



22nd Annual Report 2006-2007

TWENTY SECOND ANNUAL GENERAL MEETING

DAY : SATURDAY, 29TH SEPTEMBER, 2007
TIME : 11.00 A.M.
PLACE : REGISTERED OFFICE
P.O. PETROCHEMICAL – 391 346,
DIST. VADODARA

GUJARAT INDUSTRIES POWER COMPANY LIMITED

P.O. PETROCHEMICAL - 391 346, DIST. VADODARA (GUJARAT)



Gujarat Industries Power Company Limited

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Board of Directors

Smt. Vijaylaxmi Joshi, IAS	Chairperson
Shri P. K. Taneja, IAS	Director
Shri A. K. Joti, IAS	Director
Shri A. Khandual	Director - IDBI Nominee
Prof. Shekhar Chaudhuri	Director
Shri G. P. Mohapatra, IAS	Director
Prof. Kirankumar Joshi	Director
Dr. P. K. Das, IAS (Retd.)	Director
Shri P. H. Rana	Director
Shri L. Chuaungo, IAS	Managing Director

Senior Executives

Shri D. G. Naik	Executive Director (Technical)
Shri D. N. Bhatia	General Manager & Chief Finance Officer
Shri A. N. Shah	General Manager (O & M - Baroda)
Shri P. N. Trivedi	Addl. General Manager (Commercial & HR & A)
Shri K. K. Shah	Addl. General Manager (Finance)

Company Secretary

Shri V. V. Vachhrajani

Bankers

Baroda Stations

Central Bank of India
Dena Bank
Punjab National Bank
State Bank of India
Bank of Baroda
Oriental Bank of Commerce

Surat Lignite Power Plant

Syndicate Bank
State Bank of Saurashtra
Oriental Bank of Commerce
Indian Overseas bank
Vijaya Bank
ING Vysya Bank
Karur Vysya Bank Ltd.

Auditors

M/s. K.C. Mehta & Co. Vadodara

Registrar & Transfer Agent

Intime Spectrum Registry Limited
308, Jaldhara Complex
Opp. Manisha Society
Off Old Padra Road, Vasna Road
Baroda - 390 015
(Tel) (0265) 2250241, 3249857
(Fax)(0265) 2250246
e-mail : vadodara@intimespectrum.com

Registered Office & Works

P.O. Petrochemical - 391 346, Dist.Vadodara
(Tel.) (0265) 2232768, 2232213, 2230159
(Fax) (0265) 2232143, 2231207. 2230473
e-mail: info@gipcl.com

Surat Lignite Power Plant

At & Post Nani Naroli, Taluka Mangrol
Dist. Surat - 394 110
(Tel.) (02629) 261063 to 261072
(Fax) (02629) 261073 & 261074
e-mail : slpp@gipcl.com



Gujarat Industries Power Company Limited

ATTENTION

1. Pursuant to Section 154 of the Companies Act, 1956, the Register of Members and Share Transfer Books of the Company shall remain closed from Tuesday, the 18th, September, 2007 to Friday, the 28th September, 2007 (both days inclusive).
2. Members are advised to address all correspondence quoting their Ledger Folio Number (LF No.) or Client-ID & DP ID No. and to immediately notify their change of address etc. details, if any, to the Company's new Registrar and Transfer Agents viz. Intime Spectrum Registry Limited, 308, Jaldhara Complex, Opp. Manisha Society, Off Old Padra Road, Vasna Road, Baroda - 390 015, Gujarat, India. Members may also send in their queries etc. by e-mail at investors@gipcl.com or vadodara@intimespectrum.com.
3. Members who are holding Shares in the Company and have not received or have not encashed their Dividend/ Interest warrants are requested to write to us or to the Company's Registrar and Transfer Agents.
4. Members are advised to hold Shares jointly to simplify the procedure of transmission in the event of death of any holder.
5. Members holding shares in physical form and are holding more than one Share Certificate in the same name under different folios are requested to apply for consolidation of such folios into one folio and send relevant Share Certificates to the Company to make necessary endorsements.
6. **Members desirous of obtaining any information concerning the accounts and operations of the Company are requested to send their queries to the Company at least fifteen days before the date of the meeting so that the information required by the members may be made available at the meeting.**
7. **Members attending the meeting are requested to bring with them the Attendance Slip and hand over the same at the entrance of the meeting hall, failing which admission to the meeting may be refused.**
8. Individual shareholders can now avail the facility of nomination. The nominee shall be the person to whom all rights of transfer and/or amount payable in respect of the shares shall vest in the event of death of shareholder(s). A minor can also be a nominee provided the name of guardian is given in Nomination Form. The facility of nomination is not available to non-individual shareholding such as Bodies Corporate, Institutional Investors, Kartas of Hindu Undivided Families, holders of Power of Attorney etc. In case of any assistance please contact Mr. V.V. Vachhrajani, Company Secretary at the registered office of the Company or Intime Spectrum Registry Limited, the Registrar and Share Transfer Agents of the Company.
9. Members may note that the Company's Securities are listed on the following Stock Exchanges:

Vadodara Stock Exchange Limited
3rd Floor, Fortune Tower, Sayajigunj,
Vadodara - 390 005.

Bombay Stock Exchange Limited
Phiroze Jeejeebhoy Towers, Dalai Street,
Fort, Mumbai-400 001.

The Calcutta Stock Exchange Association Limited
(Application for Delisting is Pending with them)
7, Lyons Range,
Kolkata - 700 001

National Stock Exchange of India Limited
Exchange Plaza, 5th Floor,
Plot No. C/1, G Block,
Bandra Kurla Complex, Bandra (East)
Mumbai - 400 051.

With effect from 26-06-2000, Equity Shares of the Company are compulsorily traded in dematerialised (demat) form as mandated by Securities and Exchange Board of India (SEBI). The Demat ISIN Numbers in NSDL & CDSIL for Equity Shares is INE 162A01010.

Members may note that the Company's equity shares are available for dematerialisation with National Securities Depository Ltd., Trade World, 4th Floor, Kamala Mills Compound, Senapati Bapat Marg, Lower Parel, Mumbai - 400 013 and with Central Depository Services (India) Ltd., 28th Floor, Sir P.J. Tower, Dalai Street, Fort, Mumbai-400 001.

As a measure of economy, the Company does not distribute the copies of Annual Report at the Meeting, Members therefore are requested to bring their copies with them.

Members are requested to fill in the ECS (Electronic Clearing Services) Mandate Form which forms the part of this Annual Report and send the same duly filled in at the address of the Company's Registrars or at the registered office of the Company. THE DISCRETION / DECISION OF THE COMPANY REGARDING ECS SHALL BE FINAL AND BINDING ON THE SHAREHOLDERS.



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NOTICE

NOTICE is hereby given that the Twenty Second Annual General Meeting of the Members of Gujarat Industries Power Company Limited will be held on Saturday, the 29th day of September, 2007 at 11.00 A.M. at the Registered Office of the Company at P.O. Petrochemical – 391 346, Dist. Vadodara to transact the following business:

ORDINARY BUSINESS:

1. To receive, consider and adopt the Audited Balance Sheet as at 31st March, 2007 and Profit & Loss Account for the year ended on that date and the reports of the Directors and the Auditors thereon.
2. To appoint a Director in place of Shri A K Joti, IAS who retires by rotation and being eligible offers himself for reappointment.
3. To appoint a Director in place of Prof. Kiran Kumar Joshi who retires by rotation and being eligible offers himself for reappointment.
4. To declare dividend on Equity Shares for FY 2006-2007.
5. To appoint M/s. K C Mehta & Co., Chartered Accountants, Vadodara as Statutory Auditors to hold the office from the conclusion of this meeting until the conclusion of the next Annual General Meeting and to fix their remuneration.

SPECIAL BUSINESS:

6. To consider, and if thought fit, to pass, with or without modification(s), the following resolution as an **Ordinary Resolution:**

“RESOLVED THAT Shri P.H. Rana who was appointed as Additional Director of the Company under Section 260 and other applicable provisions, if any, of the Companies Act, 1956, read with Article 13 of the Articles of Association of the Company and who holds such office upto the date of this Annual General Meeting and who is eligible for reappointment and in respect of whom the Company has received a notice in writing along with a deposit of Rs. 500/- (Rupees Five Hundred Only) from a member under Section 257 of the Companies Act, 1956 proposing his candidature for the office of Director, be and is hereby appointed as a Director of the Company and shall be liable to retire by rotation.”

For Gujarat Industries Power Company Ltd.

Registered Office:
P.O. Petrochemical – 391 346,
Dist. Vadodara.
Date: 05/05/2007

sd/-
V. V. Vachrajani
Company Secretary

NOTES :

1. **THE MEMBER ENTITLED TO ATTEND AND VOTE AT THE MEETING IS ENTITLED TO APPOINT A PROXY TO ATTEND AND VOTE INSTEAD OF HIMSELF/ HERSELF AND THE PROXY NEED NOT BE A MEMBER OF THE COMPANY. PROXY IN ORDER TO BE EFFECTIVE, MUST BE RECEIVED BY THE COMPANY, NOT LESS THAN 48 HOURS BEFORE THE MEETING.**
2. The Explanatory Statement setting out the material facts concerning the special business mentioned under Item no. 06 of the notice as required under section 173 of The Companies Act, 1956 is annexed hereto.
3. With the commencement of the Companies (Amendment) Act, 1999, effective from 31st October, 1998, the members are advised that the Companies are now not required to transfer its unpaid/unclaimed dividend after the expiry of 3 years to the General Revenue Account of the Central Government, but the same will be transferred after the expiry of the 7 years from the date from which they become due for payment to the special fund called “ Investors Education and Protection Fund (IEPF)”. No claims will lie for the amounts so transferred. The shareholders may please note that the unpaid/unclaimed dividends of financial years 1992-93, 1993-94, 1994-95, 1995-96, 1996-97, 1997-1998 & 1998-99 have been transferred to the General Revenue Account of the Central Government / Investor Education and Protection Fund and the Dividend declared in respect of financial year 1999-2000 is due for transfer at the expiry of 7 years to the fund on **04/11/2007**. Members are requested to take note of the same.
4. Relevancy of questions and the order of the speakers at the meeting will be decided by the Chairman.

FOR THE INFORMATION OF SHAREHOLDERS

Those shareholders who have not yet encashed/claimed dividend warrants in respect of dividends declared during the Financial Years 1999-2000, 2003-2004 & 2004-2005, are requested to note that the said dividends are / will be



Gujarat Industries Power Company Limited

due for transfer to “Investors Education and Protection Fund (IEPF)” on the dates as given below:

Sr. No.	PARTICULARS OF DIVIDEND	FINANCIAL YEAR	DATE OF TRANSFER TO IEPF
01.	8 th Dividend	1999-2000	04/11/2007
02.	9 th Dividend	2003-2004	04/10/2011
03.	10 th Dividend	2004-2005	04/10/2012

Shareholders are requested to lodge their claims, if any, with the Company/Registrars in order to enable us to send the necessary payment. However, as a measure of good investor service the Company is normally sending intimation letters to the concerned shareholders who have not claimed their dividend before the amount is transferred to the said fund.

ANNEXURE TO NOTICE:

EXPLANATORY STATEMENT PURSUANT TO SECTION 173 OF THE COMPANIES ACT, 1956 :

In conformity with the provisions of the Section 173 of the Companies Act, 1956, the following Explanatory Statement sets out all the material facts relating to the Special Business mentioned in the accompanying notice and should be taken as forming the part of Notice.

Item No. 02 : (Brief resume of Shri A K Joti, IAS) :

Brief resume of **Shri A K Joti, IAS** reads thus - He is a very senior officer of Indian Administrative Service of 1975 batch.

On the academic front Shri A K Joti, IAS is B. Sc. (Hons.) with Chemistry, Physics and Maths and M.Sc. with Chemistry. He has the total experience of 33 years. During his tenure he has held various key positions at the Government level and has rich experience of various administrative and corporate affairs.

Shri A K Joti, IAS is the Director in following Companies :

Sr.	Name of the Company	Nature of Interest
1.	Gujarat Maritime Board	Chairman
2.	Gujarat State Road Transport Corporation	Chairman
3.	Gujarat State Civil Supplies Corporation Ltd.	Director
4.	Gujarat Agro Industries Corporation Ltd.	Director
5.	Gujarat Power Corporation Ltd.	Director
6.	Gujarat Water Infrastructure Ltd.	Director
7.	Gujarat State Financial Corporation Ltd.	Director
8.	Gujarat Lease Financial Ltd.	Director
9.	Gujarat Water Resources Development Corporation	Director
10.	Gujarat Water Supply & Sewerage Board	Director
11.	Gujarat Industries Power Company Ltd.	Director

ITEM NO. 03 (Brief Resume of Prof. Kirankumar Joshi) :

Prof. Kirankumar Joshi has been appointed as Additional Director on the Board of the Company w.e.f. 1st July, 2006. Prof. Joshi is Professor of Business Economics, Faculty of Management Studies, Maharaja Sayajirao University, Vadodara (MS University, Vadodara).

He is a renowned academician with rich exposure in the field of corporate management. Prof. Joshi, when appointed shall be an Independent Director on the Board of the Company.

His brief resume reads thus – Prof. Joshi is Professor of Business Economics, Faculty of Management Studies, Maharaja Sayajirao University, Vadodara.

On the academics front Prof. Joshi is a Commerce Graduate (Accountancy as a major subject), MA (Economics) from M S University and has done his Ph.D. in Economics from Gujarat University in the year 1987.

Prof. Joshi is a renowned professional and academician with varied experience. He has written various articles on the contemporary subjects and has completed various research projects in different areas.

Prof. Joshi has written many books and monographs and has been the regular visiting faculty on different subject at the renowned institutes and also to various companies in and around Baroda and across Gujarat. He has also presented various papers on contemporary subjects in various seminars and workshops.

Prof. Joshi has also to his credit the following:

- He is Member of the MS University Senate (2002-2007)
- He is Elected Secretary of Baroda University Teachers Association (BUTA)
- He is the Chairman of Board of Studies, Faculty of Management Studies, MS University.
- He is the executive member of Gujarat Economic Association.

Besides this Prof. Kirankumar Joshi is the Director in Madhya Gujarat Vij Company Ltd. and he is the member of Audit Committee and Personnel Committee of Gujarat Industries Power Company Ltd.

Item No. 06 :

Shri Praful H Rana has been nominated by Gujarat Urja Vikas Nigam Ltd. (GUVNL) on the Board of Company in terms of Article 13 and accordingly he was appointed as



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Additional Director of the Company w.e.f 05/05/2007

The brief resume of Shri P H Rana reads thus – On the academic front he is Bachelor of Engineering (BE) – Electrical of 1965 from Sardar Patel University, Birla Vishwakarma Mahavidyalaya, Vidyanagar, (Gujarat). Currently he is occupying the key position of Director (Technical) of Gujarat Urja Vikas Nigam Ltd. (GUVNL-erstwhile Gujarat Electricity Board) During his tenure with GUVNL he has occupied vital positions and has a very rich experience in the different facets of the power sector encompassing Generation, Transmission and Distribution.

He has a rich experience in various key technical areas and his induction on the Board of the Company will be of immense benefit to the Company.

Your Directors therefore recommend the appointment of Shri P H Rana as Rotational Director as proposed in the Resolution at item no. 06 as Ordinary Resolution.

Shri Praful H Rana is the Director in the following companies :

Name of the Company	Position held
➤ Gujarat Urja Vikas Nigam Ltd.	Director (Technical)
➤ Paschim Gujarat Vij Company Ltd.	Chairman
➤ Gujarat State Electricity Corp. Ltd.	Director
➤ Gujarat Energy Transmission Corpn. Ltd.	Director

None of the Directors except Shri P H Rana, is in any manner interested or concerned in the said resolution.

For Gujarat Industries Power Company Ltd.

Registered Office:
P.O. Petrochemical – 391 346,
Dist. Vadodara.

sd/-
V. V. Vachhrajani
Company Secretary

Date: 05/05/2007



Gujarat Industries Power Company Limited

DIRECTORS' REPORT

To,
The Members

Your Directors are pleased to present the Twenty Second Annual Report together with Audited Statement of Accounts of your Company for the Financial Year ended 31st March, 2007:

(A) Financial Results

(Rs. in Lacs)

	2006-07	2005-06
1. Net Sales	79558	75659
2. Other Receipts	8721	4262
3. Total Expenditure	55851	47175
4. Gross Profit : (1 + 2-3) (before deducting any of the following)	32428	32746
(a) Interest	5118	6395
(b) Depreciation	8985	9138
(c) Prior Period Items	0	(167)
(d) Loan Resetting Premium (Received)/paid	72	(148)
(e) Impairment of Assets	102	279
(f) Provision for Deferred Tax	(3249)	0
(g) Provision for Current Income Tax	3070	5750
(h) Fringe Benefit Tax	38	18
5. Net Profit:	18292	11481
Add : Balance brought forward from Previous Year	13262	13937
Add : Transfer from Capital Redemption Reserve	4044	0
	35598	25418
6. Less: Appropriations :		
(i) General Reserve	6000	2000
(ii) Expansion Reserve	5500	8000
(iii) Dividend On Equity Shares (including Dividend Tax)		
• Interim Dividend	2586	0
• Proposed Dividend	885	2156
(iv) Carried to Balance Sheet	20627	13262
TOTAL	35598	25418

(B) Dividend

Your Directors are happy to recommend payment of Final Dividend for the year ending 31st March, 2007 @ 05% i.e. Rs. 0.50 per Share on the 15,12,51,188 Equity Shares in addition to the Interim Dividend @ 15.00% already paid on 29th March, 2007. The net outgo on account of Final Dividend shall be Rs. 884.79 Lacs including Corporate Dividend Tax. The Dividend shall be paid to all those members whose names shall appear on the Register of Members of the Company on the Book Closure Date i.e. on **Tuesday, 18th September, 2007.**

(C) Operations :

➤ STATION – I (145 MW CCPP) :

The station during the year under review generated 1109.70 Million Units at a Plant Load Factor (PLF) of 87.36 % as compared to 1105.06 Million Units at a PLF of 87.00% in the preceding year. Your Directors are pleased to inform that the PLF achieved was higher than as compared to that of previous year.

Your Directors are pleased to inform that your Company has been making all possible efforts to tie up adequate supply of gas 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 Baroda Station I & Station II, 1.25 MMSCMD is tied up with GAIL (India) Ltd. and GSPC – Niko on firm basis. In addition to these quantities your Company has also arranged for additional quantities of RLNG from GSPC for supply from Shell Hazira on fall back basis.

The scheduled maintenance of the station was successfully carried out during the financial year under review. The availability factor has been maintained at 95.38% during the Financial Year under review.

➤ STATION – II (160 MW CCPP) :

During the year under review the Station generated 1043.81 Million Units at a PLF of 74.47% as compared to 1216.62 Million Units at a PLF of 86.76% in the preceding year. The Station has undergone scheduled major overhaul during the financial year under review.

The Station has operated on Gas during the period under review with the availability factor of 88.87%.



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Your Directors are happy to inform that during the financial year under review major energy conservation and efficiency improvement measures by way of modification in Heat Recovery Steam Generator (HRSG) has been successfully implemented.

➤ NATIONAL AWARD FOR MERITORIOUS PERFORMANCE :

Your Directors are happy to report that your Company's Vadodara Stations have received National Award for Meritorious Plant Performance for two consecutive years viz. 2004-2005 and 2005-2006 for their Combined Cycle Power Plants. This award is constituted by the Ministry of Power and the Central Electricity Authority.

The Award in the form of Bronze Shields were presented by the Hon'ble Prime Minister of India Dr. Manmohan Singh during a glittering function on 21-03-2007 at New Delhi.

We are further happy to inform that your Company is the only one who has received this prestigious National Award for two consecutive years i.e. for 2004-05 and 2005-06 in the bronze category.

Safety Performance :

Your Directors are happy to inform that your Company has achieved accident free operation of 3264 days as on 30th June, 2007 at Vadodara Plant. Constant efforts are made to maintain accident free operations at all the locations.

SURAT LIGNITE POWER PLANT (SLPP):

Station has achieved a Plant Load Factor (PLF) of 80.00% with Generation of 1751.935 million units during the year under review. Station achieved lowest raw water consumption (2.49 MGD).

Constant endeavors are being made to improve the overall performance of the station, including technology improvement and modifications.

Performance of the mining division has been very good and total requirements of Lignite and Limestone were met from our captive Vastan Mines. Total Quantity of Lignite mined during the year was 16.59 Lakh MT. Smooth operations in mining division helped the Surat Lignite Power Plant achieve the high Plant Load Factor during the year 2006-07.

Expansion Plans:

Your Directors are pleased to inform that your Company is implementing 2 x 125 MW Expansion Project including development of a captive mine thus increasing the generating capacity of SLPP to 500 MW.

Your Company has awarded the Engineering, Procurement and Construction (EPC) Contract for Expansion Project to BHEL at a cost of Rs. 1199.50 Crores. 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 outside the scope of EPC contract will be approximately Rs. 1635 crores.

The site construction activities for Boiler, ESP and Turbine area have been going on in full swing as per the schedule. The Design & Engineering of main plant and major BOPs area have already been completed. The civil foundation work for boiler & ESP for both units (3&4) have already been completed. The Boiler structural erection work for unit-3 and Unit-4 is in progress. About 10000 MT structural material of Boiler & Auxiliaries already received at site. Boiler Drum for unit-3 has been received at site on 09.04.2007. Turbine-Generator raft construction of Unit-3&4 is completed. TG Building column civil foundation work is under progress. The structural fabrication work of TG Buildings column is under progress. The agency for Lignite Handling System and Ash Handling System has been finalized and work is under progress. The switchyard civil work has already been commenced.

The finalization of Agencies by EPC Contractor (BHEL) for major packages like cooling Tower, Chimney, Civil BOP etc. is in advanced stage.

The constant endeavors and regular follow-up are being made by the Company for critical areas like supply of Pressure parts, award of major contracts like cooling Tower, Chimney, Civil BOP, deployment of additional resources like 250 Ton crane & manpower to complete the project on time.

➤ ACCREDITATION FOR QUALITY MANAGEMENT SYSTEM UNDER ISO CERTIFICATIONS :

Your Directors are pleased to inform that during the year under review your Company has obtained ISO:9001:2000, ISO:14001:2004 and OHSAS ISO:18001:1999 certification for Quality Management System (QMS) and Environment and Occupational Health and Safety Management System (EOHSM) for its



Gujarat Industries Power Company Limited

Power Stations at Vadodara and SLPP from M/s TUV India Ltd.

(D) Financing of SLPP Expansion Project:

Your Directors are pleased to inform that entire debt portion agg. Rs.1225.00 Crores for the project at competitive interest rates has been tied up and thus the financial closure for the project has been achieved. It is further informed that the expansion project is funded in the Debt : Equity ratio of 75:25. You may be aware that your Company has already raised the Equity of Rs. 275.00 Crores through follow on public issue of equity and the balance equity requirements of about Rs 135.00 Crores will be met from internal resources.

(E) Secured Term Loans :

During the year, the Company repaid a sum of Rs.164 Crores as per the schedule of repayment to the Banks and Financial Institutions who have extended term loan finance for the Baroda Plants and SLPP.

(F) Public Deposits

During the Financial Year, the Company has repaid Fixed Deposit of Rs. 203.63 Lacs. An amount of Rs. 12.05 Lacs relating to 89 depositors was due but not claimed by the depositors for repayment as on 31st March, 2007.

(G) Depositories :

Your Directors wish to state that the Equity Shares of your Company are compulsorily traded in the dematerialized form w.e.f. 26/06/2000. Presently 67.85% of shares are held in electronic / dematerialised form.

(H) Insurance :

The Company's power plants and mines are covered under the 'Industrial All Risk Policy', which provides a comprehensive insurance cover for fire, earthquake, loss of profit due to fire and machinery breakdown.

The properties and the insurable interest of the Company including mines, buildings (including township at SLPP), Plant and Machinery and Stocks are also adequately insured.

(I) Directors :

Smt. Vijaylaxmi Joshi, IAS has been appointed as the Chairman of the Company vice Shri Balwant Singh, IAS by the Govt. of Gujarat.

Shri A K Joti, IAS, Director of the Company retires by rotation and being eligible offers himself for reappointment.

Prof. Kirankumar Joshi, Director of the Company retires by rotation and being eligible offers himself for reappointment.

Shri P H Rana has been nominated by Gujarat Urja Vikas Nigam Ltd. (GUVNL) as Director of the Company vice Smt. Vijaylaxmi Joshi, IAS. Shri P H Rana has been appointed as Additional Director of the Company.

Shri M S Agrawal and Shri A N Mandke ceased to be the Directors on the Board of the Company consequent upon the withdrawal of nomination by Gujarat State Fertilizers and Chemicals Ltd. and Gujarat Alkalies & Chemicals Ltd. respectively.

Your Directors place on record their deep appreciation for the vision and leadership provided by Shri Balwant Singh, IAS during his tenure as Chairman of your Company. Your Directors also place on record the valuable contributions made by Shri M S Agrawal and Shri A N Mandke during their tenure as Directors of the Company. The appropriate resolutions for appointment / reappointment of Directors are being placed before the shareholders for approval.

(J) Human Resources :

The strength of your Company lies in its team of highly competent and highly motivated personnel at Baroda and SLPP. This has made it possible for your Company to make significant improvement and progress in all areas of activities of the Company. The employees had taken on the challenge to improve the performance of the plants through efficiency, productivity and economy. The year 2006-07 was an accident free year for both operations at Baroda & Surat Lignite Power Plant. Your Directors place on record their sincere appreciation for the unstinting efforts and contribution put in by the employees of the Company.

The Company continued in its endeavor to impart appropriate and relevant training to its employees to equip them to meet the challenges that are ahead and to enhance their performance in the best interest of the Company. The Company has also taken up an exercise on career growth & planning by identifying potentials & training needs of employees by engaging professionals in the field.

The industrial relations during the year have been cordial.



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(K) Particulars of Employees :

There are no employees in the Company who are in receipt of salary of Rs. 24,00,000/- p.a. or Rs.2,00,000/- p.m., if employed for part of the year. Hence the Statement of particulars of employees as required under Section 217 (2A) of the Companies Act, 1956, read with Companies (Particulars of Employees) Rules, 1975, as amended till date is not attached.

(L) Auditors :

M/s K C Mehta & Co., Chartered Accountants, Vadodara, the Auditors of the Company, will retire at the ensuing Annual General Meeting and are eligible for reappointment. The Company has received certificate under Section 224 of the Companies Act, 1956 from them to the effect that their reappointment, if made, will be in accordance with the limits specified under Section 224(1B) of the said Act. The members are requested to appoint the Auditors and fix their remuneration.

(M) Social Responsibility and Welfare :

Being a conscientious corporate body, your Company has been actively involved in the socio-economic development and welfare of the people living around the power plants at Baroda and SLPP through Society for Village Development in Petrochemicals Area (SVADES) and Urja Foundation in Baroda and Development Efforts for Rural Economy and People (DEEP) at SLPP.

(N) Environmental Protection :

The Company recognises Environment Management as an integral function of the operation. Towards this end the Company installed appropriate technology for control of pollutants at source. Circulating Fluidised Bed Combustion boilers for SO₂ and NO_x control and Electrostatic Precipitators for control of particulate emission in the lignite based power plant at Mangrol are some of the actions taken by the Company in this direction.

Though GIPCL has open cast mine to feed lignite to its power plant, care has been taken to ensure that such operations do not result in creation of wastelands by preserving the fertile top soils and spreading them over the back-filled portion of the mine. This enabled restoration of the lands for productive agricultural use and for development of plantations.

The Company Installed oil mist eliminator in Station-I Gas Turbine #3 to reduce oil vapor discharge in atmosphere.

(O) Conservation of Energy :

Several energy conservation measures are taken at Vadodara Plants and SLPP during the year, and some of the measures which have significant results are indicated below :

At Vadodara :-

- The Company has carried out major Plant modifications, like putting baffle plates at chimney end in HRSG reducing heat loss going to atmosphere through exhaust, putting sleeves on part of super heater tubes reducing system energy consumption and other steam losses in our Station-II @ 3.90% (5°C), to achieve better efficiency and energy conservation.
- Subsequent to discontinuation of Naphtha firing In GT-4, the unused rotary equipment of Naphtha firing were removed, saving in energy consumption of the machine.

At SLPP :-

- Anti corrosion epoxy paint applied on condenser water box resulting in life extension of water box.
- Installation of sonic soot blowers resulted in saving in steam consumption and more heat transfer in APH.
- Providing additional turns in secondary winding of lighting transformer to reduce the voltage thereby reducing the energy consumption. This would also enhance the life of ballast & lamps.

(P) Technology Absorption :

The disclosures of particulars as per Form B are given in the Annexure hereto.

(Q) Foreign Exchange Earning and Outgo :

During the year there was no earning in foreign exchange. As regards outgo in foreign exchange, please refer to Item No. 05 of Schedule 18 to the Notes forming part of Accounts appended hereto.

(R) Director's Responsibility Statement :

In terms of Section 217(2AA) of the Companies Act, 1956, in relation to financial statements for the year under reference, the Board of Directors state that:

- In the preparation of the annual accounts, the applicable accounting standards have been followed along with proper explanation relating to material departures, if any.



Gujarat Industries Power Company Limited

2. Reasonable and prudent accounting policies have been used in the preparation of the financial statements, that they have been consistently applied and that reasonable and prudent judgement and estimates have been made in respect of items not concluded by the year end, so as to give a true and fair view of the state of affairs of the Company as at 31st March, 2007 and of the profit for the year ended on that date.
3. Proper and sufficient care has been taken for 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, if any.
4. The financial statements have been prepared on a going concern basis.

(S) Report on Corporate Governance and Management Discussion & Analysis Report :

Your Company has complied with all the mandatory provisions of Corporate Governance as prescribed under

the Listing Agreement with Stock Exchanges with which the Company is listed. A separate report on the Corporate Governance along with the Certificate of Practicing Company Secretary forms the part of this Annual Report. The Management Discussion and Analysis report also forms the part of this Annual Report.

(T) Acknowledgement :

Your Directors place on record their appreciation for the overwhelming co-operation and assistance received from the Government of Gujarat, Participating Units, Government of India, BHEL, Industrial Development Bank of India Ltd., and other Financial Institutions, Banks and other agencies. The Directors' also wish to express their gratitude to investors for the faith reposed by them in the Company.

For and On behalf of the Board

Sd/-

Smt. Vijaylaxmi Joshi, IAS

Chairperson

Date :

Place : Vadodara



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ANNEXURE TO DIRECTOR'S REPORT

FORM - B

Disclosure of particulars with respect to Technology Absorption

(A) Research & Development (R & D)

1. Specific area in which R & D carried out by the Company
2. Benefits derived as a result of the above R&D
3. Future plan of action
4. Capital Expenditure
5. Recurring Expenditure

(B) Technology absorption, adaptation & innovation

1. Efforts in brief, made towards technology ...
 - i. Acquired fuel gas from additional source to optimize plant utilization at Vadodara.
 - ii. On Line Gas Chromatograph to optimize the gas consumption and on line performance monitoring
 - iii. Total integration of Materials Management, Plant Maintenance and Financial Management achieved through Enterprise Resource Planning (SAP/R3), with upgradation from SAP 4.6 TO SAP 4.7.
 - iv. ESP duct MEJ conversion to NMEJ to reduce maintenance time.
 - v. ISO 9001:2000, ISO:14001:2004 & ISO:18001:1999 implemented.
 - vi. 100% utilisation of fly ash generated from SLPP for construction of mines roads, brick manufacturing and for back filling of lignite mines.
 - vii. Turbine trip on BPS 1 achieved logic is made 2 out of 3 instead of previous 1 but of 2 for better discrimination and reliability.
 - viii. Bed Lance SGC logic modified.
 - ix. Seal Pot and FBHE blowers' auto changeover logic modified.
 - x. Indigenising the imported components.
 - xi. RLA Study carried out in Station-I, HRSG – 1 and 2.
 - xii. Major energy conservation and efficiency improvement measures taken by way of modification in Heat Recovery Steam Generator (HRSG) in Station II.
2. Benefits derived as a result ...
 - i. With installation of a modified gas mixing scheme, utilization of natural gas from various sources to optimize plant generation made possible, increasing profitability, benefiting the people of State of Gujarat..
 - ii. ERP SAP/R3 4.6b version has been upgraded to 4.7c version with new functionalities on the state of the art titanium based hardware platform. SAP/R3 has been successfully rolled out at SLPP.



Gujarat Industries Power Company Limited

- iii. Reduction in System Energy Consumption and other steam losses in our Station-II @ 3.90% (5°C), to achieve better efficiency and energy conservation.
- iv. Due to highly acidic flue gas, ESP duct MEJ was getting corroded. By replacing it with corrosion resistant NMEJ, life extension and reduction in maintenance is expected.
- v. Implementation of ISO:9001:2000 on Quality Management System has helped in bettering our operations by adherence to systems and procedures. Implementation of ISO:14001:2004 and ISO:18001:1999 on EOHS Management System ensured GIPCL and Interested Parties for having safer working environment and better pollution abatement.
- vi. Use of fly ash for construction of mines roads reduced costs and enabled use of the roads during monsoon. Our ash is being used for brick manufacturing by outside parties and also by DEEP. Bricks manufactured by DEEP are extensively used for our ongoing project requirement. We are using ash for void filling in mines also.
- vii. By providing Turbine trip on BPS 1 activated logic 2out of 3 instead of previous 1 out of 2, reliability of the system increased.
- viii. Bed Lance SGC logic modified to reduce downtime while start up and plant emergency condition when both lignite conveyors are not available.
- ix. On tripping of standby blower which is in operation, main blower was not coming in auto operation. By modifying the logic now auto change over of seal pot blower/ FBHE blowers is possible without operator intervention. This also resulted in more redundancy in system and equal operating life of blowers.
- x. We have indigenized several spares and components originally imported viz., lignite conveyor chains, blower lobes, lignite rotary airlock feeder components, thereby mitigating the risk of availability with substantial reduction in cost.

3. Imported Technology...

- i. CFBC Technology adopted for boilers at Surat Lignite Power Plant is of imported origin i.e from Lurgi Energie Und Entsorgung GmbH, Germany through BHEL.
- ii. HP/IP Single Casing Technology of Siemens, Germany having better efficiency adopted for the turbines at Surat Lignite Power Plant.
- iii. SLPP uses the state of art DCS system from M/s.Siemens, Germany for control and instrumentation.
- iv. Frame IX, GE (USA) Technology has been adopted for Station-II 160 MW Baroda through BHEL.
- v. SAP/R3 is imported software originally developed in Germany.
- vi. The Gas Chromatograph are from 'Denial' Germany, which is a well-known Company in Gas Measurement.



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MANAGEMENT DISCUSSION AND ANALYSIS REPORT 06 – 07

⇒ FORWARD LOOKING STATEMENTS:

Statements in this Management Discussion and Analysis of Financial Condition and Results of Operations of the company describing the company's objectives, expectations or predictions may be forward looking within the meaning of applicable securities' laws and regulations. Forward-looking statements are based on certain assumptions and expectations of future events.

The company cannot guarantee that these assumptions and expectations are accurate or will be realised. The company assumes no responsibility to publicly amend, modify or revise forward-looking statements, on the basis of any subsequent developments, information or events. Actual results may differ materially from those expressed in the statement. Important factors that could influence the company's operations include cost of fuel, determination of tariff and such other charges and regulations, tax laws, economic developments within the country and such other factors.

The financial statements are prepared under historical cost convention, on accrual basis of accounting, and in accordance with the provisions of the Companies Act, 1956 and comply with the accounting standards issued by the Institute of Chartered Accountants of India. Assets and liabilities created under applicable Electricity Laws continue to be depicted under appropriate heads. The Management of Gujarat Industries Power Company Limited ("GIPCL" or "the company") accepts responsibility for the integrity and objectivity of these financial statements, as well as for various estimates and judgements used therein. These estimates and judgements relating to the financial statements have been made on a prudent and reasonable basis, in order that the financial statements reflect in a true and fair manner, the state of affairs and profits for the year.

⇒ INDUSTRY STRUCTURE AND DEVELOPMENTS :

Power is said to be the catalyst for economic development. Sustained socio-economic growth substantially hinges upon the availability of adequate and reliable power at reasonable rates. Power is a vital building block for development and growth of all the sectors of the economy and is the heart of every walk of our day – to – day life.

On account of inadequate generation capacity, the country is plagued by power shortages. The total energy deficit during FY 2006-2007 was around 9.30 % and the peak deficit was 13.90%. According to one estimate,

on the demand projections made in the 16th Electric Power Survey, over 1,00,000 MW additional generation capacity needs to be added by 2012 to bridge the gap between demand and supply of power. In plain terms there is a need to add at least 12000 MW every year to sustain the pace of growth of economy @ 8%-9%.

In India Power sector is witnessing a critical phase. The Government has taken up reforms in the power sector to mobilize private sector resources for power generating capacity addition. In a bold and comprehensive initiative, Central Government has enacted the Electricity Act 2003 that provides a path forward for paradigm shift in power sector. Central government in association with state governments has taken following major policy initiatives in line with the spirit of The Electricity Act 2003:

- Finalisation of National Electricity Policy
- Finalisation of National Tariff Policy
- Issue of Guidelines for Competitive Bidding
- Policy for 100% Rural Electrification
- Establishment of National Appellate Tribunal
- Unbundling of State Electricity Boards (SEBs)
- Institutionalization of Regulatory Mechanism for distancing Government from regulation.
- Modernization of Rural Infrastructure

Further Central Electricity Regulatory Commission (CERC) and various State Regulatory Commissions (SERC) have framed various rules and regulations for effective implementation of provisions of the Electricity Act.

In order to boost the capital intensive power generation sector the GOI has also proposed installation of Ultra Mega Power Projects at various locations in India, each with a capacity of 4000MW. Power Finance Corporation Ltd. (PFC) has been nominated as nodal agency which shall complete the necessary initial infrastructure work like obtaining necessary statutory clearances, land acquisition, water supply, rail and road networks, fuel linkages etc. PFC shall offer these projects for development to interested parties through competitive bidding process. This will help the power sector in augmenting capacity addition by providing opportunity to not only private sector in India but also to global players.



Gujarat Industries Power Company Limited

MANAGEMENT DISCUSSION AND ANALYSIS REPORT 06 – 07 (Contd.)

The Electricity Act permits use of captive power facility freely, simultaneously by delicensing open access into power generation has been permitted. The Act also allows generating companies to sell power directly to consumers. Earlier the generating companies were dependent on SEBs for their cash flow, now they can bank upon consumer and may not face problem of timely recovery of their dues. This will lead to further private investment in generation utilities. Third party sale without depending on SEBs will bring in further competition in the sector

Central Government has taken various initiatives in its power sector reform programs such as:

➤ FACILITATING CAPTIVE POWER CAPACITY :

Guidelines have been issued to all the States on Captive Power Development. This has been done keeping in view the needs of industry, the present availability of generating capacity including facilities for evacuation and the gestation time for creation of additional generation capacity with the objective that the industry should not suffer due to shortage of power in the overall interest of the economy.

➤ ADDITION AND CREATION OF GENERATION CAPACITY TO REMOVE SHORTAGES :

The Ministry has taken a comprehensive and realistic review of the various power projects to prioritise those, which can be commissioned in the Xth and XIth Plans. Based on this review, a capacity addition target of 46,500 MW has been tentatively fixed for Central Public Sector Undertakings under the Ministry of Power. At the State level, the SEBs / State Utilities and Private Sector will add about 41,800 MW. For optimal development of the electricity energy in its totality, an integrated approach, including capacity addition through nuclear and non-conventional energy, has been adopted. The capacity addition targets of 6400 MW through nuclear power and 10,700 MW through non-conventional resources have been accordingly fixed for the period upto 2012.

The large coal reserves in the country provide a ready and economical resource and ensure energy security. Hence, coal has been identified as the mainstay fuel for power generation till 2012. Emphasis has been laid on setting up large pit head stations to avoid high costs associated with transportation of high ash bearing Indian coal and overstraining the already stretched rail network.

Hydroelectricity is clean energy and its generation is not linked to issues concerning fuel supply, especially the price volatility of imported fuels. It enhances our energy security and is ideal for meeting peak demand. Less than one fourth of the vast hydel potential of 1,50,000 MW has been tapped so far. Compared to the high utilisation of hydro potential in countries like Norway (58%), Canada (41%) and Brazil (31%), the utilisation of only 17% of its hydel potential by India is extremely low. In fact, the share of hydro generation in India has gradually declined during the past 25 years. Consequently, thermal generation, which should generally be used for base load operation, is also being used to meet peaking requirements

➤ ACCELERATED POWER DEVELOPMENT REFORMS PROGRAM (APDRP):

Government of India approved a scheme called "Accelerated Power Development and Reforms Program (APDRP)" in March 2003 to accelerate distribution sector reforms.

The main objectives of the program are:

- Reduce Aggregate Technical & Commercial (AT&C) losses
- Bring about commercial viability in the power sector
- Reduce outages & interruptions
- Increase consumer satisfaction

The scheme has two components as below:

- a. Investment Component – Government of India provides Additional Central Assistance for strengthening and up gradation of sub-transmission and distribution network. Additional Central Assistance covers 50% of the project cost in form of 50% grant and 50% loan. SEBs and Utilities have to arrange remaining 50% of the fund from Power Finance Corporation (PFC) and Rural Electrification Corporation (REC) or other financial institutions or from their own resources as counter-part fund category.

APDRP is an instrument to leverage distribution reforms in the States. Therefore, priority is being given to projects from those States who have committed themselves to a time-bound program of reforms as elaborated in the Memorandum of Understanding (MoU) and Memorandum of Agreement (MoA) and are progressing on those commitments.



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MANAGEMENT DISCUSSION AND ANALYSIS REPORT 06 – 07 (Contd.)

b. Incentive Component - An incentive equivalent to 50% of the actual cash loss reduction by SEBs / Utilities, is provided as grant. The year 2000-01 is the base year for the calculation of loss reduction, in subsequent years. The cash losses are calculated net of subsidy and receivables.

➤ **ACCELERATED GENERATION & SUPPLY PROGRAM [AG&SP] – HIGHLIGHTS :**

- Aims at funding such projects which yield faster benefits, higher returns with low investment and add to the economy of operations of SEB and Power Sector.
- Financial assistance at concessional lending rates with interest subsidy upto 4% provided by GOI. Additional 1% subsidy for projects in North Eastern States during IXth Plan.
- Program operational during IXth Five-Year Plan. Disbursement [under AG&SP] during 9th Five Year Plan of Rs.96 billions.

➤ **ACCELERATED POWER DEVELOPMENT PROGRAMME [APDP]**

- APDP introduced in February 2000.
- Scheme to continue till 2012
- Sole objective of initiating financial turn around in the state owned Power sector.
- Amount provided in APDP is an additional Central Plan Assistance to state Governments.
- Funds to be provided by PFC and REC through a combination of grant and loan in 50:50 ratio.
- Priority to be given to states committing a time bound reference program with setting up of SERC :
 1. Creation of separate profit centers / restructure generation, transmission & distribution networks.
 2. Making the system accountable and profitable.
 3. Completion of 100% of metering for all distribution circles in a planned manner.
 4. Promotion of demand side management
- APDP to finance projects for :
 1. Renovation & Modernisation
 2. Life Extension
 3. Uprating of old power plants
 4. Upgradation & Strengthening of T&D network.

➤ **THE NATIONAL ELECTRICITY POLICY**

On 12/02/2005 Govt. of India (GOI) has announced certain objectives keeping in mind the overall growth of Power Sector, some of the major objectives are given below:

- Access to Electricity - Available for all households in coming five years
- Availability of Power – Power to all by 2012. Energy and peaking shortages to be overcome and adequate spinning reserve to be available.
- Reliable and Quality Power of specified standards in an efficient manner and at reasonable rates should be available to public at large.
- Per capita availability of electricity to be increased to over 1000 units by 2012.
- Minimum lifeline consumption of 1 unit/household/day as a merit good by year 2012.
- Financial Turnaround and Commercial Viability of Electricity Sector.
- Protection of consumers' interests.

Power Sector in Gujarat

With the bifurcation of the State of Gujarat from the State of Maharashtra in the 1960, Gujarat has developed its capabilities and expertise in the power sector, which has contributed to the industrial growth of the state. The per capita electrical energy consumption in Gujarat was 944 units during FY 2003, which is much higher than that of National Average, which was less than 400 units during the same period. The total installed capacity of power generation in the state as of now is 9,317 MW. Gujarat is one of the first states in India to appoint a fully independent and functional regulator for the electricity sector. The Gujarat Electricity Regulatory Commission (GERC/the Commission) is functional since FY 2000. The Commission has already indicated its inclination for setting market mechanism in the state. Being the sole licensing authority for transmission, distribution and trading, GERC has already finalized regulations for determination of tariffs, charges and surcharges and the same shall come into force after being notified in the official gazette. This would create and promote necessary infrastructure for bringing about competition driven efficiencies in the sector leading to opening up of investment opportunities. The Gujarat Electricity Industry



Gujarat Industries Power Company Limited

MANAGEMENT DISCUSSION AND ANALYSIS REPORT 06 – 07 (Contd.)

(Reorganisation and Regulation) Act, 2003 has already been enacted for supporting and smoothening the power sector reforms in Gujarat.

Total Installed Capacity of Power Generation in Gujarat (In MW):

Particulars	Installed Capacity
Share in Central Sector Stations	1538.30
State Projects	5885.30
Private Sector	2289.57
Total	9713.17

The above table indicates that Gujarat has been successful in attracting private sector investment in power generation. Gujarat has adequate inter-regional transmission and distribution capacity for evacuation of electricity generated from the power stations for meeting the demand of consumers across the state. Gujarat has 382,701 kms of transmission and distribution line network.

➤ INITIATIVES OF GOVERNMENT OF GUJARAT :

The State of Gujarat had taken initiatives in power sector reforms by passing the Gujarat Electricity Industry (Reorganisation & Regulation) Act, 2003, the key highlights of the Act are:

- ☞ Regulation of the Power industry by an independent body called Gujarat Electricity Regulatory Commission (GERC).
- ☞ Unbundling of erstwhile Gujarat Electricity Board into One Trading Utility, One Generation, One Transmission and Four Distribution Utilities.
- ☞ Setting up of specific benchmarks for customers' service.
- ☞ Setting up of standards of system efficiency.
- ☞ Deterrent measures for reduction of power theft.

The efforts of the Govt. of Gujarat has yielded results it has been one of the best performing states in the Power Sector during the past two years.

The passage of Gujarat Electricity (Reorganisation and Regulation) Act, 2003, by Govt. of Gujarat is a step taken in this direction. The main function of GERC encompass the regulation on purchase, transmission, distribution, supply and utilisation of electricity, the

quality of service and the tariff and charges payable for the transmission, distribution or supply of electricity having regard to the interest of both the consumers and other persons availing the services and the utilities and the procedure thereof for trading of electricity.

➤ OUTLOOK, OPPORTUNITIES AND THREATS :

The per capita consumption of power in India in the year 2006-07 was 606 kWh which is very low as compared to global average of around 3000 kWh and this certainly reflects the demand supply gap and prospects and opportunities for the growth of power sector.

The Company has full backing from the Govt. of Gujarat (GOG) even though the direct equity holding of Govt. is not very large. The Company is managed by a team of personnel headed by the Managing Director who is a Secretary level IAS officer and the Chairman of the Company is also a Senior IAS officer of Principal Secretary level.

The outlook for the Company in the times to come will be more focussed on :

- ☞ Enhancing operational efficiencies.
- ☞ Ensuring better operational flexibilities with the usage / adoption of multi fuel technology.
- ☞ Further expansion of capacities based on available Lignite reserves.
- ☞ Cost efficiency to enable supply of Cheap and reliable power to customers/state.
- ☞ Prime concern for environment protection and improvement.
- ☞ Exploring the avenues in consultancy in O&M of gas based and CFBC based thermal power plants.
- ☞ Exploring the avenues and Diversification into the area of distribution

➤ RISKS & CONCERNS :

GIPCL is dependent on the domestic market for its business and revenues. The company's power generating and distribution facilities are located in Gujarat and virtually all of the company's revenues are derived from the domestic market. These factors may potentially expose the company to any risk of a



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MANAGEMENT DISCUSSION AND ANALYSIS REPORT 06 – 07 (Contd.)

significant shock to the national economy and any adverse changes in the policies and regulations related to the power sector.

However, the Government of India has been pursuing progressive policies on economic liberalization and reforms in the power sector including considerable reduction in government interference. In addition, the company closely monitors the government policy measures to identify and mitigate any possible business risks.

Generation of Power at the company's power stations can be affected due to various factors including non-availability of fuel, grid disturbances and such other factors in load management in the grid. The company has entered into agreements with gas suppliers for adequate supply of fuel for its gas-based stations at Baroda, thus, mitigating the fuel availability risk. To remain unaffected by the grid differences the company has developed systems to island its power stations from the grid.

The company endeavors to achieve the highest efficiency in its operations and has been implementing cost reduction measures in order to enhance its competitiveness and maintain profitability.

Power projects are highly capital intensive. Such highly capital-intensive projects run the risks of –

- (I) Longer development period due to statutory clearances, financial and infrastructural requirements.
- (II) Delay in completion of project
- (III) Performance risk and
- (IV) Cost over-runs. GIPCL is currently implementing 250 MW power generation project (Expansion Project) at its Surat Lignite Power Plant at Village Nani Naroli, Taluka Mangrol, Distt Surat.

➤ INTERNAL CONTROL SYSTEM & ITS ADEQUACY :

The Company has adequate internal control systems and procedures commensurate with the size of the Company, which include internal audit and review by external firm of Chartered Accountants and pre-audit of payments by internal team of Accountants. All major payments and statutory payments pass through the strict scrutiny by pre-audit team before release of the same to parties. The internal control measures such as defining the various levels of the authority through delegation of

powers, well laid down purchase procedures, checks and balances in the financial system to safeguard the Company's assets, budgetary controls and variance analysis are in place.

The procurement and operational maintenance activities are planned well in advance to avoid any possible risk of late delivery of materials, delay in attending to maintenance needs etc. The Company stores and maintains all the relevant data and information as a back up, to avoid any possible risk of losing important business data.

The qualified and independent Audit Committee of the Board periodically reviews the internal audit reports and the status of implementation of actions recommended.

⇒ FINANCIAL REVIEW:

The financial statements are prepared under historical cost convention, on accrual basis of accounting and in accordance with the provisions of Companies Act, 1956 and comply with the Accounting Standards issued by the Institute of Chartered Accountants of India (ICAI).

GIPCL'S total income for the year ended 31st March, 2007 increased to Rs.882.79 Crores compared to Rs.799.22 Crores in the previous year. The total income includes earnings from sale of electrical energy at Rs.795.58 Crores as compared to Rs.756.59 Crores recorded last year.

Operating profit (PBDIT) increased to Rs.324.28 Crores during the year, up from Rs321.96 Crores in the previous year.

The fuel cost increased from Rs. 400.19 Crores to Rs. 418.07 Crores on account of increase in the gas price.

Interest expenditure has reduced to Rs. 51.90 Crores as compared to Rs. 55.29 Crores

The 160 MW Station-II at Baroda and 250 MW Surat Lignite Power Plant (SLPP) Phase – I at Surat are eligible for the tax holiday under Section 80IA of the Income Tax Act, 1961 for a period up to Assessment Year 2012-2013 (in case of 160 MW Baroda Station II) and Assessment Year 2015-2016 (in case of 250 MW SLPP Phase I) and hence the effective tax rate for the Company as a whole is 16.91 % of turnover.

The Corporate Tax Liability for the year was Rs.30.70 Crores compared to Rs.57.50 Crores in the previous



Gujarat Industries Power Company Limited

MANAGEMENT DISCUSSION AND ANALYSIS REPORT 06 – 07 (Contd.)

year. There was a reversal of deferred tax of Rs.32.49 Crores on reassessment of deferred tax liability as per ASI-3 issued by ICAI. Cash profit was Rs.241.30 Crores compared to Rs. 208.99 Crores in the previous year.

Net profit for the year recorded an increase of 59.31 % to Rs.182.92 Crores against Rs. 114.82 Crores in the previous financial year.

The net profit of Rs.182.92 Crores has been arrived at after taking into consideration the Rs.1.02 Crores towards impairment of assets and reversal of deferred tax liability amounting to Rs. 32.49 Crores, however excluding these, the net profit would have been lower at Rs.151.45 Crores.

The total dividend pay out for the year at 20% dividend rate is Rs.34.72 Crores including dividend tax. Out of this the Company has already paid an Interim Dividend @ 15% in the month of March 2007.

Capital expenditure during the year was 140.42 Crores mainly on account of expenditure incurred on 250 MW expansion project at SLPP, Surat.

Total gross assets increased during the year to Rs. 2839.98 Crores as compared to Rs. 2744.35 Crores in the previous year.

As on 31st March 2007, the net worth of the Company stood at Rs.1066.18 Crores.

➤ HUMAN RESOURCE & INDUSTRIAL RELATIONS

Please refer the point no. "J" of the Directors' Report to Shareholders, which forms a part of this Annual Report.

⇒ SEGMENT WISE GROWTH :

The Company has no separate segments and hence there is no reporting on the segment wise growth.

Data Source : *Websites of Power Ministry-GOI.*

For and on behalf of the Board of Directors

Place :
Date :

Sd/-
Smt. Vijaylaxmi Joshi, IAS
Chairman



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REPORT ON CORPORATE GOVERNANCE

1. THE BASIC PHILOSOPHY OF CODE OF CORPORATE GOVERNANCE :

The Philosophy :

Corporate Governance is about commitment to values and ethical business conduct. It is about how to manage an organization, that is to say, how to manage its corporate and other structures, its culture, policies and the manner in which it deals with various stakeholders. Proper, accurate and timely disclosure of information regarding the affairs of the company, its financial position, performance, ownership and governance is an integral part of the philosophy of Corporate Governance.

Our perspective:

The Company's corporate governance philosophy is based on following principles:

1. Follow the laws of land, not only in letter, but in spirit too.
2. Transparent, truthful and complete disclosure of information.
3. Distinguish between personal conveniences and company's resources and properties.
4. Management is not the owner, it is the trustee of its stakeholders.

The Company's Corporate Governance Policy emanates from the very basics of the Shareholders' own institution (a Company) which they own, needless to say the number of shares they hold. The apex governing body of the Company viz. the Board of Directors believes that there should be proper admixture of responsibility and accountability of the Board and it is vital for all the constituents like Consumers, Investors, Employees and regulatory authorities.

The Company firmly believes and proclaims that the shareholders are the cause of and ultimate beneficiaries of our business and economic epicenter.

Our endeavor:

Your Board of Directors is proud to assert that much before the Code of Corporate Governance, in its present state, was thought of, GIPCL was following it in strict as well as literal sense.

The Company's Board formally adopted the recommendations of good Governance as enunciated by CII long back. The enhancement of the shareholders' value was, is and will remain Company's topmost priority and to substantiate this, the Company's Mission Statement contains this as one of the end results of all its economic activities.

The Company is managed and controlled through a professional Board. The Board consists as such of entirely independent Directors, even the Chairman and Managing Director are independent since they are nominated by the Govt. of Gujarat. The Company's Board comprises of eminent persons with considerable vision, expertise and experience in their relevant fields.

All Committees of the Board like Share/Debt Transfer and Investors' Grievance Committee, Audit Committee, etc. that are required under the Code of Corporate Governance have been constituted since long and are meeting regularly.

2. CODE OF BUSINESS CONDUCT AND ETHICS:

The Code of Conduct generally encompasses acceptable pattern of behavior expected of Directors and senior management team with a view to maintain high standards of professionalism and ethics. Inter alia, the code should include honesty and integrity in transactions affecting the Company, conflict of interest, insider trading, acceptance of gifts and donations, protection of assets, communication, whistle blower policy. The code cannot remain static and will have to be modified as per moral, cultural and ethical sense of values encountered from time to time by the Company.

The Board of Directors of the Company have formally adopted the Code of Conduct at their meeting held on 25th January, 2006. The code has been made applicable to the Board and also to the senior officers of the Company in the rank of Deputy General Manager and above and Company Secretary of the Company.



Gujarat Industries Power Company Limited

REPORT ON CORPORATE GOVERNANCE (Contd.)

The Directors and senior management team shall self certify their adherence and compliance of the code of conduct at the end of each financial year.

The Company's Code of Conduct is available on the company's website at www.gipcl.com.

3. BOARD OF DIRECTORS : (Composition and Category of Directors)

➤ Existing Directors as on 31/03/2007 :

Sr.	Name of Directors & Qualifications	Category (Designation)	*No. of Board Mtgs. Held during FY 2006-07.	No. of Meetings attended	No. of Membership on the Board of other Companies	Whether attended last AGM dt.29/09/06
1	Smt. V L Joshi, IAS B.A.(Eng., Geography, Physics & SCO), M.A. (Psychology) (Nominated by Govt. of Gujarat)	Chairman (Non Executive)	03	03	08	N.A.
2	Shri P K Taneja, IAS BE (E & C) (Nominated by Gujarat State Fertilizers & Chemicals Ltd.)	Director (Non Executive)	07	05	11	YES
3	Shri A K Joti, IAS M.Sc. (Chemistry) - (Nominated by Govt. of Gujarat)	Director (Non Executive)	07	00	12	NO
4	Shri A Khandual M.A. (Economics) MFM, CAIIB	IDBI –Nominee Director (Independent) as IDBI Nominee	07	07	N.A.	YES
5	Prof. Shekhar Choudhary, M.E. (IIT – Kharagpur)	Director (Independent)	07	02	02	NO
6	Prof. Kirankumar Joshi B.Com., M.A., Phd.	Director (Independent)	06	06	Nil	YES
7	Dr.P.K.Das (IAS-Retd.) M.A., LLB., MPA, Phd.	Director (Independent)	06	06	Nil	YES
8	Shri G P Mohapatra, IAS (Nominated by Gujarat Alkalies & Chemicals Ltd.)	Director (Non Executive)	03	03	06	N.A.
9	Shri L. Chuaungo, IAS B.A.	Managing Director (Executive)	07	07	08	YES

* No. of Meetings held since date of appointment.



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REPORT ON CORPORATE GOVERNANCE (Contd.)

- None of the Directors hold any shares in the Company.
- Directors Ceased to be so during FY 2006-07 :

Name of Directors & Qualifications	Category (Designation)	*No. of Board Mtgs. Held during FY 2006-07.	No. of Meetings attended	No. of Membership on the Board of other Companies	Whether attended last AGM dt.29/09/06
Shri Balwant Singh, IAS, M.Sc. (BHU), M.A., (UK) PG Diploma in Management (IGNOU) upto 14.03.2007	Chairman (Non Executive)	04	04	11	YES
Shri R N Singh B.Sc. (Mech. Engg.) upto 22.09.2006	Director (Non Executive)	02	02	00	NO
Shri M.S. Agarwal M.E.(Mech. Engg.) (upto 05/12/2006)	Director (as GSFC Nominee) - (Non Executive)	04	04	02	YES
Shri C.S. Mani M.E. (Chemical Engg.) Cornell University, New York, USA. upto 22.07.2006	Director (as GACL Nominee) - (Non Executive)	01	01	01	N.A.
Shri A N Mandke B.E.(Mechanical) (Upto 05.12.2006)	Director (as GACL Nominee) - (Non Executive)	03	03	Nil	YES

➤ BRIEF RESUME OF THE DIRECTORS UNDER APPOINTMENT / RE-APPOINTMENT :

For the resume of Shri A K Joti, IAS, Prof. Kirankumar Joshi and Shri P H Rana it is requested to refer to the explanatory statement annexed to the notice convening the 22nd Annual General Meeting of the Company, which forms the part of this Annual Report.

4. BOARD MEETINGS:

➤ MEETINGS OF BOARD OF DIRECTORS HELD DURING F.Y.2006-07:

Sr. No.	Dates of Board meeting
01.	19/05/2006
02.	22/07/2006
03.	29/09/2006
04.	26/10/2006
05.	10/01/2007
06.	24/01/2007
07.	14/03/2007



Gujarat Industries Power Company Limited

REPORT ON CORPORATE GOVERNANCE (Contd.)

➤ Code of Conduct :

The Company has laid down a Code of Conduct for all its Board Members and Senior Management Personnel to avoid any conflict of interest. The declarations with regard to the compliance to the Code of Conduct have been received for the Financial Year 2006-2007 from all the Directors and Senior Management Personnel. The Board of Directors have also noted the adherence to the code of conduct. The Code of conduct is available on the web-site of the Company viz. www.gipcl.com.

➤ AVAILABILITY OF INFORMATION TO THE BOARD OF DIRECTORS

The Board of Directors of the Company are made abreast with all relevant and significant information and developments in the functioning of the Company which facilitates them to take the Corporate decisions. The Company has also appointed M/s Nitin S. Parikh & Co., Chartered Accountants as internal auditors whose reports are put up to the Audit Committee. There are comprehensive management reporting systems involving preparation of operating results by divisions and their review by senior management and by the Board at every Board Meeting.

The Board of Directors have complete access to any information within the Company and to any of its employees. At meetings of the Board, senior executives of the Company, and if required managers who can provide additional insights into the agenda items being considered at Board Meetings, are required to remain present.

Apart from the matters which mandatorily require Board's approval, following is regularly put up to the Board for information:

1. Quarterly and Annual Operating Performance, plans, budgets and updates.
2. Minutes of Meetings of Audit Committee, Investor Grievance Committee, Project Committee, as well as abstracts of circular resolutions passed and confirmed since the date of last Board Meeting.
3. General Notice of Interest.
4. Information on recruitment and remuneration of senior officers just below the Board level and also Company Secretary, including their appointment or removal, if any.
5. Information on the position of receivables, statutory payments, short term loan, inter corporate deposits or borrowings from the date of last Board meeting.
6. Materially important litigations, show cause notices, demand, prosecution and penalty notices.
7. Fatal or serious accidents or dangerous occurrences having bearing on the safety and welfare of employees and property of the Company.
8. Future expansion plans, their progress and action plan for achievement thereof.
9. A certificate of compliance with all the applicable laws to the Company is being put up to the Board on annual basis.

➤ DETAILS OF THE MEMBERSHIP OF AUDIT COMMITTEE AND INVESTORS' GRIEVANCE COMMITTEE :

Sr. No.	NAME OF DIRECTORS	AS MEMBER OF THE COMMITTEE(S)	AS CHAIRMAN OF THE COMMITTEE(S)
01.	Shri P K Taneja, IAS	02	01
02.	Shri A Khandual	01	01
03.	Prof. Shekhar Chaudhuri	01	00
04.	Shri R N Singh (Upto 22.09.2006)	01	00
05.	Prof. Kirankumar Joshi	01	00
06.	Dr. P K Das, IAS (Retd.)	01	00
07.	Shri L. Chuaungo, IAS	01	00
08.	Shri G P Mohapatra, IAS	01	00



22nd Annual Report 2006-2007

REPORT ON CORPORATE GOVERNANCE (Contd.)

None of the Directors hold the membership of more than 10 committees and Chairmanship of more than 05 Committees across all the Companies in which they are Directors.

5. AUDIT COMMITTEE :

⇒ Purview :

As measure of good Corporate Governance and to provide the assistance to the Board of Directors in fulfilling the Board's responsibilities, an Audit Committee is in existence since February, 1990 and its first meeting was held in August 1991 and the scope of the Audit Committee was strengthened in the light of Corporate Governance provisions in April 2001. The Audit Committee consists of Independent Directors and the main functions of the Audit committee encompasses the following main areas :

- Review of the adequacy of internal control systems and Internal Audit reports and their Compliance thereof.
- Overseeing of the Company's financial reporting process and the disclosure of its financial information to ensure that the financial statements are correct, sufficient and credible.
- To review the financial statements with the Management before they are put up to the Board.

⇒ COMPOSITION OF THE AUDIT COMMITTEE :

The Audit Committee of the Company consisted of following Independent Directors at the commencement of FY 2006-07 viz:

Sr.	Name of Director	
1.	Shri A Khandual	IDBI Nominee -Independent Director as Chairman has rich experience in finance, since he belongs to a Developmental Financial Institution
2.	Shri P K Taneja, IAS	-
3.	Prof. Sekhar Chaudhary	-
4.	Shri R N Singh	-

W.e.f. 22.07.2006, the Audit Committee was reconstituted as follows:

Sr.	Name of Director	
1.	Shri A Khandual	IDBI Nominee -Independent Director as Chairman has rich experience in finance, since he belongs to a Developmental Financial Institution
2.	Shri P K Taneja, IAS	Director
3.	Shri R N Singh	Independent Director
4.	Prof. Sekhar Choudhary	Independent Director
5.	Dr. P K Das, IAS(Retd.)	Independent Director
6.	Prof. Kirankumar Joshi	Independent Director

W.e.f. 24.01.2007, the Audit Committee was further reconstituted as follows:

Sr.	Name of Director	
1.	Shri A Khandual	IDBI Nominee -Independent Director as Chairman has rich experience in finance, since he belongs to a Developmental Financial Institution
2.	Shri P K Taneja, IAS	Director
3.	Prof. Sekhar Choudhary	Independent Director
4.	Dr. P K Das, IAS(Retd.)	Independent Director
5.	Prof. Kirankumar Joshi	Independent Director



Gujarat Industries Power Company Limited

REPORT ON CORPORATE GOVERNANCE (Contd.)

The Chairman of the Audit Committee, Shri A. Khandual, attended the 21st Annual General Meeting held on 29/09/2006. The Company Secretary acts as Secretary to the Audit Committee.

Over and above the members of the Audit Committee the Meetings of the Audit Committee has been attended by the Managing Directors as Special Invitee, General Manager & Chief Finance Officer, M/s Nitin S. Parikh & Co., Chartered Accountants - Internal Auditors and M/s K C Mehta & Co., Chartered Accountants - Statutory Auditors.

During the year under review the Audit Committee met 04 times on 18/05/2006, 22/07/2006, 26/10/2006 & 24/01/2007. The Attendance details of the Audit Committee Meetings are as follows:

Name of Directors	No. of Audit Committee Mtgs. Held during FY 2006-07	No. of Meetings attended
Shri A Khandual	04	04
Shri P K Taneja, IAS	04	04
Shri R N Singh	02*	02
Prof. Sekhar Choudhary	04	02
Dr. P K Das, IAS(Retd.)	03	03
Prof. Kirankumar Joshi	03	03

* No. of meetings held since / upto date of appointment / cessation as member.

➤ **Subsidiary Company :**

The Company does not have any Subsidiary Company.

➤ **Accounting Treatment Related Disclosure:**

Since the Company has followed the uniform accounting practices and have adhered to the applicable accounting standards no explanation by the management is therefore warranted from any deviations thereof.

The details of utilization of funds mobilized through Public Issue is given in note No.14 of Schedule 18 (Notes forming part of Accounts) of the Audited Accounts for the year 2006-2007.

6. REMUNERATION COMMITTEE :

Since the Company does not have any Whole time Director except the Managing Director, whose terms of appointment as to remuneration, perquisites etc. is fixed by the State Government, and the constitution of the Remuneration Committee being Non-Mandatory requirement, the said committee is not constituted. The Company during F.Y. 2006-2007, has paid remuneration to MD, Shri L Chuaungo, IAS as per following details.:

Sr. No.	Component of Remuneration	Shri L. Chuaungo, IAS (For F.Y. 2006-07) Amount (Rs.)
01.	Salary	-
02.	Furnished Accommodation	88,700
03.	Free Electricity	64,363
04.	Car Perquisites	—
05.	LTC	—
06.	Tax on Perquisites	46,838
07.	Pension contribution	—
08.	Leave Salary	—
	Total Perks (Sr. 2 to 8)	—
	Total Remuneration	1,99,901



22nd Annual Report 2006-2007

REPORT ON CORPORATE GOVERNANCE (Contd.)

In case of Non-Executive Directors, Sitting Fees @ Rs.3500/- per meeting and Incidental expenses @ Rs.1500/- per meeting is paid by the Company. Sitting Fees in respect of IAS Directors is deposited with the Government Treasury. Mileage Allowance at fixed rate per Kilometer is reimbursed to the Directors, if they use their vehicle for attending the Board and/or Committee Meetings. No sitting fees is payable to the Managing Director.

7. SHARE/DEBENTURE TRANSFER & INVESTORS' GRIEVANCE COMMITTEE :

As a measure of good Corporate Governance and accepting the shareholders as their esteemed customers the Company has well designed investors' grievance redressal system where the average time taken for grievance redressal is quite less and the Committee monitors the investors' grievance redressal periodically. There are no major complaints pending which are not redressed to the satisfaction of the shareholders. There are no Shares transfers pending except under sellers' notice/court cases under injunction order, if any.

This Committee consists of the following independent Directors:

1. Shri P K Taneja, IAS - Non Executive Director - Chairman of the Committee
2. Shri G P Mohapatra - Non Executive Director
3. Shri L Chuaungo, IAS – MD - Executive Director

With a view to facilitate and ensure timely transfer, transmission, issue of duplicate shares etc. the Board of Directors has constituted a sub-committee with the power to entertain such requests involving upto 1000 Equity shares per request for transfer, transmission, duplicate shares etc. comprising of following:

1. Managing Director
2. General Manager & Chief Finance Officer
3. Company Secretary

The jurisdiction of the Committee and sub- committee encompasses the following areas:

- Timely transfer of Shares and Debentures,
- Dematerialisation and / or Rematerialisation of shares,
- Transmission of Shares / Deletion of Name in case of death of the shareholder/s
- Issue of Duplicate shares / debentures in case of lost / misplaced / torn / mutilated ones.
- Timely redressal of complaints pertaining to the non-receipt of dividends, interests on debentures, redemption amount of NCDs/PCDs redeemed.
- Any other related issue/s.

Mr. V V Vachhrajani, Company Secretary is the Compliance Officer of the Company for the purpose. The shares received for transfer are being processed and dispatched within the period not exceeding one month and a Certificate from a Practicing Company Secretary to that effect is being obtained once in the period of six months.

During the FY 2006-07, the Company has received a total 186 nos. of Complaints (out of which 5 complaints pertain to FY2005-06 and were outstanding as on 31.3.2006) and resolved 179 nos. of complaints to the satisfaction of the Shareholders. Of the 7 complaints outstanding as on 31.3.2007 all have been attended to and resolved and as on the date of this report NO complaints pertaining to and received during the FY 2006-07 are outstanding.



Gujarat Industries Power Company Limited

REPORT ON CORPORATE GOVERNANCE (Contd.)

OTHER COMMITTEES :

- **Personnel Committee**

The Company also has a Personnel Committee consisting of following Directors to formulate personnel policies, negotiate wage settlement, etc. The Committee consisted of following Directors:

Sr. No.	Name	
1.	Shri P K Taneja, IAS	Chairman of Committee & Non Executive Director
2.	Shri C S Mani	Non Executive Director
3.	Shri L Chuaungo, IAS	Non Executive Director

w.e.f. 26.10.2006, the Personnel Committee was reconstituted as follows:

Sr. No.	Name	
1.	Shri P K Taneja, IAS	Chairman of Committee & Non Executive Director
2.	Dr. P K Das, IAS (Retd.)	Non Executive Director
3.	Prof. Kirankumar Joshi	Non Executive Director
4.	Shri L Chuaungo, IAS	Non Executive Director

w.e.f. 24.01.2007, the Personnel Committee was further reconstituted as follows:

Sr. No.	Name	
1.	Shri P K Taneja, IAS	Chairman of Committee & Non Executive Director
2.	Dr. P K Das, IAS (Retd.)	Non Executive Director
3.	Prof. K M Joshi	Non Executive Director
4.	Shri G P Mohapatra, IAS	Non Executive Director
5.	Shri L Chuaungo, IAS	Non Executive Director

No. of Meetings of Personnel Committee held during financial year 2006-2007 :

Sr. No.	Dates of Board meeting
01.	28/06/2006
02.	29/01/2007



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REPORT ON CORPORATE GOVERNANCE (Contd.)

• Project Committee

In view of the expansion project on hand, the Company had constituted a Project Committee consisting of following Directors to decide and finalize and implement the activities related to expansion projects:

Sr.	Name		Meetings held on
1.	Shri Balwant Singh, IAS	Chairman of the Committee & Non Executive Director	17/05/2005, 28/11/2005, 26/12/2005, 11/02/2006 & 25/03/2006
2.	Shri P K Taneja, IAS	Non Executive Director	
3.	Shri R N Singh	Non Executive Director	
4.	Shri C S Mani	Non Executive Director	
5.	Shri L Chuaungo, IAS	Non Executive Director	

No meeting of the Project Committee was held during the financial year 2006-07.

• Project Finance Committee

In view of the expansion project on hand, the Company has constituted a Project Finance Committee consisting of following Directors to decide and finalize the activities related to financing of the expansion projects:

Sr.	Name		Meetings held on
1.	Shri P K Taneja, IAS	Chairman of the Committee & Non Executive Director	02/08/2006 & 10/11/2006
2.	Shri M S Agarwal	Non Executive Director	
3.	Shri L Chuaungo, IAS	Non Executive Director	

8. GENERAL BODY MEETINGS :

➤ Date And Venue of The Last Three Annual General Meetings :

Date	Venue	Time	No. of Special Resolutions Passed
25/09/2004	*Registered Office at P O Petrochemical – 391 346, District Baroda	11.00 A.M.	No Special Resolution
30/09/2005	Registered Office at P O Petrochemical – 391 346, District Baroda	11.00 A.M.	No Special Resolution
29/09/2006	Registered Office at P O Petrochemical – 391 346, District Baroda	11.30 A.M.	01(One) Special Resolution passed

* w.e.f. 15.01.2004 P O Petrofils has been merged with P O Petrochemical – 391 346, District Baroda.

9. DISCLOSURES:

There are no materially significant related party transactions i.e. transactions material in nature, with its promoters, Directors or the management, their subsidiaries or relatives etc. that may potentially conflict with the Company at large. The disclosure regarding these transactions is contained in the Annual Accounts of the Company which forms a part of this Annual Report.



Gujarat Industries Power Company Limited

REPORT ON CORPORATE GOVERNANCE (Contd.)

There are no non compliance by the Company, penalties, strictures imposed on the Company by Stock Exchanges or SEBI or any statutory authority on any matter related to capital markets, during the last three years.

The Company complies with all the mandatory requirements as per Clause 49 of the Listing Agreement on Code of Corporate Governance.

10. RISK MANAGEMENT:

The Board of Directors and the Senior Management team is conscious and vigilant on the material developments taking place in the industry. There is a system of regular monitoring of various kinds of risks that are inherent to the nature of business and operations of the Company. The reporting on Risk Management is done to the Board and Board is made abreast of various steps that are taken to mitigate/minimize these risks. Such reporting is done on quarterly basis at the Board Meetings held for considering quarterly and Annual Financial Statements.

11. MEANS OF COMMUNICATION :

Apart from furnishing the copies of the Unaudited Quarterly & Half Yearly Results and Audited Annual results to all the Stock Exchanges where the shares of the Company are listed, the Company publishes the results in one English Newspaper and one Vernacular Newspaper. The Financial Results and Shareholding Pattern of the Company are posted on the EDIFAR section of the SEBI's website regularly.

The Company's financial results are sent in time to Stock Exchanges so that they may be posted on the Stock Exchange's website. The Financial Results of the Company and other information pertaining to the Company is available on the Company's web site at www.gipcl.com. The Company will also provide the copies of its financial results to the investors if so requisitioned for without any extra charge, at the same time they are available on the Company's website also and the same can be downloaded from there. The Management Discussion and Analysis Report will form part of the Directors' Report to shareholders.

Quarterly Report on Corporate Governance under Clause 49 of the Listing Agreement have been submitted to Stock Exchange(s) as follows:

Quarterly Report for the quarter ended	Submitted to Stock Exchange(s) on
30/06/2006	10/07/2006
30/09/2006	07/10/2006
31/12/2006	09/01/2007
31/03/2007	04/04/2007

In view of the recent amendment in the clause 47(f) of the listing agreement the Company has designated an email account specifically for investor service and the same is disclosed on the website of the Company. Investors may send in their complaints at investors@gipcl.com

12. GENERAL INFORMATION TO SHAREHOLDERS :

- ☞ As is indicated in the notice convening the 22nd Annual General Meeting, the 22nd AGM of the Company will be held on **Saturday the 29th September, 2007** at 11.00 A.M. at the Registered Office of the Company at P.O. Petrochemical – 391 346, Dist. Vadodara.
- ☞ The financial year of the Company is from 1st April to 31st March.



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REPORT ON CORPORATE GOVERNANCE (Contd.)

☞ The Register of Members of the Company shall remain closed from **Tuesday, 18th September, 2007 to, Friday the 28th September, 2007** (both days inclusive).

☞ The Equity Shares of the Company are listed at following stock exchanges :

Sr. No.	Name of The Exchange (Scrip Code)	Sr. No.	Name of The Exchange (Scrip Code)
01.	Vadodara Stock Exchange Ltd. (Regional Stock Exchange) Scrip Code : 517300	02.	Bombay Stock Exchange Limited Scrip Code : 517300
03.	Calcutta Stock Exchange Association Limited	04.	National Stock Exchange of India Limited (Scrip code : GIPCL- EQ)

The Company has got its securities delisted on Ahmedabad, Madras & Delhi Stock Exchanges whereas delisting on Calcutta Stock Exchange is pending due to the delay in approval on their part. The Annual Listing Fees in respect of Vadodara Stock Exchange Limited, National Stock Exchange of India Limited and Bombay Stock Exchange Limited for the FY 2007-08 has been paid by the Company.

☞ The Market price data (Monthly High / Low) of Company's Equity shares traded on Bombay Stock Exchange Limited (BSE) and National Stock Exchange of India Limited (NSE) during the period April 2006 to March 2007 is given below :

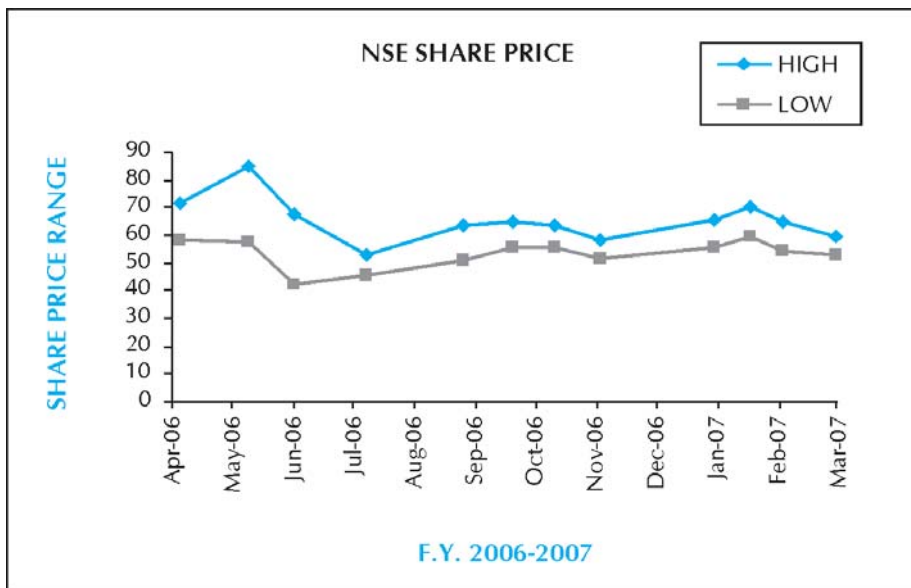
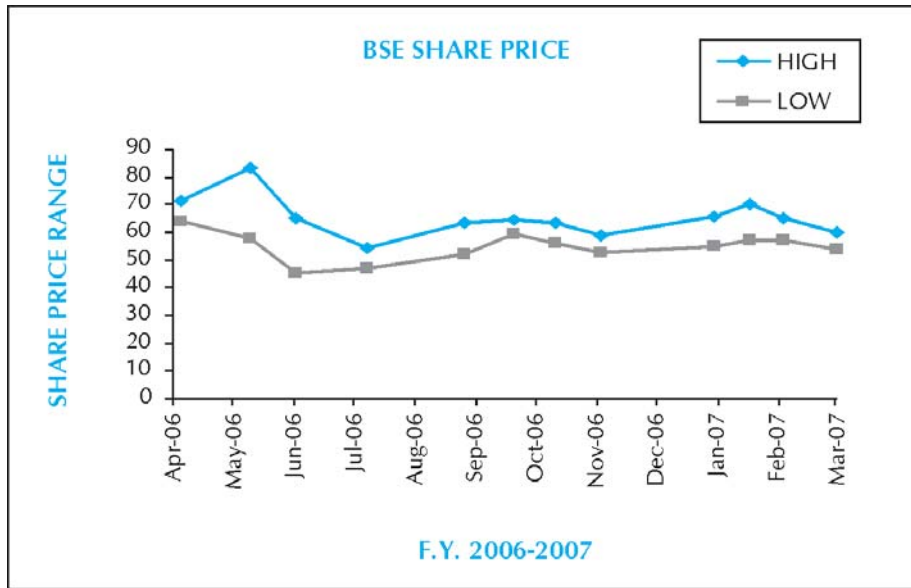
Month & Year	BSE				NSE			
	PRICE (Rs.)		SENSEX		PRICE (Rs.)		NIFTY	
	HIGH	LOW	HIGH	LOW	HIGH	LOW	HIGH	LOW
APRIL 2006	71.20	64	12102	11008.43	70.9	59	3598.95	3290.35
MAY 2006	82.95	58	12671.11	9826.91	82.75	58	3774.15	2972.9
JUNE 2006	64.90	45.05	10626.84	8799.01	67	44.25	3134.15	2595.65
JULY 2006	54.30	47.15	10940.45	9875.35	54.3	48.15	3208.85	2878.25
AUG. 2006	63.55	51.95	11794.43	10645.99	63.45	52	3452.3	3113.6
SEPT. 2006	64.80	59.55	12485.17	11444.18	65	56.65	3603.7	3328.45
OCT. 2006	63.25	56.25	13075.85	12178.83	63.8	56.15	3782.85	3508.65
NOV. 2006	58.90	52.50	13799.08	12937.3	58.6	53	3976.8	3737
DEC. 2006	65.50	54.85	14035.30	12801.65	65.45	56.5	4046.85	3657.65
JAN. 2007	70.20	57	14325.92	13303.22	69.8	60	4167.15	3833.6
FEB. 2007	65	57	14723.88	12800.91	65.1	55	4245.3	3674.85
MAR. 2007	59.80	54	13386.95	12316.10	59.8	54.1	3901.75	3554.5



Gujarat Industries Power Company Limited

REPORT ON CORPORATE GOVERNANCE (Contd.)

The following graphical presentations depict the movement of monthly high low share prices of Company's Shares on BSE and NSE during the period from April 2006 to March 2007:



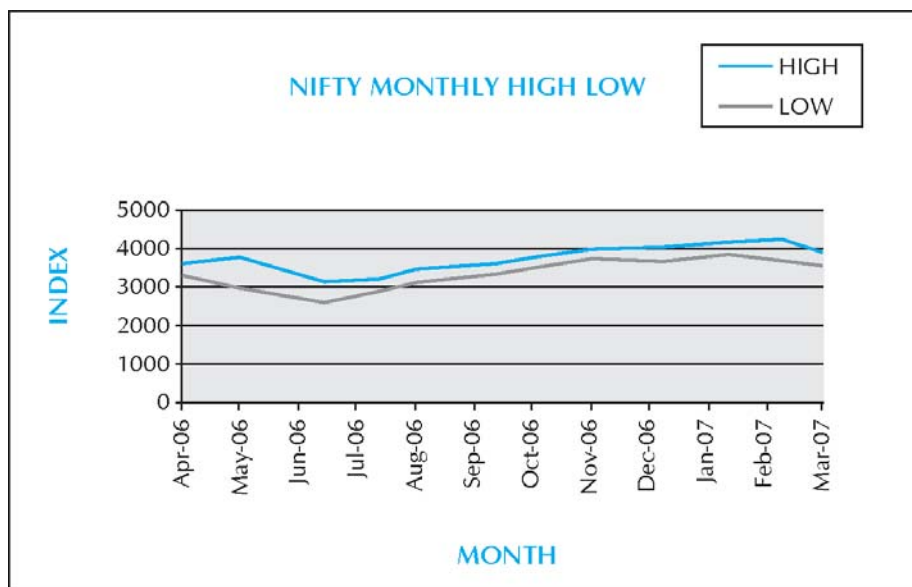
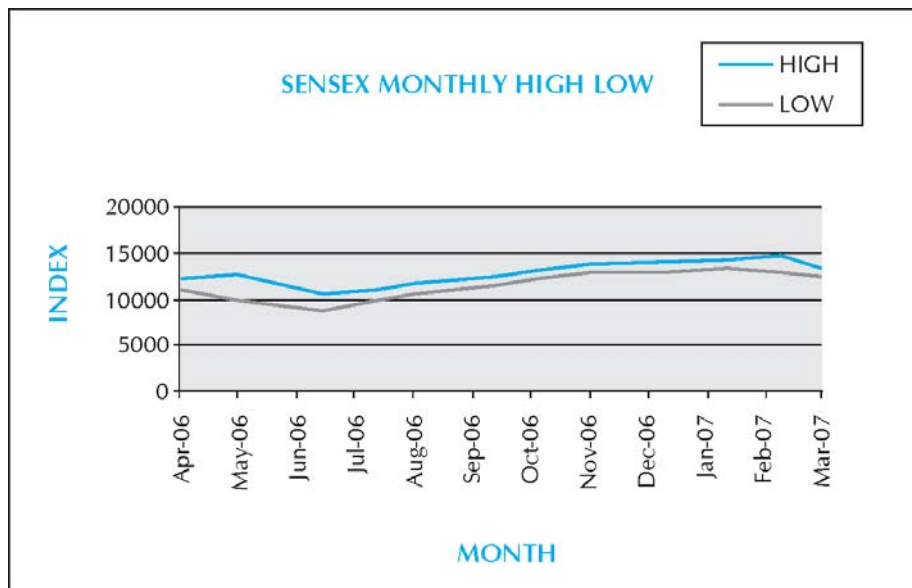
Note : The above graphs represents BSE and NSE Share prices - Monthly High/Low. Series 1 denotes High and Series 2 denotes Low



22nd Annual Report 2006-2007

REPORT ON CORPORATE GOVERNANCE (Contd.)

- The Graphical presentation showing the monthly movements of BSE - Sensex and NSE -Nifty during the period from April 2006 to March 2007 is given below :



➤ REGISTRARS & SHARE TRANSFER AGENTS OF THE COMPANY :

W.e.f 1.8.2006, the entire Share Registry operations of the Company, has been shifted from MCS Limited to Intime Spectrum Registry Ltd. at Vadodara at 308, Jaldhara Complex, 1st Floor, Opp. Manisha Society, Off. Old Padra Road, Vasna Road, Vadodara – 390 015. The Share transfer requests received are processed by them and a Memorandum



Gujarat Industries Power Company Limited

REPORT ON CORPORATE GOVERNANCE (Contd.)

of Transfer is sent to the Company for approval. The average time taken for processing share transfer requests including dispatch of share certificates is 30 days, while it takes about 15 days for processing de-materialization requests. The Company's representatives visit the office of the Registrar and Share Transfer Agents to monitor, supervise and ensure that there are no delays or lapses in the system.

Necessary intimation in this regard has been sent to Stock Exchanges.

☞ The Company's distribution of the Shareholding is given below :

Distribution of Shareholding

Year	2007 No. of Shares	2006 No. of Shares
Individuals	28430094	29794524
Companies	91922820	88796885
Financial Institutions and Banks	669176	636400
Insurance Companies and LIC	6813361	5129848
Mutual Funds and UTI	7774730	8534945
Foreign Institutional Investors	3528967	2522795
Central & State Govt.	12105768	15577677
Clearing Members	6272	258114
Total	151251188	151251188

Category (No. of Shares) From To	No. of Shareholders	% of Total No. of Shareholders	No. of Shares	% of Total No. of Shares
Upto 5000 Shares	92445	99.50	23936543	15.82
05001 – 10000	232	0.25	1749358	1.16
10001 – 20000	98	0.11	1350770	0.89
20001 – 30000	34	0.04	828443	0.55
30001 – 40000	16	0.02	569842	0.38
40001 – 50000	16	0.02	707607	0.47
50001 – 100000	31	0.03	2140318	1.41
100001 and above	33	0.03	119968307	79.32
TOTAL	92905	100	151251188	100

☞ At present 67.85% of the Equity Shares have been Dematerialised. The Company's Equity Shares are to be compulsorily dealt in dematerialised form since 26/06/2000 and the ISIN no. assigned to the Company by the two depositories viz. NSDL & CDSL is INE162A01010.

- The Company has paid the Annual Custody Charges to National Securities Depository Limited (NSDL) and Central Depository Services (India) Ltd. (CDSIL) for the year 2007-2008.



22nd Annual Report 2006-2007

REPORT ON CORPORATE GOVERNANCE (Contd.)

- The Final Dividend of 5%, over and above the 15% Interim Dividend which is already paid on March 29, 2007 on Equity Shares is recommended by the Board of Directors of the Company which shall be paid within 30 days from the date of the 22nd Annual General Meeting subject to the member's approval thereat.
- ☞ The Company's plants are located at the following Places :
 - Vadodara Power Stations : P.O. Petrochemical – 391 346, District Vadodara.
 - Surat Lignite Power Plant : At & P O Nani Naroli, Taluka Mangrol, District Surat – 394 110.
- ☞ The shareholders can address their communications at the registered office of the Company at the following address :

Company Secretary
Gujarat Industries Power Company Limited
P.O. Petrochemical - 391 346, Dist. Vadodara
Email : investors@gipcl.com; info@gipcl.com Website: www.gipcl.com

CERTIFICATE

Certified that, as on and up to the date of this Certificate :

1. All accounts, returns and forms have been filed and particulars furnished to the Registrar of Companies and/or authorities as required by the Companies Act, 1956 and the rules made there under ;
2. The Rules & Guidelines issued by Securities And Exchange Board of India (SEBI) applicable to the Company have been complied with ;
3. The requirements of the Listing Agreements with the Stock Exchanges where the shares of the Company are listed have been complied with;
4. a) There is no Fixed Deposit remaining to be paid except unclaimed deposits.
b) The Company has not failed to repay its deposit or interest thereon on the due date/s. The Fixed Deposits as per the Balance Sheet are the one which have become due but has not been claimed by the depositors or to pay dividend declared at Annual General Meeting (AGM).

This Certificate is given with the knowledge that full reliance is placed on it by the Board of Directors of the Company"

For **Gujarat Industries Power Company Limited**

Sd/-
V V Vachhrajani
Company Secretary



Gujarat Industries Power Company Limited

CEO AND CFO CERTIFICATION

We, L Chuaungo, Managing Director and D N Bhatia, General Manager & Chief Finance Officer, responsible for the finance function certify that :

- a. We have reviewed the financial statements and cash flow statement for the year ended 31st March, 2007 and to the best of our knowledge and belief :
 1. these statements do not contain any materially untrue statement or omit any material fact or contain statements that might be misleading;
 2. these statements together present a true and fair view of the Company's affairs and are in compliance with existing Accounting Standards, applicable laws and regulations;
- b) To the best of our knowledge and belief, no transactions entered into by the Company during the year ended 31st March, 2007 are fraudulent, illegal or violative of the Company's code of conduct.
- c) We accept responsibility for establishing and maintaining internal controls for financial reporting and we have evaluated the effectiveness of internal control systems of the Company pertaining to financial reporting. Deficiencies in the design or operation of such internal controls, if any, of which we are aware have been disclosed to the auditors and the Audit Committee and steps have been taken to rectify these deficiencies.
- d)
 - i) There has not been any significant change in internal control over financial reporting during the year under reference;
 - ii) There has not been any significant change in accounting policies during the year requiring disclosures in the notes to the financial statements; and
 - ii) We are not aware of any instance during the year of significant fraud with involvement therein of the management or any employee having a significant role in the Company's internal control system over financial reporting.

For **Gujarat Industries Power Company Limited**

Place : Vadodara
Date : 30/04/2007

Sd/-
D N Bhatia
General Manager & CFO

Sd/-
L Chuaungo, IAS
Managing Director

DECLARATION

This is to certify that the Board Members and the Members of Senior Management (i.e. one layer below the Board of Directors) have given declaration regarding the adherence to the Code of Conduct as enunciated by the Company for the year ended 31st March 2007 as required under Clause 49 of the Listing Agreement.

For Gujarat Industries Power Company Ltd.

Sd/-
L. Chuaungo, IAS
Managing Director

Place: Vadodara
Date: 05/05/2007.



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AUDITOR'S REPORT

TO THE MEMBERS OF GUJARAT INDUSTRIES POWER COMPANY LIMITED

1. We have audited the attached Balance Sheet of Gujarat Industries Power Company Limited as at 31st March, 2007 and the Profit and Loss Account of the Company for the year ended on that date annexed thereto and the Cash Flow Statement for the year ended on that date. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audit.
2. We conducted our audit in accordance with auditing standards generally accepted in India. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion. We report that:
 3. As required by the Companies (Auditor's Report) Order, 2003, issued by the Company Law Board in terms of section 227(4A) of the Companies Act, 1956 and on the basis of such checks as we considered appropriate and according to the information and explanations given to us, we enclose in the Annexure a statement on the matters specified in paragraph 4 and 5 of the said Order.
 4. Further to our comments in the Annexure referred to in paragraph 1 above,
 - a. we have obtained all the information and explanations which to the best of our knowledge and belief were necessary for the purpose of our audit;
 - b. in our opinion, proper books of account as required by law have been kept by the Company so far as appears from our examination of the books;
- c. the Balance Sheet and the Profit and Loss Account dealt with by this report are in agreement with the books of account;
- d. in our opinion the Profit & Loss Account and Balance Sheet dealt with by this report are in compliance with the Accounting Standards referred to in of section 211 (3C) of the Companies Act, 1956, to the extent applicable;
- e. on the basis of the written representations received from the directors of the Company, and taken on record by the Board of Directors, we report that none of the directors is disqualified as on 31st March, 2007 from being appointed as a director in terms of clause (g) of sub-section (1) of section 274 of the Companies Act, 1956;
- f. in our opinion and to the best of our information and according to the explanations given to us, the said accounts read together with the notes thereon give the information required by the Companies Act, 1956 in the manner so required and give a true and fair view in conformity with the accounting principles generally accepted in India:
 - (i) in the case of the Balance Sheet, of the state of affairs of the Company as at 31st March, 2007;
 - (ii) in the case of the Profit and Loss Account, of the Profit of the Company for the year ended on that date.
 - (iii) in the case of cash flow statement, of the cash flows for the year ended on that date.

FOR K. C. MEHTA & CO.
Chartered Accountants

Milin Mehta
Partner

Baroda,
5th day of May, 2007.

(Membership No. 38665)



Gujarat Industries Power Company Limited

ANNEXURE TO THE AUDITORS' REPORT

(referred to in paragraph (3) thereof)

- i. a) The Company has maintained proper records showing full particulars, including quantitative details and situation of fixed assets.
- b) Fixed assets have been physically verified by the management during the year as per the phased programme of physical verification of fixed assets. As informed to us, the programme is such that all the fixed assets will get physically verified in three years time. In our opinion, the same is reasonable having regard to the size of the Company and the nature of its fixed assets. No material discrepancies were noticed on such verification.
- c) The Company has not disposed off any fixed asset during the year.
- ii. a) The inventory has been physically verified by the management at the year end.
- b) In our opinion and according to the information and explanations given to us, the procedures of physical verification of inventory followed by the management are reasonable and adequate in relation to the size of the Company and nature of its business.
- c) The Company has maintained proper records of its inventories. No material discrepancies were noticed on physical verification of inventory as compared to book records.
- iii. The Company has neither granted any loans nor taken any loans, secured or unsecured, to or from companies, firms or other parties listed in the register maintained under Section 301 of the Companies Act, 1956. Therefore, the provisions of clause 4(iii) of Companies (Auditor's Report) Order, 2003 are not applicable to the Company.
- iv. In our opinion and according to the information and explanations given to us, having regard to the explanations that some of the items are of a special nature and their prices cannot be compared with alternative quotations, there are adequate internal control procedures commensurate with the size of the Company and the nature of its business with regard to purchase of inventory, fixed assets and for the sale of goods and services. During the course of our audit, we have not observed any continuing failure to correct major weaknesses in internal controls.
- v. In our opinion and according to the information and explanations given to us, there are no transactions made by the company in pursuance of contracts or arrangements required to be entered in the register maintained under Section 301 of the Companies Act, 1956.
- vi. In our opinion and according to information and explanations given to us, the Company has complied with the provisions of Section 58A and Section 58AA of the Companies Act, 1956 or any other relevant provisions of the Companies Act, 1956 and the rules framed there under with regard to deposits accepted from the public. No order has been passed by the Company Law Board or National Company Law Tribunal or Reserve Bank of India or any Court or any other Tribunal.
- vii. In our opinion, the internal audit function carried out during the year by a firm of Chartered Accountants appointed by the management have been commensurate with the size of the Company and the nature of its business.
- viii. We have broadly reviewed the books of accounts and records maintained by the company pursuant to the Order made by the Central Govt. for the maintenance of cost records u/s 209 (1) (d) of the act and are of the opinion that prima-facie the prescribe accounts and records have been made and maintained. We have not, however made a detailed examination of the records.
- ix. a) The Company is regular in depositing with appropriate authorities undisputed statutory dues including provident fund, investor education and protection fund, employees' state insurance, income tax, sales tax, service tax, custom duty, excise duty, cess and other material statutory



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AUDITOR'S REPORT (Contd.)

dues applicable to it. According to the information and explanations given to us, no undisputed amounts payable in respect of statutory dues were in arrears as at 31st March, 2007 for a period of more than six months from the dates they become payable.

- b) According to the information and explanations given to us, there are no dues of customs duty, wealth tax, service tax, excise duty and cess which have not been deposited on account of any dispute except the following:

Particulars	Forum where the dispute is pending	Period to which the amount relates	Amount (Rs. in lakhs)
Electricity Duty	Government of Gujarat	Various	4087.50
Stamp Duty	Dy. Collector, Stamp Duty Valuation Office, Baroda	1996-97	452.60

- x. In our opinion, the Company has no accumulated losses. The Company has not incurred cash losses during the financial year covered by our audit and during the immediately preceding financial year.
- xi. In our opinion and according to the information and explanations given to us, the Company has not defaulted in repayment of dues to the financial institution or bank or debenture holders.
- xii. In our opinion and according to the information and explanations given to us, the Company has not granted any loans and advances on the basis of security by way of pledge of shares, debentures and other securities.
- xiii. In our opinion, the Company is not a chit fund or a nidhi / mutual benefit fund / society. Therefore, the provisions of clause 4(xiii) of Companies (Auditor's Report) Order, 2003 are not applicable to the Company.
- xiv. In our opinion and according to the information and explanations given to us, the Company is not dealing in or trading in shares, securities debentures and other investments. Therefore, the provisions of clause 4(xiv) of Companies (Auditor's Report) Order, 2003 are not applicable to the Company.
- xv. According to the information and explanations given to us, the Company has not given any guarantee for loans taken by others from bank or financial institution.
- xvi. In our opinion and according to the information and explanations given to us, the term loans have been applied for the purpose for which they were raised.
- xvii. According to the information and explanations given to us and on overall examination of the balance sheet of the Company, we report that during the period of audit no funds raised on short-term basis have been used for long term investment.
- xviii. According to the information and explanations given to us, during the period covered by our audit report, the company has not made any preferential allotment of shares to the parties and companies covered in the register maintained under section 301 of the Companies Act, 1956.
- xix. According to the information and explanations given to us, during the period of audit the Company has not issued any secured debentures.
- xx. The Company has not raised any money by public issue during the year.
- xxi. According to the information and explanations given to us, no fraud on or by the Company has been noticed or reported during the course of our audit.

FOR K. C. MEHTA & CO.
Chartered Accountants

Milin Mehta
Partner

Baroda,
5th day of May, 2007

(Membership No. 38665)



Gujarat Industries Power Company Limited

BALANCE SHEET AS AT 31st MARCH, 2007

(Rs. in Lacs)

Particulars	Schedule	AS AT 31-03-07	AS AT 31-03-06
SOURCES OF FUNDS :			
Shareholders' Funds :			
Share Capital	1	15125.12	15125.12
Reserves and Surplus	2	92769.46	77949.71
Loan Funds :			
Secured Loans	3	54271.79	59931.29
Unsecured Loans	4	0.00	198.91
Deferred Tax Liability (Net)		7490.48	10739.48
TOTAL		169656.85	163944.51
APPLICATION OF FUNDS :			
Fixed Assets :			
Gross Block	5	190326.02	189680.75
Less : Depreciation/Impairment		94556.41	85469.35
Net Block		95769.61	104211.40
Capital Work in Progress		22166.41	8770.10
Mines Development Expenditure (To be amortised)	6	13474.77	14791.15
		131410.79	127772.65
Investments	7	13571.80	13571.80
Current Assets, Loans and Advances :			
Interest Accrued		682.56	520.66
Inventories	8	8113.15	8601.72
Sundry Debtors	9	10709.44	10929.18
Cash and Bank Balances	10	13311.46	10309.98
Loans and Advances	11	11642.88	17260.27
		44459.49	47621.81
Less : Current Liabilities and Provisions :			
Current Liabilities	12	16675.21	17967.91
Provisions	12	4386.35	8245.43
Net Current Assets		23397.93	21408.47
Miscellaneous Expenditure		1276.33	1191.59
(To the extent not written off or adjusted)			
TOTAL		169656.85	163944.51
Significant Accounting Policies	17		
Notes on Accounts	18		

As per our report of even date attached

For **K. C. Mehta & CO.**
Chartered Accountants

L. Chuaungo
Managing Director

Smt. V. L. Joshi
Chairperson

Milin Mehta
Partner
Membership No. 38665

Place: Vadodara
Date: 5th May 2007

D. N. Bhatia
General Manager & Chief Finance Officer

V.V. Vachhrajani
Company Secretary

Director
A. Khandual
P. K. Taneja
Dr. P. K. Das
Prof. K. M. Joshi
G. P. Mohapatra
P. H. Rana



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PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED 31ST MARCH, 2007

			(Rs. in Lacs)
Particulars	Schedule	For the Year ended 31-03-07	For the Year ended 31-03-06
INCOME :			
Sale of Electrical Energy		79558.02	75659.32
Other Income	13	8721.05	4262.50
TOTAL		88279.07	79921.82
EXPENDITURE :			
Fuel Cost		41807.09	40018.60
Employees' Cost	14	2072.26	1440.85
Generation, Administration and Other Expenses	15	11972.07	5715.71
Interest & Finance Charges	16	5118.03	6395.20
Depreciation		8984.66	9137.84
Prior Period Items		0.00	(167.29)
Resetting Premium (Received)/paid		72.18	(147.97)
Impairment of Assets		102.40	279.60
TOTAL		70128.69	62672.54
Profit Before Tax		18150.38	17249.28
Provision for Taxation			
– Current Tax		(3070.00)	(5750.00)
– Fringe Benefit Tax		(37.81)	(17.81)
– Deferred Tax		3249.00	0.00
Profit after Tax		18291.57	11481.47
Transfer from Capital Redemption Reserve		4044.12	0.00
Balance brought forward from Previous Year		13262.75	13937.08
Balance available for Appropriation		35598.44	25418.55
APPROPRIATIONS :			
General Reserve		6000.00	2000.00
Expansion Reserve		5500.00	8000.00
Interim Dividend		2268.84	0.00
Proposed Dividend on Equity Shares		756.26	1890.64
Corporate Dividend Tax		446.73	265.16
Balance carried to Balance Sheet		20626.61	13262.75
		35598.44	25418.55
Earning Per Share (Basic and Diluted)	Rupees	12.09	8.97
Significant Accounting Policies	17		
Notes on Accounts	18		

As per our report of even date attached

For **K C. Mehta & CO.**
Chartered Accountants

L Chuaungo
Managing Director

Smt. V L Joshi
Chairperson

Milin Mehta
Partner
Membership No. 38665

Place: Vadodara
Date: 5th May 2007

D. N . Bhatia
General Manager & Chief Finance Officer

V.V. Vachhrajani
Company Secretary

Director
A. Khandual
P. K. Taneja
Dr. P. K. Das
Prof. K. M. Joshi
G. P. Mohapatra
P. H. Rana



Gujarat Industries Power Company Limited

SCHEDULES ANNEXED TO AND FORMING PART OF BALANCE SHEET

		(Rs. in Lacs)	
		<u>AS AT 31-03-07</u>	<u>AS AT 31-03-06</u>
SCHEDULE 1 – SHARE CAPITAL			
AUTHORISED			
22,50,00,000	Equity Shares of Rs.10/-each (Previous Year 22,50,00,000 Shares)	22500.00	22500.00
1,61,00,000	Cumulative Redeemable Preference Shares (With dividend not exceeding 15% p.a.) of Rs. 100/- each (Previous Year 1,61,00,000 Shares)	16100.00	16100.00
	TOTAL	<u><u>38600.00</u></u>	<u><u>38600.00</u></u>
ISSUED, SUBSCRIBED AND PAID UP			
15,12,51,188	Equity Shares of Rs.10/-each fully paid (Previous Year 15,12,51,188 Shares)	15125.12	15125.12
	TOTAL	<u><u>15125.12</u></u>	<u><u>15125.12</u></u>

NOTE :

Out of the above :

- (A) 3,80,22,018 Equity shares of Rs. 10 each were allotted on conversion of Debentures.
(Previous Year 3,80,22,018 Shares)
- (B) 4,04,41,176 Equity Shares of Rs.10/-each have been issued on 29-10-2005 under Follow-on Public Offer.



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SCHEDULES ANNEXED TO AND FORMING PART OF BALANCE SHEET

	(Rs. in Lacs)	
	<u>AS AT 31-03-07</u>	<u>AS AT 31-03-06</u>
SCHEDULE 2 – RESERVES AND SURPLUS		
1. Capital Redemption Reserve		
As per last Balance Sheet	7500.00	7500.00
Less : Transferred to Profit and Loss Account	4044.12	0.00
	<u>3455.88</u>	7500.00
2. Expansion Reserve		
As per last Balance Sheet	8000.00	0.00
Add : Transferred from Profit and Loss Account	5500.00	8000.00
	<u>13500.00</u>	8000.00
3. Share Premium Account		
As per last Balance Sheet	33316.97	9861.09
Add : Premium on issue of Equity Shares	0.00	23455.87
	<u>33316.97</u>	33316.96
4. General Reserve		
As per last Balance Sheet	15870.00	13870.00
Add : Transferred from Profit and Loss Account	6000.00	2000.00
	<u>21870.00</u>	15870.00
5. Profit and Loss Account	<u>20626.61</u>	13262.75
TOTAL	<u><u>92769.46</u></u>	<u><u>77949.71</u></u>



Gujarat Industries Power Company Limited

SCHEDULES ANNEXED TO AND FORMING PART OF BALANCE SHEET

	(Rs. in Lacs)	
	<u>AS AT 31-03-07</u>	<u>AS AT 31-03-06</u>
SCHEDULE 3 – SECURED LOANS		
(A) Term Loans from Financial Institutions/Banks		
160 MW Power Plant		
Industrial Development Bank of India	755.82	1187.71
Dena Bank	225.00	309.38
Oriental Bank of Commerce	0.00	2368.42
SUB TOTAL (1)	980.82	3865.51
250 MW Surat Lignite Power Plant		
Industrial Development Bank of India	5503.29	8648.03
Industrial Investment Bank of India	550.00	1550.00
Power Finance Corporation	630.00	810.00
Canara Bank	3402.33	5121.08
State Bank of Saurashtra	853.01	1539.25
Bank of Baroda	1399.96	2037.47
ING Vysya Bank	429.70	794.38
Syndicate Bank	909.83	1622.41
The Jammu & Kashmir Bank	1452.36	2098.55
The Federal Bank Ltd.	549.19	1042.35
Dena Bank	2013.57	3190.49
State Bank of Bikaner & Jaipur	1992.46	2973.60
Oriental Bank of Commerce	4635.06	5578.49
United Bank of India	2105.24	3136.82
SUB TOTAL (2)	26426.00	40142.92
250 MW Surat Lignite Power Plant (Expansion)		
Industrial Development Bank of India	850.00	0.00
Canara Bank	199.55	0.00
State Bank of Saurashtra	1199.90	0.00
Bank of Baroda	500.00	0.00
State Bank of Bikaner & Jaipur	1099.99	0.00
Oriental Bank of Commerce	400.00	0.00
United Bank of India	100.00	0.00
Union Bank of India	400.00	0.00
Karur Vysya Bank	200.00	0.00
SUB TOTAL (3)	4949.44	0.00
Interest Accrued & Due on 31st March	139.43	125.14
TOTAL - A	32495.69	44133.57
(B) Working Capital Loans		
Loan against Pledge of Bonds		
– Power Finance Corporation Ltd.	7700.00	7700.00
Loan against Pledge of Deposit Receipt		
– Karur Vysya Bank Ltd.	0.00	2200.00
Cash Credit/ Working Capital Demand Loan from Banks	14076.10	5897.72
TOTAL - B	21776.10	15797.72
TOTAL (A + B)	54271.79	59931.29



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SCHEDULES ANNEXED TO AND FORMING PART OF BALANCE SHEET

- A. 1 Term Loans from Industrial Development Bank of India and Dena Bank for 160 MW Power Plant, are secured by a first charge by way of hypothecation of all the movables (save and except book debts) including movable machinery, spares, tools and accessories, both present and future, ranking **pari passu**, subject to prior charges created in favour of Company's Bankers on current assets for securing the borrowings for working capital requirements, and also by way of first mortgage and charge, **pari passu**, on all immovable properties both present and future. The loans are further secured by way of extension of first charge, in case of IDBI, **pari passu**, on all the movables (save and except book debts) and immovable properties, both present and future, pertaining to the Company's 145 MW Power Plant. The loans are secured by extension of first charge, **pari passu**, on all the immovable properties, both present and future and by hypothecation of all the movables (save and except book debts) pertaining to the Company's 250 MW Surat Lignite Power Plant in case of IDBI.
- 2 (i) Term Loans by Industrial Development Bank of India, Power Finance Corporation Ltd, Canara Bank, State Bank of Saurashtra, Bank of Baroda, ING Vysya Bank, Industrial Investment Bank of India, Syndicate Bank, The Jammu & Kashmir Bank Ltd., The Federal Bank Ltd., and Dena Bank for 250 MW Surat Lignite Power Plant are secured by a first mortgage and charge on immovable properties relating to 250 MW Surat Lignite Power Plant, both present and future and a first charge by way of hypothecation of all the movables (save and except book debts) including movable machinery, spares, tools and accessories, both present and future, ranking **pari passu**, subject to prior charges created / to be created favouring Company's Bankers etc. for securing the borrowings for working capital requirements.
- The Term Loan from IDBI is secured / to be secured by way of extension of mortgage and first charge ranking **pari passu** with the mortgages and charges created pertaining to the Company's 145 MW and 160 MW Power Plants.
- 2 (ii) Term Loan sanctioned from Dena Bank is secured / to be secured by way of first charge on the fixed Assets pertaining to Company's 250 MW Surat Power Plant / Baroda Stations and also charged by way of hypothecation of tangible movable properties and assets of the company lying and being at their premises / factories at 250 MW Surat Lignite Power Plant and Baroda Stations subject to the prior charge of bankers who have extended working capital facilities.
- 2 (iii) Term Loan from Canara Bank is secured / to be secured by a first charge on the fixed assets relating to 250 MW Surat Lignite Power Plant ranking **pari passu** with other Banks / Financial Institutions.
- 2 (iv) Term Loan from State Bank of Bikaner & Jaipur is secured / to be secured by a first charge on the Company's immovable properties, both present and future ranking **pari passu**, and second charge by way of hypothecation of all movable assets (save and except Book Debts) of the Company including movable machinery, machinery spares, tools and accessories both present and future.
- 2 (v) Term loan from United Bank of India is primarily secured / to be secured by a first **pari passu** charge on the Company's existing immovable assets pertaining to the Company's Surat Lignite Power Plant (SLPP). Further the Term Loan is additionally secured by second **pari passu** charge by way of hypothecation of all movable assets (save and except Book Debts) of the Company including movable machinery, machinery spares, tools and accessories, subject however, to the prior charges created/ to be created in favour of the Company's working capital bankers pertaining to SLPP.
- 2 (vi) Term Loan from Oriental Bank of Commerce is secured / to be secured by way of first **pari passu** charge on the existing immovable assets pertaining to the Company 250 MW Surat Lignite Power Plant Phase I.
- 3 Term loan from Industrial Development Bank of India Ltd., Bank of Baroda, State Bank of Saurashtra, State Bank of Bikaner and Jaipur, United Bank of India, Canara Bank, Karur Vysya Bank Ltd., Union Bank of India and Oriental Bank of Commerce are secured / to be secured by a first **pari passu** inter se charge on the Fixed Assets, both present and future, pertaining to the expansion project viz. 2 x 125 MW Surat Lignite Power Plant Phase II. The Term Loan from State Bank of Bikaner and Jaipur is further secured by way of hypothecation of all movable assets pertaining to the expansion project.



Gujarat Industries Power Company Limited

SCHEDULES ANNEXED TO AND FORMING PART OF BALANCE SHEET

- B. 1. Loan from Power Finance Corporation Ltd. is secured against pledge of 7700 - 8.50% Non Convertible Bond of Rs. 1 lac each Series VI Option – I of Gujarat Urja Vikas Nigam Limited which are held as investment.
2. The Consortium of Banks led by Central Bank of India has sanctioned to the Company Fund based and Non-Fund based Working Capital Facilities. The limits sanctioned are secured by a first charge by way of hypothecation in favour of the Banks on the Company's current assets and receivables, both present and future, ranking **pari passu inter se** the members of consortium relating to the Company's 145 and 160 MW Power Plant.
3. The Consortium of Banks led by Syndicate Bank has sanctioned to the Company Fund based and Non-Fund based Working Capital Facilities. The limits sanctioned are secured by a first charge by way of hypothecation in favour of the member Banks of the consortium on the Company's current assets and receivables, both present and future, ranking **pari passu inter se** the members of consortium relating to the Company's 250 MW Surat Lignite Power Plant.

(Rs. in Lacs)

	AS AT 31-03-07	AS AT 31-03-06
SCHEDULE 4 – UNSECURED LOANS		
Fixed Deposits	0.00	198.91
TOTAL	0.00	198.91

SCHEDULE 5 - FIXED ASSETS

(Rs.in Lacs)

ASSETS	GROSS BLOCK (AT COST)				DEPRECIATION				NET BLOCK		
	As at 01-04-2006	Addition Adjustment during the year	Adjustment/ Deduction during the year	As on 31-03-2007	Total upto 01-04-2006	For the period	Adjustment/ Deduction during the period	Upto 31-03-2007	IMPAIRMENT as on 31-03-2007	As at 31-03-2007	As at 31-03-2006
(1) Land											
- Lease hold	621.85	0.00	0.00	621.85	87.64	6.10	0.00	93.74	0.00	528.11	534.21
- Free hold	3731.99	0.00	0.00	3731.99	2.52	1.80	0.00	4.32	0.00	3727.67	3729.47
(2) Buildings											
- Factory Buildings	15570.46	83.90	0.00	15654.36	3324.76	542.10	0.04	3866.90	0.00	11787.46	12245.70
- Non Factory Buildings	4406.41	0.00	0.00	4406.41	602.56	64.55	0.00	667.11	0.00	3739.30	3803.85
(3) Plant and Machinery	160141.55	76.76	0.00	160218.31	78796.95	7653.16	(4.16)	86445.95	460.93	73311.43	80986.07
(4) Capital Spares	4312.16	307.01	0.00	4619.17	1703.12	634.64	4.06	2341.82	0.00	2277.35	2609.04
(5) Furniture and Fixtures	199.79	28.72	0.00	228.51	125.15	10.38	0.84	136.37	0.00	92.14	74.64
(6) Office equipments	528.25	111.99	0.00	640.24	322.09	65.67	(0.86)	386.90	0.00	253.34	206.16
(7) Vehicles	62.95	36.89	0.00	99.84	40.69	6.26	0.08	47.03	0.00	52.81	22.26
(8) Technical Know- -How Fees	105.34	0.00	0.00	105.34	105.34	0.00	0.00	105.34	0.00	0.00	0.00
TOTAL (A)	189680.75	645.27	0.00	190326.02	85110.82	8984.66	(0.00)	94095.48	460.93	95769.61	104211.40
Previous year	188728.07	956.94	4.26	189680.75	75973.01	9137.84	(0.03)	85110.82	358.53	104211.40	112676.13
(9) Capital Work-in-Progress										22166.41	8770.10

Notes : 1 Leasehold land is obtained as a permitted transferee as per agreement with GIDC/ IPCL.
2 Capital Work in Progress includes :-
i. Rs. 603.70 lacs on account of Pre-operative expenses (Previous year Rs.Nil)
ii. Rs. 128.80 lacs on account of interest during construction (Previous year Rs. Nil)
iii. Rs. 10152.97 lacs on account of advance against capital expenditure (Previous year Rs.8084.32 Lacs)



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SCHEDULES ANNEXED TO AND FORMING PART OF BALANCE SHEET

	AS AT 31-03-07	AS AT 31-03-06
(Rs. in Lacs)		
SCHEDULE 6 — MINES DEVELOPMENT EXPENDITURE (To be amortised)		
Initial Development Expenses	9191.73	10047.82
Overburden Removal Cost	4283.04	4743.33
TOTAL	13474.77	14791.15
SCHEDULE 7 — INVESTMENTS (LONG TERM)		
QUOTED		
7,23,115 6.75% Tax free US 64 Bond of Rs.100/- each of Unit Trust of India	723.12	723.12
11,03,360 Equity Shares of Gujarat Alkalies and Chemicals Limited of Rs. 10/- each (Fully paid)	551.68	551.68
	1274.80	1274.80
UNQUOTED		
Gujarat Electricity Board Bonds :		
11779 8.50% Bond of Rs. 1,00,000/ each (on restructuring of 11.25% Bonds)	11779.00	11779.00
8 11.00% Bond of Rs. 1,00,000/ each	8.00	8.00
50,00,000 Equity Shares of Gujarat State Energy Generation Limited of Rs. 10 each (Fully paid)	500.00	500.00
1,00,000 Equity Shares of Gujarat State Fuel Management Company Limited of Rs. 10 each (Fully paid)	10.00	10.00
	12297.00	12297.00
TOTAL	13571.80	13571.80
Aggregate cost of Quoted Investments	1274.80	1274.80
Market value of Quoted Investments	2006.33	2417.33
Aggregate cost of Unquoted Investments	12297.00	12297.00



Gujarat Industries Power Company Limited

SCHEDULES ANNEXED TO AND FORMING PART OF BALANCE SHEET

(Rs. in Lacs)		
	AS AT 31-03-07	AS AT 31-03-06
SCHEDULE 8 – INVENTORIES		
Stores and Spares	7624.84	7679.10
Stock of Raw Materials	488.31	922.62
TOTAL	8113.15	8601.72
SCHEDULE 9 – SUNDRY DEBTORS		
(Unsecured - Considered Good)		
Over Six Months	0.00	2881.87
Others	10709.44	8047.31
TOTAL	10709.44	10929.18
SCHEDULE 10 – CASH AND BANK BALANCES		
Cash on hand	1.04	1.48
With Scheduled Banks :		
- Current Accounts *	1009.41	608.50
- Deposit Accounts	12301.01	9700.00
	13310.42	10308.50
TOTAL	13311.46	10309.98
* Includes Rs.977.76 lacs being balances in Unclaimed Dividend Account, Unclaimed Interest on Debentures/ Fixed Deposit Account and Share Application Money. (Previous year Rs.253.11 Lacs).		
SCHEDULE 11 – LOANS AND ADVANCES		
Secured (Considered Good)		
Advances to Employees (Vehicles)	112.29	138.59
Unsecured (Considered Good)		
Advances to Employees (Others)	5.50	3.74
Advances recoverable in cash or in kind or for value to be received	657.56	1000.15
Inter Corporate Deposit	6000.00	10000.00
Advance Tax (Including Tax Deducted at Source)	4867.53	6117.79
(Net of Provisions)	11530.59	17121.68
TOTAL	11642.88	17260.27



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SCHEDULES ANNEXED TO AND FORMING PART OF BALANCE SHEET

	(Rs. in Lacs)	
	<u>AS AT 31-03-07</u>	<u>AS AT 31-03-06</u>
SCHEDULE 12 — CURRENT LIABILITIES & PROVISIONS :		
Current Liabilities :		
Bills of Exchange Accepted	0.00	1652.54
Sundry Creditors :		
Small Scale Industrial undertakings	60.83	12.19
Other than Small Scale Industrial undertakings ;		
- For Projects Supplies and Services	6599.17	7149.37
- Goods & Services	5850.49	6920.32
- Others	2670.71	1525.23
Earnest Money and Security Deposits	239.07	134.48
Unclaimed Dividends* #	900.37	114.42
Unclaimed Interest on Debentures/Deposits*	76.42	156.11
Unclaimed Share Application Money*	0.97	12.52
Interest accrued but not due		
- On Secured Loans	277.18	281.70
- On Unsecured Loans	0.00	9.03
	<u>16675.21</u>	<u>17967.91</u>
Provisions :		
Gratuity and Leave Encashment	431.56	339.63
Provision for Current Tax	3070.00	5750.00
Proposed Dividend	756.26	1890.64
Provision for Corporate Dividend Tax	128.53	265.16
	<u>4386.35</u>	<u>8245.43</u>
TOTAL	<u><u>21061.56</u></u>	<u><u>26213.34</u></u>
* There are no amounts due and outstanding to be credited to Investor Education & Protection Fund.		
# Includes Rs.776.40 lacs towards Interim Dividend declared on 14-03-2007.		



Gujarat Industries Power Company Limited

SCHEDULES ANNEXED TO AND FORMING PART OF PROFIT AND LOSS ACCOUNT

	(Rs. in Lacs)	
	For the Year ended 31-03-07	For the Year ended 31-03-06
SCHEDULE 13 — OTHER INCOME		
Delayed Payment Charges	5509.99	2302.97
Interest on Deposits / Bonds (Tax deducted at source Rs.579.00 Lacs, Previous year Rs. 430.66 lacs)	2456.25	1663.30
Other Interest	43.27	5.55
Bad Debts Recovered	115.61	0.00
Dividend	88.62	16.55
Insurance Claims	88.11	142.81
Liquidated Damages	148.29	48.94
Miscellaneous	270.91	82.38
TOTAL	8721.05	4262.50

SCHEDULE 14 — EMPLOYEES' COST		
Salary and Wages*	1433.66	917.18
Contribution to Provident and Pension Fund	77.58	77.04
Welfare Expenses	69.92	33.10
Other Benefits	491.10	413.53
TOTAL	2072.26	1440.85
* Includes Rs.507.14 lacs towards Interim Relief paid/provided pending final wage settlement due with effect from 01-04-05 (Previous year Nil).		



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SCHEDULES ANNEXED TO AND FORMING PART OF PROFIT AND LOSS ACCOUNT

	(Rs. in Lacs)	
	For the Year ended 31-03-07	For the Year ended 31-03-06
SCHEDULE 15 — GENERATION, ADMINISTRATION AND OTHER EXPENSES		
Consumption of Stores and Spares	1975.36	1421.43
Water Charges	427.96	460.49
Electricity Charges	491.67	387.85
Operation Expenses	687.20	668.40
Repairs and Maintenance :		
- Buildings	186.95	119.19
- Plant and Machinery	583.65	967.08
- Others	50.01	34.56
	1507.81	1789.23
Staff Recruitment and Training Expenses	27.33	18.40
Rent, Rates and Taxes	230.63	223.29
Communication Expenses	60.21	28.09
Travelling Expenses	37.00	35.75
Security Services	105.41	108.37
Printing and Stationery	17.86	20.82
Legal, Professional and Consultancy Fees	29.50	40.58
Vehicle Running and Hiring Expenses	100.01	95.89
Auditors' Remuneration (including Service Tax)	6.28	6.01
Bank Charges and Commission	72.22	37.10
Insurance	648.94	616.03
Advertisement Expenses	6.78	14.08
Filing Fees and Registrar Expenses	26.61	21.02
Social Welfare Expenses	143.58	81.58
Donation	353.20	15.37
Miscellaneous Expenses	193.72	294.33
Bad Debts Written off	5509.99	0.00
TOTAL	11972.07	5715.71



Gujarat Industries Power Company Limited

SCHEDULES ANNEXED TO AND FORMING PART OF PROFIT AND LOSS ACCOUNT

		(Rs. in Lacs)
	For the Year ended 31-03-07	For the Year ended 31-03-06
SCHEDULE 16 — INTEREST & FINANCE CHARGES		
Term Loans	3382.22	4414.02
Loan against Pledge of GEB Bonds	640.29	678.46
Cash Credit / Working Capital Demand Loans	298.67	344.88
Fixed Deposits	2.53	44.55
Short Term Loan	0.00	144.21
Rebate on Sales	542.45	717.77
Others	251.87	51.31
TOTAL	5118.03	6395.20



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SCHEDULE 17 — SIGNIFICANT ACCOUNTING POLICIES

1. FIXED ASSETS

- a. Fixed Assets are shown at cost of acquisition (including expenditure during commissioning) less accumulated depreciation.
- b. Works under erection / installation / execution including advances for capital works and interest on specific borrowings during the period of construction are shown as Capital Work-in-Progress.
- c. Payments for leasehold land and expenses incurred for the development of such land are amortized over the lease period.
- d. Major cost of civil works required as Plant and Machinery supports, on the basis of technical estimates, is considered as Plant and Machinery.
- e. High value spares which are specific to a particular item of fixed asset and the use of which is not regular, are written down on a systematic basis over a period not exceeding the useful life of the principal item i.e. the fixed asset to which they relate.
- f. Mines Development Expenditure under Fixed Assets comprises of initial expenditure for lignite mines and expenditure for removal of overburden. Such expenditure is amortised over quantities of lignite actually extracted, considering relevant stripping ratio.

2. INVESTMENTS

Long term investments are stated at cost. Provision is made for the diminution in value except where diminution is of a temporary nature.

3. INVENTORIES

- a. Stores and Spares are valued at weighted average cost. Spares include insurance spares not capitalized under Fixed Assets being less than the threshold value.
- b. Raw materials other than Lignite are valued at weighted average cost.
- c. Lignite is valued at lower of cost or net realizable value. Cost includes actual cost of extraction and related mining overheads including amortised cost of Mines Development Expenditure as per accounting policy 1 (f) above.

4. FOREIGN CURRENCY TRANSACTIONS

Transactions in foreign currency are accounted for at the exchange rate prevailing on the date of transactions.

5. DEPRECIATION

Depreciation on all fixed assets except computer software is provided on straight line method at the rates specified under Schedule XIV of the Companies Act, 1956, such rates being not lower than the rates based on management's estimate of useful economic life of the assets. Computer software is amortised on straight line basis over a period of five years.

6. TAXATION

Provision for current tax is made on the basis of estimated tax payable for the year. Deferred tax is recognized subject to consideration of prudence, on timing differences between taxable income and accounting income.

7. RETIREMENT BENEFITS

Liability for gratuity is accounted for on the basis of an actuarial valuation made by an independent Actuary.

The Company extends benefit of encashment of leave to its employees while in service as well as on retirement. Liability in respect of accumulated leave is accounted for on the basis of an actuarial valuation made by an independent Actuary.

Employer's contribution to Provident Fund and Pension Fund is charged to Profit & Loss Account.

8. REVENUE RECOGNITION

Revenue from sale of energy is recognized when no significant uncertainty as to the measurability or ultimate collection exists. Other income is recognised on accrual basis except,

- a. Claims lodged with insurance company in respect of risk insured are accounted on admittance basis.
- b. Delayed payment charges recovery for power supply under Power Purchase Agreements are recognised, on grounds of prudence, as and when recovered.

9. PROVISION, CONTINGENT LIABILITIES AND CONTINGENT ASSETS

Provisions involving substantial degree of estimation in measurement are recognized when there is a present obligation as a result of past events and it is probable that there will be an outflow of resources. Contingent liabilities are not recognized but are disclosed in the notes. Contingent assets are neither recognized nor disclosed in the financial statements.

10. IMPAIRMENT OF ASSETS

An asset is treated as impaired when the carrying cost of asset exceeds its recoverable value. An impairment loss is charged to the Profit & Loss Account in the year in which an asset is identified as impaired. The impairment loss recognized in prior accounting periods is reversed if there has been a change in the estimate of recoverable amount.



Gujarat Industries Power Company Limited

SCHEDULE 18 — NOTES FORMING PART OF THE ACCOUNTS

1. Estimated amount of contracts remaining to be executed on capital account and not provided for (net of advances) is Rs. 100899.56 lacs (Previous year Rs. 1143.59 lacs).
2. **Contingent Liabilities not provided for :**
 - a. Claims against company pending before court - Rs.7863.47 lacs (Previous Year Rs.7854.47 lacs)
 - b. In respect of leasehold land of 160 MW Baroda Power Plant and freehold land in respect of 250 MW Surat Lignite Power Plant, various claims are pending against the company/land acquisition office. Depending upon the final compensation amount determined, the cost of land may change requiring appropriate adjustment then.
 - c. Demand for Water Reservation Charges and interest thereon from Narmada Water Resources and Water Supply Department for Rs.951.21 lacs, (Previous Year Rs.848.72 Lacs) relating to Surat Lignite Power Plant is contested and not acknowledged as debt since at the relevant time project was under implementation and regular drawal of water was not made.
 - d. Bills of Exchange discounted with Banks in respect of Sales Invoices aggregate to Rs.1710 lacs. (Previous Year Rs. 3200 lacs).
 - e. Accumulated arrears of Electricity Duty Rs. 4087.50 Lacs (Previous Year Rs. 4116.33 Lacs) has not been recovered from participating units and hence not been deposited with the Government. The request by participating units to the competent authority for review of this levy is pending.
 - f. Demand for difference of Stamp Duty from office of the Deputy Collector, Stamp Duty Valuation Office, Baroda of Rs. 452.60 Lacs (Previous Year Rs 452.60 Lacs) and penalty which can be levied upto 10 times the disputed amount, on Debenture Trust Deed executed on 15/10/1996 for right issue of Partly Convertible Debentures is disputed on the ground of wrong classification and not acknowledged as debt.
3. The particulars in respect of generation of electricity, units sold and consumption of raw materials are:

(Rs.in Lacs)

	2006-07		2005-06	
	Quantity	Amount	Quantity	Amount
a. 145 MW Power Station				
Units Generated (MUs)	1109.697	—	1105.060	—
Units Sold (MUs) *	1090.661	—	1088.302	—
Consumption of Gas (Raw Material) ('000SM ³)	236061.173	12207.89	244822.519	12264.11
b. 160 MW Power Station				
Units Generated (MUs)	1043.814	—	1216.062	—
Units Sold (MUs) *	1021.908	—	1192.755	—
Consumption of Gas (Raw Material) ('000SM ³)	229940.800	18483.12	258552.160	16389.69
c. 250 MW Surat Lignite Power Plant				
Units Generated (MUs)	1751.935		1874.134	
Units Sold (MUs) *	1557.918		1665. 824	
Consumption of Lignite (Raw Material) MT	1673671.00	13222.72	1721415.78	13428.43
Consumption of HFO (Raw Material) KL	1973.767	401.84	1294.285	202.09

* (Difference in units generated and units sold attributed to auxiliary and captive consumption)



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	(Rs.in Lacs)	
	2006-07	2005 - 06
4. Managing Director's Remuneration:		
Salary	0.00	0.48
Other perquisites and / or benefits in cash or in kind	2.00	1.74
TOTAL	2.00	2.22
<p>Note : The Managing Director is also holding the post of Director (Administration) in Gujarat Urja Vikas Nigam Limited and draws his remuneration from there. Only perquisites are being borne by GIPCL.</p>		

	(Rs.in Lacs)	
	2006-07	2005 - 06
5. C.I.F. Value of Imports		
Spares and Components	49.85	119.66

	(Rs.in Lacs)			
	2006-07		2005 - 06	
	Value	% to total Consumption	Value	% to total Consumption
6. Stores and Spares Consumed				
Imported	172.07	8.71	98.66	6.94
Indigenous	1803.29	91.29	1322.77	93.06
TOTAL	1975.36	100.00	1421.43	100.00

	(Rs.in Lacs)	
	2006-07	2005 - 06
7. Payment to Auditors for other services :		
a. Tax Audit Fees	0.67	0.52
b. For Taxation, certification and other matters	0.93	0.49
c. Fees for Public Offer	0.00	9.36

8. Sale of Electrical energy is net of reversals accepted on commercial considerations as under:
- Rs. 873.07 lacs (Previous year Rs. 1630.09 lacs) towards re-computation of return on equity.
 - Rs. 1651.10 lacs (Previous Year Rs. 348.94 Lacs) towards interest and variable charges adjustments.
9. Effect has been given in the accounts for settlement of outstanding issues with GUVNL reached during the year, in terms of dispute resolution mechanism recommended by the Shelat Committee and approved by the Government of Gujarat. Accordingly 'Other Income' and 'Generation, Administration and Other Expenses' includes Delayed Payment charges of Rs.5509.99 Lacs (Previous Year Nil) accounted for and written-off within the year.
10. The Company has only one reportable business namely 'Power Generation'.



Gujarat Industries Power Company Limited

11. In accordance with the Accounting Standard – 22 ‘Accounting for Taxes on Income’ and ASI 3 issued by the Institute of Chartered Accountants of India, the company has accounted for Deferred Tax on timing differences. Major components of Deferred Tax recognized in the accounts are :-

	(Rs. in Lacs)	
Particulars	2006-07	2005-06
Deferred Tax Liability		
Depreciation	7296	9998
Others	301	1009
TOTAL	7597	11007
Deferred Tax Assets		
Deferred revenue expenses	21	69
Items u/s 43 B	85	198
TOTAL	106	267
Deferred Tax Liability (Net)	7491	10740

Reversal of Deferred Tax Liabilities of Rs.3249 lacs has been made in the current year. This includes reversal of Rs.3106 lacs on account of application of ASI-3 and pertains to the earlier period.

12. Related Party Disclosures

In accordance with the Accounting Standard 18 – Related Party Disclosures issued by the Institute of Chartered Accountants of India, the transactions with related party are given below:

Name of the Related Party : Gujarat Urja Vikas Nigam Ltd (Erstwhile Gujarat Electricity Board)

Nature of Relationship : Promoter (with significant shareholding / influence)

	(Rs. in Lacs)			
Sr. No.	Value of transactions for the year	Outstanding Balance as on 31-03-2007	Value of transactions for previous year	Outstanding Balance as on 31-03-2006
1	Nil	8635.52	Nil	8635.52
2	65410.85	8835.29	62787.28	8218.25
3	Nil	11787.00	Nil	11787.00
4	9000.00	6000.00	20500.00	10000.00
5	925.15	Nil	995.82	Nil
6	542.45	Nil	717.77	Nil
7	72.18	Nil	147.97	Nil
8	905.37	Nil	493.95	Nil
9	1001.22	Nil	1002.09	Nil
10	5509.99	Nil	2302.97	Nil
11	5509.99	Nil	Nil	Nil
12	1055.57	Nil	479.80	Nil

Name of the Related Party : Shri L Chuaungo

Nature of Relationship : Managing Director

Salary & Perquisites : Rs 2.00 Lacs (Previous Year Rs. 2.22 Lacs)



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13. In accordance with Accounting Standard 20 with respect to Earnings Per Share (EPS) issued by the Institute of Chartered Accountants of India, the Basic and Diluted Earning Per Share (EPS) has been calculated as under :

Particulars	(Rs. in Lacs)	
	2006-07	2005-06
Net Profit after Tax	18291.57	11481.47
Weighted Average number of Equity Shares outstanding (Nos.)	151251188	127983662
Basic and Diluted Earning Per Share of Rs. 10/- each (Rs.)	12.09	8.97

14. Utilisation of Funds mobilized through Public offer for 250MW expansion Project

Particulars	(Rs. in Lacs)	
	2006-07	2005-06
Amount Mobilised through Public Offer	27500.00	27500.00
Utilization		
Public Issue Expenses **	1276	1192
Expenditure / Advance Payments for Expansion Project	13595	7915
Finance cost	129	Nil
	15000.00	9107.00
Balance		
Inter Corporate Deposits	6000	10000
Fixed Deposits with Banks	6500	8393
	12500.00	18393.00

** Public issue expenses shall be amortised from the date of commercial operation of the expansion project.

15. Corresponding figures of the previous year have been regrouped wherever necessary to make them comparable with current year's figures.

16. As required by Notification No. GSR 129 (E) dated 26-02-1999 and amendment Notification No. GSR 376 (E) dated 22-05-2002 issued by the Department of Company's Affairs, Ministry of Law, Justice and Company Affairs based on information available with the Company, the Small Scale Industrial Undertakings to which the Company owes any sum are M/s. Ambisons Industries, Ahmedabad, M/s. SLI Power Engineering (P) Ltd. & Industrial Tube manufacturing Pvt. Ltd.

As per our report of even date attached

For **K. C. Mehta & CO.**
Chartered Accountants

L. Chuaungo
Managing Director

Smt. V. L. Joshi
Chairperson

Milind Mehta
Partner
Membership No. 38665

Place: Vadodara
Date: 5th May 2007

D. N. Bhatia
General Manager & Chief Finance Officer

V.V. Vachhrajani
Company Secretary

Director
A. Khandual
P. K. Taneja
Dr. P. K. Das
Prof. K. M. Joshi
G. P. Mohapatra
P. H. Rana



Gujarat Industries Power Company Limited

PART - IV BALANCE SHEET ABSTRACT AND COMPANY'S GENRAL BUSINESS PROFILE

a. Registration Details

Registration No.	<input type="text"/> <input type="text"/> <input type="text"/> <input type="text"/> <input type="text"/> <input type="text"/> <input type="text"/> <input type="text"/> 7 8 6 8	State Code No.	<input type="text"/> <input type="text"/> <input type="text"/> <input type="text"/> <input type="text"/> <input type="text"/> <input type="text"/> <input type="text"/> 0 4
Balance Sheet Date	3 1 0 3 2 0 0 7		<input type="text"/> <input type="text"/> <input type="text"/> <input type="text"/> <input type="text"/> <input type="text"/> <input type="text"/> <input type="text"/> <input type="text"/> <input type="text"/>

b. Capital Raised during the Year [Amount in Rs. Lacs]

Public Issue	<input type="text"/> <input type="text"/> <input type="text"/> <input type="text"/> <input type="text"/> <input type="text"/> <input type="text"/> <input type="text"/> N A	Right Issue	<input type="text"/> <input type="text"/> <input type="text"/> <input type="text"/> <input type="text"/> <input type="text"/> <input type="text"/> <input type="text"/> N A
Bonus Issue	<input type="text"/> <input type="text"/> <input type="text"/> <input type="text"/> <input type="text"/> <input type="text"/> <input type="text"/> <input type="text"/> N A	Private Issue	<input type="text"/> <input type="text"/> <input type="text"/> <input type="text"/> <input type="text"/> <input type="text"/> <input type="text"/> <input type="text"/> N A

c. Position of Mobilisation and Deployment of Funds [Amount in Rs. Lacs]

Total Liabilities	<input type="text"/> <input type="text"/> 1 6 9 6 5 6 . 8 5	Total Assets	<input type="text"/> <input type="text"/> 1 6 9 6 5 6 . 8 5
-------------------	---	--------------	---

Sources of Funds

Paid-up Capital	<input type="text"/> <input type="text"/> 1 5 1 2 5 . 1 2	Reserves and Surplus	<input type="text"/> <input type="text"/> 9 2 7 6 9 . 4 6
Secured Loans	<input type="text"/> <input type="text"/> 5 4 2 7 1 . 7 9	Unsecured Loans	<input type="text"/> <input type="text"/> <input type="text"/> <input type="text"/> <input type="text"/> <input type="text"/> <input type="text"/> <input type="text"/> 0
Deferred Tax Liability	<input type="text"/> <input type="text"/> <input type="text"/> 7 4 9 0 . 4 8		

Application of Funds

Net Fixed Assets	<input type="text"/> <input type="text"/> 1 3 1 4 1 0 . 7 9	Investments	<input type="text"/> <input type="text"/> 1 3 5 7 1 . 8 0
Net Current Assets	<input type="text"/> <input type="text"/> 2 3 3 9 7 . 9 3	Misc. Expenditure	<input type="text"/> <input type="text"/> 1 2 7 6 . 3 3
Accumulated Losses	<input type="text"/> <input type="text"/> <input type="text"/> <input type="text"/> <input type="text"/> <input type="text"/> <input type="text"/> <input type="text"/> N A		

d. Performance of Company [Amount in Rs. Lacs]

Total Turnover	<input type="text"/> <input type="text"/> 8 8 2 7 9 . 0 7	Total Expenditure	<input type="text"/> <input type="text"/> 7 0 1 2 8 . 6 9
Profit Before Tax	<input type="text"/> <input type="text"/> 1 8 1 5 0 . 3 8	Profit After Tax	<input type="text"/> <input type="text"/> 1 8 2 9 1 . 5 7
Earning per share of Rs.10/- (Annualised)	<input type="text"/> <input type="text"/> <input type="text"/> <input type="text"/> 1 2 . 0 9	Dividend Rate [%]	<input type="text"/> <input type="text"/> <input type="text"/> <input type="text"/> 2 0 %

e. Generic Names of Three Principal Products/Services of Company [As Per Monetary Terms]

Item Code No.	<input type="text"/> <input type="text"/> <input type="text"/> <input type="text"/> <input type="text"/> <input type="text"/> <input type="text"/> <input type="text"/> N I L
Product Description	G E N E R A T I O N O F E L E C T R I C I T Y



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CASH FLOW STATEMENT FOR THE YEAR ENDED 31ST MARCH, 2007

	(Rs. in Lacs)	
	For the Year ended 31-03-07	For the Year ended 31-03-06
A Cash Flow From Operating Activities :		
Net Profit before Taxes and Extraordinary items	18150.38	17249.28
Adjustment for :		
Depreciation	8984.66	9137.84
Impairment of Asset	102.40	279.60
Interest debited to Profit & Loss Account	5118.03	5677.43
Interest Received	(2499.52)	(1668.85)
Dividend	(88.62)	(16.55)
	<u>11616.95</u>	<u>13409.47</u>
Operating Profit Before Working Capital Changes	<u>29767.33</u>	<u>30658.75</u>
Adjustment for :		
Trade Receivables	219.74	(467.43)
Inventories	488.57	(472.28)
Loans and Advances	367.13	(338.40)
Trade Payables	(1343.28)	(338.21)
	<u>(267.84)</u>	<u>(1616.32)</u>
Cash Generated from Operations	<u>29499.49</u>	<u>29042.43</u>
Payment of Direct Taxes	(4537.55)	(3972.55)
Net Cash Flow from Operating Activities (Total - A)	<u>24961.94</u>	<u>25069.88</u>
B Cash Flow from Investing Activities :		
Purchase/Adj. of Fixed Assets	(645.27)	(920.19)
Capital Work in Progress including project creditors	(14075.30)	(8612.96)
Mines Development Expenditure (To be amortised)	1316.38	1959.52
Inter Corporate Deposit	4000.00	(10000.00)
Interest Received	2337.62	1584.83
Dividend	88.62	16.55
Net Cash Flow from Investing Activities (Total - B)	<u>(6977.95)</u>	<u>(15972.25)</u>



Gujarat Industries Power Company Limited

CASH FLOW STATEMENT FOR THE YEAR ENDED 31ST MARCH, 2007 *(Contd.)*

	For the Year ended 31-03-07	For the Year ended 31-03-06
(Rs. in Lacs)		
C Cash Flow from Financing Activities :		
Proceeds from Equity Share Capital	0.00	27500.00
Proceeds from Term Borrowings	4949.44	
Proceeds from other Loans	8178.38	5077.80
Repayment of Term Borrowing	(16601.61)	(14371.73)
Repayment of other loans	(2398.91)	(9287.12)
Share Issue Expenses	(84.74)	(1191.59)
Interest Paid	(5068.18)	(5774.53)
Dividend on Equity Paid	(3373.53)	(1332.05)
Tax on Dividend Paid	(583.36)	(194.27)
Net Cash Flow from Financing Activities (Total - C)	(14982.51)	426.51
Net Increase In Cash and Cash Equivalents (Total - A + B + C)	3001.48	9524.14
Opening Cash and Cash Equivalents	10309.98	785.84
Closing Cash and Cash Equivalents (Refer Schedule 10)	13311.46	10309.98

As per our report of even date attached

For **K C. Mehta & CO.**
Chartered Accountants

L Chuaungo
Managing Director

Smt. V L Joshi
Chairperson

Director

A. Khandual
P. K. Taneja
Dr. P. K. Das
Prof. K. M. Joshi
G. P. Mohapatra
P. H. Rana

Milin Mehta
Partner
Membership No. 38665

Place: Vadodara
Date: 5th May 2007

D. N . Bhatia
General Manager & Chief Finance Officer

V.V. Vachhrajani
Company Secretary



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