



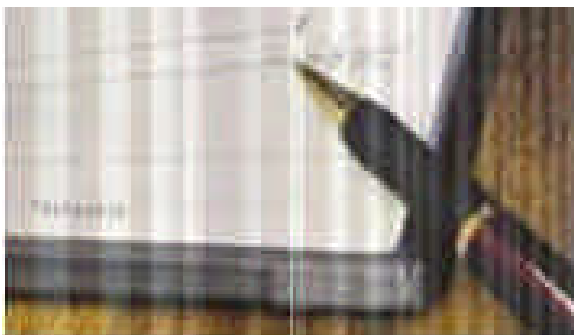
GUJARAT STATE ELECTRICITY CORPORATION LIMITED

(A wholly owned subsidiary of Gujarat Urja Vikas Nigam Limited)

15TH ANNUAL REPORT

2007-2008

GSECL



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REGISTERED OFFICE

“VIDYUT BHAVAN”, RACE COURSE, VADODARA – 390 007

WEBSITE : www.gsecl.in

EMAIL : gsecl@gebmail.co



POWER PLANTS

THERMAL POWER STATIONS

GANDHINAGAR

WANAKBORI

SIKKA

UKAI

KUTCH

HYDRO POWER STATIONS

KADANA

PANAM

UKAI

GAS BASED POWER STATIONS

UTRAN

DHUVARAN

OIL BASED POWER STATIONS

DHUVARAN



BOARD OF DIRECTORS

SHRI S. JAGADEESAN, IAS

CHAIRMAN
(W.E.F. 18TH DECEMBER, 2008)

SHRI M. M. SRIVASTAVA, IAS (UPTO 17/12/2008)

CHAIRMAN
(UPTO 17TH DECEMBER, 2008)

SMT. V. L. JOSHI, IAS (UPTO 08/06/2008)

CHAIRPERSON
(UPTO 8TH JUNE, 2008)

SHRI L. CHUAUNGO, IAS

DIRECTOR

SHRI I. P. GAUTAM, IAS

DIRECTOR

PROF. N. VENKITESWARAN

DIRECTOR

SHRI H. P. DESAI

DIRECTOR

SHRI M. A. BHATT

DIRECTOR

SHRI B. S. REUBEN

DIRECTOR

SHRI J. S. MATHUR (UPTO 09/02/2008)

DIRECTOR (IDBI NOMINEE)
(UPTO 9TH FEBRUARY, 2008)

SHRI S. K. TANDON (UPTO 24/03/2008)

DIRECTOR (IFCI NOMINEE)
(UPTO 24TH MARCH, 2008)

SHRI P. H. RANA

MANAGING DIRECTOR
(W.E.F 21ST SEPTEMBER, 2008)

SHRI GURDEEP SINGH

MANAGING DIRECTOR
(UP TO 20TH SEPTEMBER, 2008)



CORE TEAM

CORPORATE OFFICE

SHRI V. T. RAJPARA	EXECUTIVE DIRECTOR
SHRI R. G. SHETH	SR. CHIEF GENERAL MANAGER (F&A)
SHRI R. G. MANDAN	CHIEF GENERAL MANAGER (HR&A)
SHRI V. J. THAKAR	CHIEF ENGINEER (P&P)
SHRI R. J. REVAR	CHIEF ENGINEER (GENERATION)
SHRI M. N. PATEL	CHIEF ENGINEER (CIVIL)
SHRI B. B. SHAH	CHIEF ENGINEER (FUEL)
SHRI M. B. KAKA	GENERAL MANAGER (F&A)
SHRI A. D. KARPE	GENERAL MANAGER (HR)

POWER PLANTS

SHRI B. N. CHUDASAMA	CHIEF ENGINEER, WANAKBORI
SHRI B. R. MALI	O.S.D., GANDHINAGAR
SHRI V. S. PATEL	CHIEF ENGINEER, UKAI
SHRI V. J. THAKAR	I/C CHIEF ENGINEER, KADANA
SHRI J. N. DOSHI	I/C CHIEF ENGINEER, KLTP
SHRI M. D. VYAS	CHIEF ENGINEER, SIKKA
SHRI P. C. PATEL	ADDITIONAL CHIEF ENGINEER, UTRAN
SHRI K. R. SHAH	CHIEF ENGINEER, DHUVARAN
SHRI R. V. PATEL	CHIEF ENGINEER, KEVADIYA-SSNL



**FINANCIAL INSTITUTIONS
AND
BANKERS**

FINANCIAL INSTITUTIONS

POWER FINANCE CORPORATION LIMITED

RURAL ELECTRIFICATION CORPORATION LIMITED

BANKERS

STATE BANK OF INDIA

CENTRAL BANK OF INDIA

INDIAN OVERSEAS BANK

VIJAYA BANK

BANK OF BARODA

BANK OF INDIA

INDIAN BANK

ORIENTAL BANK OF INDIA



**AUDITORS
AND
COMPANY SECRETARY**

STATUTORY AUDITORS

G. K. CHOKSI & Co.
CHARTERED ACCOUNTANTS
AHMEDABAD

COST AUDITORS

K. SANKLECHA & ASSOCIATES
COST ACCOUNTANTS
VADODARA

COMPANY SECRETARY

VIJAY P. JANI

NOTICE

NOTICE is hereby given that the **FIFTEENTH ANNUAL GENERAL MEETING** of the Members of Gujarat State Electricity Corporation Limited will be held on Monday, the 29th December, 2008 at 11.00 a.m. at the Registered Office of the Company situated at Vidyut Bhavan, Race Course, Vadodara-390007 to transact the following business: -

ORDINARY BUSINESS

1. To receive, consider and adopt the Audited Balance Sheet as at 31st March, 2008 and the Profit & Loss Account for the year ended on that date and the reports of Directors and Auditors along with the comments of the Comptroller and Auditor General of India thereon.

2. To appoint a Director in place of **Prof. N. Venkiteswaran** who retires by rotation but does not offer himself for reappointment.

To consider and if thought fit to pass with or without modification the following Resolution as an Ordinary Resolution.

“RESOLVED THAT Prof. N. Venkiteswaran, a Director liable to retire by rotation does not offer himself for reappointment, is therefore not reappointed Director of the Company.”

3. To appoint a Director in place of **Shri B.S. Reuben** who retires by rotation and being eligible offers himself for re-appointment.

4. To fix the remuneration of M/s. G.K. Choksi & Co., Chartered Accountants, Ahmedabad, appointed as Statutory Auditors of the Company for the F.Y. 2008-09, by the Comptroller And Auditor General of India, New Delhi (C & A G).

SPECIAL BUSINESS

5. To consider and, if thought fit, to pass the following resolution with or without modification, as an Ordinary Resolution.

“RESOLVED THAT Shri S. Jagadeesan, IAS, appointed as an Additional Director of the Company on 18.12.2008 under Section 260 of the Companies Act, 1956, and who holds such office upto the date of this Annual General Meeting and is eligible for re- appointment, be and is hereby appointed as a Director of the Company.”

Registered Office:
Vidyut Bhavan,
Race Course,
Vadodara – 390 007.

**BY ORDER OF THE BOARD
FOR GUJARAT STATE ELECTRICITY CORPORATION LTD.**

Date : 18th December, 2008

VIJAY JANI
Company Secretary

NOTES :

1. A MEMBER ENTITLED TO ATTEND AND VOTE AT THE MEETING IS ENTITLED TO APPOINT A PROXY TO ATTEND AND VOTE INSTEAD OF HIMSELF 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 present Statutory Auditors, M/s. G.K. Choksi & Co. Chartered Accountants, Ahmedabad have been appointed by the Office of the Comptroller & Auditor General of India (CAG) i.e. Central Government for the current financial year 2007-08 & financial year 2008-09, as the Company continues to attract provisions of Section 617 read with the provisions of Section 619 (2) of the Companies Act, 1956.
3. The Ministry of Corporate Affairs, Government of India, New Delhi has granted the extension of time for three months i.e. up to 31st December, 2008, to the Company for holding the Fifteenth Annual General Meeting of the Company, vide its letter No. 9/54/2008-C.L.-V dated 25.09.2008.

ANNEXURE TO NOTICE

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

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

Item No. 2

In accordance with provisions of the Section 256 of the Companies Act, 1956 and the Articles of Association of the Company, Prof. N. Venkiteswaran, retires by rotation. He was Chairman of the Audit Committee and also a member of the other Committees of Directors. The Company has received a letter dated 20.11.2008 from Prof. N. Venkiteswaran, dissenting from offering himself for re-appointment of the office of Directorship. It has been decided by the Board that the vacancies so created on the Board be not filled up.

Prof. N. Venkiteswaran, was holding office of Director of the Company since 1998 and eligible for re-appointment. The Board placed on record its appreciation for the very valuable contribution made by him on various financial and non financial critical issues of the Company during his tenure.

None of the Directors, except Prof. N. Venkiteswaran, is interested or concerned in the said Resolution.

Item No. 5

As per the Article 17 of the Articles of Association of the Company, the GUVNL in consultation with Government of Gujarat has a right to appoint Chairman on the Board of the Company and accordingly GUVNL has written a letter dated 16.12.2008, appointing Shri S. Jagadeesan, IAS, the Principal Secretary, Energy & Petrochemicals Department, Government of Gujarat as Chairman of the Company in place of Shri M.M. Srivastava, IAS.

Shri S. Jagadeesan, IAS, was appointed as an additional Director in terms of Section 260 of the Companies Act, 1956 and hold the office of Director till the date of this Annual General Meeting. Shri S. Jagadeesan, IAS, is a Senior IAS Officer of 1980 batch and he has served various departments of Government of Gujarat and Government of India. He was Minister (Economy) of High Commission of India, London, U.K. He carries very rich experience with him.

The Board recommends the appointment as Director.

None of the Directors, except Shri S. Jagadeesan, IAS, is interested or concerned in the said Resolution.

Registered Office:
Vidyut Bhavan,
Race Course,
Vadodara – 390 007.

**BY ORDER OF THE BOARD
FOR GUJARAT STATE ELECTRICITY CORPORATION LTD.**

Date : 18th December, 2008

VIJAY JANI
Company Secretary

PROXY FORM

GUJARAT STATE ELECTRICITY CORPORATION LIMITED

Regd. Office: Vidyut Bhavan, Race Course, Vadodara - 390007.

I / We _____
of _____
being a member / members of the above named Company hereby appoint _____ of _____
or failing him _____ of _____
_____ as my / our proxy to attend and vote for me / us on my / our behalf at the Fifteenth Annual General Meeting of the Company to be held on Monday, the 29th December, 2008 at 11.00 A.M. and at any adjournment thereof.

Signed _____ Revenue Stamp

Note : Proxy Forms must reach the Company's Registered Office not less than 48 hours before the meeting.

ATTENDANCE SLIP

GUJARAT STATE ELECTRICITY CORPORATION LIMITED

Regd. Office : Vidyut Bhavan, Race Course, Vadodara - 390007.
(To be handed over at the entrance of the Meeting Hall)

Name of the Shareholder
(in Block Letters)

Folio Number

Name of the Proxy
(In Block Letters, to be filled in if the Proxy attends instead of the Member)

No. of Shares held : _____

I hereby record my presence at the Fifteenth Annual General Meeting held on Monday, the 29th December, 2008 at 11.00 A.M. at the Regd. Office at Vadodara and at any adjournment thereof.

Member / Proxy Signature

NOTES :

1. To be signed at the time of handing over this slip.
2. Members intending to require information about accounts to be explained in the Meeting are requested to inform the Company in writing, at least seven days in advance of their intention to do so, so that the papers relating thereto may be made available.
3. Shareholders are requested to advise, indicating their folio numbers, the changes in their address, if any, to the Company.



DIRECTORS' REPORT

To,
The Members,

Your Directors are pleased to present their Fifteenth Annual Report together with the Audited Statement of Accounts of the Company for the financial year ended 31st March 2008.

A. FINANCIAL RESULTS

[Rupees in lacs]

Particulars	March 31, 2008	March 31, 2007
Sales	620474	531147
Other Income	12914	6261
Total Income	633388	537406
Total Expenditure	568237	477649
Gross Profit	65151	59759
Interest	28044	26795
Provision for depreciation	27764	23953
Profit before extraordinary items, prior period adjustments and tax	9343	9011
Prior Period Adjustments/Extra-Ordinary Items	2508	362
Profit Before Tax	6835	8649
Less: Provision for Current Income-Tax	911	1112
Provision for Deferred Tax Liability	--	--
Net Profit After Tax	5924	7537
Add: Balance brought forward from earlier year	35054	27517
Balance Carried to Balance Sheet	40978	35054

B DIVIDEND

Your Directors have decided not to recommend any dividend on the Equity Shares of the Company for the F.Y. 2007-2008.

C INDUSTRY OVERVIEW

Electricity is an essential requirement for all facets of human life. It has been recognized as a basic human need. It is a critical infrastructure on which the socio – economic development of the country depends and has been recognized as one of the key drivers for economic growth. Supply of electricity at reasonable rate to rural India is essential for overall development and equally important is availability of reliable and quality power at competitive rates to Indian Industry to make it globally competitive.

Electricity Industry is a capital intensive having long gestation period. Resources of power generation are unevenly dispersed across the country. Electricity is a commodity that can not be stored in the grid where the demand and supply is to be continuously balanced. The widely distributed and rapidly increasing demand requirements of the country need to be met in an optimum manner. Electricity Act 2003 provides an enabling framework for accelerated and more efficient development of the power sector. The act seeks to encourage competition with appropriate regulatory intervention. Competition is expected to yield efficiency gains and in turn result in availability of quality supply of electricity to consumers at competitive rates. The major aims & objectives of National Electricity Policy formulated by the Central Government are:

- Availability of Power – demand to be fully met by 2012. Energy & peaking shortages to be overcome and adequate spinning reserves to be available
- Per capita availability of electricity to be increased to over 1000 units by 2012
- Financial turnaround and commercial viability of Electricity Sector
- Protection of Consumers' Interests
(Source : www.opgpower.com)

India has an installed generation capacity of 143311 MW as on 31.03.2008. State Government roughly controls half of the electricity generation capacity of 74615 MW, the central sector controls 48611 MW and private sector controls 20085 MW. The majority of the installed capacity in India is coal based accounting for 53 percent of installed capacity. Western region accounts for the largest share of 30.09% of the installed power in India followed by Southern region with 27.76%.

There has been significant improvement in the growth in actual generation over few years. As compared to annual growth rate about 3.1% at the end of 9th Plan / initial years of 10th plan, the growth of generation during 2007-08 was of the order of 6.3%. The per capita consumption of electricity is increased from 613 Kwh per year during 2004-05 to 672 kwh during 2006-07 and it is targeted to achieve per capita consumption of 1000 kwh per year by 2011-12.

The Target & Actual electricity generation (all India) during 2002-03 to 2007-08 is as under:

Year	Generation (Billion Units)		% of Target	% Growth
	Target	Actual		
2002-2003	545.552	531.400	97.40	3.1
2003-2004	572.900	558.300	97.50	5.0
2004-2005	586.410	587.420	100.2	5.2
2005-2006	621.500	617.510	99.40	5.1
2006-2007	623.000	662.520	99.90	7.3
2007-2008	710.000	704.450	99.20	6.3

The Target & Actual PLF of state, central and private sector during 2002-03 to 2007-08 is as under:

Year	PFL (%)		Sector wise Actual PFL (%)		
	Target	Actual	Central	State	Private
2002-2003	70.8	72.1	77.1	68.7	68.7
2003-2004	72.0	72.7	78.7	68.4	80.4
2004-2005	73.4	74.2	81.3	68.9	84.1
2005-2006	74.7	74.0	82.6	67.3	85.4
2006-2007	76.3	76.8	84.8	70.6	86.3
2007-2008	77.1	78.6	86.7	71.9	90.8

During 11th Plan, the capacity addition of 78700 MW comprising of 36874 MW (46.85%) in Central sector, 26783 MW (34.03%) in State sector and 15043 MW (19.11%) in Private sector has been proposed. (Source : www.directories-today.com/power)

Ultra Mega Power projects (UMPP) are a series of ambitious power projects planned by the Government of India. With India being a country of chronic power deficit, the Government of India has planned to provide 'power for all' by the end of the eleventh plan. This would entail a creation of an additional capacity of at least 100,000 MW by 2012. The Ultra Mega Power projects each with a capacity of 4000 megawatts or above are being developed with an aim to bridge this gap.

The UMPPs are seen as an expansion of the MPP (Mega Power Projects) projects that the Government of India undertook in the nineties but met with limited success. The Ministry of Power in association with **Central Electricity Authority** and Power Finance Corporation Ltd has launched an initiative for development of **coal-based UMPP's** in India. These projects will be awarded to developers on the basis of competitive bidding.

List of proposed UMPPs

As of April 2008, nine UMPPs have been planned in Karnataka, Chattisgarh, Madhya Pradesh, Andhra Pradesh, Maharashtra, Orissa, Tamil Nadu, Gujarat and Jharkhand. The locations are as under:

State	Location
Chattisgarh	Akaltara
Gujarat	Mundra
Karnataka	Tadri
Madhya Pradesh	Sasan
Maharashtra	Giriye
Andhra Pradesh	Krishnapatnam
Orissa	Sudergarh district
Tamil Nadu	Cheythur
Jharkhand	Tilaiyya

(Source : www.wikipedia.com)

Gujarat has been remained as leading power generating state in India and always leapt forward along with development in power sector. As on 31.03.2008, Gujarat had total installed capacity of 10185 MW constituting 7.11% of all India Generating capacity. The sector wise distribution of installed capacity of Gujarat is – GSECL (4766 MW), Central Sector (3001 MW) and IPPs (2418 MW).

GROWTH OF INSTALLED CAPACITY OF GUJARAT (MW) SINCE 6TH PLAN

Year	GSECL	Central Sector	Private Sector	Total
31/03/1985	2692	247	381	3320
31/03/1990	3742	550	410	4702
23/03/1992	4082	780	655	5517
31/03/1997	4414	1293	847	6554
31/03/2002	4927	1532	2156	8615
31/03/2003	4888	1532	2156	8576
31/03/2004	4995	1532	2156	8683
31/03/2005	4995	1532	2156	8683
31/03/2006	4968	1840	2166	8974
31/03/2007	4968	2839	2416	10223
31/03/2008	4766	3001	2418	10185

The Company has contributed to dedicated development of Industrial Growth throughout its inception. Today Company owns total installed capacity of 4766 MW (as on 31.03.2008) comprising of 4219 MW Thermal & 547 MW Hydro. The Thermal capacity comprises of 3430 MW Coal based, 215 MW Lignite based, 220 MW Oil based & 242 MW Gas based Power Stations. Today Company owns and operates seven Thermal & two Hydal Power Plants varying unit from 1 MW to 210 MW in Gujarat which consists of a Thermal Power Station consisting of seven units each of 210 MW capacity.

The **generation of electricity (MUs)** in Gujarat during 2007-08 is as under:

GSECL	29241 MUs
Central Sector	17979 MUs
Private Sector	19325 MUs
Total :	66545 MUs

During the year 2007-08, the Company has applied intensive thrust to resolve various issues related to all fronts of Thermal Power Stations like better fuel management, better spares management, close monitoring of O & M activities, in depth analysis of forced outages / in house skill development & intensive training programmes. Due to all round efforts, the Company has noticed quantum jump in overall performance parameters. The Plant load factor has increased to **76.19%** and **80.29%** based on actual generation & generation including deemed generation respectively **which is all time high**.

D PERFORMANCE OF THE COMPANY:

1. Financial

The total revenue for the year is **Rs. 6333.88 Crores**. While total operating expenditure for the year ended 31st March, 2008 is **Rs. 5682.37 Crores**. The profit before interest and tax is **Rs. 651.51 Crores**. Depreciation and interest are **Rs. 277.64 Crores** and **Rs.280.44 Crores** respectively. The profit is **Rs. 68.35 Crores**.

2. Operational

The year 2007-08 was another excellent year of performance for the Company. Total generation from Company's Power stations during 2007-08 has increased to 28241 MU against 27425 MUs.

The **generation of electricity (MUs)** in Gujarat during 2007-08 is as under:

GSECL	29241 MUs
Central Sector	17979 MUs
Private Sector	19325 MUs
Total :	66545 MUs

Power Station	Generation MUs	PLF (%)
Ukai (Thermal)	5311.42	71.14
Gandhinagar	5902.21	77.23
Wanakbori	11285.82	87.40
Sikka	1632.54	77.43
KLTPS	1403.20	74.29
Dhuvaran (oil)	1667.61	80.35
Dhuvaran (Gas)	1197.43	81.87
Utran (Gas)	1100.48	92.83
Ukai (Hy)		
Kadana (Hy)		
Total :	30741.71	80.29

Note: Hydro generation is not considered in PLF calculation.

3. Highlights

- Ever Highest yearly PLF of **80.29% during 2007-08** (up 10% YoY) by Company Power Stations beating all previous records.
- Ever Highest yearly Generation of **29.241 Billion Units during 2007-08** (up 6.6% YoY) by Company Power Stations beating all previous records
- Company Power Stations : Ever highest Daily Generation of **95.353 MUs (Thermal 92.559 MUs + Hydro 2.794 MUs) on 30th Nov'07**
- Ukai Hydro Power Station is declared 3rd best performing station in India during 2006-07 & awarded **Bronze Shield** for the same by Ministry of Power

- Dhuvaran CCPP is awarded *Greentech Environment Excellence Gold award*
- Utran GBPS is awarded *Greentech Environment Excellence Silver award*
- Gandhinagar TPS is awarded *Greentech Environment Excellence Certificate of Appreciation*
- Ukai TPS, KLTPS, Gandhinagar TPS, Dhuvaran TPS & Utran GBPS received / recommended for ISO 9001 and, for ISO 14001 .
- Dhuvaran Gas Based Power Station I & II registered as *CDM Project with UNFCCC on 4th Feb'08*
- 21 out of 27 Thermal Units with PLF > 75% (2007-08)
- 17 out of 27 Thermal Units with PLF > 80% (2007-08)
- Zero boiler tube leakage in Sikka unit 2 during 2007-08
- Fire Audit & Safety Audit of all the Power Stations is carried out.
- **Awards**
 - (i) **Environment management** - Following power stations of the Company have received awards for better environment management:
 - Dhuvaran CCPP has been awarded Greentech Environment Excellence Gold Award
 - Utran CCPP has been awarded Greentech Environment Excellence Silver Award
 - Gandhinagar TPS has been awarded Greentech Environment Excellence Certificate of Appreciation.
 - (ii) **Hydro Power Performance** - Ukai Hydro Power Station is declared 3rd Best Performing Station in India during 2006-07 and awarded Bronze Shield by Ministry of Power, Govt of India.

E FUEL

As you are aware that the Fuel is the most important and critical part of the Company's operations and therefore the Company is continuously making efforts for improvement in fuel procurement, management and cost. In the present regulatory regime, Company is committed to reduce its fuel cost and perform with better efficiency. During the year, various steps have been taken for improvement in availability of coal, its quantity and reduction in cost. This includes better coal linkages, increased use of washed coal and blending of imported coal. Company aimed at 100% beneficiation of low grade, high ash indigenous coal as per its long-term fuel strategy and achieved almost 80% beneficiation and supply of washed coal to its power stations in the year 2007-08. Gujarat being a coastal state and the power stations being situated at longer distances from the coalmines, there is an inherent techno economic advantage in blending of imported coal at some of the power stations. Utilizing that advantage, @21% of imported coal was blended with indigenous coal at Gandhinagar TPS and 24% at Sikka TPS in the year 2007-08.

- The Company executed Coal Supply Agreement with Western Coalfields Limited for Ukai Power Station. Due to execution of the Agreement, the higher Annual Contracted Quantity is achieved.
- The high power committee was constituted to resolve the long pending interest issue between Coal Companies and the Company. The interest issue has been resolved with South Eastern Coalfields Ltd. (SECL), Western Coalfields Ltd.(WCL) and Mahanadi Coalfields Ltd.(MCL).
- All these steps have contributed to improve the present fuel procurement to ensure regular supply of quality fuel. This will lead to reduction in cost and better plant performance.

- **Captive Mining**

Your Directors are pleased to inform you that to have a fuel security for the future generation expansion plans, Company had visualized a need to acquire few coal blocks in the Country, which were available through Government dispensation route. Company had joined hands together with Mahagenco and incorporated a JVC in the name of “Mahaguj Collieries Ltd” (MGCL).

F ASH HANDLING AND UTILISATION

As a part of its continuing efforts towards environment protection and pollution control, the Company in consultation with TERI (The Energy and Resources Institutes) has developed a comprehensive ash management plan for its gainful utilization.

The Company is exploring the possibility/feasibility of enhancing the infrastructure facilities for dry fly ash extraction, collection and evacuation capacity for achieving 100% fly ash utilization at its various power stations. Construction of additional dry ash collection facilities is under progress at Gandhinagar and Ukai power stations.

As a result of the continued efforts to involve cement manufacturers to establish systems for dry ash collection and evacuation in a pollution free manner, the Company has successfully entered into a ‘Long Term Agreement’ for building capacity for extraction, collection, evacuation and use of dry fly ash from the existing units at Sikka and Wanakbori TPS.

With proper implementation of ash management plan, the off-take of both dry and pond ash has increased to 33% during the year 2007-08 (from a low of only 5.7% in the year 2001). Gandhinagar TPS has achieved the highest dispatches 84% followed by Sikka TPS 47%, Ukai TPS 25.8% and Wanakbori TPS 14.8%.

G NEW PROJECTS

Your Directors are pleased to brief you on the New Projects of the Company as under:

1. 112.45 MW Gas Based Combined Cycle Power Plant at Dhuvaran Stage-II:

The Company has made 112.45 MW Gas Based Combined Cycle Power Plant commercially operational w. e. f. 1st November 2007. The plant has met with its guarantees.

2. 370 MW Gas Based Combined Cycle Power Plant at Utran:

The Company is setting up a 370 MW Gas Based Combined Cycle Power Project in the existing premises. All the statutory clearances are obtained and a considerable work has been completed. All major equipments required for commissioning of the plant are received and under erection. The contract for its installation is awarded to M/s. ALSTOM (Switzerland) Ltd. by inviting Global Competitive Bids. Zero date of the project being 27th May 2007 achieved upon (i) signing of contracts, (ii) releasing advance payment and (iii) opening Letter of Credits with a firmed up completion schedule for Commercial Operation of 27 months. The progress of work is satisfactory however, a small delay has been noticed. To cover up the delay, necessary remedial actions are being taken by the contractor.

3. 360 MW Gas Based Combined Cycle Power Plant at Dhuvaran:

The Company has initiated all actions for execution of 360 MW Gas Based Combined Cycle Power Plant at Dhuvaran in the existing premises. Bid from BHEL is invited for completing all the works within the 11th FYP. This is envisaged to cut down the time for finalizing the offer. BHEL's bid, which was invited in June 2008 and is expected to be received shortly. The bid is invited for completing all the works on EPC basis.

4. 75 MW Lignite based Extension Unit – IV at KLTPS, Panandhro :

The project is scheduled for commissioning by December 2008. All efforts are made by the Company with M/s. BHEL and other Agencies to meet the commissioning schedule. The unit was Test synchronized on 22.10.2008.

5. 2 x 250 MW Imported Coal Based Extension Unit 3 & 4 at Sikka :

The Company is in the process of setting up of 2 x 250MW-imported Coal Based Thermal Power Project as an extension to the existing 2 x 120 MW Thermal Power Station at Sikka. All the statutory clearances are obtained. M/s.TCE Consulting Engineers Ltd., Bangalore has been issued order for consultancy services for detailed Engineering work of the project. EPC contract with BHEL is executed and 22.5.2007 is achieved as Zero date. Design and engineering is commenced and its about 28.0% progress is achieved. The scheduled commissioning of Unit 3 is January 2010 and of Unit 4 is May, 2010. The proposal for long term supply of imported coal arrangement is in progress.

6. 500 MW Coal based extension unit No. 6 at Ukai TPS :

To augment generation capacity of the Company, Ukai extension project unit 6 of 500 MW capacity has been taken up in available land. EPC contract with BHEL is executed and 06.10.2007 is achieved as Zero date. All statutory clearances have been received. Design and Engineering of the project is commenced and in full swing. BHEL has started civil works at site. The scheduled commissioning of unit 6 is by January 2011.

7. 10 MW Wind Energy Farm Near Village Bayath in Kachchh :

As a part of power generation through non conventional resources, the Company has set up 8 wind mills each of 1.25 MW totaling 10 MW wind energy farm at village Bayath in Kachchh & commissioned in March / May 2008. The Wind farm is operational.

8. Other Power Projects planned by the Company:

As part of continually augmenting generating capacity, the Board has approved for carrying out Feasibility Study Report and preparation of Detailed Project Report for the following projects.

a.	2x800 MW Coal Based Projects at Sinor, Dist. Vadodara.
b.	4x800 MW Coal Based Projects at Sarakhadi, Dist. Junagadh (expendable to 6x800 MW units).
c.	1x800 MW Coal Based Extension-VIII at Wanakbori, Dist. Kheda.
d.	Repowering of existing Units-I to VI at Dhuvaran TPS by installing suitable capacity Gas Turbines.

H MAJOR R & M WORKS

(a) 2 x 120 MW Units 1 & 2 of Ukai TPS:

RLA, CA, LE Study and PET of Ukai Unit 1 & 2 is completed and necessary orders have been placed on M/s. BHEL for execution of R&M and LE works. Unit No. 1 R&M and LE works started in the working of September 2006 and unit – 1 is recommissioned in the month of May 2008 and yet to be stabilized. Unit No. 2 is under shut down from August 2008 for execution of R & M and LE works by BHEL.

(b) 2 x 120 MW Units 1 & 2 of Gandhinagar TPS:

RLA study has been conducted. Order is issued to M/s. BHEL for carrying out R&M / LE works. The R&M work is expected to start in April, 2009. The Design Engineering is under progress and supply of material has been started. M/s. NTPC is appointed as consultant of the project.

I. PROJECT FINANCE

As a part of fund requirements for the new projects of the Company as already mentioned in para (H), the Company is able to successfully tie-up the debt requirements for the following new projects at a very competitive rate of interest and other terms and conditions:

1. Term loan of Rs.947 Crores sanctioned by Rural Electrification Corporation Limited for 370 MW Gas Based CCPP at Utran, Dist. Surat.
2. Term loan of Rs.1775 Crores sanctioned by Power Finance Corporation for 500 MW Coal Based Power Plant at Ukai, Dist. Surat.
3. Term loan of Rs.1694.54 Crores sanctioned by Rural Electrification Corporation Limited for 500 MW Imported Coal Based Power Plant at Sikka, Dist. Jamnagar.

During the year under review the Company has also made arrangements with various Banks for Working Capital requirements of the Company.

J ENERGY CONSERVATION

1. Energy audit of 10 No. of units has been carried out during the year 2007-2008.

There are no. of steps taken for implementation of various energy saving measures during the year 2007-08.

(a) Ukai TPS :- Replacing impeller of Service Water Pump # 5 with new one.

(b) Utran GBPS:- Performance improvement of Auxiliary Cooling Water Pumps.(2 Nos).

(c) Sikka TPS :-

- (i) Performance Improvement of Condensate Extraction Pumps in unit#1 (2 Nos.).
- (ii) Performance improvement of Ash Slurry Pump # 1B in Ash Handling Plant.
- (iii) Installation of level controller switch for service water pumps in Raw water Plant.
- (iv) Replacement of existing 18.5 KW service water pump by 9.3 KW new pump in Raw water Plant.
- (v) Switching off excess lighting transformers (2 Nos.)
- (vi) Reduction of lighting supply voltage to 230V
- (vii) Volumetric efficiency improvement of Air Compressors -2A, 2C & 2D.

(d) Gandhinagar TPS

- (i) Reduction of lighting supply voltage to 230 Volts.
- (ii) Switching of tube lights in unmanned areas.
- (iii) Performance improvement of Coal Mills.
- (iv) Performance improvement of BFP # 3B.
- (v) Performance improvement of Chiller Compressor # B & C in AC Plant.
- (vi) Performance improvement of Aux. Cooling Water pump #3A.
- (vii) Performance improvement of Instrument Air Compressor

(e) KLTPS

- (i) Performance improvement of Service Air Compressors in Unit#1.
- (ii) Reduction of lighting supply voltage.

(f) Wanakbori TPS

- (i) Switching off one ACW Booster Pump in unit#1.
- (ii) Performance improvement of Service & Instrument Air Compressors.
- (iii) Performance improvement of Service Water Pumps.
- (iv) Switching off one Air Washer Blower # 3A of AC Plant.
- (v) Performance improvement of Service Water Pumps.
- (vi) Performance improvement of Feed Cooling Water Pumps - 5B & 5C.

Total 9601 No. of conventional tube lights replaced with energy efficient tube lights in GSECL.

Total expenditure of approx. Rs. 239 lacs incurred for implementation of various energy conservation measures during the year 2007-08.

For the year 2008-09, the order is placed for energy audit of 5 No. of units. The field measurement work of Wanakbori TPS unit#1 & unit#2 is completed. The work is in progress for unit#4 of Gandhinagar TPS.

2. **Standardization** - Company is in the process of achieving ISO 9001 & ISO 14001 certification for all the Power stations. Wanakbori TPS & Kutch Lignite TPS has been awarded ISO 9001 & ISO 14001 certification. Dhuvaran TPS, Ukai TPS, Gandhinagar TPS, Sikka TPS & Utran Gas Based Power Station have received / recommended for ISO 9001, and ISO 14001.
2. **Clean Development Mechanism** – To mitigate the climate change impact, Company has also taken up the CDM initiatives to develop its projects as CDM Project under Kyoto Protocol and the Dhuvaran CCPP I & II has been registered as CDM Project with UNFCCC on 04.02.2008. The upcoming Utran Extension Project (374 + MW) is taken up for CDM Project development.
3. **Fly ash utilisation** - Total fly ash despatch from Company Power Stations was **33 %** during 2007-08 which is the highest gainful utilization.
4. **Renewable Power Generation** - Company has set up 10 MW (8 x 1.25 MW) Wind Power Projects in Kutch district.

K. ENVIRONMENT

The Company is committed towards preservation of environment in and around surrounding regions of the power plants. To look after the environment related activities the Company has formed Environment cell at corporate office and also at all thermal power stations. As a part of corporate responsibility towards environment preservation, the Company is committed for implementation of various statutory requirements.

For the control of various sources of pollution generated from the power plant the Company has installed pollution control systems since commissioning of the power plants. High efficiency Electrostatic precipitators are provided for control of particulate matter (PM) generated due to burning of coal in boiler in all the power generating units. ESP's are the best available technology at present to control ash particles from the flue gas. The Company has also installed dual flue gas conditioning system at Ukai TPS in unit no 4 for the first time in India. This system includes conditioning of flue gas with the help of SO₃ and NH₄ before the ESP's to improve the collection of fine ash particles in ESP's. This has helped in reduction of particulate matter emission into atmosphere. However, for future reduction of SPM Company has published note as expression of interest, for reduction of SPM at various units of Power Stations. For control of Nitrogen Oxides Coal based thermal power stations are provided with low NO_x burners. Gas turbines are provided with DM water injection and OFA. Opacity meters are installed at all the units for continuous measurement of Particulate matters emitted into atmosphere.

Wanakbori Thermal Power Station of the Company has obtained ISO 9001 and ISO 14001. The Company is in the process of obtaining ISO 9001 and 14001 for maintaining Quality Management System (QMS) and Environment Management System (EMS) for all other thermal power stations.

Greenbelt is designed properly around the emission source, serving thereby a second line of pollution control. The trees having dense spreading canopy are selected among the locally known indigenous varieties for sufficient width. A massive plantation work has been done in the existing premises of power stations and residential colony. Plantation is also carried out on abandoned ash dyke area to prevent fugitive dust emission.

The Company has identified the possibility of recirculation and reutilization of liquid waste generated for the power plants and implemented interconnection of various effluent drains thereby reducing numbers of effluent discharge points and also reutilization of waste water in ash disposal helps in reduction of fresh water requirements. In new power projects the Company is planning for high concentration ash slurry disposal system which requires less quantity of water and ash is discharged in cake form.

The Company has achieved Greentech environment excellence award for preservation of environment.

L CLEAN DEVELOPMENT MECHANISM (CDM)

The Company has installed and commissioned Gas Based Combined Cycle Power Plant of Capacity 219.067 MW (Unit I – 106.617 MW & Unit II – 112.45 MW). Presently the Company is implementing 370+ MW capacity Gas Based Combined Cycle Power Plant at Utran. Also the Wind Energy Project of 10 MW near Mandvi (Kutch) capacity has been commissioned by Company to provide clean power. To mitigate the impact of climate change the Company has taken up CDM Project Development of above projects with UNFCCC under Kyoto Protocol.

The Dhuvaran Combined Cycle Power Plant of 219.067 MW capacity is registered as CDM Project with UNFCCC on 04.02.2008. The crediting period starts from 10.02.2008. The initial & first periodic verification for the period from 10.02.2008 to 30.04.2008 has been completed and the project is awaiting issuance of CERs.

The work of development of Project Design Document is taken up for CDM Project development of upcoming 370 + MW capacity Combined Cycle Power Plant at Utran.

The CDM Project development of Wind Energy Project of 10 MW capacity is taken up by Gujarat Urban Development Corporation (GUDC), Gandhinagar.

M E-URJA PROJECT

'e-Urja' project is an end to end IT project and has been implemented across the Company. The ERP covers operations, maintenance, materials management, finance, fuel, purchase, scrap and projects across the Company. The main modules of the e-Urja are HR & Payroll, Finance, Fuel Accounting, Oracle Process Manufacturing, Enterprise Asset Management (EAM), Inventory Order Management, Purchase Module, Project Module, etc. A detailed list of e-Urja reports are available in the modules and also all the information is readily available.

Through effective implementation of 'e-Urja' project, it has increased productivity, streamline the procedure of function which ultimately saves procurement cost and is also helpful for timely decision making for critical issues.

N JOINT VENTURE PROJECTS

As you are aware that the Company has joined hands together with the Generation Company of the State of Maharashtra i.e. Mahagenco for joint allocation of coal blocks for development and sharing of coal. The Ministry of Coal, Government of India has approved allotment of two coal blocks viz. (i) Mahanadi and (ii) Machhakata jointly to the Company and MAHAGENCO for the Captive Mining which would hold the mining lease from the Government of India and to undertake all the activities for the development of allotted coal mining blocks. The Company called "Mahaguj Collieries Ltd." (MCL) is formed as a joint venture Company and incorporated and registered with the Registrar of Companies, Mumbai. The development activities of the mining blocks at Mahanadi and Machhakata blocks have been undertaken by MCL with a target to provide required fuel linkage for the new project of Ukai Extension (1x500 MW) and Wanakbori Extension (1x800 MW). MCL has invited tender for appointment of Mine Development Operation (MDO).

The Company has planned to implement 1X800 MW Coal Based Thermal Power Plant at Wanakbori Thermal Power Station by forming a Joint Venture Company with M/s. BHEL.

O INSURANCE

During the year, the Company has covered the assets of four power plants viz. Gandhinagar Unit-V, Wanakbori Unit-VII, Utran GBCCPP and Dhuvaran GBCCPP under Industrial All Risk Policy. The Company has also covered the assets of transferred Power plants of erstwhile GEB, under appropriate insurance coverage as per the policy followed by erstwhile GEB.

P CHAIRMAN

Pursuant to Notification No. GUV-1108-1336-K dated 09.06.2008 of Government of Gujarat, Shri M.M. Srivastava, IAS was appointed as Chairman of the Company in place of Smt. V.L. Joshi, IAS, Chairperson of the Company who has tendered her resignation. Pursuant to Notification No. GUV-1108-1336-K dated 16.12.2008 of Government of Gujarat, Shri S. Jagadeesan, IAS was appointed as Chairman of the Company in place of Shri M.M. Srivastava, IAS, who has tendered his resignation.

Q DIRECTORS

As per the provisions of the Companies Act and the Articles of Association of the Company, Prof. N. Venkiteswaran and Shri B.S. Reuben shall retire by rotation at the forthcoming Annual General Meeting and are eligible for re-appointment as Directors of the Company.

R AUDITORS

The Company is a Government Company under the provisions of Section 617 of the Companies Act, 1956. The Comptroller and Auditor General of India, New Delhi, vide their letter No. CA. V/COY/GUJARAT-GSECL (1) / 1038 dated 23.11.2007 has appointed M/s. G.K. Choksi & Co., Chartered Accountants, Ahmedabad as Statutory Auditors of the Company to audit the accounts for the current financial year i.e. 2007-08.

S AUDITOR'S REPORT

The notes to the accounts referred to in the Auditor's Report are self-explanatory and therefore, do not call for any further comments. The Report/Comments of the Comptroller and Auditor General of India pursuant to Section 619(u) of the Companies Act, 1956 are awaited and the same shall be sent as such as received alongwith management replies to each comment as an Addendum forming part of this Report.

T COST AUDIT

Subsequent to Department of Company Affairs notifying Cost accounting Records (Electricity Industry) Rules, 2001 in December 2001, the Cost Audit Branch of the Ministry of Company Affairs issued orders dated 23rd December 2005 directing audit of the cost accounts maintained at the Company's power stations, from the financial year 2005-06 onwards.

M/s. Kailash Sankhlecha & Associates, Vadodara, were appointed as the Cost Auditors for the financial year 2007-08 with the approval of the Central Government for conduct of cost audit and have submitted the Cost Audit Report in the terms of the said orders and Cost Audit (Report) Rules, 2001.

U AUDIT COMMITTEE

Pursuant to the provisions of 292A of the Companies Act, 1956, the Audit Committee reviewed the present Internal Control System, Internal Audit Report of the Internal Auditors of the Company, their observations and Company's response thereto and Action Taken Report, for the year under review.

The Audit Committee of the Board of Directors of the Company comprises of the Directors namely Prof. N. Venkiteswaran, the Chairman of the Committee, Shri L. Chuaungo, IAS, and Shri I.P. Gautam, IAS.

The meetings of the Audit Committee were held on 29.08.2007, 21.09.2007, 20.12.2007, 09.01.2008, 25.06.2008, 18.08.2008 & 29.11.2008 to review Internal Control System and Internal Audit Report of the Internal Auditors of the Company. The Audit Committee considered and reviewed the Audited Annual Accounts of the Company for the financial year 2007-08 along with the Audit Report on the same by the Statutory Auditors of the Company, for submission to the Board of Directors for its consideration and approval, in their meeting held on 29th November, 2008.

V DISCLOSURES:**(a) Particulars of Employees:**

There was no employee earning an aggregate remuneration of Rs.2,00,000/- per month or Rs.24,00,000/- per annum and hence the information in this regard be treated as NIL.

(b) Technology Absorption:

The disclosure of particulars as per Form - B is given in the **Annexure**.

(c) Foreign Exchange Earning and Outgo:

During the year under review, there was no foreign exchange earning and the outgo was of Rs.271.30 Lacs.

(e) Directors' Responsibility Statement:

Pursuant to Provisions of amended Section 217 (2AA) of the Companies Act, 1956 the Directors hereby confirm as under: -

- (i) that in the preparation of the annual accounts, the applicable accounting standards have been followed along with proper explanation relating to material departures.
- (ii) that the Directors have selected such accounting policies and applied them consistently and made judgments and estimates that are reasonable and prudent so as to give a true and fair view of the state of the affairs of the Company at the end of the financial year and of the Balance Sheet as at 31st March, 2008 and of the Profit & Loss account for the same period.
- (iii) that the Directors have taken proper and sufficient care for the maintenance of adequate accounting records in accordance with the provision of the Act, for safeguarding the assets of the Company and for preventing and detecting fraud and other irregularities.
- (iv) that the Directors have prepared the annual accounts on a going concern basis.

W ACKNOWLEDGEMENT

Your Directors place on record their grateful appreciation of the guidance, support and assistance extended by the Government of Gujarat and the erstwhile Gujarat Electricity Board. The Board records with appreciation the unstinted support received from the Government of India in particular the Central Electricity Authority, Government of Gujarat, Financial Institutions and Banks like IDBI, IFCI and IIBI, Power Finance Corporation Ltd., State Bank of India, Central Bank of India, Bank of Baroda, Bank of India, Union Bank, Indian Overseas Bank, Oriental Bank of India and Vijaya Bank for their valuable support in respect of the Projects under implementation and other facilities. The Board also appreciates the efforts and dedication to duties by officers and staff at all levels of the Company.

Registered Office:
Vidyut Bhavan,
Race Course,
Vadodara – 390 007.

FOR AND ON BEHALF OF THE BOARD

Date : 18th December, 2008

S. JAGADEESAN, IAS
Chairman

ANNEXURE TO DIRECTORS' REPORT

FORM – B

Disclosure under the Companies (Disclosure of particulars in the Report of Board of Directors) Rules, 1988.

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.	Recurring Expenditure.	:	-

(b) Technology absorption, adoption & innovation

1.	Efforts, in brief, made towards technology absorption, adaptation and innovation.	:	The Company is making continuous efforts for absorption of latest technology in the field of Operation and Maintenance of Thermal Power Plants. Frequent visits to operating thermal power plants are arranged for enhancement of technical knowledge. Latest WS-POSE system has been adopted for Control & Instrumentation of the plant. In this system, all controls are made through Micro Processor based computerized system resulting in maximizing efficiency. This system also includes SOE & DAS by which a computerized analysis can be obtained for any occurrence in the plant.
2.	Benefits derived as a result of the above efforts.	:	a.) Reduction in total shutdown time of the plant, which results in higher PLF and availability of the plant, leading to better performance. b.) Enables the Company to carry out plant maintenance with in-house expertise in maintenance.
3.	Imported Technology	:	-



ADDENDUM TO DIRECTORS' REPORT

Comments of the Comptroller and Auditor General of India under Section 619 (4) of the Companies Act, 1956 on the Accounts of Gujarat State Electricity Corporation Limited, Vadodara for the year ended 31st March, 2008 and Replies of the Company.

Point No.	Comments of C&AG	Reply by Company
(A) 1.	<p>Comments on Profitability. Other fuel related costs (Schedule 14) Rs.98.80 crores:</p> <p>As the reconciliation of the dues of Railway claims till December 2006 for coal towards missing / diverted wagons in respect of Wanakbori TPS was over in March 2008, the differential claim valuing Rs. 6.49 crores should have been credited to the above head of account during the year 2007-08 itself. Consequently, fuel related receivables account as well as profit is understated by Rs. 6.49 crore.</p>	<p>As per the procedure in vogue, accounting entries for adjustment of missing / diverted coal wagons are passed after approval of competent Rly. authority. Necessary approval from the authority was received during accounting year 2008-09. Hence, entries were passed during 2008-09.</p>
(B) 2.	<p>Comments on Financial Position. Fixed Assets (Schedule 6) Assets retired from active use Rs.90.09 crore:</p> <p>The above includes Rs.48.77 crores the book value of retired assets of Unit 4, 5 & 6 of Utran Old Power Station. The highest realizable value offered for these assets upto the close of the year was Rs. 25.21 crore. As per AS 10 such retired asserts should be valued at book value of net realizable</p>	<p>As per Accounting Policy, income from disposal of scrap is accounted on accrual basis. Order for sale of Utran Plant was placed on 9-7-2008. Hence, it was accrued during F.Y. 2008-09. Accordingly entry was passed during F.Y. 2008-09.</p>



<p>(b)</p>	<p>value whichever is less. The Company has not valued the above assets at its realizable value leading to overstatement of the above balance and profit for the year by Rs. 23.56 crore.</p> <p>The above balance does not include Rs.1.56 crore being the value of fixed assets of two gas based units of 2X27 MW at Dhuvaran already retired earlier but the assets have been carried forward.</p>	<p>The point is noted. Necessary rectification is carried out during the year 2008-09.</p>
<p>3.</p>	<p>Capital Works in Progress. Rs.1452.11 crore:</p> <p>The above balance includes Rs.76.26 crore being the amount paid to Alstom towards advance for Utran TPS, which should have been shown separately as capital advances to suppliers as per Para 9.1, 9.2 and 9.3 of the guidance note on treatment of expenditure during construction period.</p>	<p>As per clarifications issued by ICAI, Accounting Standard supersedes Guidance Note.</p> <p>Moreover, Council of ICAI has withdrawn Guidance Note on treatment of expenditure incurred during construction period, hence it is not applicable.</p> <p>The Company is disclosing advance paid for capital contracts under the head which is being disclosed for several years since erstwhile GEB.</p>
<p>4.</p>	<p>Current Assets.</p> <p>Sundry Debtors (Schedule - 9) Rs.629.30 crore:</p> <p>The above balance is arrived at after adjusting the provision for bad and debts worth Rs.16.88 crores created in lieu of withdrawal of the sales as per GERC Tariff Order in respect of Dhuvaran TPS (Rs.5.64 crore) and Utran GBPS (Rs.11.24</p>	<p>Instead of withdrawal of sales as suggested by Audit, the Company has made provision for loss on dispute. By making provision, the Company has kept its claim alive.</p>



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	crore) which should have been reduced from the sales instead. Resultantly sales have been overstated to that extent and administrative expenses (under which debt provisions is included) also overstated to that extent.	The comment has neither any effect on profit and loss account nor on state of affairs of the Company. This being only manner of presentation.
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**For and on behalf of
The Comptroller & Auditor General
of India**

**For and on behalf of Board of Directors
Gujarat State Electricity Corporation Ltd.**

**Sd/-
(Niranjan Pant)
Principal Accountant General**

**Sd/-
(S. Jagadeesan, IAS)
Chairman**

Date : 24.02.2009

Date : 25.02.2009

AUDITORS' REPORT TO MEMBERS OF GUJARAT STATE ELECTRICITY CORPORATION LIMITED

1. We have audited the attached Balance Sheet of Gujarat State Electricity Corporation Limited as at 31st March, 2008 the Profit and Loss Account and the Cash Flow Statement for the year ended on that date annexed thereto. 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 the 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 misstatements. 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.
3. As required by the Companies (Auditor's Report) Order, 2003 as amended by the Companies (Auditor's Report) (Amendment) Order, 2004, issued by the Government of India in terms of sub-section (4A) of section 227 of the Companies Act, 1956, we enclose in the Annexure a statement on the matters specified in paragraphs 4 and 5 of the said Order.

4. Without qualifying our opinion, attention is invited to the following:

- (a) As a part of efforts towards restructure of power sector, the Company has been promoted by erstwhile Gujarat Electricity Board (GEB) (now known as Gujarat Urja Vikas Nigam Limited (GUVNL) with effect from 1/4/2005) in August, 1993, GUVNL held 100% equity shares of the Company throughout the year under consideration. The Company has entered into Inter Company Agreements and Facility Sharing Agreements with GUVNL and its subsidiary companies for working capital and Term Loans and sharing of certain common facilities viz. Group Gratuity Contribution to LIC. All such arrangements results into multifaceted relation of the Company with GUVNL and other successor entities of holding company.

The financial statements are prepared on Going Concern principles and performance of the Company for the year under consideration has been determined after reviewing several long term arrangements of the Company with GUVNL and its subsidiary Companies.

- (b) The Government of Gujarat in pursuance to the scheme called "Gujarat Electricity Industry Reorganization Transfer of Gandhinagar Thermal Power Station Scheme 2003" and "Gujarat Electricity Industry Reorganization and Comprehensive Transfer Scheme, 2003" has transferred and vested all the assets & liabilities and preceedings of the specified existing and under implementation power stations of GEB to the Company with effect from 1st April 2005.

In accordance with the above referred schemes, the State Government has notified the values of the assets and liabilities at which these undertakings are transferred to and vested in the Company.

5. *Particular attention is drawn to the following:*

- (a) *Note No. 4(b) of Schedule 21 regarding provision for depreciation for the year at the rates specified by the Central Electricity Regulatory Commission (CERC) as against the Schedule XIV of the Companies Act, 1956 resulting in to provision of Depreciation lower by Rs. 85.08 crores and over statement of profit by like amount.*
- (b) *Note no. 16 of Schedule - '21' regarding reversal of sale of Electrical Energy to the tune of Rs. 24.14 crores without giving corresponding adjustment to fuel cost resulting into under statement of profit by like amount.*

- (c) *Note No. 1(a) of Schedule 21 to the financial statements regarding the non registration of charge on the transferred assets of the Company.*
- (d) *Note No. 1(b) of Schedule 21 to the financial statements regarding classification of Loans transferred by GUVNL under FRP on 1st April 2005 which has been considered and classified as unsecured loans in financial statements.*
- (e) *Note No. 14 of Schedule 21 to the financial statements in respect of Balances due to / from GUVNL and suppliers, railways, contractors, collieries, creditors, advances & receivables / payable being subject to confirmation and / or reconciliation with the parties.*

6. Further to our comments in the Annexure referred to above, we report that :

- (a) we have obtained all the information and explanations which, to the best of our knowledge and belief, were necessary for the purposes 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 those books;
- (c) the Balance Sheet, the Profit and Loss Account and the Cash Flow Statement dealt with by this report are in agreement with the books of account;
- (d) in our opinion, the Balance Sheet, the Profit and Loss Account and the Cash Flow Statement dealt with by this report comply with the Accounting Standards referred to in sub-section (3C) of Section 211 of the Companies Act, 1956;.
- (e) The Company, being a Government Company, in view of the Notification No. GSR 829(E) dated 21st October 2003 issued by the Government of India, the provisions of clause (g) of sub-section (1) of section 274 of the Companies Act, 1956, are not applicable to the Company.
- (f) in our opinion and to the best of our information and according to the explanations given to us, the said accounts *read with para 5 above* 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 2008;
 - (ii) in the case of the Profit and Loss Account, of the profit of the Company for the year ended on that date;and
 - (iii) in the case of the Cash Flow Statement, of the cash flows for the year ended on that date.

FOR G. K. CHOKSI & CO.,
Chartered Accountants

SANDIP A. PARIKH
Partner
Mem. No. 40727

Place : Ahmedabad
Date : 1st December, 2008

ANNEXURE TO THE AUDITORS' REPORT

[Referred to in paragraph 3 of the Auditors' Report of even date to the members of Gujarat State Electricity Corporation Limited on the financial statements for the year ended 31st March, 2008]

- i.
 - (a) The Company has maintained proper records showing full particulars including quantitative details and situation of Fixed Assets.
 - (b) The Company has a programme of physical verification of its Fixed Assets over a period of three years; which in our opinion is reasonable having regard to the size of the Company and nature of its assets. In accordance with this programme, certain Fixed Assets have been physically verified by the management through firm of Chartered accountants specially appointed for the purpose at power stations during the year under review and according to information and explanation given to us, no material discrepancies have been noticed on such verification.
 - (c) As per the information and explanation given to us, during the year the Company has not disposed off any substantial part of Fixed Assets that would affect the going concern assumption.

- ii.
 - (a) The inventory comprises of coal, oil and stores and spares has been physically verified by the management at reasonable intervals. In our opinion, the frequency of verification is reasonable, looking to the size of the Company.
 - (b) In our opinion and according to information and explanation given, the procedure of physical verification of inventory followed by the management is reasonable and adequate in relation to the size of the Company and nature of its business.
 - (c) In our opinion and according to explanation given to us, the Company has maintained proper records of inventory and the discrepancies noticed on such physical verification have been properly dealt with by the Company in the Books of Accounts.

- iii.
 - (a) In our opinion and according to the information and explanation given to us, the company has not granted any loans secured or unsecured to companies, firms or other parties covered in the register maintained under section 301 of the Companies act, 1956.

In view of (a) above, sub-clauses (b), (c) and (d) are not applicable.
 - (e) In our opinion and according to the information and explanation given to us, the company has not taken any loans, secured or unsecured from companies, firms or other parties covered in the register maintained under section 301 of the Companies act, 1956.

In view of (e) above, sub-clauses (f) and (g) are not applicable.

On the strength of a legal opinion obtained by the Company, it has represented that the provisions of section 299, 300 and 301 of the Companies act, 1956 are not attracted to the transactions entered in to by the company with GUVNL and its subsidiaries and are not liable to be listed in the register maintained under section 301 of the Companies act, 1956.

- iv. In our opinion and according to the information and explanation given to us, there are adequate internal control procedures / system commensurate with the size of the Company and the nature of its business with regard to purchase of inventory, fixed assets and with regard to sale of electricity and services.

Further, on the basis of our examination of the books and records of the Company carried out in accordance with the auditing standards generally accepted in India, we have neither come across nor have been informed of any continuing failure to correct major weaknesses in the aforesaid internal control system.

- v. (a) The Company has entered into contract / arrangements with GUVNL being the holding Company. As per the information and explanations given to us and based on the legal opinion obtained by the Company, the transactions pursuant to these contracts and / or arrangement are not falling under the provisions of section 301 of the Companies Act, 1956 and accordingly these transactions are not entered into the Register maintained under section 301 of the Companies Act, 1956.

In view of (a) above, sub-clause (b) is not applicable.

- vi. In our opinion and according to the information and explanations given to us, the Company has not accepted any deposits within the meaning of Section 58A, 58AA or any other relevant provision of the Companies act, 1956, and the rules framed there under.

- vii. The Company has an in house Internal Audit System and it has also assigned internal audit assignments to practicing firms of Chartered Accountants and this arrangement in conjunction with the existing internal control and checks is in our opinion commensurate with the size of the Company and the nature of its business.

- viii. We have broadly reviewed the books of account maintained by the Company, pursuant to the Rules made by the Central Government of India, for the maintenance of cost records under clause (d) of sub section (1) of section 209 of the Companies act, 1956 and are of the opinion that prima facie, the prescribed accounts and records have been made and maintained.

We have not, however, made a detailed examination of the records with a view to determine whether they are accurate or complete.

- ix. According to the information and explanation given to us in respect of statutory and other dues:

(a) The Company is generally regular in depositing undisputed statutory dues, including Provident Fund, investor Education and Protection Fund, Income Tax, Wealth Tax, Service Tax, Custom Duty, Cess and other statutory dues with the appropriate authority during the year. According to the information and explanations given to us, there are no undisputed amounts payable in respect of such statutory dues which have remained outstanding as at 31st March, 2008 for a period more than six months from the date they became payable.

(b) According to the information and explanation given to us, there are no dues of Income Tax, Customs Duty, Wealth Tax, Service Tax and Cess, which have not been deposited on account of any dispute.

- x. The Company does not have any accumulated losses as at the end of the financial year. The company has not incurred cash losses during the current year and the immediately preceding financial year.

- xi. Based on our audit procedures and on the information and explanation given by the management, we are of the opinion that the Company has not defaulted in repayment of dues to financial institutions and banks in respect of the existing loans, which were originally raised by the Company. As regards the loans transferred from GUVNL, we have been informed that the same have been serviced by GUVNL on behalf of the Company and in view of the above we are not in a position to opine whether the Company has defaulted in repayment in dues to Financial Institutions and Banks.

- xii. Based on our examination of documents and records and according to the information and explanations given to us, we are of the opinion that the Company has not granted any loans and / or advances on the basis of security by way of pledge of shares, debentures and other securities.
- xiii. The provisions of any special statutes applicable to chit fund, nidhi and mutual benefit funds/ societies are not applicable to the Company.
- xiv. Based on examination of the accounts and as per the information and explanation given to us, the Company is not dealing or trading in shares, securities, debentures and other investments.
- xv. In our opinion and according to the information and explanation given to us, the company has not given any guarantee in respect of loans taken by others from banks or financial institutions.
- xvi. (a) Term loans raised by GUVNL on behalf of the company have been accounted in the books of the Company by debit to GUVNL Account and the repayments and interest thereon are reimbursed by the company to GUVNL by crediting GUVNL Account without any actual cash inflow or outflow. In view of the above and in absence of the relevant information as regards the purpose and other terms and conditions of loans availed through GUVNL, we are unable to comment on the application of such loans for the purpose for which they were obtained.
- (b) In case of loans directly raised by the Company during the year, on the basis of records examined by us, and relying on the information complied by the Company for Co-relating funds, raised to the end use of the term loan, the Company has, prima facie, applied the loans for the purpose for which they were obtained.
- xvii. The Company has raised its allocated term loans through GUVNL and for the reasons given in clause xvi above, it is not possible for us to ascertain whether funds raised on short term basis have been used for long term investment. However, funds raised by the Company on long term basis have been applied for long term investment.
- xviii. Based on a legal opinion obtained by the company, the provisions of section 301 of the Companies Act, 1956 are not applicable to the company. In view of the above, this clause is not applicable.
- xix. The liabilities under the bonds issued by the erstwhile GEB transferred to the Company are secured either by a charge over the assets and / or by a guarantee by Government of Gujarat.
- xx. The Company has not raised any money by public issue during the year.
- xxi. We have informed that the vigilance department of the company is regularly investigating frauds and other irregularities involved in the company's transaction. To the best of our knowledge and belief and according to the information and explanation given to us, no fraud on or by the Company has been noticed or reported during the year.

FOR G. K. CHOKSI & CO.
Chartered Accountants

SANDIP A. PARIKH
Partner
Mem. No. 40727

Place : Ahmedabad
Date : 1st December, 2008

BALANCE SHEET AS AT 31ST MARCH, 2008

[Rupees in Lacs]

	Schedule	As at March 31, 2008	As at March 31, 2007
SOURCES OF FUNDS			
Shareholders' Funds			
Share Capital	1	57 330.01	57 330.01
Equity Pending Allotment	2	1 43 168.94	1 33 168.94
Reserves and Surplus	3	47 933.57	38 191.83
		<u>2 48 432.52</u>	<u>2 28 690.78</u>
Loan Funds			
Secured Loans	4	1 34 488.75	41 979.76
Unsecured Loans	5	2 23 105.20	2 71 181.93
		<u>3 57 593.95</u>	<u>3 13 161.69</u>
Total		<u><u>6 06 026.47</u></u>	<u><u>5 41 852.47</u></u>
APPLICATION OF FUNDS			
Fixed Assets			
Gross Block	6	7 43 612.42	6 87 348.50
Less: Accumulated Depreciation		<u>2 31 468.37</u>	<u>2 07 869.02</u>
Net Block		<u>5 12 144.05</u>	<u>4 79 479.48</u>
Capital Work in Progress		1 45 210.86	1 05 104.71
		<u>6 57 354.91</u>	<u>5 84 584.19</u>
Investments			
	7	2 052.00	2 052.00
Current Assets, Loans and Advances			
Inventories	8	34 154.90	35 775.73
Sundry Debtors	9	62 930.48	26 972.40
Cash and Bank Balances	10	569.23	4 585.69
Loans and Advances	11	73 018.63	84 930.94
		<u>1 70 673.24</u>	<u>1 52 264.76</u>
Less: Current Liabilities and Provisions			
Current Liabilities	12	1 91 498.80	1 77 755.18
Provisions		<u>32 554.88</u>	<u>19 293.30</u>
		<u>2 24 053.68</u>	<u>1 97 048.48</u>
Net Current Assets		<u>(53 380.44)</u>	<u>(44 783.72)</u>
Total		<u><u>6 06 026.47</u></u>	<u><u>5 41 852.47</u></u>
Significant Accounting Policies	20		
Notes to the Financial Statements	21	-	-

Schedules referred to above and notes attached thereto form an integral part of Balance Sheet

As per attached report of even date

FOR G. K. CHOKSI & CO.
Chartered Accountants

FOR AND ON BEHALF OF THE BOARD

SANDIP A. PARIKH
Partner
Mem. No. 40727

M. M. SRIVASTAVA
Chairman

P. H. RANA
Managing Director

L. CHUAUNGO
Director

R.G. SHETH
Sr. Chief General Manager (F & A)

V. P. JANI
Company Secretary

Place: Ahmedabad
Date: 1st December, 2008

Place: Gandhinagar
Date: 29th November, 2008

PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED MARCH 31, 2008

[Rupees in Lacs]

	Schedule	Year ended March 31, 2008	Previous Year
INCOME			
Sale of Electrical Energy		6 20 473.87	5 31 146.86
Other Income	13	12 913.64	5 487.28
		6 33 387.51	5 36 634.14
EXPENDITURE			
Generation and Other cost	14	5 24 025.68	4 47 835.71
Employees Cost	15	36 789.60	26 080.73
Administrative and Other Expenses	16	7 422.05	2 958.82
		5 68 237.33	4 76 875.26
Profit before depreciation, interest and tax		65 150.18	59 758.88
Interest	17	28 043.62	26 795.12
Depreciation		27 764.00	23 953.17
		55 807.62	50 748.29
Profit before extraordinary items, prior period adjustments and tax		9 342.55	9 010.59
Extra Ordinary Items	18	0.00	(38.08)
Prior Period Adjustments	19	2 507.88	399.88
		2 507.88	361.80
Profit before tax		6 834.67	8 648.79
Provision for Taxation			
Current		785.00	979.91
Wealth Tax		0.06	0.15
Fringe Benefit Tax		125.49	132.00
		910.55	1 112.06
Profit after tax		5 924.12	7 536.73
Balance brought forward from earlier year		35 054.05	27 517.32
Balance carried to balance sheet		40 978.17	35 054.05
Earnings Per Share - Basic		1.03	1.31
- Diluted		0.88	1.29
Significant Accounting Policies	20		
Notes to the Financial Statements	21		

Schedules referred to above and notes attached thereto form an integral part of Profit and Loss Account.

As per attached report of even date

FOR G. K. CHOKSI & CO.

Chartered Accountants

FOR AND ON BEHALF OF THE BOARD

SANDIP A. PARIKH

Partner

Mem. No. 40727

M. M. SRIVASTAVA

Chairman

P. H. RANA

Managing Director

L. CHUAUNGO

Director

R.G. SHETH

Sr. Chief General Manager (F & A)

V. P. JANI

Company Secretary

Place: Ahmedabad

Date: 1st December, 2008

Place: Gandhinagar

Date: 29th November, 2008

CASH FLOW STATEMENT FOR THE YEAR ENDED MARCH 31, 2008

[Rupees in Lacs]

	Year ended March 31, 2008	Previous Year
A. CASH FLOW FROM OPERATING ACTIVITIES		
Net Profit/(Loss) before Tax	6834.67	8648.79
<i>Add/(Less) : Adjustments for</i>		
Profit on sale of Fixed Asset	(0.19)	(17.52)
Depreciation	27764.00	23953.17
Interest and Guarantee Fees	28043.62	26795.12
Interest/Dividend received	(79.25)	(263.85)
Prior period adjustments related to Investing & Financing Activities	1888.31	361.80
Operating Profit before Working Capital Changes	<u>64451.16</u>	<u>59477.51</u>
<i>Add/(Less) : Adjustments for working capital changes</i>		
Trade & Other Receivables	(35958.09)	(26856.69)
Inventories	1620.83	(3325.10)
Trade Payables and other liabilities	28326.54	62173.55
Loans and Advances	13363.63	(9887.88)
Cash Generated from operations	<u>71804.07</u>	<u>81581.39</u>
Direct taxes paid	(1708.81)	(247.97)
Net cash generated from operations :	<u>70095.26</u>	<u>81333.42</u>
B. NET CASH FLOW FROM INVESTING ACTIVITIES		
Purchase of Fixed Assets	(104024.03)	(71489.00)
Proceeds from Sale of Fixed Asset	528.21	0.00
Interest/Dividend received	79.25	263.85
Investment	0.00	(2.00)
Net cash used in investing activities :	<u>(103416.57)</u>	<u>(71227.15)</u>
C. CASH FLOW FROM FINANCING ACTIVITIES		
(Repayment)/Proceeds from borrowings	44432.26	17494.77
Increase / (Decrease) in Equity	10000.00	0.00
Capital Grant received from Government of Gujarat	3817.62	3137.78
Interest and Guarantee Fees paid	(28945.04)	(26795.12)
Net cash generated from financing activities :	<u>29304.84</u>	<u>(6162.57)</u>
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS	<u>(4016.47)</u>	<u>3943.70</u>
CASH AND CASH EQUIVALENTS AS AT APRIL 1, 2007	<u>4585.69</u>	<u>641.99</u>
CASH AND CASH EQUIVALENTS AS AT MARCH 31, 2008	<u>569.23</u>	<u>4585.69</u>

- Notes**
1. Purchase of Fixed Assets includes the movement in Capital Work-in-progress.
 2. Previous year figures have been regrouped, reclassified and reworked wherever necessary for comparative purpose.

As per attached report of even date

FOR G. K. CHOKSI & CO.

Chartered Accountants

FOR AND ON BEHALF OF THE BOARD

SANDIP A. PARIKH

Partner

Mem. No. 40727

M. M. SRIVASTAVA

Chairman

P. H. RANA

Managing Director

L. CHUAUNGO

Director

R.G. SHETH

Sr. Chief General Manager (F & A)

V. P. JANI

Company Secretary

Place: Ahmedabad

Date: 1st December, 2008

Place : Gandhinagar

Date :29th November, 2008

Schedules forming part of the Balance Sheet as at March 31, 2008

[Rupees in Lacs]

	As at March 31, 2008	As at March 31, 2007
SCHEDULE - `1' SHARE CAPITAL		
Authorised		
350,00,00,000 (P.Y. : 350,00,00,000) Equity Share of Rs.10/- each	3 50 000.00	3 50 000.00
Issued, Subscribed and Paid up		
573,300,070 (P.Y. : 573,300,070) Equity Shares of Rs 10/- each	57 330.01	57 330.01
Total	57 330.01	57 330.01
Note:		
1 Of the above, 573,300,000 Equity Shares are held by "Gujarat Urja Vikas Nigam Ltd.", the holding Company (GUVNL).		
2 Of the above 44,40,00,070 Equity Shares of Rs. 10/- each were allotted at par to erstwhile GEB (now GUVNL) on conversion of Unsecured Loan amounting to Rs. 44,400.01 Lacs.		
SCHEDULE - `2' EQUITY PENDING ALLOTTMENT (Refer Note no. 2 of Schedule no. 21)		
Equity Share Pending Allocation	1 32 268.94	1 32 268.94
Equity Share Application Money	10 900.00	900.00
Total	1 43 168.94	1 33 168.94
SCHEDULE - `3' RESERVES AND SURPLUS		
Capital Reserve (Capital Grant under FRP) (Refer note no. 5 of schedule No. 21)		
Opening Balance	3 137.78	0.00
Add : Addition during the Year	3 817.62	3 137.78
	6 955.40	3 137.78
Balance in Profit and Loss Account	40 978.17	35 054.05
Total	47 933.57	38 191.83

Schedules forming part of the Balance Sheet as at March 31, 2008

[Rupees in Lacs]

	As at March 31, 2008	As at March 31, 2007
SCHEDULE - `4' SECURED LOANS		
<i>(Refer Note No. 1 (a) of Schedule 21)</i>		
Term Loan from Financial Institution		
Industrial Development Bank of India	0.00	962.56
Industrial Finance Corporation of India Limited	0.00	506.24
Power Finance Corporation Limited	87 206.85	29 699.97
Rural Electrification Corporation Limited	38 443.88	3 388.50
	1 25 650.73	34 557.27
Term Loan from Banks		
Central Bank of India	0.00	201.17
State Bank of India	0.00	596.22
	0.00	797.39
Working capital loans from Banks	8 486.74	6 482.25
Interest accrued and due	351.28	142.85
Total	1 34 488.75	41 979.76

NOTE:

1 The above term loans are secured by first charge by way of hypothication on the whole of the movable properties of the company including its movable plant and machinery, machinery spares, tools and accessories and other movables both present and future (save and except book debts) for following power generating units namely :

- (a) Ukai R & M Unit I & II
- (b) Gandhinagar Unit I & II
- (c) KLTPS Unit I & II
- (d) Ukai Unit VI
- (e) Minor R & M Scheme of REC

The above term loans are further secured by way of mortgage on all immovable properties, both present and future for the following power generating units namely :

- (a) Gandhinagar Unit V
- (b) Wanakbori Unit VII
- (c) Utran
- (d) Dhuvaran Unit I & II
- (e) KLTPS Unit IV
- (f) Utran 370 MW

The loans for Gandhinagar Unit V, Wanakbori Unit VII & Utran are further guaranteed by the Guarantee of Government of Gujarat.

- 2 The working capital loans from banks are secured by way of hypothication of all current assets of the company viz. Coal, Oil, Comsumbale Spares and Stores, Bills receivables and Book debts.
- 3 Repayable within a year Rs.13,388.09 lacs (Previous year Rs. 6,858.37 lacs)

Schedules forming part of the Balance Sheet as at March 31, 2008

[Rupees in Lacs]

	As at March 31, 2008	As at March 31, 2007
SCHEDULE - '5' UNSECURED LOANS		
Power Finance Corporation Limited <i>(Refer note no. 1 (a) of Schedule no. 21)</i>	25 120.64	35 450.00
Loans transferred from GUVNL <i>(Refer note no. 1 (b) of Schedule no. 21)</i>		
<i>Term Loan from Financial Institution :</i>		
Power Finance Corporation Limited	0.00	36 003.62
Bonds	88 374.66	1 12 435.67
Central Electricity Authority	9.46	9.46
Rural Electrification Corporation Limited	7 079.84	10 305.68
Gujarat State Financial Services	22 478.81	22 147.86
Gujarat Industries Power Company Limited	914.00	1 097.16
	1 18 856.77	1 81 999.45
<i>Term Loan from Banks :</i>		
Central Bank of India	2 266.34	1 352.41
Dena Bank	5 606.71	0.00
Union Bank of India	2 285.00	4 937.01
Allhabad Bank	4 341.50	2 621.01
Karnataka Bank	1 142.50	0.00
Indian Overseas Bank	6 498.19	0.00
Oriental Bank of Commerce	1 889.57	0.00
State Bank of India	23 718.49	17 349.07
State Bank of Saurastara	1 688.42	1 850.38
Bank of Baroda	21 274.10	11 256.12
	70 710.82	39 366.00
	1 89 567.59	2 21 365.45
Deferred payment Guarantee	8 416.97	14 299.81
Lease	0.00	66.67
Total	2 23 105.20	2 71 181.93

Note :

Amount repayable within a year Rs. 54,862.00 lacs (Previous year Rs. 94,209.87 lacs).

Schedule - '6' : Fixed Assets

[Rupees in Lacs]

Sr. No.	Particulars	GROSS BLOCK (AT COST)			DEPRECIATION			NET BLOCK			
		As at 01/04/2007	Addition	Deduction/ Adjustment (Refer note no. 1 below) As at 31/03/2008	Up to 31/03/2007	For the year (Refer note no. 2 below)	Deduction/ Adjustment (Refer note no. 2 below) Up to 31/03/2008	As at 31/03/2008	As at 31/03/2007		
1	Land	1 602.12	29.76	218.97	1 412.91	0.00	0.00	0.00	0.00	1 412.91	1 602.12
2	Buildings	30 596.97	3 291.55	316.60	33 571.92	8 726.17	946.36	591.90	9 080.63	24 491.29	21 870.80
3	Hydraulic Works	42 661.33	1 328.92	402.53	43 587.72	10 778.12	1 309.94	610.60	11 477.46	32 110.26	31 883.21
4	Other Civil Works	14 666.43	10 595.48	190.72	25 071.19	1 997.24	429.26	(4.47)	2 430.97	22 640.22	12 669.19
5	Plant and Machinery	4 60 009.85	34 408.49	7 622.64	4 86 795.70	1 60 867.83	18 265.06	2 641.79	1 76 491.10	3 10 304.60	2 99 142.02
6	Lines and Cable Net Works	4 276.97	95.68	15.42	4 357.23	902.58	122.04	93.17	931.45	3 425.78	3 374.39
7	Furniture and Fixtures	1 876.11	26.73	0.62	1 902.22	690.00	113.07	(0.12)	803.19	1 099.03	1 186.11
8	Office Equipments	1 008.72	390.76	0.07	1 399.41	244.10	72.04	1.17	314.97	1 084.44	764.62
9	Vehicles	597.76	35.67	16.75	616.68	364.53	87.97	25.53	426.97	189.71	233.23
10	Capital Expenses Resulting in assets not belonging to the Company	815.58	0.00	815.58	0.00	193.98	0.00	193.98	0.00	0.00	621.60
11	Capital Spares at Generation Stations	1 24 359.11	11 849.21	319.82	1 35 888.50	23 104.47	6 418.26	11.10	29 511.63	1 06 376.87	1 01 254.64
		6 82 470.95	62 052.25	9 919.72	7 34 603.48	2 07 869.02	27 764.00	4 164.65	2 31 468.37	5 03 135.11	4 74 601.93
12	Assets retired from active use	4 877.55	4 131.39		9 008.94				0.00	9 008.94	4 877.55
	Total :	6 87 348.50	66 183.64	9 919.72	7 43 612.42	2 07 869.02	27 764.00	4 164.65	2 31 468.37	5 12 144.05	4 79 479.48
	Previous Year :	6 70 190.98	17 157.52	0.00	6 87 348.50	1 85 754.10	23 953.17	1 838.25	2 07 869.02	4 79 479.48	

Note :

- 1 It includes cost of asstes sold, retired from active use and discarded assets.
- 2 It includes the amount of depreciation related to prior period resulted due to error in application of depreciation rates in earlier years for certain class of assets.

Schedules forming part of the Balance Sheet as at March 31, 2008

[Rupees in Lacs]

	As at March 31, 2008	As at March 31, 2007
SCHEDULE- `7' INVESMENTS (Long Term, Non Trade)		
Quoted		
Gujarat State Petronet Ltd. 55,00,000 Equity Shares of Rs. 10/- each fully paid	550.00	550.00
Gujarat Industries Power Company Limited 22,05,882 Equity Shares of Rs. 10/- each fully paid at premium of Rs. 58/- per share	1 500.00	1 500.00
Unquoted		
Mahaguj Collieries Ltd. (Joint Venture Company) 20,000 Equity Shares of Rs. 10/- each fully paid	2.00	2.00
Total	2 052.00	2 052.00
Note :		
Aggregate Market value Rs.5,077.95 lacs (Previous year Rs. 3,786.69 lacs)		
SCHEDULE - `8' INVENTORIES		
<i>As valued and certified by the Management (Refer note no. 5 of Schedule no. 21)</i>		
Fuel Stock	20 073.81	21 656.34
Store and Spares	11 865.99	9 026.22
Stock of scrap material	2 078.46	1 910.61
Material in Transit	136.64	3 182.56
Total	34 154.90	35 775.73
SCHEDULE - `9' SUNDRY DEBTORS		
<i>Unsecured, Considered good</i>		
Debts outstanding for the period exceeding six months	0.00	0.00
Others	64 618.16	26 972.40
Less :Provision for loss on dispute	1 687.67	0.00
Total	62 930.49	26 972.40
Note :		
Due from holding company Rs. 64308.48 lacs (Previous year Rs. 26,134.88 lacs)		
SCHEDULE - `10' CASH AND BANK BALANCES		
Cash and Stamp on hand	26.10	2.92
Balance with Scheduled Banks		
- In Current Accounts	220.16	61.75
- In Short term Deposit	0.00	4 200.00
	220.16	4 261.75
Remittance in Transit	322.97	321.02
Total	569.23	4 585.69

Schedules forming part of the Balance Sheet as at March 31, 2008

[Rupees in Lacs]

	As at March 31, 2008	As at March 31, 2007
SCHEDULE - `11' LOANS AND ADVANCES		
<i>(Unsecured, considered good unless otherwise stated and recoverable in cash or in kind or for value to be received)</i>		
Claims and receivables		
Fuel related (Refer note no. 3 of Schedul-`21')	34 905.33	58 055.27
Others	5.84	6.82
Advances to / for and recoverable from		
O and M Supplies and Works	27 764.66	17 922.65
Staff (including interest receivable)	4 076.29	3 535.93
Other (Including Employees)	7.44	12.75
Deposits / Balances with		
Government and Local Bodies	451.44	107.11
Others	3 223.53	3 884.27
Advance Tax, TDS and FBT	2 475.61	1 024.29
Prepaid Expenses	305.60	161.68
Inter Company Receivable	61.25	0.00
Other Receivable	198.69	220.17
	73 475.68	84 930.94
Less :Provision for doubtful advances <i>(Refer note no. 14(c) of Schedul-`21')</i>	457.05	0.00
Total	73 018.63	84 930.94
Note :		
Housing and Vehicle advances to staff are secured against respective assets		
SCHEDULE-`12' CURRENT LIABILITIES & PROVISIONS		
Current Liabilities		
Liabilities for / related to		
Fuel	66 296.02	80 966.20
Capital Supplies / Works	1 054.59	899.05
O and M Supplies / Works	4 066.77	7 362.32
Staff (inclusive of welfare schemes)	2 757.35	2 362.13
Expenses	16 309.41	13 175.71
Deposit and Retention from Supplier/Contractor	13 645.94	11 368.30
Interest accrued but not due	7 818.06	9 792.46
Inter Company Payable	79 286.24	51 635.41
Other Liabilities	264.42	193.60
	1 91 498.80	1 77 755.18
Provisions		
Gratuity	0.00	404.84
Leave Encashment Liability	6 508.42	6 693.68
Provision for Expenses	24 281.34	11 082.72
Taxation		
Income Tax	1 764.91	979.91
Fringe Benefit Tax	0.00	132.00
Wealth Tax	0.21	0.15
	32 554.88	19 293.30
Total	2 24 053.68	1 97 048.48

Schedules forming part of Profit and Loss account for the year ended March 31, 2008

[Rupees in Lacs]

	Year ended March 31, 2008	Previous Year
SCHEDULE - '13' OTHER INCOME		
Interest (Tax deducted at Source Rs. 1.15 lacs)		
On Fixed Deposit	40.53	0.00
On Advances to Staff	237.32	222.47
	277.85	222.47
Dividend	38.72	41.38
Operation and Maintenance	1 013.55	837.57
Penalties recovered from Suppliers / Contractors	454.68	603.61
Insurance Claims / Refunds	3 217.06	0.00
Income from sale of scrap	464.32	201.83
Subsidy and Grants	0.00	60.00
Profit on sale of assets	0.19	17.52
Provisions no longer required	825.90	0.00
Miscellaneous Receipts	6 621.37	3 502.90
Total	12 913.64	5 487.28
SCHEDULE - '14' GENERATION AND OTHER COST		
Materials/ Fuel consumed		
Coal	3 86 933.37	3 52 881.79
Oil	53 902.06	50 312.22
Gas	52 537.68	18 995.62
Water	6 409.36	5 343.41
	4 99 782.47	4 27 533.04
Other Fuel related cost (Refer note no.3(b) of Schedule '21')	9 880.20	4 802.46
Lubricants and Consumables	677.20	743.17
Station Supplies	137.41	177.60
Repair and Maintenance		
Plant and Machinery	9 813.17	11 942.39
Building and Civil Works	3 650.31	2 503.12
Others	84.92	133.93
	13 548.40	14 579.44
Total	5 24 025.68	4 47 835.71

Schedules forming part of Profit and Loss account for the year ended March 31, 2008

[Rupees in Lacs]

	Year ended March 31, 2008	Previous Year
SCHEDULE - '15' EMPLOYEES COST		
Salary, Wages and Bonus	35 598.13	27 680.54
Contribution to Provident and Other Funds	1 812.91	1 609.95
Retirement and other benefits	2 987.90	1 294.28
Staff Welfare	857.32	694.05
	41 256.26	31 278.82
Less: Allocated to Capital Works	4 466.66	5 198.09
Total	36 789.60	26 080.73
SCHEDULE-'16' ADMINISTRATION & OTHER EXPENSES		
Rent, Rates and Taxes	267.63	321.34
Insurance	529.26	745.60
Communication	104.50	87.16
Fees and Legal	1 666.58	468.85
Auditor's Remuneration	17.98	9.90
Travelling and Conveyance	166.51	121.93
Other Expenses	2 966.09	2 063.95
Provision for bad advances / loss on dispute	2 144.72	0.00
	7 863.27	3 818.73
Less: Allocated to Capital Works	441.22	859.91
Total	7 422.05	2 958.82
SCHEDULE-'17' INTEREST & FINANCIAL CHARGES		
Interest		
On Bonds and Other Fixed Loans	27 077.60	17 138.60
Others	5 415.31	11 075.56
	32 492.91	28 214.16
Financial Charges		
Guarantee Fees / Charges	1 302.35	1 637.58
Bank Charges and Commission	424.56	27.15
	1 726.91	1 664.73
	34 219.82	29 878.89
Less:- Allocated to Capital Works	6 176.20	3 083.77
Total	28 043.62	26 795.12

Schedules forming part of Profit and Loss account for the year ended March 31, 2008

[Rupees in Lacs]

	Year ended March 31, 2008	Previous Year
SCHEDULE - `18' EXTRA ORDINARY ITEMS		
Income		
Subsidy against Loss due to Floods	0.00	333.21
Expenses		
Loss due to flood, cyclone and fire	0.00	186.99
Miscellaneous losses written off	0.00	82.93
Sundry debits	0.00	25.21
	0.00	295.13
Net Expenses / (Income) :	0.00	(38.08)
SCHEDULE - `19' PRIOR PERIOD ADJUSTMENTS		
Income		
Other Income	107.49	54.17
Interest	1 196.45	0.00
Excess provision written back		
Income Tax	0.00	0.74
Depreciation	1 313.36	0.00
Others	23.22	306.20
	2 640.52	361.11
Expenses		
Fuel Cost	0.00	15.87
Head Office Supervision Charges	1 865.63	1.93
Administrative and Other Expenses		
Group Insurance premium	0.00	45.43
Bank charges	0.00	522.18
Stamp duty charges	0.00	99.22
Electricity charges	0.00	43.26
Miscellaneous	129.58	0.61
Depreciation	2 408.92	0.00
Interest	123.47	32.49
Others	620.80	0.00
	5 148.40	760.99
Net Expenses / (Income) :	2 507.88	399.88

SCHEDULE - `20` SIGNIFICANT ACCOUNTING POLICIES**1. Basis Preparation of Financial Statements**

- (a) The Company is a Public Limited Company registered under the Provisions of Companies Act, 1956 and has applied provision of the said act for preparation of its financial statements, unless otherwise stated. The financial statements are prepared and presented under the historical cost convention on accrual basis of accounting as going concern, in accordance with the accounting principles generally accepted in India and comply with the mandatory Accounting Standards issued by the Institute of Chartered Accountants of India. Accounting policies have been followed consistently except stated specifically.
- (b) The Government of Gujarat, under the provisions of the Gujarat Electricity Industry (Reorganization and Regulation) Act, 2003 had framed the "Gujarat Electricity Industry Reorganization and transfer of Gandhinagar Thermal Power Station Scheme, 2003" and "The Gujarat Electricity Industry Reorganization and Comprehensive Transfer Scheme, 2003" for the purpose of providing and giving effect to the comprehensive transfer and vesting of all Assets, Liabilities and Proceedings of all the power stations of erstwhile Gujarat Electricity Board in the Government and re-vesting the same in the Company.

The Government of Gujarat vide Notification No.GEB-1105-1749-K dated March 31, 2005, has declared the date of transfer under the schemes referred to above as final with effect from 01/04/2005. In pursuance of the above Government notification and the final transfer of functions and activities relating to, generation of power to the Company, the entire operations have been undertaken by the Company (GSECL) with effect from 01/04/2005.

The Government of Gujarat issued notification No.GHU-2006-91-GUV-1106-590-K dated 3rd October, 2006 notifying the Final opening balance sheet of the Company as on 01/04/2005 containing the values of the assets and liabilities of the generation activities which stood transferred from erstwhile Gujarat Electricity Board to the Company as specified in Schedule 'A' appended to the said notification and the existing company's own undertaking as on 31/03/2005 as per the Financial Restructuring Plan (FRP) approved by the Government of Gujarat. This opening balance sheet of the Company has been accordingly incorporated as on 01/04/2005 in the books of accounts of the Company.

In accordance with the above notification, aggregate values, as on 01/04/2005, of the blocks of Fixed Assets (gross values, accumulated depreciation and net value) Investments, Current Assets, Long term and Short term loans and Current Liabilities of generation undertaking (of eight Power Stations) of erstwhile Gujarat Electricity Board stands transferred to company. The values of various assets and liabilities belonging to the company (existing undertaking) as on 31/03/2005 have also been incorporated in the books of accounts of the Company.

The Notification dated 03/10/2006 issued by the Government of Gujarat has not specified the values of individual items of these Assets and Liabilities. The management has therefore adopted following procedures for assigning values to individual items.

- (i) The individual items of Fixed Assets have been assigned gross value as per the Fixed Assets registers maintained at the Power Stations. The reduced amounts of accumulated depreciation and the consequent enhanced net values under Transfer Scheme vide Government Notification dated 3rd October, 2006 referred to above have been allocated in accordance with the exercise carried out and the report submitted by a firm of Chartered Accountants to the Company.

- (ii) Long term and short term borrowings, which are directly identifiable with the generation undertaking, have been transferred to the Company as such. However the borrowings of erstwhile Gujarat Electricity Board that were common for generation, transmission and distribution functions and not identifiable with any specific undertaking have been apportioned by the Government of Gujarat and the total amounts of long term and short term loans including the identifiable loans have been transferred to the company at aggregate values respectively vide the notification dated 03/10/2006 referred to above. In absence of specific Government order for apportionment of Secured Loans under clause 3(2) of Gujarat Electricity Industries (Reorganization and Regulation Act, 2003) or the Multilateral Facility and Securities Sharing Agreement between Gujarat Urja Vikas Nigam Limited transferee companies and Lenders, these loans have been considered as Unsecured allocated Loans from Gujarat Urja Vikas Nigam Limited.
- (iii) The investments held by erstwhile Gujarat Electricity Board pertaining to Company have been identified and transferred to the Company at book values as on 31/03/2005 as per erstwhile Gujarat Electricity Board's Books of Accounts.
- (iv) The aggregate values of Current Assets and Current Liabilities as per notification dated 3rd October'06 have been divided and allocated to individual items of Current Assets and Current Liabilities by the management on the basis of their respective values (balances) on 31/03/2005 in the plant wise books of accounts / registers of erstwhile Gujarat Electricity Board maintained at their Power Stations.
- (v) The consideration specified in FRP notification dated 03/10/2006 for the transfer of undertaking comprising of the values of Assets and Liabilities and the proceeding relating to generation activities of erstwhile Gujarat Electricity Board as specified in the transfer schemes is to be discharged by the company in the form of Equity Shares of Rs.10/- each fully paid for consideration other than cash to Gujarat Urja Vikas Nigam Limited, the successor (holding) company as may be directed by the Government of Gujarat under the Transfer schemes. The Company has already made a reference to Gujarat Urja Vikas Nigam Limited who has already approached Government of Gujarat in this regard. Decision from Government is awaited.
- (vi) The opening values of Assets and Liabilities of existing undertaking of the company as on 31/03/2005 have been incorporated as such, except that all the equity shares held by erstwhile Gujarat Electricity Board in the company stood transferred in the name of Gujarat Urja Vikas Nigam Limited as per the notification dated 03/10/2006.
- (vii) In accordance with provisions of Clause 4.5 and the notification No. GEB-1104-7318-K dated 31/12/2004 issued by the Government of Gujarat, Services of all the employees of erstwhile Gujarat Electricity Board were transferred on "as is where is" basis with the same salary structure and service conditions to the transferee companies pending the exercise of option by the employee and the issue of final absorption orders by the Government of Gujarat.

The Government of Gujarat issued final absorption orders vide Notification No. GUV-1105-5163-K dated 29/09/2005 and accordingly concerned employees were finally transferred to and absorbed in the Company w.e.f. 01/10/2005

- (c) The material known liabilities are provided for on the basis of available information estimates unless otherwise stated.

2. Use of Estimates

The presentation of financial statements requires certain estimates and assumptions. These estimates and assumptions affect the reported amount of assets and liabilities on the date of the financial statements and the reported amount of revenues and expenses during the reporting period. Difference between the actual result and estimates are recognized in the period in which the results are known / materialized.

3. Fixed Assets

- (a) Fixed Assets are stated at cost of acquisition or construction less accumulated depreciation. The Fixed Assets of transferred generating undertaking of erstwhile Gujarat Electricity Board are stated as specified in Para 1.3(i) above.

In case of Fixed Assets for new projects / extensions / renovation and modernization, the related expenses and interest cost up to the date of commissioning attributable to such projects / expansions / renovation and modernization are capitalized.

Recoveries of liquidated damages for construction delays are recorded as a reduction in the related project's construction costs as and when accepted/settled.

- (b) Fixed Assets of the Utran Power Station, acquired during 2002 for a lump sum purchase consideration, have been stated at such cost of acquisition. The total Cost of acquisition of such Fixed Assets has been apportioned to various items of Assets, comprised in such total Assets acquired as a whole, on the basis of apportionment done by an independent valuer as provided in and in compliance with Accounting Standard 10 "Accounting for Fixed Assets" issued by the Institute of Chartered Accountants of India. The incidental expenditure incurred by the Company for acquisition of the Utran Power Station has also been allocated to various assets in the ratio of apportioned cost of individual assets.
- (c) The amounts contributed towards the cost of Dam and Canal in respect of Ukai Power station transferred to the Company as per the scheme of restructuring of erstwhile Gujarat Electricity Board is treated as Capital Expenditure and is depreciated as "Hydrolic work dam slipway etc."
- (d) The Company is capitalizing the capital spares purchased initially with the equipment or purchased subsequently in accordance with the provisions of Accounting Standard 10 read with Accounting Standard Interpretation 2 issued by the Institute of Chartered Accountants of India.

4. Capital Work In Progress

- (a) Cost of material consumed, erection charges and the incidental expenses incurred for the project, pending for capitalization are shown as capital work in progress till the capitalization of assets / project.
- (b) In case of Capital Work in Progress for work against Deposits / work contract where the final settlement of bills with contractor is yet to be effected; capitalization is done on provisional basis subject to necessary adjustment in the year of final settlement.
- (c) Claims for price variation / exchange rate variation in case of capital contracts are accounted for on acceptance thereof by the Company.
- (d) A portion of overhead expenses of Corporate Office and Plant office determined on rational basis are allocated to the project pro-rata to their capital expenditure for the year and the same are apportioned to respective capital work in progress accounts on the basis of accretion thereto.
- (e) Capital expenditure on assets not owned by the Company are reflected in fixed assets and the same are depreciated at relevant rates.
- (f) The cost incurred and revenue generated during the Trial Runs Stage of the Project / Power Station are capitalized.

5. Borrowing Cost

Borrowing cost including interest, guarantee fees commitment charges etc., that is directly attributable to the acquisition, construction or production of a qualifying asset is capitalized as part of the cost of that asset up to period the project is commissioned or asset is put to use. The borrowing cost incurred on common funds borrowed generally and used for the purpose of obtaining a qualifying asset, is apportioned on rational basis, the remaining borrowing cost is charged to revenue.

6. Impairment of Assets

The impairment of Assets i.e. "The cash generating unit" as defined in accounting standard-28 issued by Institute of Chartered Accountants of India on "Impairment of Assets" are identified at the balance sheet date with respect to carrying amount of the asset vis-à-vis its estimated revenue generation during balance useful life of that asset and the loss, if any, is recognized in profit & loss account. Impairment loss, if any to be reversed subsequently is accounted for in the year of reversal.

The company has adopted the policy of carrying out impairment test once in the span of every three financial years.

7. Depreciation and Amortisation

- (a) Depreciation is provided on straight line method on pro rata basis at the rates specified by the Central Electricity Regulatory Commission (CERC), the statutory authority established under the Electricity Act, 2003, in terms of notification No. 23.2 / 2205 R & R (Vol. III) dated 6th January, 2006 issued by the Ministry of Power, Government of India.
- (b) Up to the financial year 2003-04, Company had provided depreciation on straight line method as per the provision of Electricity (Supply) Act 1948 and the rules there under as per the notification F.O.266 (3) dated 29/03/1994 issued by Ministry of Power, Government of India. The Electricity Act 2003; replaced and repealed the Electricity (Supply) Act 1948 and this new Act does not prescribe rates of depreciation on fixed assets. The Company therefore provided the depreciation on straight-line basis at rates as per Schedule XIV of the Companies Act, 1956 for the year 2004-2005.
- (c) Capital spares with the company are mostly capable of being used in the group of power stations with near identical or similar technology using similar plants and machineries and are expected to be used during more than one accounting period. These spares are, therefore, depreciated over the residual useful life of the plant in accordance with Accounting Standard 10 issued by Institute of Chartered Accountants of India.
- (d) Plant & Machinery, loose tools and items of any appliances included under different head of assets costing Rs.5000/- or less are charged off to the revenue account.

8. Investment

Investments are classified in to current and long term investments. Current investments are stated at the lower of cost and fair value. Long term investments are stated at cost price. Provision for diminution in the value of Long Term Investment is made only if; such decline is not temporary in nature in the opinion of the management.

9. Inventories

- (a) The Inventories of Coal and Oil are valued at lower of grade based purchase cost plus freight and other fuel related cost on monthly weight average basis or net realisable value (NRV).
- (b) Stores and spares are valued at lower of the weighted average cost inclusive of freight and other allocable overheads or net realisable value.
- (c) Scrap / obsolete assets are valued at estimated cost or net realisable value whichever is less.
- (d) Coal, Oil and Stores and spares in Transit are valued at Cost plus Freight and other Incidental expense.

10. Retirement Benefits

- (a) The Company has Defined Contribution Plan for its employees' retirement benefit comprising of provident fund (administered through trust and funded separately through Life Insurance Corporation of India), Employees' Pension Scheme and Employees Death Linked Insurance.
 - (i) The company and eligible employees make monthly contributions to provident fund trust equal to specified percentage of the covered employees' salary.
 - (ii) The amounts towards accrued liabilities for pension to employees are deposited with the Regional Provident Fund Commissioner office as per provision of Employee Pension Act.

The company has no further obligations to the above referred plans beyond its monthly contributions.

- (b) The Defined Benefit Plan comprising of Gratuity (administered through trust), and Leave Encashment. The liability for the gratuity and leave encashment is determined and accrued on the basis of independent actuarial valuation done at year end.

11. Revenue Recognition

- (a) Energy sales are recognised on the basis of amounts of invoices for supply of energy determined in accordance with the Techno-Commercial parameters approved in the relevant Power Purchase Agreement / Tariff orders by Gujarat Electricity Regulatory Commission. Revenue is recognised when no significant uncertainty as to the measurability and ultimate collection.
- (b) Income from scrap, administration charges of fly ash and Interest income are accounted on accrual basis and insurance claims and dividend are accounted on their receipt.
- (c) Income on O & M contract is accounted on accrual basis.

12. Expenditure

All expenses are reflected in revenue accounts under their natural heads. Expenses shown under the generation of power, repair & maintenance, the employee cost, depreciation, administration and general expenses and interest and finance charges, which are disclosed separately.

13. Grant from the Government

- (a) In accordance with the Accounting Standard 12 on 'Accounting for government Grants issued by the Institute of Chartered Accountants of India, Grants and Subsidies received from Government are recognised on reasonable certainty of its realisability.
- (b) Grant and subsidies received for the specific assets are reduced from the cost of concerned specific assets.
- (c) Capital Grants received (Capital support Under FRP) as promoters Contributions are treated as Capital Reserve forming part of " Shareholders Fund "
- (d) Grants & Subsidies on Revenue account are disclosed separately as Income in the Profit & Loss Account.

14. Taxation

- (a) Current Tax provision determined on the basis of estimated taxable income under the Income Tax Act, 1961 after considering permissible tax exemption, reduction / disallowance. In the absence of any prospective taxable income for the year, the tax liability is calculated at the minimum alternate tax rate under section 115JB of the Income Tax Act, 1961.

- (b) The Deferred Tax is recognised, subject to the consideration of prudence, on timing differences, being the difference between taxable incomes and accounting income that originate in one period and are capable of reversal in one or more subsequent period using the tax rates and laws that have been enacted or substantively enacted as at the balance sheet date.

Deferred tax assets are recognised on unabsorbed depreciation and carry forward of losses based on virtual certainty that sufficient future taxable income will be available against which such deferred tax assets can be realised. Deferred tax on timing differences other than those referred above is recognised and carried forward only to the extent that there is reasonable certainty that sufficient future taxable income will be available against which such assets can be realised.

- (c) Provision for fringe benefit tax is made on the basis of estimated taxable liabilities for the year.

15. Transactions in Foreign Currency

- (a) Transactions denominated in foreign currencies are normally recorded at the exchange rate prevailing at the time of the transaction.
- (b) Monetary items denominated in foreign currencies at the year end are restated at the year end rates.
- (c) Any income or expense on account of exchange difference either on settlement or on transaction is recognised in the profit and loss account.

16. Prior Period Items and Extra - Ordinary Items

Adjustments arising due to errors or omission in the financial statements of earlier years are accounted under "Prior Period". Items of Income & Expenditure, which are not of recurring nature viz., damages due to floods, earth quakes etc. are disclosed as extra ordinary items.

17. 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.

SCHEDULE - '21' NOTES TO THE FINANCIAL STATEMENTS FORMING PART OF ACCOUNTS**1. Secured and Unsecured Loans****(a) Loans directly raised by company:**

The company has raised loans, secured and unsecured, from the financial institutions namely Power Finance Corporation Limited and Rural Electrification Corporation Limited. Out of such outstanding loans as at year end aggregating to Rs. 1507.72 crores, the loans of Rs. 1256.51 crores are secured against the charge / security of fixed assets more particularly described under schedule 4 "Secured Loans". The charge in respect thereof has been registered with Registrar of Companies. The balance amount of Rs. 251.21 crores (inclusive of Rs. 137.27 crores reclassified as loans raised by the company pursuant to transfer agreement) received from PFC has been classified as Unsecured Loans though guaranteed by Government of Gujarat as the company is yet to issue Indemnity Bond to Government of Gujarat and / or still in the process of offering security of its own assets against the aforesaid Unsecured Loans.

During the year under review the company has entered in to an agreement with PFC in respect of Scheme Loans amounting to Rs. 315.00 crores and in pursuance thereof such loans which was either to classified under the head "Loans allocated from Gujarat Urja Vikas Nigam Limited" has now been reclassified as loans directly raised by the company. Out of such reclassified loans, the sum of Rs. 137.27 crores has been classified as Unsecured as referred above and the balance amount of Rs. 177.73 crores has been classified as secured against the charge of fixed assets.

(b) Loan transferred under the FRP Scheme as on 01/04/2005:

The outstanding balances as on 31/03/2008, in respect of loans transferred under FRP Scheme have been considered as unsecured allocated loans from Gujarat Urja Vikas Nigam Limited in the absence of specific Government order for apportionment of secured loans under Clause 3(2) of the Gujarat Electricity Industrial (Re-organisation & Regulation) Act and Comprehensive Transfer Scheme, 2003 or Multilateral Facility and Securities Sharing Agreement between Gujarat Urja Vikas Nigam Limited, transferee companies and Lenders. Out of several loans raised by Gujarat Urja Vikas Nigam Limited during the year under review for common usage of transferee companies, the loan amounting to Rs.631.89 crores have been apportioned to the company as per intimation received from Gujarat Urja Vikas Nigam Limited.

2. Equity pending allotment

(a) The Equity share Capital Suspense Account represents the consideration amounting to Rs. 1322.69 crores payable by the Company to Gujarat Urja Vikas Nigam Limited (as per FRP notification dated 03/10/2006) for the transfer of generation undertaking of erstwhile Gujarat Electricity Board to be discharged in the form of Equity Shares of Rs.10/- each as may be decided by the Government of Gujarat, for which Company has requested Gujarat Urja Vikas Nigam Limited to seek Government directives. Pending clarification from Government of Gujarat in this regard, the entire amount is shown as equity share capital suspense account / Equity pending allotment.

(b) Pending approval for allotment and issue of shares from Government of Gujarat and Gujarat Urja Vikas Nigam Limited, the sum of Rs. 109 crores received from Gujarat Urja Vikas Nigam Limited towards equity has been classified as share application money.

3. Claim Settlement / Pending Reconciliation

- (a) The balances in the accounts of the Coal Suppliers as on 30/06/2004 have been frozen and are subject to reconciliation; confirmation and necessary adjustments in the books in future. However the of Accounts of Coal suppliers from 01/07/2004 to 31/12/2007 are in the advance stage of reconciliation and settlement and necessary adjustments in the books of accounts wherever necessary would be made during subsequent year/s.
- (b) The grade difference for coal purchased on the basis of unilateral sample by coal suppliers at the time of loading or by erstwhile Gujarat Electricity Board at the time of receipt of coal during the past several years had resulted into claims and counter claims between erstwhile Gujarat Electricity Board, the company and coal suppliers. Such grade difference claims together with coal related claims and other recoveries from the collieries have been settled pursuant to the final settlement with South Eastern Colliery Limited and Mahanandi Coalfields Limited arrived at during the year. Consequent to such settlement, the sum to the tune of Rs.90.37 crores has been charged to Profit and Loss account for the year.

The total liabilities of the Company consequent upon the settlement is restricted to Rs. 90 crores payable to South Eastern Colliery Limited and Rs. 6.95 crores payable to Mahanandi Coalfields Limited.

4. Fixed Assets and Depreciation

- (a) Adhering to significant accounting policy 9.3 of Schedule-22 Capital spares / insurance spares, which was hitherto depreciated on straight line method at the rate prescribed by Central Electricity Regulatory Commission, have now been depreciated over a period of residual useful life of the assets in accordance with the Accounting Standard-10 "Accounting for Fixed Assets" issued by Institute of Chartered Accountants of India.
- (b) Adhering to significant accounting policy, the depreciation on assets is provided at rates prescribed by Central Electricity Regulatory Commission (CERC), which are lower than the rates as referred to in Schedule-XIV to the Companies Act, 1956 and as a result, depreciation provided for the year is lower by Rs. 85.08 crores.

The management has appointed external agencies to carry out technical evaluation of the assets to estimate the remaining useful life of its plants. The agency has initiated the work against the said assignment and pending report thereon, the management is of the opinion that the depreciation charged for the year on the Company's assets is adequate in view of the ongoing renovation and modernisation schemes implemented for various plants.

- (c) During the trial runs of Dhuvaran CCPP II, infirm power of 94.60 MUs was generated up to year end and in accordance with Accounting Standard 10 "Accounting for Fixed Assets", issued by The Institute of Chartered Accountants of India, the expenditures, net of recovery, related to fuel cost incurred for generating aforesaid infirm power amounting to Rs. 3.55 crores have been capitalised.
- (d) Adhering to Significant Accounting Policy on Impairment of Asset and based on the report by Independent Consultant in respect of Dhuvaran Plant I to IV, the Company has, during the year under review, retired the relevant assets of Dhuvaran Plant I to IV from active use and carried the same under the head "Assets not in Use"

5. Capital Receipt

The Government of Gujarat has released to Gujarat Urja Vikas Nigam Ltd. capital grant under FRP for current year amounting to Rs.164.74 crores and out of the said grant Gujarat Urja Vikas Nigam Ltd. has allocated capital grant of Rs. 38.18 crores to the Company, which has been accounted for in accordance with Accounting Standard 12 issued by Institute of Chartered Accountants of India.

6. Employee Benefits

- (a) Defined contribution to provident fund, employee pension scheme and Employees Death Linked Insurance

The company makes contribution towards Employees' Provident Fund, Employees' Pension Scheme and Employees Death Linked Insurance. In accordance with the provisions of these schemes, the Company is required to contribute a specified percentage of payroll costs. The Company has, during the year, recognized the sum of Rs. 17.94 Crores (P.Y. Rs. 15.52 crores) as expense towards contributions to these plans.

- (b) Defined contribution towards gratuity

The following table sets out the status of the gratuity scheme plans as at 31st March, 2008.

[Rupees in lacs]

Particulars	2007-2008
Changes in the present value of obligation	
Present value of obligation (Opening)	8413.38
Interest cost	673.07
Past service cost	NIL
Current service cost	228.39
Curtailment Cost / (Gain)	NIL
Settlement Cost / (Gain)	NIL
Benefits paid	(697.99)
Actuarial (Gain) / Loss	1214.90
Present value of obligation (Closing)	9831.76
Changes in the fair value of plan assets	
Present value of plan assets (Opening)	2554.84
Expected return on plan assets	280.42
Actuarial Gain / (Loss)	(39.08)
Employers Contributions (*)	1819.98
Employees Contributions	NIL
Benefits paid	(697.99)
Fair Value of Plan Assets (Closing)	3918.18
Percentage of each category of plan assets to total fair value of plan assets at the year end	
Bank Deposits (Special Deposit Scheme, 1975)	NIL
Debt Instruments	NIL
Administered by Life Insurance Corporation of India	100%
Others	NIL
Reconciliation of the present value of defined benefit obligation and the fair value of assets	
Present value of funded obligation as at the year end	3918.18
Fair value of plan assets as at year end	3918.18
Funded (Asset)/ Liability recognised in the balance sheet	NIL
Present value of unfunded obligation as at the year end	5913.58
Unrecognised past service cost	NIL
Unrecognised Actuarial (Gains) / Losses	NIL
Unfunded net liability recognised in the balance sheet	5913.58

... Continued..

(b) Defined contribution towards gratuity ... *Continued..*

Particulars	2007-2008
Amount recognised in the balance sheet (Through holding company GUVNL)	
Present value of obligation as at the year end	9831.76
Fair value of plan assets as at the year end	3918.18
(Asset) / Liability recognized in the balance sheet	(5913.58)
Expenses recognised in the profit & loss account	
Current service cost	228.39
Past service cost	NIL
Interest cost	673.07
Expected return on plan assets	(280.42)
Curtailement Cost / (Credit)	NIL
Settlement Cost / (Credit)	NIL
Net Actuarial (Gain) / Loss	1253.98
Employee's Contribution	NIL
Total expenses recognised in the profit and loss account	1875.02
Principal actuarial assumption (Rate of Discounting)	
Rate of discounting	8.00%
Expected return on plan assets	9.00%
Rate of increase in salaries	5.00%
Attrition Rate (Employees opting for early retirement)	3% to 1%

This being the first year in which the Company has adopted the Revised Accounting Standard 15 on employee Benefits, Comparatives figures are not applicable.

(*) Apportioned based on ratio of closing liabilities of holding and fellow subsidiary companies.

7. Borrowing and other cost related to project

During the year under consideration the Company has capitalized borrowing costs amounting to Rs. 60.55 crores in accordance with the Accounting Standard 16 "Borrowing Costs" issued by the Institute of Chartered Accountants of India.

The Company has also capitalized Rs. 50.18 crores being the aggregate of the employee cost and administration cost of Projects Department and other general administration costs which are apportioned to the ongoing projects and renovation and modernization schemes.

8. Segment Reporting

The company's primary business segment is Generation and Distribution of Electricity. Based on the guiding principles given in Accounting Standard 17 on "Segment Reporting" issued by the Institute of Chartered Accountants of India, this activity falls within a single primary business segment and accordingly the disclosure requirements of Accounting Standard 17 in this regard are not applicable.

9. Related party disclosures

Based on opinion obtained from eminent consultant and in accordance with the Accounting Standard 18 "Related Party Disclosures" issued by the Institute of Chartered Accountants, the disclosure related to the transactions with the related parties is not required and therefore such disclosures are not made.

10. Leased Assets

In respect of Gandhinagar Plant:

- A. Primary Lease: NIL
 B. Secondary Lease:

[Rupees in lacs]

Particulars	March 31, 2008	March 31, 2007
Not later than one year	NIL	66.67
More than one year but not later than five years	NIL	NIL

11. Earning per share

Earning per share is calculated by dividing the profit attributable to the equity shareholders by the weighted average number of equity shares outstanding during the year. Numbers used for calculating basic and diluted earnings per equity share does not include the amount of Equity Suspense Account are as stated below:

Sr. No.	Particulars	2007-2008	2006-2007
1.	Profit after tax, prior period adjustments and Extra-ordinary Items (Rupees in lacs)	5924.12	7536.73
2.	Number of equity shares	573300070	573300070
3.	Face value per share (Rs.)	10.00	10.00
4.	Earnings per Share (Basic)	1.03	1.31
5.	Weighted average number of equity shares	670738426	582300070
6.	Earnings per Share (Diluted)	0.88	1.29

12. Taxation

- (i) According to the legal opinion of an eminent tax consultant, the Company is eligible for the benefit of carry forward of business losses and unabsorbed depreciation of the erstwhile Gujarat Electricity Board under section 72(A) of the Income Tax Act, 1961 read with Central Government Gazette Notification No. SO-1159(E) dated 25/12/2000. The apportioned amount of Rs. 65474.83 lacs and Rs. 52193.00 lacs being carry forward of losses and unabsorbed depreciation respectively for the Company *interalia* have been applied to work out the current tax liabilities as well as deferred tax for the year.
- (ii) Current Taxation
 In the absence of any taxable income for the year, the tax liability is calculated at Minimum Alternate Tax under Section 115JB of Income Tax 1961 and provision of Rs.785.00 lacs has been made for the same.
- (iii) Deferred Taxation
 The company is entitled to setoff of carried forwarded losses and unabsorbed depreciation against the future taxable income under the Income-tax Act. As a matter of prudence and in the absence of virtual certainty, company is not recognizing the deferred tax assets in respect of carried forward losses and unabsorbed depreciation as provided by Accounting Standard 22 "Accounting for Taxes on Income", issued by the Institute of Chartered Accountants of India. Deferred tax assets in respect of other timing differences is also not recognised as in the opinion of the management there will be no future sufficient income to recover such deferred tax asset.

13. Contingent Liabilities and Capital Commitments

[Rupees in Crores]

Particulars	2007-2008	2006-2007
(A) Contingent Liabilities not provided for in respect of :		
(i) Claim against the company not acknowledged as debt. (employees related matters)	173.94	134.92
(ii) Disputed Income-tax Matters	1.00	1.00
(iii) Claims from lessor for disallowance of depreciation on leased assets	173.97	173.97
(iv) Revision in rates of water supplies	98.86	-
(v) Stamp duty on share certificates to be issued to Gujarat Urja Vikas Nigam Ltd.	1.63	1.33
(vi) Claims against Company pending Court Orders.	2.55	-
(B) Capital Commitments		
Estimated amount of contract remaining to the executed on capital accounts (Net of Advances)	1294.11	460.06

14. (a) Balance due to / from Group Companies and suppliers where confirmations are not received are subject to confirmation and reconciliation with the parties.
- (b) The amounts receivable (DR) from and payable (CR) to various parties viz. debtors, suppliers, contractors, etc. on various accounts which are carried in various suspense accounts / registers at plants more particularly those transferred to the Company under Transfer Scheme as on 01/04/2005 required thorough scrutiny to ascertain the precise break-up and supportive documents to establish the claims by and / or against the Company of these parties. Under the circumstances the loss / gain if any that may arise is not ascertainable and hence not provided in accounts.
- (c) Pending confirmations and reconciliation as referred above, the company has identified certain long outstanding debit and credit balances, neither recoverable nor payable, net aggregating to Rs. 457.05 lacs. The company is in the process of obtaining approval of competent authority to write off the identified balances. Pending approval, the company has made provision for bad advances amounting to Rs. 457.05 lacs in the financial statements.
15. The Company has already initiated discussion with the recognized employees unions on the charter of demands submitted by them for wage revision effective from 01/01/2006. The additional liability in this respect would be ascertained when the settlement would be reached. However reasonable provision has been made towards the same during the year based on the past experience.
16. During the year review, the sale of electrical energy by KLTPS of the company has been invoiced after taking in to consideration the rate of lignite, being principal fuel, at Rs 780 per M.T., duly approved by GERC vide its order no 896/2006 dated 31st march 2007. Pursuant to discussions held at the meeting on 13th may 2008 between GMDC(the vendor), GUVNL and the company, as agreed upon, the rate of Lignite supplied by GMDC was revised and re-fixed at Rs 475 PMT plus royalty and vat as applicable for the year under review. Consequent to such revision, GUVNL has, vide its letter no CFM(IPP) /1349 dated 29th September 2008, demanded the credit note as the company has been raising the invoices considering the rates higher than revised one as agreed upon. Based on the minutes of aforesaid meeting and demand of GUVNL, the company has reversed the sales to the extent of Rs 24,13,89,604 being the difference between the rate of lignite considered at the time of raising of invoices and the rate as agreed upon.

The company has not adjusted the fuel cost as benefit of aforesaid revision in rates has not yet been passed on to the company by GMDC since the matter has been referred to Government of Gujarat for its concurrence.

17. Remuneration to Managing Director

[Rupees in lacs]

Sr. No.	Particulars	2007-2008	2006-2007
1.	Salaries & Allowances	10.71	10.20
2.	Contribution to P.F. & Other Funds	1.29	1.19
3.	Value of Perquisites	1.41	1.26
	Total:	13.41	12.65

18. Statutory Auditor Remuneration

[Rupees in lacs]

Sr. No.	Particulars	2007-2008	2006-2007
1.	Statutory Audit fees (excluding of Service Tax)	16.00	9.90
2.	Out of Pocket Expenses	--	--
	Total:	16.00	9.90

19. The particulars in respect of generation of electricity, units sold and consumption of fuel are as under:

Generation of Electricity and Units Sold

Power Plants	2007-2008	2006-2007
Installed Capacity (MW)	4766	4968
Gross Generation (in MUs)	29241	27533
Auxiliary Consumption (in MUs)	2609	2490
Units Sold (in MUs)	26669	25062

Note:- Installed capacity is as certified by the Management and has not been verified by the Auditors, this being a technical matter.

Consumption of Fuel

[Rupees in Crores]

Particulars	2007-2008		2006-2007	
	Qty.	Amount	Qty.	Amount
Consumption of Coal & Lignite (in '000 MT)	17796.32	3869.33	16144.66	3528.82
Consumption of Gas(Lakh SCM)	4688.15	525.38	3531.96	189.95
Consumption of LSHS (in '000 Liters)	383.71	539.02	383.02	503.12

20. Expenditure in foreign currency

[Rupees in lacs]

Particulars	2007-2008	2006-2007
Earnings in Foreign Currency	NIL	NIL
Remittances in Foreign Currency	NIL	NIL
CIF Value of Imports	271.30	364.25
Foreign Traveling	NIL	NIL

21. The company has initiated the process of obtaining the confirmation from suppliers who have registered them selves under the Micro, Small and Medium Enterprises Development Act, 2006 (MSMED Act, 2006). However, in the absence of relevant information relating to the suppliers registered under the Micro, Small and Medium Enterprises (Development) Act, 2006, the balance due to Micro, Small and Medium Enterprises at year end and interest paid or payable under MSMED Act, 2006 during the year could not be compiled and disclosed.

22. Statement of Management

- (a) The current assets, loans and advances are good and recoverable and are approximately of the values, if realized in the ordinary courses of business unless and to the extent stated other wise in the Accounts. Subject to the notes regarding depreciation, other notes and the method of accounting followed by the Company, provision for all known liabilities is adequate and not in excess of amount reasonably necessary. There are no contingent liabilities except those stated in the notes.
- (b) Balance Sheet, Profit & Loss Account and Cash Flow statement read together with the schedules to the accounts and notes thereon, are drawn up so as to disclose the information required under the Companies Act, 1956 as well as give a true and fair view of the statement of affairs of the Company as at the end of the year and results of the Company for the year under review.

23. Previous year figures have been regrouped, reclassified and reworked wherever necessary for comparative purpose.

FOR G. K. CHOKSI & CO
Chartered Accountants

FOR AND ON BEHALF OF BOARD

SANDIP A. PARIKH
Partner

M. M. SRIVASTAVA
Chairman

P. H. RANA
Managing Director

L. CHUAUNGO
Director

R. G. SHETH
Sr. Chief General Manager (F&A)

V. P. JANI
Company Secretary

Place : Ahmedabad
Date : 1st December, 2008

Place : Gandhinagar
Date : 29th November, 2008

GUJARAT STATE ELECTRICITY CORPORATION LIMITED



BALANCE SHEET ABSTRACTS AND COMPANY'S GENERAL BUSINESS PROFILE AS REQUIRED PURSUANT TO PART IV OF SCHEDULE VI TO THE COMPANIES ACT, 1956

I. Registration Details:

Registration No. 19988, State Code 04
Balance Sheet Date 31st March, 2008

II. Capital Raised during the year (Amount in Rs. lacs)

Public Issue:	--	Right Issue:	--
Bonus Issue:	--	Private Placement:	--

III. Position of mobilisation and Deployment of Funds (Amount in Rs. lacs)

Total Liabilities	8 30 080.16	Total Assets	8 30 080.16
Sources of Funds		Application of Funds	
Paid-up Capital	57 330.01	Net Fixed Assets	6 57 354.91
Equity Pending Allotment	1 43 168.94	Investments	2 052.00
Reserve and Surplus	47 933.57	Net Current Assets	(53 380.44)
Secured Loan	1 34 488.75	Misc. Expenditure	--
Unsecured Loan	2 23 105.20	Accumulated Losses	--

IV. Performance of Company (Amount in Rs. lacs)

Turnover and Other Income	6 33 387.51	Total Expenditure	6 26 552.83
(+) Profit/(Loss) before tax	6 834.67	(+) Profit/(Loss) after tax	5 924.12
Earning per share (Rs.)	1.03	Dividend Rate	--

V. Generic names of principal products services of company (as per monetary terms)

Product/Service Description	Item code No.
Generation of Electricity	Not Applicable

FOR AND ON BEHALF OF BOARD

M. M. SRIVASTAVA
Chairman

P. H. RANA
Managing Director

L. CHUAUNGO
Director

R. G. SHETH
Sr. Chief General Manager (F&A)

V. P. JANI
Company Secretary

Place : Gandhinagar
Date : 29th November, 2008