburden removal of 14.86 Million Cu M in 2007-08, which is an all time record, and thereby ensuring sufficient Lignite exposure and stock. The appointment of contractor for the new mine at Mangrol has also been done and it is proposed to start development of the Mangrol Mine as per the requirement of both the Stations. For Limestone mining another contractor has been appointed to cater to the need of all the 4 Units including creation of sufficient stock.

Expansion Plans:

(i) SLPP Phase II : 2x125 MW (Unit-3 & 4) Expansion Project

I am pleased to inform that your Company is implementing 2x125 MW Expansion Project including development of a captive mine thus increasing the generating capacity of SLPP to 500 MW. The new Mine at Mangrol is designed to produce 2.4 Million Tonnes Lignite per annum. It will not only meet the requirement of expansion Units (3 & 4) but will also supplement supply of lignite to Units 1 & 2 as well.

As you are aware, the Engineering, Procurement and Construction (EPC) Contract for SLPP Phase II (Unit-3 & 4) Expansion Project has been awarded to BHEL at a cost of Rs. 119950 Lacs. The total cost of this expansion project including development of a new captive mine, Interest During Construction (IDC), contingency, capital spares, staff, colony and other components like water supply system outside the scope of EPC contract will be approximately Rs. 163500 Lacs.

The Design, Engineering, Manufacturing & supply of Main Plant and major BOPs area have already been completed. The Major Civil works for Boiler, ESP & Turbine for both units (3 & 4) have already been completed. The Commissioning activities of Unit-3 are under progress.

Unit-3 :

The Boiler drum for Unit-3 was lifted in month of August, 2008. Boiler Hydro test for Unit-3 completed on 06.11.2008. Unit-3 refractory application work completed and refractory dry-out was completed on 21.05.2009.

The switchyard erection work completed and back charging work completed on 26.05.2009. Chimney RCC shell work and flue cane erection work completed for both units. Unit-3 Cooling Tower construction work is completed. Unit-3 Boiler light-up

activities was completed on 19.07. 2009. The Commissioning activities of Unit-3 are in progress.

Unit-4 :

The Boiler Drum for Unit-4 was lifted in month of November, 2008. Boiler Hydro test for Unit-4 was also completed on 07.03.2009. Unit-4 Boiler non-pressure parts erection work & refractory application work and turbine erection work are in progress. Unit-4 Cooling Tower construction activities are about to be completed .

The estimated overall progress of the Project is about 84%. The total expenditure up to 30.06.2009 is Rs. 124963.49 Lacs. The project is expected to start commercial operation in the third quarter of current financial year.

(ii) SLPP Station -II : 2x250 MW + 20% Power Project

I am pleased to inform that your Company is also in process of developing SLPP Station - II (2x250 MW + 20%)thermal Power Project based on Circulating Fluidised Bed Combustion(CFBC) technology including development of a captive lignite mine thus increasing the generating capacity of SLPP to 1000 MW Plus. The pre-award activities for SLPP Station-II are under progress. M/s. National Environmental Engineering Research Institute (NEERI), Nagpur has been appointed as Consultant for Rapid Environmental Impact Assessment (EIA), Environment Management Plan (EMP) Studies / report. M/s. TCE Consulting Engineers, Bangalore has been appointed as consultant for preparation of Pre-Feasibility Report (PFR), Detailed Project Report (DPR) and Basic & detailed design & engineering, inspection & expediting, Project Management & Construction Supervision work.

The Plant Site selection work, geo-technical & soil investigation work and Site survey work have been completed. The identification of Blocks for Power Plant land has been completed. The proposal for acquiring land has been submitted to Office of the District Collector, Surat and the same is under scrutiny.

The PFR has been finalised and draft DPR preparation work has been completed. The preparation of Expression of Interest (EOI) for Pre-Qualification Requirements (PQR) is under progress. The data collection for Rapid EIA(Environmental Impact Assessment) and EMP(Environmental Management Plan) Report work has been completed.

The Ministry of Environment & Forest (MoEF) has already granted approval of Terms of Reference (TOR) for EIA/EMP Study for the project. The application for the drawl of

water & Power Evacuation has already been made to concerned authorities. The ICB tender for the project will be invited shortly.

*** DIVIDEND:**

I am happy to inform that your Directors have recommended payment of Dividend @ (Rs. 2.20 per Share) i.e. 22% on Equity Shares for the year ended 31st March, 2009. The net outgo on account of Dividend shall be Rs. 3893 Lacs including Corporate Dividend Tax. The Dividend shall be paid to all those members whose names appear on the Register of Members of the Company on the Book Closure Date i.e. on Monday, 7th September, 2009.

*** CORPORATE SOCIAL RESPONSIBILITY(CSR):**

You will be happy to note that Companies such as yours are organs of society, using significant societal resources and being conscientious body are involved in socio - economic development and welfare of the people around the Power Plant and Mining . Therefore, apart from the financial parameters, the value that is created by them need to be measured by the contribution they make to improve the quality of life of our society.

The Company's CSR activities are being undertaken through Society for Village Development in Petrochemicals Area (SVADES) and Urja Foundation at Vadodara and Development Efforts for Rural Economy and People (DEEP) at SLPP. The broad spectrum of CSR activities carried out by above organizations in and around the Company's Plant sites are as follows:

- ❖ Providing Drinking Water;
- ❖ School Infrastructure Development like construction of Class rooms/Science Laboratory, Overhead Water Tank, Compound Wall, providing furniture, kitchen utensils(incl. under Mid-day Meal Scheme), Computers and support to schools for extra curricular activities;
- ❖ Village Infrastructure Development like construction of roads, culverts, Parks, flood protection work, dredging, low cost housing, water supply work, sanitation facilities;
- ❖ Training, Awareness and Development initiatives like medical camps, science fairs, de-addiction camps, educational workshop, sports activities etc;

- ❖ Integrated Development in Mineral bearing villages of Surat District (IDMBV) aiming

at poverty alleviation, strengthening health & education efforts of Government and addressing livelihood issues by way of self employment related training and opportunities.

- ❖ Panchayat house, milk dairy co-operative society building, drainage etc. environment up gradation in surrounding villages.

*** HUMAN RESOURCES:**

Organizations are built on human contributions and your Company is endowed with a team of highly competent and motivated personnel. This is very well demonstrated by the significant improvement and progress in all areas of activities of the Company. The employees constantly strive to improve the performance through efficiency, productivity and economy. During the year under review, the Company maintained its high standard of Safety.

*** ACKNOWLEDGEMENTS:**

I, on behalf of myself and my colleagues on the Board of Directors, place on record our appreciation for the overwhelming co-operation and assistance received from the Government of Gujarat, Participating Units, Government of India, BHEL, IDBI Bank Ltd. , and other Financial Institutions, Banks and other agencies. I also wish to express my gratitude to investors for their unstinted support and faith reposed in the Company. I once again, place on record our deep sense of appreciation for the dedicated services rendered by the Company's personnel.
