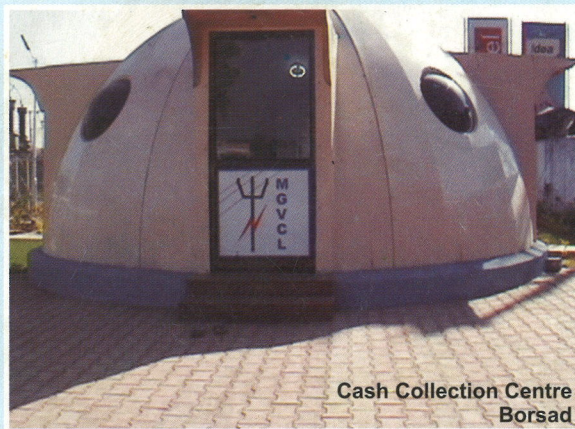


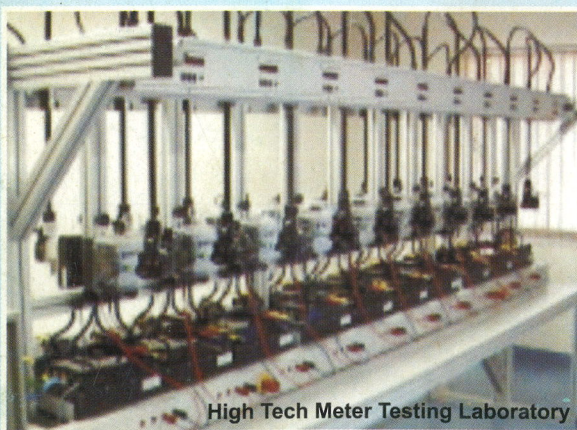


th

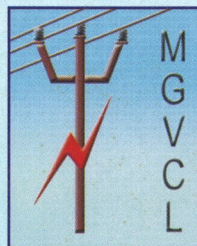
Annual Report 2006-2007



Cash Collection Centre
Borsad



High Tech Meter Testing Laboratory



Bill Collection Van



MADHYA GUJARAT VIJ COMPANY LIMITED

An ISO Certified Company

(A Wholly Owned Subsidiary of Gujarat Urja Vikas Nigam Ltd.)



BOARD OF DIRECTORS

Shri L. Chuaungo, IAS
Shri B.J. Bhatt
Dr. M.K. Iyer
Shri H.P. Desai
Prof. Kirankumar Joshi
Prof. M.S. Sriram
Shri Anoop Shukla, IFS

Chairman
Director
Director
Director
Director
Director
Managing Director

COMPANY SECRETARY

Shri K.M. Antani

SENIOR EXECUTIVES

Shri R.O. Gandhi
Shri S.A. Pota
Shri K.R. Shah

Chief Engineer (T & O)
Chief Engineer (P & C)
General Manager (F & A)

BANKERS

UCO Bank
State Bank of India
Bank of Baroda
State Bank of Saurashtra
Dena Bank
Bank of India
Central Bank of India
Canara Bank
Syndicate Bank
Union Bank of India
Vijaya Bank
Allahabad Bank
Indian Bank
Indian Overseas Bank
Karur Vysya Bank

CONTENTS

AUDITORS

M/s. Prakash Chandra Jain & Co.
Chartered Accountants,
Vadodara

REGISTERED OFFICE

Sardar Patel Vidyut Bhavan
Race Course
Vadodara-390 007.

Phone No. : (0265) 2310582-86
Fax No. : (0265) 2337918, 2338164
Web Site : www.mgvcl.com
E-mail : info.mgvcl@gebmail.com

Sr. No.	Particulars	Page No.
1	Notice	2-3
2	Directors' Report	4-13
3	Management Reply to C & AG Comment	14-15
4	Auditors' Report	16-21
5	Balance Sheet	22
6	Profit & Loss Account	23
7	Cash Flow Statement	24
8	Schedules	25-52
9	Balance Sheet Abstract	53

NOTICE

Notice is hereby given that the Fourth Annual General Meeting of the members of **Madhya Gujarat Vij Company Limited** will be held (at shorter notice under Section 171(2)(i) of the Companies Act, 1956, pursuant to consent received from all the members) on Friday, the 28th December, 2007 at 1.00 p.m. at the Board Room, Third Floor, Sardar Patel Vidyut Bhavan, Race Course Circle, Vadodara - 390 007, to transact the following Ordinary and Special Business :

ORDINARY BUSINESS

- 1 To receive, consider and adopt the Audited Balance Sheet as at 31st March, 2007, Profit & Loss Account for the year ended on that date and the Reports of the Board of Directors and Auditors thereon along with Comments of the Comptroller & Auditor General of India.
- 2 To appoint a Director in place of Shri H.P. Desai, who retires by rotation and being eligible, offers him-self for re-appointment.
- 3 To appoint a Director in place of Shri L. Chuaungo, IAS, who retires by rotation and being eligible, offers him-self for re-appointment.
- 4 To decide the remuneration payable to Statutory Auditors appointed by the Comptroller and Auditor General of India (C & AG), New Delhi, for the audit of accounts of the Company for the financial year 2007-08.

SPECIAL BUSINESS

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

"RESOLVED THAT Prof. M.S Sriram who was appointed as an Additional Director of the Company on 8th February, 2007, under Section 260 of the Companies Act, 1956 and who holds such office up to the date of this Annual General Meeting be and is hereby appointed as a Director of the Company, liable to retire by rotation."

- 6 To consider and if thought fit, to pass, with or without modification/s, the following resolution as an Ordinary Resolution:

"RESOLVED THAT Prof. Kirankumar Joshi who was appointed as an Additional Director of the Company on 15th March, 2007, under Section 260 of the Companies Act, 1956 and who holds such office up to the date of this Annual General Meeting be and is hereby appointed as a Director of the Company, liable to retire by rotation."

Vadodara
26th December, 2007

REGISTERED OFFICE :
Sardar Patel Vidyut Bhavan,
Race Course,
Vadodara - 390 007

By Order of the Board

K. M. Antani
Company Secretary



NOTES :

- 1 A MEMBER ENTITLED TO ATTEND AND VOTE AT THE MEETING IS ENTITLED TO APPOINT A PROXY TO ATTEND AND VOTE ON A POLL, INSTEAD OF HIMSELF AND THAT A PROXY NEED NOT BE A MEMBER OF THE COMPANY.
- 2 The Explanatory Statement pursuant to the provisions of Section 173(2) of the Companies Act, 1956, is annexed hereto as "Annexure to the Notice".

Annexure to Notice**Explanatory Statement pursuant to Section 173(2) of the Companies Act, 1956****Item no. 5**

Prof. M.S Sriram was appointed as an Additional Director by the Board of Directors in its meeting held on 8th February, 2007, under Section 260 of the Companies Act, 1956 and he holds office up to the date of this Annual General Meeting. He has been nominated by Gujarat Urja Vikas Nigam Limited (GUVNL), the holding Company, pursuant to Article 57 of the Articles of Association of the Company. The Board of Directors of the Company considered him as Independent / Professional Director.

Prof. M.S Sriram holds Fellow from the Indian Institute of Management (IIM), Bangalore and PGDRM from the Institute of Rural Management, Anand. He is a Professor of Finance & Accounting at IIM, Ahmedabad. He has been involved in various research projects. He is also associated as an Independent Director with Union Bank of India and other corporate /institutes.

Your Directors, therefore, recommend the resolution for your approval.

None of the Directors, except Prof. M. S Sriram is interested or concerned in this resolution.

Item no. 6

Prof. Kirankumar Joshi was appointed as an Additional Director by the Board of Directors in its meeting held on 15th March, 2007, under Section 260 of the Companies Act, 1956 and he holds office up to the date of this Annual General Meeting. He has been nominated by Gujarat Urja Vikas Nigam Limited (GUVNL), the holding Company, pursuant to Article 57 of the Articles of Association of the Company. The Board of Directors of the Company considered him as Independent / Professional Director.

Prof. Kirankumar Joshi, MA, Ph.D, is an academician with varied experience and is a Professor of Business Economics at Faculty of Management Studies, M S University, Vadodara. He has written various articles on the contemporary subjects and also completed research projects in diverse areas. He is also associated with Gujarat Industries Power Company Limited (GIPCL) as Independent Director.

Your Directors, therefore, recommend the resolution for your approval.

None of the Directors, except Prof. Kirankumar Joshi, is interested or concerned in this resolution.

By Order of the Board

Vadodara
26th December, 2007

K. M. Antani
Company Secretary

REGISTERED OFFICE :

Sardar Patel Vidyut Bhavan,
Race Course,
Vadodara - 390 007



DIRECTORS' REPORT

To,

The Members,

Your Directors are pleased to present the 4th Annual Report of the Company together with the Audited Accounts for the year ended 31st March, 2007.

FINANCIAL RESULTS

A summary of the financial results are as under :

(Rs. in. Lacs)

	2006-07	2005-06
Total Income	188484.24	158665.37
Gross Profit before Depreciation, Interest and Tax	13653.34	11437.61
Depreciation	4778.22	3473.33
Interest and Finance Charges	6184.19	6669.10
Profit before Tax	2690.93	1295.18
Provision for Tax (including provision for deferred tax and fringe benefit tax)	995.90	(446.14)
Profit after Tax and available for appropriation	1695.03	1741.32

DIVIDEND

Since your Company is in the consolidation phase in second year of operations, your Directors do not recommend any dividend for the year.

FINANCIAL PERFORMANCE

You will be happy to learn that during the year, the Company made significant improvements in its financial performance.

The salient points are:

- ❖ Revenue Assessment (without ED) increased to Rs. 1716.31 crore during F.Y. 2006-07 from Rs. 1435.40 crore in F.Y. 2005-06 registering the remarkable increase of Rs. 280.91 crore (+19.57%) in a year.
- ❖ Total income increased to Rs.1884.84 crores as against Rs. 1586.65 crores in the previous financial year, an increase of 18.79 %
- ❖ Profit before tax increased to Rs. 26.91 crore as compared to Rs.12.95 crore in the previous financial year, an increase of 108%
- ❖ The average rate of realization per unit sold increased to Rs.3.72 per unit (without E.D.) compared to Rs.3.47 per unit in last financial year.
- ❖ Similarly the average rate realized per unit of input improved to Rs.3.23 compared to Rs.2.74 per unit of input during financial year 2005-06 i.e. remarkable increase by Rs.0.49 per unit.



OPERATIONAL PERFORMANCE

- ❖ Power Sale of Units sold registered a new height of 4614 MUs during the year compared to 4139 MUs showing an increase of 11.48 % over 2005-06. Moreover, the corresponding power purchase increased to 5612 MUs with increase of only 2.84 % in 2006-07.
- ❖ Significant and remarkable reduction in Distribution Loss to 14.85% as compared to 21.33% in previous financial year. This was possible on account of feeder wise monitoring of each activity relating to loss reduction, in-depth analysis at each stage and implementing the right strategy for each feeder.
- ❖ Transformer failure rate reduced from 13.01% to 9.60%
- ❖ Power availability improved to 99.44% from 99.17% (without load shedding)
- ❖ The consumer base increased from 18.73 lacs to 19.42 lacs
- ❖ Under various normal development schemes, 71 HT Industrial, 1,273 LT Industrial and 56,712 domestic connections are released.
- ❖ In Agricultural Sector, electrification of wells carried out for -
 - ❑ 54 wells under Rural Electrification Scheme
 - ❑ 746 wells under TASP Scheme
 - ❑ 534 wells under Tatkall Scheme.
- ❖ In tribal areas, electrification of Petaparass carried out for -
 - ❑ 175 Petaparass in Tribal Area Sub Plan (TASP) and
 - ❑ 179 Petaparass in Central Scheme.
- ❖ 132 Harijan Bastis were electrified under Special Component Plan (SCP).
- ❖ Area Load Dispatch Centre (ALDC), a nerve centre for power system management, has carried out district wise re-grouping of agriculture feeders in such a way that each group contains a maximum of 50 MW each. The re-grouping into smaller group has enabled the Company to make its load curve reasonably flat, giving a load factor of more than 85% on any day. The scheduling and load forecasting is being done in such a way that the difference between the share and drawl remain in a range of 20 to 25 MW i.e. bare minimum.
- ❖ The study of ampere loading of each feeder according to the monthly /seasonal consumption is exercised in accordance with the total contract load of the feeder. Accordingly, the bench marking of feeder loading is decided and whenever the loading pattern does not match such bench-marking, checking is arranged to verify the irregularities going on the feeder.
- ❖ Surveillance teams consisting of 72 nos. of corporate office and field office engineers formed to visit various theft prone areas periodically and collect information about the theft of electricity and other irregularities adopted by the consumers.
- ❖ Continuous efforts are being made for prevention of theft of energy. The vigilance team of the Company carried out intensive inspection drives during the year 2006-07. 5,30,412 connections were checked under the Installation Checking drives and 8,353 connections were detected for theft and mal practice with total assessment of Rs. 15.08 crore.
- ❖ Meters were provided on Transformer Centre (TC) of Baroda City and on urban/ Industrial/ GIDC feeders of other Circles, for better control on system to identify weak pockets with high T&D



losses. Customised software is developed by IT department of the Company to calculate TC wise losses.

- ❖ Special Designed Transformers (SDT) are installed at 270 feeders to ensure power supply to scattered consumers of rural areas.

SYSTEM IMPROVEMENT

For strengthening of distribution network and to improve system operations, several initiatives are taken as under :

- ❖ 56 Ring Main Units (RMU) provided to ensure power reliability.
- ❖ 118.38 kms of Aerial Bunch Conductor (ABC) laid in theft prone areas of Godhara, Anand and Vadodara.
- ❖ 11 KV XLPE under ground cables network with Ring Main System is laid for reduction of interruptions, accidents and leakages.
- ❖ Re-conductoring of 182.86 km of HT lines completed to reduce technical losses and improved power reliability.
- ❖ High Voltage Distribution System (HVDS) is being implemented to reduce hooking in rural areas as well as to reduce the LT line losses.
- ❖ Detailed analysis and in-depth study is carried out for feeders having high Ampere loading and low tail end voltages and accordingly such feeders are bifurcated as per system improvement norms.
- ❖ PVC coated conductors are used in Rural area to avoid possibilities of hooking.
- ❖ Replacement of defective meters at all field offices.

ON GOING PROJECTS

- ❖ 2,733 nos. of Automatic Power Factor Controller (APFC) Panels are installed in three Circles. This will reduce the HT line loss as well as it will improve the Power Factor of the feeder which would lead to better supply - voltage to the consumers.
- ❖ Project for laying of 11 KV under ground cables networks with Ring Main System in Alkapuri, Gotri and Akota Sub-divisions has been completed. This has resulted in reduction of interruptions, accidents and leakages.
- ❖ Dakor Town being a pilgrim Spot 11 kV over head HT Network is being replaced by 11kV XLPE Cable and RMUs will be installed to increase reliability of power supply under system improvement scheme.
- ❖ Rectification works for Agriculture Metered Installation are under progress. This will curb malpractices being adopted by such consumers.
- ❖ High Voltage Distribution System (HVDS) is being implemented to reduce hooking in rural areas as well as to reduce the LT line losses. To implement HVDS system, sum of contracted load of feeders and sum of connected KVA of each TC is worked out and if there is a sizable difference, de-augmentation of the transformer is carried out by providing TC of appropriate capacity as per contract load. Various high loss feeders are selected in different areas to implement HVDS. This will help in maintaining HT to LT ratio. To implement the HVDS 5 KVA, 10 KVA and 16 KVA Distribution Transformers are being procured. The single phase 5 KVA distribution transformers will supply power to scattered consumers in rural areas to avoid installation of high capacity transformers so as to save extra KVA as well as pilferage of electricity. This will not only save KVA capacity but also reduce losses as well as will lead to reduction in LT line. Moreover, power can be supplied to



individual consumer requiring power up to 6 KW as well as to the scattered consumers in Govt. Scheme/s.

- ❖ The Distribution Reforms Upgrades and Management (DRUM), a part of USAID's distribution programme, being implemented at Umreth sub division encompasses implementation of high-tech concepts such as fault passage indicator, monitoring of key KPIs (Key Performance Indicator), pre- paid meter and computer aided Customer Call Centre and initiatives towards reduction of losses by reconductoring, reconfiguration and HVDS of feeders and technical audit of feeder and transformer centre. 726 nos. of Fault Passage Indicators are installed on 18 feeders and have resulted into remarkable reduction in down time of feeder. The orders are placed for GIS, 11 KV line Capacitor, pre paid meters. HVDS is implemented on one feeder and the work is taken up for another two feeders.

- ❖ The Geographical Information System (GIS) mapping of Baroda City Circle has been completed and the system is put into operation.

The work of implementing GIS in other Cities like Karjan, Padra, Dabhoi, Anand Circle, Anand, V V Nagar, Borsad, Petlad, Umreth, Ankav, Cambay, Kapadwanj is under progress. GIS will provide the consumer consumption pattern and consumers indulged in theft will be detected.

- ❖ All the major extra high tension and HT consumers and all high valued industrial consumers are being provided Automated Remote Metering (AMR). AMR provided at 192 places for quick and accurate meter reading without visiting the site of such consumers. This contributes to significant process improvements for load survey, tamper and theft billing with on-line monitoring and immediate access to data.
- ❖ For Baroda City, a project for SCADA based system for controlling the power system as well as energy accounting has been approved and work is under progress. The Company envisages to implement SCADA based system for all major cities of the Company.
- ❖ The Ministry of Power, New Delhi, has launched 'Rajiv Gandhi Grameen Vidyutikaran Yojana' (RGGVY) for 100 % electrification of villages, habitations in the country and supply the power to Below Poverty Line (BPL) families free of cost. The said Scheme is implemented in all the districts areas of the Company. In Panchmahal District, out of total 1,18,268 beneficiaries, the work of 12,880 BPL beneficiaries is completed. In Vadodara district the work of 169 nos. of BPL beneficiaries and in Anand work of 6,829 nos. of BPL beneficiaries is completed. For Kheda and Dahod Districts, activities for invitation of tenders are initiated.
- ❖ Segregation of Agriculture Dominant Feeders and Jyoti Gram Feeders completed during the year.
- ❖ 56 nos. of Pole Mounted Meters are provided in Godhara and Vadodara City areas to avoid theft of power. In Pole Mounted Meters, the metering part will be mounted on the pole and displaying part is installed at consumer's premises.

- ❖ For improvement in customer services and to improve network through better maintenance, a scheme called MEGA (Management of Electricity with Gram Associate) has been introduced wherein Co-operative societies, NGO or a group of prominent villages etc. would manage the maintenance and billing activities and act as a distribution franchisee.

The project approval is given in 8 villages falling under Koyali Sub-division of Baroda Rural Circle and 1 village falling under Umreth sub-division of Anand Circle.

- ❖ Individual franchisee for the feeders has been adopted and already more than 34 feeders have been allotted for individual franchisee. Either individual person or group of entrepreneurship can come forward and take up the work for a feeder.



FUTURE PROJECTS

Your Company is also exploring various new projects.

- ❖ Automatic Meter Reading (AMR) system provides close surveillance on theft of energy. It has other discrete advantages, viz. automatic and fast billing and quicker realization of revenue etc. The AMR system has been installed for HT connections. AMR system for existing LT connections having contract load of 75 HP and above is envisaged so that discrete advantages of AMR could be optimum utilized.
- ❖ CTPT Testing Facility is being developed near Hi Tech Laboratory, Baroda. This will facilitate to test 11 / 22 kV CTPT unit up to class 0.2 accuracy. Your Company has planned to obtain NABL accreditation and thereafter to extend this facility to consumers on chargeable basis.
- ❖ Pole to pole Survey of feeders where high transient tripping and high transformer failure rate is found. Feeders having high transient tripping and high transformer failure have been identified and allocated to Engineers of Corporate Office. They will monitor rectification work on such feeders. This will help in identifying lacuna in feeder rectification work and thereby reduction in tripping and transformer failure. This will increase reliability of Power Supply.

CUSTOMER SERVICES

The Company continued its thrust towards improving customer services during the year. Through continuous improvements in systems and processes, the Company has continued to focus on providing reliable and quality power to consumers.

- ❖ During the year, fully computerized Customer Call Centers have been started in Baroda Rural, Anand and Godhara Circle Offices to provide various customer related services through a single window.
- ❖ 11 nos. of fully computerized All Time Payment Centre (ATP) have been installed in Baroda City area to facilitate consumers to pay their energy bills at any time.
- ❖ Monthly billing with hand held instruments is introduced in Nadiad, Anand, Godhara, Dahod and Dabhoi towns. Monthly billing was already introduced in entire Baroda City Circle in the previous year.
- ❖ Mobile Van for collection of energy bills have been introduced in Vadodara City area providing facilities for payment of energy bills by consumers at their door - step.
- ❖ 'HT Consumers' Meet' was held at Anand, Halol and Baroda Rural during the year to resolve their grievances.
- ❖ 'Sampark', a programme to meet the consumers at unconventional places were organized at Baroda Rural, Anand and Baroda City areas to have a direct contact with the consumers to understand their difficulties and needs.
- ❖ The Company's web site is regularly updated to make it more informative and customer friendly.
- ❖ Consumer Redressal Forum has been set up as mandated by the Electricity Act, 2003 and the regulations notified there under.

IT INITIATIVES

- ❖ E-urja Project undertaken by Gujarat Urja Vikas Nigam Limited (GUVNL) for all its subsidiary Companies for end to end ERP solution has been implemented by the Company.



- ❖ The Company has also implemented e-tendering for tenders having estimated cost of Rs.10 lacs or more. E-tendering is the process where in the physical tendering activity is carried out using the Internet and associated technologies. E-tendering enables the user to introduce ease and efficiency of operations without compromising on the required procurement policies and procedures of the organization. It also provides transparency, saving in time, money and shortening of procurement cycle and ease of operations to the Company and Vendors.
- ❖ For e-governance and modernization of various villages of Gujarat, the Govt. of Gujarat had decided to provide computers to various Gram Panchayat Offices to enable them to render various e-services for benefit of rural population. Accordingly, GoG has designated various Gram Panchayats as E-Gram Panchayats (E-GPs), who qualified as per eligibility criteria. In order to make such E-GPs self-sustained by increasing their income and also to facilitate the consumers of the Company for payment of energy bills in their villages itself, GOG has decided to award the agency of collection of energy bills to such E-GPs. There are 747 E-GPs falling under Madhya Gujarat area under 5 Districts. The requisite Agreements are executed with TDOs and E-GPs of three villages have been started.

AWARDS & ACHIEVEMENTS

- ❖ The Company's case study on 'Power Sector reforms and Initiatives in Gujarat' was awarded First prize for power India Excellence Award – 2007 by India-tech Foundation which focuses on the development of the infrastructure sector in India.
- ❖ Your Directors are pleased to inform that that Company has been awarded ISO 9001-2000 certification by TUV India Pvt. Ltd., for applying a quality system in line with DIN EN ISO 9001:2000 standard for providing electricity distribution services for domestic, commercial, industrial and agricultural users in Central Gujarat. ISO certification given to the Company is not for one particular office but it is for the Company as a whole including field offices. Your Company is the first Government Distribution Company in India to be ISO Certified.
- ❖ High Tech Meter Testing Laboratory at Baroda City Circle is equipped with fully automatic computerized test bench of accuracy class 0.05 for quality testing of all type of single phase and three phase static as well as precession electromechanical meters as per Indian / International Standard Specification. Recently the NABL accreditation certificate is received for energy meter Testing & Calibration. The Company has procured class 0.2 universal accu check meter for testing of LT/HT all type of meters to check the consumer installation.

REGULATORY MANAGEMENT

The Gujarat Electricity Regulatory Commission (GERC) is an authority to regulate the working of electricity utilities in the State and is entrusted with various functions including the determination of retail tariff rates for the end users of electrical energy. During the year, your Company had filed a petition with GERC on 30th December, 2006, seeking approval of the Aggregate Revenue Requirement (ARR) and Tariff Rationalization for the Financial Year 2007-08. After due hearings, GERC had issued a detailed Tariff Order on 31st March, 2007, approving ARR at Rs. 2035.45 Crores for F.Y. 2007-08 along with a revised Tariff Schedule effective from 1st April, 2007.

HUMAN RESOURCES DEVELOPMENT

A number of need based training and development programs are organized with special emphases on fostering a culture of innovation to develop competency of employees and thereby enhance organizational effectiveness and productivity.

Industrial Relations continue to be cordial.



DIRECTORS

Professor M. S. Sriram and Prof. Kirankumar Joshi were appointed as Additional Directors effective from 8th February, 2007 and 15th March, 2007, respectively, in accordance with Article 57 of the Articles of Association of the Company and Section 260 of the companies Act, 1956. They hold their office as such up to the date of ensuing Annual General Meeting.

Shri H.P. Desai and Shri L. Chuaungo, IAS, retire by rotation at the ensuing Annual General Meeting and are eligible for re-appointment.

DIRECTORS' RESPONSIBILITY STATEMENT

In accordance with Section 217 (2AA) of the Companies Act, 1956, the Directors confirm that:

1. in the preparation of annual accounts for the financial year ended 31st March, 2007, the applicable accounting standards have been followed along with proper explanation relating to material departures, if any;
2. accounting policies have been selected and consistently applied and made judgments and estimates that are reasonable and prudent so as to give a true and fair view of the state of affairs of the Company as at 31st March, 2007 and of profit of the Company for the year ended on that date;
3. proper and sufficient care has been taken for the maintenance of adequate accounting records in accordance with the provision of the Companies Act, 1956 for safeguarding the assets of the Company and for preventing and detecting fraud and other irregularities; and
4. the annual accounts for the financial year ended 31st March, 2007, have been prepared on a going concern basis.

AUDIT COMMITTEE

Pursuant to Section 292 A of the Companies Act, 1956, your Company has constituted the Audit Committee of the Board, which at present stands as under

Prof. Kirankumar Joshi	...	Chairman of the Committee
Shri B.J. Bhatt	...	Member
Shri M.K. Iyer	...	Member
Shri M. S. Sriram	...	Member

DISCLOSURES

(a) Particulars of Employees:

There was no employee during the year drawing remuneration in excess of the ceilings prescribed under the provisions of Section 217(2A) of the Companies Act, 1956 read with the Companies (Particulars of Employees) Rules, 1975, as amended.

(b) Energy Conservation & Technology Absorption:

As required under Section 217(1)(e) of the Companies Act, 1956, read with the Companies (Disclosure of Particulars in the report of the Board of Directors) Rules, 1988, information regarding Conservation of Energy, Technology Adsorption are given in the Annexure I to this Report and forms part of this report.

(c) Foreign Exchange Earnings & Outgo:

During the year under review, there was no foreign exchange earning or outgo.

AUDITORS

M/s. Prakash Chandra Jain & Company, Chartered Accountants, has been appointed as the Statutory Auditors of the Company by the Comptroller and Auditor General of India, New Delhi, (C & AG) to audit the accounts of the Company for the year ended 31st March, 2007. As per the provisions of Section 224 of the Companies Act, 1956, their remuneration is required to be fixed by the Company in General Meeting.

AUDITORS' 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.

Reply of the Management to the comment of the Comptroller & Auditor General of India (C&AG) on the Accounts of the Company for the year ended 31st March, 2007, are given in the Annexure II to this Report and forms part of this report.

COST AUDITORS

As per the direction of the Central Government and pursuant to Section 233B of the Companies Act, 1956, the Company carries out an Audit of Cost Accounts relating to 'electricity' every year. The Board of Directors has re-appointed M/s. Diwanji & Associates, Vadodara as Cost Auditors for the Financial Year 2006-07 and has been approved by the Central Government.

ACKNOWLEDGEMENTS

Your Directors are pleased to place on record their appreciation for continued support and guidance provided by the Central Government, Government of Gujarat particularly Energy & Petrochemicals Department, Gujarat State Electricity Regulatory Commission, holding Company Gujarat Urja Vikas Nigam Limited, Bankers, Financial Institutions, suppliers and other business associates.

Your Directors also recognize the contribution of the esteemed consumers in the growth of the Company and takes this opportunity to pledge the Company's commitment to serve them.

Your Directors like to place on record their appreciation for the untiring efforts and contributions made by the employees at all levels to ensure that Company continues to grow and excel.

For and on behalf of the Board.

Vadodara
26th December, 2007

L. Chuaungo
Chairman



ANNEXURE I TO DIRECTORS' REPORT

PARTICULARS REQUIRED UNDER THE COMPANIES (DISCLOSURE OF PARTICULARS IN THE REPORT OF BOARD OF DIRECTORS) RULES, 1988

A CONSERVATION OF ENERGY :

a) Conservation of Energy Measures taken

Automatic Power Factor Controller (APFC) Panels are installed in three Circles for Improvement in Power Factor, there by reducing Technical Loss.

The Energy saving compact Fluorescent Lamps (CFL), T 5 tube lights etc. provided to all offices.

High loss feeders have been identified to reduce Technical loss and reduce over all losses. Close monitoring is being done up to sub-division by Feeder Manager/s.

Meters were provided on Transformer Centre of Baroda City and on urban/ Industrial/ GIDC/ feeders, of rest of the circles, for better control on system to identify weak pockets with high T&D losses Customised software is developed by IT department of the Company to calculate TC wise losses.

Automated Remote Metering (AMR) provided at 192 places for quick and accurate meter reading without visiting the site of consumer. This contributes to significant process improvements for load survey, tamper and theft billing with on line monitoring and immediate access to data.

Fault Passage Indicator installed to reduce the power restoration time as patrolling time of locating the fault is reduced.

All the rural transformers where unbalanced loading was observed were made balanced. This has reduced technical losses and also transformer failure.

Regular and periodical maintenance of equipment and lines.

Intensive inspection to curb theft of energy and malpractice.

b) Additional investment and proposal, if any, being implemented for reduction of Consumption of Energy

Introduction of High Voltage Distribution System (HVDS) on identified high loss pockets for reducing LT lines, to bring down technical losses, to improve voltage regulation and reduction in interruption & ensure reliable power supply.

Aerial Bunch Conductor (ABC) to avoid theft by direct hooking, control commercial loss in all theft prone areas.

c) Impact of the measures at a) and b)'above for reduction of energy consumption and consequent impact on the cost of production of Goods.

Savings in KWH and peak demand. Reduction in T & D losses.



B. TECHNOLOGY ABSORPTION:

Efforts made in technology absorption as per Form B.

FORM -B

(Disclosure of particulars with respect to Technology Absorption)

Research and Development (R&D)

The Company per se did not carry out any R & D work during the year. However, some activities are carried out through indigenous sources resulted in improvement in the performance.

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

Automated Remote Metering (ARM) for select HT consumers.

Design and development of Fibre boxes for Consumer Meters / ARM Unit.

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

ARM facilitates meter reading with almost zero meter reading errors and saves productive man power. The data stored in meter can be downloaded at any time for faster processing and to monitor consumers' behaviour in regard to electricity consumption and tempering of meter or any other irregularity.

3. Future plan of Action

Energy efficient transformers for distribution areas.

4. Expenditure on R & D

No expenditure on R & D of capital or recurring nature has been incurred.

TECHNOLOGY ABSORPTION, ADAPTATION AND INNOVATION

1. Efforts, in brief, made towards technology absorption, adaptation and innovation

Deployment of Automated Meter Reading (AMR) System for HT consumers.

2. Benefits derived as a result of the above efforts.

Implementation of AMR for HT consumers contributes to significant process improvements for load survey, tamper and theft billing with on line monitoring and immediate access to data.

3. In case of imported technology (imported during the last five years reckoned from the beginning of the financial year) following information is furnished.

Not Applicable

For and on behalf of the Board.

Vadodara
26th December, 2007

L. Chuaungo
Chairman



COMMENTS OF THE COMPTROLLER AND AUDITOR GENERAL OF INDIA UNDER SECTION 619 (4) OF THE COMPANIES ACT, 1956 ON THE ACCOUNTS OF MADHYA GUJARAT VIJ COMPANY LIMITED, VADODARA FOR THE YEAR ENDED 31 MARCH 2007.

The preparation of financial statements of Madhya Gujarat Vij Company Limited, Vadodara for the year ended 31 March 2007 in accordance with financial reporting framework prescribed under the Companies Act, 1956 is the responsibility of the management of the Company. The statutory auditors appointed by the Comptroller and Auditor General of India under Section 619 (2) of the Companies Act, 1956 are responsible for expressing opinion on these financial statements under Section 227 of the Companies Act, 1956 based on independent audit in accordance with the Auditing and Assurance Standards prescribed by their professional body, the Institute of Chartered Accountants of India. This is stated to have been done by them vide their Audit Report dated 08.09.2007.

I, on behalf of the Comptroller and Auditor General of India have conducted a supplementary audit under Section 619 (3) (b) of the Companies Act, 1956 of the financial statements of Madhya Gujarat Vij Company Limited, Vadodara for the year ended 31 March 2007. This supplementary audit has been carried out independently without access to the working papers of the statutory auditors and is limited primarily to inquiries of the statutory auditors and company personnel and a selective examination of some of the accounting records. Based on my supplementary audit I would like to highlight the following significant matters under Section 619 (4) of the Companies Act, 1956 which have come to my attention and which in my view are necessary for enabling a better understanding of the financial statements and the related Audit Report.

Balance Sheet**Application of Funds****Sundry Debtors Schedule-II, Rs.257.73 crore**

As per requirement of part-I to the schedule-VI of the Companies Act, 1956, Sundry debtors should have been separately disclosed as,

- (a) Debts considered good and in-respect of which the Company is fully secured.
- (b) Debts considered good for which the Company holds no security others than the debtor's personal security.

The above provision has not been complied with.

For and on behalf of
The Comptroller & Auditor General of India

Place : Ahmedabad

Date : 20/12/2007

Sd/-

Niranjan Pant

Principal Accountant General



ANNEXURE-II TO DIRECTORS' REPORT

Management Reply to the comment of the Comptroller and Auditor General of India under Section 619 (4) of the Companies Act, 1956 on the Accounts of Madhya Gujarat Vij Company Limited, Vadodara for the year ended March 31, 2007.

Comment of the Comptroller and Auditor General of India	Management Reply
Balance sheet Application of funds Sundry debtors Schedule-11 Rs.257.73 crore As per requirement of Part-I to the Schedule-VI of the Companies Act, 1956, Sundry debtors should have been separately disclosed as, a) Debts considered good and in respect of which the Company is fully secured. b) Debts considered good for which the Company holds no security other than the debtor's personal security. The above provision has not been complied with.	Company's debtors are secured and considered good to the extent of Security Deposits received from the respective consumers as per the rules prescribed by GERC. The suitable disclosure regarding the debtors under Current Assets has also been given in the Note No.18 of Schedule – 32 (Notes on Accounts). The Company, being an Electricity Distribution Company, has a large base of varied consumers. Under such peculiar circumstances, Company has disclosed Sundry Debtors in Balance Sheet as near to the requirement of Part I, Schedule VI as circumstances admit, in accordance with Section 211 (1) of the Companies Act 1956. Moreover, almost all the elements of particulars as required under the Act have been suitably given separately in the Schedule-11 of the Balance Sheet.

For and on behalf of the Board.

Vadodara
 26th December, 2007

L. Chuaungo
 Chairman



AUDITORS' REPORT TO THE MEMBERS OF MADHYA GUJARAT VIJ COMPANY LIMITED

1. We have audited the attached Balance Sheet of MADHYA GUJARAT VIJ COMPANY LIMITED as at 31st March, 2007, the Profit and Loss Account and also the Cash Flow Statement for the year ended on that date, annexed thereto. These financial statements are the responsibility of company's management. Our responsibility is to express an opinion on these financial statements based on our audit.
2. We conducted our audit in accordance with auditing standards generally accepted in India. Those Standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material mis-statement. 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 the management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.
3. The company is governed by the provisions of the Electricity Act, 2003 read with rules and the regulations issued there under. The Section 616(C) of the Companies Act, 1956 also provides that special Acts like Electricity Act will apply to the extent the provisions of the Companies Act are inconsistent with provisions of those Acts. Accordingly, the financial statements of the Company for the year 2006-07 are compiled and reported.
4. As required by the Companies (Auditors Report) Order, 2003, as amended by the Companies (Auditors Report) (Amendment) Order 2004, issued by the Government of India in terms of sub-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.
5. Further to our comments in the Annexure referred to in paragraph 4 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 purpose of our audit.
 - (b) In our opinion, proper books of accounts as required by law have been kept by the Company, so far as it appears from our examination of those books.
 - (c) The Balance Sheet, Profit and Loss Account and Cash Flow Statement dealt with by this report are in agreement with the books of account.
 - (d) In our opinion, 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 except where stated otherwise in Schedule 32.
 - (e) According to Notification No. GSR 829 (E) dated 21.10.2003 issued by Govt. of India, the provisions of Section 274(1)(g) of the Companies Act, 1956 are not applicable to the Company.
 - (f) We invite your attention to Notes appearing in Schedule 32 to the financial statements:
 - i) Note No. 1(B)(ii) regarding Equity Share Capital Suspense Account.
 - ii) Note No. 3 regarding non-registration of charge on the transferred assets of the company.
 - iii) Note no. 4 regarding Legal ownership (titles) of immovable properties.
 - iv) Note No. 5 regarding Compensation of Usage of Inter-company assets.



- v) Note No. 7 regarding adequacy of transferred balances of various staff welfare scheme.
- vi) Note No. 8 regarding non-reconciliation of Inter-Division and Circle / Inter-Company Account , transactions with Holding / Fellow subsidiary companies.
- vii) Note No. 9 regarding non-disclosure of the dues to prescribed categories of SSI Undertakings.
- viii) Note No. 10 regarding suppliers, contractors, creditors, advances and receivables being subject to confirmation and / or reconciliation with the parties.
- ix) Note No. 11 regarding treatment of Capital work in progress and charge of depreciation.
- (g) Subject to the above, in our opinion and to the best of our information and according to the explanations given to us, the said accounts read together with the significant accounting policies and notes forming part thereof give information required by the Companies Act, 1956, in the manner so required and give a true and fair view in conformity with the accounting principles generally accepted in India:-
 - (i) in the case of the Balance Sheet, of the state of affairs of the Company as at 31st March, 2007
 - (ii) in case of the Profit and Loss Account, of the profit for the year ended on that date and
 - (iii) in the case of Cash Flow Statement, of the Cash Flows for the year ended on that date.

For Prakash Chandra Jain & Co
Chartered Accountants

Place : Vadodara
Date : 08/09/2007

P. C. Nalwaya
Partner



ANNEXURE REFERRED TO IN PARAGRAPH 4 OF OUR REPORT OF EVEN DATE

In our opinion and on the basis of such checks as we considered appropriate and in terms of information and explanations given to us, we state that –

(i) Fixed Assets

- (a) The company has generally maintained proper records showing full particulars, including quantitative details and situation of fixed assets.
- (b) The Fixed assets have not been physically verified by the management during the year and hence, we are unable to comment on discrepancies between physical and book balances.
- (c) The company has not disposed off the substantial part of fixed assets during the year.

(ii) Inventory

- (a) We are informed that physical verification of inventory had been conducted by the management on regular basis so as to cover at least once during the year.
- (b) In our opinion and according to the information and explanations given to us, the procedures of physical verification of inventories followed by the management were reasonable and adequate in relation to the size of the Company and the nature of its business.
- (c) In our opinion and according to the information and explanations given to us, the Company has maintained proper records of its inventories and no material discrepancies were noticed on physical verification.

(iii) Loans and Advances

- (a) According to the information and explanations given to us, the Company has not granted any loans, secured or unsecured, to/from 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.

As per the information and explanations given to us, the provisions of section 299, 300 and 301 of the Companies Act, 1956 are not attracted to the transactions entered into 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) Internal Control System

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 other related 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) Section 301

- (a) The Company has entered into contracts/ arrangements with GUVNL being the holding Company. As per the information and explanations given to us, the transactions pursuant to these contracts and / or arrangements 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) Deposits from Public

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 provisions of the Companies Act, 1956, and the rules framed there under.

(vii) Internal Audit

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) Cost Records

The maintenance of cost records has been prescribed by the Central Government under Section 209 (1) (d) of the Companies Act, 1956. The Company has appointed a firm of Cost Accountants for preparation of cost records. We have broadly reviewed such cost records 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) Payment of Statutory Dues

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, 2007 for a period of 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) Accumulated Losses/Cash Losses

The company has neither accumulated losses at the end of the year nor incurred cash losses in the current financial year and in the immediately preceding financial year.

(xi) Repayment of Dues

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) Secured Loans and Advances

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) Chit Fund / Nidhi / Mutual Benefit Fund / Societies

The provisions of any special statutes applicable to chit fund, nidhi and mutual benefit funds / societies are not applicable to the Company.

(xiv) Dealing or Trading in Shares, Securities etc.

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) Guarantee given in respect of loans taken by others

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) End Use of Term Loans Taken

(a) Loans allocated to the Company by GUVNL and reimbursement made by the Company during the year of repayments of the principle and the interest on the term loans transferred by GUVNL have been accounted in GUVNL Account without any actual cash inflow or outflow.

(b) In case of loans directly raised by the Company during the year, repayments of principle and interest thereon have been routed through a common pool of funds.

In view of (a) and (b) 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.

(xvii) Utilisation of Short-Term Funds

The Company has raised term loans during the year 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.

(xviii) Preferential Allotment of Shares

Based on the information and explanations given to us, 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) Secured Debentures

The liabilities under the bonds issued by the erstwhile GEB transferred to the Company are secured either by a charge over the assets or by a guarantee by Government of Gujarat. Similarly the moneys raised by GUVNL and transferred to MGVCL are also secured by assets or backed by guarantee given by Government of Gujarat. The Company is in the process of creation of security or charge for such bonds.

(xx) Disclosure of End Use

The Company has not raised any money by public issue during the year.

(xxi) Frauds

According to the information and explanation given to us, no fraud/ misappropriation on or by the Company has been reported during the year.

For Prakash Chandra Jain & Co
Chartered Accountants

P. C. Nalwaya
Partner

Place : Vadodara
Date : 08/09/2007



MADHYA GUJARAT VIJ COMPANY LIMITED

BALANCE SHEET AS AT 31ST MARCH, 2007

PARTICULARS	SCHEDULE NUMBER	[RUPEES IN LACS]	
		AS AT 31 ST MARCH 2007	AS AT 31 ST MARCH 2006
<u>SOURCES OF FUNDS</u>			
<u>SHAREHOLDERS FUND</u>			
Share Capital	1	5.01	5.01
Share Capital Suspense Account	2	26790.01	26790.01
Reserves & Surplus	3	3436.34	1741.32
Deferred Government Grants, Subsidies and Contributions	4	25205.26	9763.37
<u>LOAN FUNDS</u>			
Secured Loans	5	2338.87	0.00
Unsecured Loans	6	50361.58	54981.20
TOTAL		108137.07	93280.91
<u>APPLICATION OF FUNDS</u>			
<u>FIXED ASSETS</u>			
Gross Block	7	118969.99	96847.36
Less : Accumulated Depreciation.		19081.77	14177.78
Net Block		99888.22	82669.58
Assets not in Use	8	6.42	5.96
Capital works in progress.	9	6731.24	5973.76
TOTAL FIXED ASSETS		106625.88	88649.30
<u>INVESTMENTS</u>		0.00	0.00
<u>CURRENT ASSETS, LOANS & ADVANCES</u>			
Inventories	10	9844.57	8558.84
Sundry Debtors	11	25773.11	20990.78
Cash & bank balances	12	3423.38	5457.32
Loans & Advances	13	2358.85	1527.55
Other current assets.	14	22272.36	9426.04
TOTAL CURRENT ASSETS		63672.27	45960.53
LESS : CURRENT LIABILITIES & PROVISIONS	15	62284.53	44444.75
NET CURRENT ASSETS		1387.74	1515.78
<u>DEFERRED TAX ASSETS</u>	16	0.00	640.52
<u>MISCELLANEOUS EXPENDITURE</u>	17	123.45	2475.31
(To the extent not written off or adjusted)			
TOTAL		108137.07	93280.91
Significant Accounting Policies	31		
Notes Forming Part of Accounts	32		

As per our attached report of even date
For Prakash Chandra Jain & Co.
Chartered Accountants

For and on behalf of the Board of Directors

P. C. Nalwaya
Partner

L. Chuaungo
Chairman

Anoop Shukla
Managing Director

K. R. Shah
General Manager (F&A)
Place : Vadodara
Date : 08/09/2007

K. M. Antani
Company Secretary

Place : Vadodara
Date : 08/09/2007



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

PARTICULARS	SCHEDULE NUMBER	[RUPEES IN LACS]	
		YEAR ENDED 31 ST MARCH 2007	YEAR ENDED 31 ST MARCH 2006
INCOME			
Revenue from Sale of Power	18	171631.47	143539.91
Revenue Subsidies and Grants	19	8546.65	10147.77
Other Income	20	8306.12	4977.69
TOTAL INCOME		188484.24	158665.37
EXPENDITURE			
Purchase of Power		151592.83	134199.02
Repairs and Maintenance	21	3909.48	3418.57
Employee Costs	22	20440.80	11669.32
Administration and General Expenses	23	3088.15	2116.88
Other Miscellaneous Expenses	24	102.25	101.28
Depreciation	25	4778.22	3473.33
Interest and Finance Charges	26	6184.19	6669.10
Sub-Total		190095.92	161647.50
Less: Other Expenses Capitalised	27	4462.57	4266.75
Sub-Total		185633.35	157380.75
Extra-ordinary items	28	3.59	12.81
Net Prior Period Expenses / (-) Income	29	156.37	-23.37
TOTAL EXPENDITURE		185793.31	157370.19
PROFIT / (LOSS) BEFORE TAX		2690.93	1295.18
Tax Expenses / (-) Income	30	995.90	-446.14
Net Profit / (Loss) after Tax available for appropriation		1695.03	1741.32
Balance brought forward from last Balance Sheet		1741.32	0.00
Balance carried forward to the Balance Sheet		3436.35	1741.32
Significant Accounting Policies	31		
Notes Forming Part of Accounts	32		

As per our attached report of even date
For Prakash Chandra Jain & Co.
Chartered Accountants

For and on behalf of the Board of Directors

P. C. Nalwaya
Partner

L. Chuaungo
Chairman

Anoop Shukla
Managing Director

K. R. Shah
General Manager (F&A)

K. M. Antani
Company Secretary

Place : Vadodara
Date : 08/09/2007

Place : Vadodara
Date : 08/09/2007



CASH FLOW STATEMENT FOR THE YEAR ENDED MARCH 31, 2007

PARTICULARS	[RUPEES IN LACS]	
	For the year ended on 31 st March 2007	For the year ended on 31 st March 2006
Cash Flow from Operating Activities		
Net Profit Before Tax	2,690.93	1,295.18
Adjustments For: :Add / (Less) :-		
Prior Period (Credit) / Charges	156.37	(23.37)
Other Miscellaneous Expenses	60.39	101.28
Profit on Sale of Fixed Assets	(19.80)	(7.69)
Loss on Sale of Fixed Assets	0.71	-
Provision for Leave Encashment	43.45	577.67
Misc Expenditure W/off	2,351.85	-
Depreciation	4,778.22	3,473.32
Interest and financing charges	6,184.18	6,669.10
Exceptional Items	3.59	12.81
Operating Profit Before Working Capital Changes	16,249.89	12,098.30
Adjustments for Changes in Working Capital		
(Increase) /Decrease In Current Assets	(19,600.75)	(4,827.91)
Increase /(Decrease) In Current Liabilities	17,440.90	25,675.10
CASH GENERATED FROM OPERATIONS	14,090.04	32,945.49
Direct Tax Paid	(205.31)	93.70
CASH FLOW BEFORE EXTRAORDINARY ITEMS	13,884.73	33,039.19
Exceptional Items	(3.59)	(12.81)
Prior Period Credit / Charges	7.36	23.37
A. NET CASH FROM OPERATING ACTIVITIES	13,888.50	33,049.75
CASH FLOW FROM INVESTING ACTIVITIES		
Purchase of Fixed Assets	(22,302.04)	(22,408.14)
Sale of Fixed Assets	160.59	151.64
(Increase)/Decrease in CWIP	(757.49)	(227.24)
(Increase)/Decrease in Assets not in use	(0.45)	(0.84)
B. NET CASH FROM INVESTING ACTIVITIES	(22,899.39)	(22,484.58)
CASH FLOW FROM FINANCING ACTIVITIES		
(Repayment) / Proceeds From Borrowings	(2,280.75)	6,485.26
Proceeds from Consumer Contribution/ Grants/subsidies	15,441.88	(7,196.52)
Interest Paid	(6,184.18)	(6,669.10)
C. NET CASH USED IN FINANCING ACTIVITIES	6,976.95	(7,380.36)
NET INCREASE IN CASH & CASH EQUIVALENTS (A+B+C)	(2,033.94)	3,184.81
CASH AND CASH EQUIVALENT RECEIVED FROM ERSTWHILE GEB	-	2,267.34
CASH AND CASH EQUIVALENT (OPENING BALANCE)	5,457.32	5.17
CASH AND CASH EQUIVALENT (CLOSING BALANCE)	3,423.38	5,457.32

Notes : The above cash flow has been prepared under the Indirect Method as set out in the Accounting Standard -3 on Cash flow statements.

As per our attached report of even date
For Prakash Chandra Jain & Co.
Chartered Accountants

For and on behalf of the Board of Directors

P. C. Nalwaya
Partner

L. Chuaungo
Chairman

Anoop Shukla
Managing Director

K. R. Shah
General Manager (F&A)

K. M. Antani
Company Secretary

Place : Vadodara
Date : 08/09/2007

Place : Vadodara
Date : 08/09/2007



SCHEDULES FORMING PART OF BALANCE SHEET AS AT MARCH 31, 2007
**SCHEDULE: 1
SHARE CAPITAL**

PARTICULARS	[RUPEES IN LACS]	
	As at 31 st March, 2007	As at 31 st March, 2006
Authorised Share Capital 50,00,00,000 Equity Shares each of Rs. 10 each	50000.00	50000.00
Issued, Subscribed and Paid-up Capital 50,090 Equity Shares each of Rs. 10 each fully paid-up (Previous year 50,090 Equity Shares)	5.01	5.01
TOTAL	5.01	5.01

**SCHEDULE: 2
SHARE CAPITAL SUSPENSE ACCOUNT**

PARTICULARS	[RUPEES IN LACS]	
	As at 31 st March, 2007	As at 31 st March, 2006
Equity Share Capital Suspense Account	26790.01	26790.01
TOTAL	26790.01	26790.01

See note No: 01 of SCHEDULE : 32

**SCHEDULE: 3
RESERVES & SURPLUS**

PARTICULARS	[RUPEES IN LACS]	
	As at 31 st March, 2007	As at 31 st March, 2006
Surplus as per Profit & Loss Account	3436.34	1741.32
TOTAL	3436.34	1741.32

**SCHEDULE: 4
DEFERRED GOVERNMENT GRANTS, SUBSIDIES & CONTRIBUTIONS**

PARTICULARS	[RUPEES IN LACS]	
	As at 31 st March, 2007	As at 31 st March, 2006
Subsidies towards Cost of Capital Assets	3726.40	1340.57
Grants towards cost of Capital Assets	468.88	266.37
Consumer Contribution	1620.66	1560.90
Consumer Contri. towards Capital Assets	19389.32	6595.53
TOTAL	25205.26	9763.37



SCHEDULES FORMING PART OF BALANCE SHEET AS AT MARCH 31, 2007

**SCHEDULE: 5
SECURED LOANS**

PARTICULARS	[RUPEES IN LACS]	
	As at 31 st March, 2007	As at 31 st March, 2006
Cash Credit from Banks (Secured against Stocks & Book Debts of the Company)	2338.87	0.00
TOTAL	2338.87	0.00

**SCHEDULE: 6
UNSECURED LOANS**

PARTICULARS	[RUPEES IN LACS]	
	As at 31 st March, 2007	As at 31 st March, 2006
<u>Borrowings for Working Capital</u>		
Short Term loan - State Bank of Saurashtra (Corporate Guarentte given by G.U.V.N.L.)	0.00	5000.00
Short Term loan - Other Banks (Allocate by GUVNL)	4823.26	0.00
Temporary Borrowings (Allocated by G.U.V.N.L)	8731.36	9589.44
Interest Accrued & Due on Working Capital	27.26	0.00
<u>Borrowings allocated by G.U.V.N.L</u>		
Public Bonds	16918.22	19271.24
Deferred Payment Credit	10204.96	12504.79
Loan from Power Finance Corporation	17.82	29.70
Loan from Rural Electrification Corporation	1880.44	1978.41
<u>Loan from Rural Electrification Corporation (RGVY)</u>	86.06	0.00
Total Loans	42689.38	48373.58
<u>State Government Loans(Alloacted by G.U.V.N.L)</u>		
Loan under APDRP	1701.99	1749.35
ADB Prog. & Proj. Loan	5970.21	4858.27
Total State Government Loans	7672.20	6607.62
TOTAL	50361.58	54981.20

See note No: 2 of Schedule : 32

- Amount due within one year Rs.8181 Lakhs (previous year Rs. 98.04 Lakhs.)



SCHEDULES FORMING PART OF BALANCE SHEET AS AT MARCH 31, 2007

SCHEDULE: 7
FIXED ASSETS

[RUPEES IN LACS]

PARTICULARS	GROSS BLOCK			ACCUMULATED DEPRECIATION				NET BLOCK		
	GROSS BLOCK AS ON 01-04-06	ADDITIONS DURING THE YEAR	DELETION / ADJUSTMENT DURING THE YEAR	BALANCE AT THE END OF THIS YEAR	BALANCE AS ON 01-04-06	CHARGE DURING THE YEAR	DELETION / ADJUSTMENT DURING THE YEAR	BALANCE AT THE END OF THIS YEAR	NET ASSETS AT THE END OF THE YEAR	NET ASSETS AT THE BEGINNING OF THE YEAR
Land & Land rights	37.49	0.00	0.00	37.49	0.00	0.00	0.00	0.00	37.49	37.49
Buildings	1561.87	129.80	0.00	1691.67	154.58	29.69	0.00	184.27	1507.40	1407.29
Hydraulic works	14.81	0.40	0.00	15.21	3.24	0.71	0.00	3.95	11.26	11.57
Other Civil works	200.74	31.94	0.00	232.68	19.29	3.31	0.00	22.60	210.08	181.45
Plant & Machinery	15052.02	2643.09	34.85	17660.26	2519.33	766.34	0.50	3285.17	14375.09	12532.69
Lines & Cable Net	78715.14	18797.28	121.68	97390.74	11219.95	3758.63	32.17	14946.41	82444.33	67495.19
Vehicles	110.74	0.00	2.33	108.41	28.38	12.71	1.14	39.95	68.46	82.36
Furniture & Fixtures & Electrical Lightings	220.13	60.75	0.68	280.20	35.53	16.28	1.04	50.77	229.43	184.60
Office Equipments	465.09	638.80	19.89	1084.00	71.05	98.82	3.09	166.78	917.22	394.04
Assets taken over from licensees pending final valuation *	469.33	0.00	0.00	469.33	126.43	255.44	0.00	381.87	87.46	342.90
Total	96847.36	22302.06	179.43	118969.99	14177.78	4941.93	37.94	19081.77	99888.22	82669.58
Total of the Previous year	74685.77	22408.14	246.55	96847.36	10780.92	3473.34	76.48	14177.78	82669.58	63904.85

* The value and life of Assets taken over from the Licensee (Vadodara Mahanagar Palika) is provisional and subject to approval of the State Government. The provisional value of the assets has been directly debited to the respective account head of the fixed assets.

SCHEDULES FORMING PART OF BALANCE SHEET AS AT MARCH 31, 2007

SCHEDULE: 8
ASSETS NOT IN USE

PARTICULARS	[RUPEES IN LACS]	
	As at 31 st March, 2007	As at 31 st March, 2006
Written down Value of Obsolete / Scrapped Assets...		
Plant & Machinery	1.39	1.40
Lines & Cable Net Works	0.51	0.51
Vehicles	3.89	3.96
Furniture & Fixtures	0.25	0.06
Office Equipments	0.38	0.03
TOTAL	6.42	5.96

SCHEDULE: 9
CAPITAL WORKS IN PROGRESS

PARTICULARS	[RUPEES IN LACS]	
	As at 31 st March, 2007	As at 31 st March, 2006
Capital Works-in-progress.	6648.38	5656.65
Interest Charges to be Capitalised	2.11	0.00
Provision for completed works	77.64	49.41
Total Assets at Construction Stage	6728.13	5706.06
Advances to Suppliers / Contractors (Capital).	3.11	267.70
TOTAL	6731.24	5973.76

SCHEDULE: 10
INVENTORIES

PARTICULARS	[RUPEES IN LACS]	
	As at 31 st March, 2007	As at 31 st March, 2006
Stock of materials at Construction Stores	1247.78	1072.45
Stock of materials at Other Stores.	4650.26	3805.88
Materials at Site (O&M).	824.15	988.87
Materials in Transit.	257.57	147.02
Other Materials Accounts.	2684.05	2487.11
Mat.Stock Excess / Shortage Pending Investi.	180.76	57.51
TOTAL	9844.57	8558.84

SCHEDULES FORMING PART OF BALANCE SHEET AS AT MARCH 31, 2007

SCHEDULE: 11
SUNDRY DEBTORS

PARTICULARS	[RUPEES IN LACS]	
	As at 31 st March, 2007	As at 31 st March, 2006
Sundry Debtors for Sale of Power	12155.89	11138.59
Provision for Unbilled Revenue	18011.41	14253.67
Dues from PDC (Net of SD forfeited)	11602.03	11876.02
Sundry Debtors for Misc. Receipts from Consumers	653.49	549.07
Sub-Total	42422.81	37817.35
Less : Unposted Receipts	3.24	4.52
Sub-Total	42419.57	37812.83
Less : Prov. for Doubtful Dues from Consumers	12040.07	12239.80
Sub-Total	30379.50	25573.03
Less : Deferred ED & TSE from Consumers	4606.39	4582.25
TOTAL	25773.11	20990.78

Out of the above -

- Outstanding for a period exceeding six months

- Others

Total

18959.71	5542.28
23463.10	32275.07
42422.81	37817.35

Debtors shown net of advance received.

SCHEDULE: 12
CASH AND BANK BALANCES

PARTICULARS	[RUPEES IN LACS]	
	As at 31 st March, 2007	As at 31 st March, 2006
Cash on hand	286.88	145.11
Balance with Banks	1035.80	1888.93
Remittance in Transit	2099.77	3421.65
Fixed deposits with Banks	0.93	1.63
TOTAL	3423.38	5457.32



SCHEDULES FORMING PART OF BALANCE SHEET AS AT MARCH 31, 2007

**SCHEDULE: 13
LOANS AND ADVANCES**

PARTICULARS	[RUPEES IN LACS]	
	As at 31 st March, 2007	As at 31 st March, 2006
<u>Unsecured considered Good for which company holds no security other than the personal security</u>		
Advances for O&M Supplies / Works	151.81	95.40
Loans & Advances to staff -Interest Bearing	1105.03	1240.57
Loans & Advances to staff -Interest free	79.20	89.36
Advance Income Tax / deduction at source	161.76	6.68
Advance Fringe Benefit Tax - 2005-06	63.07	63.07
Advance Fringe Benefit Tax - 2006-07	50.23	0.00
Loans & Advances - Others	747.75	32.47
TOTAL	2358.85	1527.55

**SCHEDULE: 14
OTHER CURRENT ASSETS**

PARTICULARS	[RUPEES IN LACS]	
	As at 31 st March, 2007	As at 31 st March, 2006
Debtors for sale of scrap	24.53	11.02
Income accrued but not due	811.43	793.21
Amount recoverable from emp./ ex-employees	16.63	22.54
Interest Accrued & Due on Staff Loans & Advances	41.76	24.76
Receivables from Government	4.30	4.30
Other Claims & Receivables	0.26	0.26
Other Misc. Receivable from Govt. Dept., Local Bodies	263.22	246.35
Deposits	169.81	145.02
Amount recoverable from Licensees Account	15.29	22.29
Financial Participation from Consumers	0.00	0.67
Other Inter/Intra-company receivables from companies under the same management		
- Gujarat State Electricity Company Limited	357.71	184.98
- Gujarat Energy Transmission Company Limited	432.63	261.06
- Gujarat Urja Vikas Nigam Limited	20119.99	7124.27
- Gujarat Energy Training and Research Institute	14.80	0.00
- Inter unit balances	0.00	585.31
TOTAL	22272.36	9426.04

SCHEDULES FORMING PART OF BALANCE SHEET AS AT MARCH 31, 2007

SCHEDULE: 15

CURRENT LIABILITIES AND PROVISIONS

PARTICULARS	[RUPEES IN LACS]	
	As at 31 st March, 2007	As at 31 st March, 2006
CURRENT LIABILITIES		
Liability for Capital Supplies / Works	63.35	152.46
Liability for O & M Supplies / Works	5481.62	5114.79
Staff related Liabilities	53.71	299.82
Welfare Schemes	1268.46	1263.79
Deposits & Retentions from Supp. & Contractors	1836.78	1082.50
Electricity Duty & Tax on sale of Electricity Payable to Government.	1673.37	230.99
Accrued / unclaimed amt. relating to Borrowings	1228.92	3.41
Other Liabilities and Provisions	3004.50	2789.46
Security Deposit from Consumers in Cash	22612.66	18892.78
Security Deposit from Consumers other than Cash	10.55	0.00
Interest payable on Security Deposit from Consumers	865.81	831.07
Deposits for Electrification & Service Connection etc.	5374.83	5003.29
Financial Participation from Consumers	10.31	0.00
Other Inter/Intra-company payables to the companies under the same management		
- Paschim Gujarat Vij Company Limited	512.38	429.31
- Uttar Gujarat Vij Company Limited	4947.49	3491.17
- Dakshin Gujarat Vij Company Limited	1256.04	780.06
- Inter unit balances	519.77	0.00
Sub Total	50720.55	40364.90
PROVISIONS		
Provision for Leave encashment	3539.12	3495.67
Provisions for expenses	7475.02	389.73
Provision for MAT	415.36	116.93
Provision for Income Tax	0.08	0.08
Provision for Wealth Tax	1.21	0.67
Provision for Fringe Benefit Tax	133.19	76.77
Sub- Total	11563.98	4079.85
TOTAL	62284.53	44444.75



SCHEDULES FORMING PART OF BALANCE SHEET AS AT MARCH 31, 2007
**SCHEDULE: 16
DEFERRED TAX ASSETS**

PARTICULARS	[RUPEES IN LACS]	
	As at 31 st March, 2007	As at 31 st March, 2006
DEFERRED TAX ASSET		
Deferred Tax Asset emerging out of;		
Carrying amount of fixed Assets	0.00	116.90
Provision for Leave Encashment	0.00	398.86
Provision for Gratuity	0.00	124.76
Deferred Tax Asset / (Liability)	0.00	640.52

**SCHEDULE: 17
MISCELLANEOUS EXPENDITURE
(to the extent not written off or adjusted)**

PARTICULARS	[RUPEES IN LACS]	
	As at 31 st March, 2007	As at 31 st March, 2006
Preliminary Expenses		
Opening Balance	164.11	205.14
Less: Written off during the year	41.03	41.03
Closing Balance	123.08	164.11
Preoperative Expenses		
Opening Balance	0.49	0.62
Less: Adjusted during the year	0.12	0.12
Closing Balance	0.37	0.50
Deferred Leave Encashment Liability		
Addition during the year	2310.70	2888.37
Less: Adjusted during the year	2310.70	577.67
Closing Balance	0.00	2310.70
TOTAL	123.45	2475.31

SCHEDULES FORMING PART OF PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED MARCH 31, 2007
**SCHEDULE: 18
REVENUE FROM SALE OF POWER**

PARTICULARS	[RUPEES IN LACS]	
	Year Ended 31 st March, 2007	Year Ended 31 st March, 2006
Revenue from Sale of Power		
Domestic or Residential	33696.75	29161.30
Commercial	17189.33	14382.77
Industrial low & medium voltage	18507.27	16196.32
Industrial high voltage	70554.36	54575.40
Public lighting	1735.19	1527.24
Traction railways	14427.12	13488.46
Irrigation agricultural	7108.61	6810.14
Public water works and sew.pumps	2868.78	2746.18
Total revenue from sale of power	166087.41	138887.81
Electricity Duty & Tax on Sale of Electricity		
Ele. Duty - assessed	23799.34	22323.66
TSE-assessed	0.03	-11.45
Total Duties & Taxes	23799.37	22312.21
Miscellaneous Revenue from Consumers...		
Meter Rent / Service Line Rental	2775.07	2487.85
Recoveries for Theft of Power / Malpractices Non-Consumers	610.14	728.03
Wheeling charges Recoveries	617.96	5.70
Misc. charges from consumers	1540.89	1430.52
Total Miscellaneous revenue	5544.06	4652.10
Gross revenue from sale of power	195430.84	165852.12
Less: Ele. Duty assessed (contra)	23799.34	22323.66
TSE assessed (contra)	0.03	-11.45
TOTAL	171631.47	143539.91



SCHEDULES FORMING PART OF PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED MARCH 31, 2007
**SCHEDULE: 19
REVENUE SUBSIDIES AND GRANTS**

PARTICULARS	[RUPEES IN LACS]	
	Year Ended 31 st March, 2007	Year Ended 31 st March, 2006
Agricultural Subsidy	5472.99	7885.19
Grant for Energy Conservation	300.00	1177.76
Govt. Grants/Cons. contribution (Deferred amount 10% W.Back)	2773.66	1084.82
TOTAL	8546.65	10147.77

**SCHEDULE: 20
OTHER INCOME**

PARTICULARS	[RUPEES IN LACS]	
	Year Ended 31 st March, 2007	Year Ended 31 st March, 2006
Interest on Staff Loans and Advances.	123.81	151.32
Interest from Consumers	3.46	0.04
Delayed Payment Charges from Consumers	1540.00	1546.39
Income from Trading	237.03	72.54
Gain on sale of Fixed Assets	19.80	7.69
Income from Staff Welfare Activities	0.48	0.45
Subsidies against Losses on account of Flood, Fire, Cyclone etc.	342.09	739.00
APDRP Grant	5193.30	2110.82
Miscellaneous Receipts.	846.15	349.44
TOTAL	8306.12	4977.69

**SCHEDULE: 21
REPAIRS & MAINTENANCE**

PARTICULARS	[RUPEES IN LACS]	
	Year Ended 31 st March, 2007	Year Ended 31 st March, 2006
Repairs and Maintenance to...		
Plant and Machinery	286.90	347.87
Buildings	39.47	82.84
Civil Works	119.60	68.76
Lines, Cable Network etc.	3404.34	2832.27
Vehicles	16.93	11.63
Furniture, Fixtures	28.97	62.01
Office Equipments	13.27	13.19
TOTAL	3909.48	3418.57



SCHEDULES FORMING PART OF PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED MARCH 31, 2007

SCHEDULE: 22
EMPLOYEE COSTS

PARTICULARS	[RUPEES IN LACS]	
	Year Ended 31 st March, 2007	Year Ended 31 st March, 2006
Salaries	9340.63	4127.35
Overtime	24.82	16.27
Dearness allowance & Dearness Pay	3857.51	3134.55
Other allowances	2871.41	1292.48
Bonus	4.59	4.55
Total emoluments	16098.96	8575.20
Medical Expenses Reimbursement	257.30	220.98
Leave Travel Assistance	1.46	0.47
Earned leave encashment	72.44	75.13
Leave Salary Contribution - Deputation Staff	4.39	7.26
Waival of O/s.HBA Loan & interest	7.20	4.78
Death & accident compensation	2.14	2.68
Payment under Workmen's Compensation Act	4.07	11.27
Board's contri.Bombay Labour welfare Act	0.52	1.56
EDLI - Administration charges	0.16	0.16
Total Other Staff Costs	349.68	324.29
Staff Welfare Expenses	165.27	201.23
Terminal Benefits	3826.89	2568.60
TOTAL	20440.80	11669.32



SCHEDULES FORMING PART OF PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED MARCH 31, 2007

SCHEDULE: 23

ADMINISTRATION & GENERAL EXPENSES

PARTICULARS	[RUPEES IN LACS]	
	Year Ended 31 st March, 2007	Year Ended 31 st March, 2006
Administration Expenses		
Rent including Lease rentals	14.82	13.09
Rates and Taxes	33.82	30.60
Penalties on Statutory Levies	-0.02	0.50
Insurance.	1.90	1.34
Testing Charges	13.82	8.18
Fees & Exp. to Foreign Technician for Capital Projects	0.00	0.41
Annual Inspection & Installation Checking fees to Collector of ED	30.04	45.96
Telephone, Postage, Telegram, Telex, Mobile Charges	123.54	121.69
Legal Charges	30.27	50.94
Audit Fees	4.49	3.65
Consultancy Charges	13.58	11.15
Technical Fees	1.39	0.74
Other Professional fees and expenses	63.30	19.62
Conveyance & Travel	953.57	838.18
Total Administration Expenses	1284.52	1146.05
Other Expenses		
Admn. Charges for Restoration of damages	1.37	1.30
Fees & Subscription	7.06	1.06
Books & Periodicals	1.47	0.80
Printing & Stationery	173.23	104.22
Expenses on Computer Billing & EDP Charges	141.97	76.95
Advertisements (Other than purchase related)	82.87	14.44
Xerox copy Charges	31.87	23.86
Electricity Charges	403.25	142.74
Water Charges	3.35	3.95
Maintenance to Tree Plantations	0.00	0.05
Entertainment	2.19	1.50
Expenses on Meetings & Conferences	0.97	1.92
Expenses for CISF	0.29	1.30
Guest House Expenses	12.85	10.07
Security Expenses	188.55	105.92
Miscellaneous Expenses	395.84	163.72
Total Other Expenses	1447.13	653.80
Freight & Other Purchase related expenses		
Freight	110.16	84.97
Other Purchase Related Expenses	230.37	191.60
Fabrication ch. Less: amt. absorbed in cost of fabrication	5.11	29.74
Total Freight & Other Purchase related expenses	345.64	306.31
Rev. Stamps on Receipts issued by the Board	2.10	4.00
Expenditure on Training to Staff	8.76	6.72
Total General Expenses	10.86	10.72
TOTAL	3088.15	2116.88

SCHEDULES FORMING PART OF PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED MARCH 31, 2007
**SCHEDULE: 24
OTHER MISCELLANEOUS EXPENSES**

PARTICULARS	[RUPEES IN LACS]	
	Year Ended 31 st March, 2007	Year Ended 31 st March, 2006
Small & Low Value Items Written - off	1.55	1.08
Loss on Sale of Fixed Assets	0.71	0.00
Bad & Doubtful Debts Written - off / Provided for	0.00	34.03
Miscellaneous Losses & Written - offs	58.84	25.02
Deferred Revenue Expenses Write - off / Sundry Expenses	41.15	41.15
TOTAL	102.25	101.28

**SCHEDULE: 25
DEPRECIATION**

PARTICULARS	[RUPEES IN LACS]	
	Year Ended 31 st March, 2007	Year Ended 31 st March, 2006
Depreciation on Buildings	27.81	25.20
Depreciation on Hydraulic Works	0.71	0.51
Depreciation on Other Civil Works	3.31	3.22
Depreciation on Plant & Machineries	734.44	604.31
Depreciation on Lines & Cable Net Works	3763.26	2788.08
Depreciation on Vehicles	13.89	9.22
Depreciation on Furniture & Fixtures	15.04	9.71
Depreciation on Office Equipments	93.33	33.08
Depreciation on Assets taken over from Licensee	126.43	0.00
TOTAL	4778.22	3473.33



SCHEDULES FORMING PART OF PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED MARCH 31, 2007

SCHEDULE: 26
INTEREST AND FINANCE CHARGES

PARTICULARS	[RUPEES IN LACS]	
	Year Ended 31 st March, 2007	Year Ended 31 st March, 2006
Interest on State Government Loans	784.04	766.83
Interest on Bonds	1736.15	2534.99
Interest on other Loans/Deferred Credits		
Interest on others	0.00	4.93
Interest on REC Loans	327.10	128.06
Interest on DPG	605.44	620.33
Interest to Consumers on advance Payment	17.76	20.40
Interest on FP by Consumers	0.64	0.64
Interest on Loans from PFC	8.34	2.98
Interest to Consumers.	970.48	831.09
Total Interest on Capital Liabilities	4449.95	4910.25
Interest on Borrowing for Working Capital.	1032.27	1012.67
Other Interest & Finance Charges		
Discount to Consumers for Timely Payment of Bills	6.13	4.72
Interest Charges - Licencees Account	30.06	22.69
Other Interest	88.47	93.62
Cost of raising finance	33.65	15.07
Other charges		
Other Charges	337.09	356.99
Guarantee Fees	204.10	248.42
Banking Cash Transaction Tax	2.47	4.67
Sub - Total	1734.24	1758.85
TOTAL	6184.19	6669.10

SCHEDULE: 27
OTHER EXPENSES CAPITALISED

PARTICULARS	[RUPEES IN LACS]	
	Year Ended 31 st March, 2007	Year Ended 31 st March, 2006
Repairs and Maintenance Capitalised	0.29	3.55
Employee Costs Capitalised	3644.11	3510.14
Administration & General Expenses Capitalised	816.06	752.49
Depreciation and Related Costs Capitalised	0.00	0.57
Interest & Other Finance Charges Capitalised	2.11	0.00
TOTAL	4462.57	4266.75



SCHEDULES FORMING PART OF PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED MARCH 31, 2007
**SCHEDULE: 28
EXTRAORDINARY ITEMS**

PARTICULARS	[RUPEES IN LACS]	
	Year Ended 31 st March, 2007	Year Ended 31 st March, 2006
Extraordinary Debits		
Losses on account of Flood, Cyclone, Fire etc.	3.59	12.81
TOTAL	3.59	12.81

**SCHEDULE: 29
NET PRIOR PERIOD EXPENSES / (INCOME)**

PARTICULARS	[RUPEES IN LACS]	
	Year Ended 31 st March, 2007	Year Ended 31 st March, 2006
Prior period expenses / losses		
Other generation costs	0.00	0.01
Employee costs	36.90	5.17
Depreciation under provided	165.70	0.03
Interest & Other Finance Charges	5.33	0.00
Other Chrges related to Prior Periods	3.43	0.00
Other excess provision	0.00	4.28
Other Prior Period Adjustments	31.72	11.20
Total prior period expenses & losses	243.08	20.69
Prior period income / Gains		
Interest income Prior Period	0.03	0.00
Excess provision for depreciation	1.97	0.08
Other excess provision	8.24	0.59
Other income	76.38	43.39
Excess Provision of Interest & Other Finance Charges	0.09	0.00
Total prior period income	86.71	44.06
Net Prior period Credits /(Charges)	156.37	-23.37

**SCHEDULE: 30
TAX EXPENSES / INCOME**

PARTICULARS	[RUPEES IN LACS]	
	Year Ended 31 st March, 2007	Year Ended 31 st March, 2006
Income Tax (MAT)	298.43	116.93
Deferred Tax	640.52	-640.52
Wealth Tax	0.53	0.67
Fringe Benefit Tax	56.42	76.78
TOTAL	995.90	-446.14



SCHEDULES FORMING PART OF BALANCE SHEET AND PROFIT AND LOSS ACCOUNT

SCHEDULE: 31

SIGNIFICANT ACCOUNTING POLICIES.

A) Introductory:

Transfer of undertaking as per the Financial Reconstruction plan of The Government of Gujarat :

Pursuant to the enactment of the Electricity Act, 2003 and the Gujarat Electricity Industry (Reorganization and Regulation) Act, 2003, Government of Gujarat (the Government) has issued various notifications, Government resolutions and Transfer Schemes for vesting of the assets, liabilities, proceedings and personnel from erstwhile Gujarat Electricity Board (GEB-erst) to the Government of Gujarat and then to reconstitute the same into initially six companies i.e. one Generation Company, one Transmission Company and four Distribution Companies. Madhya Gujarat Vij Company Ltd (MGVCL) is one of these four Distribution Companies, registered under the provisions of Companies Act, 1956.

On reorganization of GEB by the Government, the existing shares issued to and allotted by the company in the name of GEB were transmitted w.e.f 1st April, 2005, by operation of law, in the name of Gujarat Urja Vikas Nigam Limited (GUVNL), a company promoted by Government to carry out the residual functions of GEB-erst.

Consequent on such transmission and transfer of shares to the nominees of GUVNL, the entire share capital of the Company is held by GUVNL and the Company has become the wholly owned subsidiary of GUVNL, a Government Company within the meaning of Section 617 of the Companies Act, 1956. The company having become the subsidiary of the Government company (GUVNL) w.e.f 1st April 2005, it is also become a Government Company by virtue of the operation of the provisions of the said Section 617.

As a major steps for implementation of Financial Restructuring Plan (FRP), 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 1-4-2005 containing the values of the assets and liabilities of the Distribution activities which stood transferred from erstwhile Gujarat Electricity Board to the Company as specified in Annexure-E appended to the notification. Accordingly, the said values of the assets & liabilities had been taken as opening balances while preparing the Final Accounts for the year 2005-06, which was the first year of operation of the Company.

B) Accounting Policies/Principles:

- (1) The company is engaged in the business of electricity distribution in Central Gujarat area and is governed by the provisions of the Electricity Act, 2003 and Gujarat Electricity Industry (Reorganization & Regulation) Act, 2003. The provisions of these Act read with the rules made there under prevail wherever the same are inconsistent with the provision of the Companies Act, 1956.

The company prepares its financial statements under historical cost basis in accordance with Generally Accepted Accounting Principles (GAAP) and the Accounting Standards issued by the Institute of Chartered Accountants of India unless otherwise stated.



(2) Revenue Recognition:

(i) Revenue from sale of power:

Revenue from sale of power are recognized on accrual basis of energy supplied in accordance with the tariff orders awarded by Gujarat Electricity Regulatory Commission (GERC) as applicable to the consumers.

(ii) Misc. revenue from consumers:

Meter rent, recoveries from theft of power/malpractices, wheeling charges recoveries are recognized on accrual basis. Misc. charges from consumers are recognized on cash basis except when ultimate realization of such income is certain.

(iii) Revenue subsidies:

Revenue Subsidies are accounted for as allocated by GUVNL(Holding Company) and credited to profit and loss account.

(iv) Other income:

(a) Income from sale of scrap, insurance claims are accounted for on the basis of actual realization and income received in respect of delayed payment charges is accounted for in the subsequent bill, upon realization of the delayed payment made by the consumer.

(b) Other income except mentioned above is recognized on accrual basis except when ultimate realization of such income is uncertain.

(v) Amount in respect of unclaimed Security Deposit, Earnest Money Deposit and Misc. Deposit of suppliers and contractors which is pending for more than three years and which, as per policy of management, is not payable, is considered as income.

(3) Fixed Assets:

a) Fixed assets are stated at cost including all attributable charges properly incurred in erecting and bringing the asset into beneficial use. The opening gross value of fixed assets, accumulated depreciation and net block of fixed assets are stated at values notified by Govt. of Gujarat notification No. GUV-2006-91-GW-1106-590-K dt. 3rd October, 2006.

b) Capital work- in -progress:

Capital work -in - progress includes the cost incurred on fixed assets that are not yet ready for the intended use and is capitalized whenever ready for use. All expenditures of construction division are allocated to the projects on pro rata basis to the accretion made to respective project. However, common expenditure of Corporate Office and field offices are allocated to Capital work – in – progress at the predetermined rate.

(4) Depreciation:

i) Depreciation is provided on Straight Line Method as per rates prescribed in Schedule XIV to the Companies Act, 1956.

ii) Any depreciable assets having written down value below Rs. 5000/- have been fully charged to revenue in the year in which assets are purchased.



- iii) Depreciation on addition of fixed assets is provided on pro rata basis from the quarter, next following the quarter in which the asset is put to use.

(5) Preliminary Expenses / Pre-Operative Expenses:

Preliminary Expenses as well as Pre-Operative Expenses are amortized over a period of five years commencing from the financial year 2005-06.

(6) Inventories:

The Inventories of the Company have been valued on the following basis:

- | | | |
|----------------------------------|---|------------------------------------|
| (a) Consumable Stores and Spares | - | At cost (Weighted Average Method.) |
| (b) Scrap | - | Net Realizable Value. |

(7) Retirement Benefits:

i) Provident Fund

Contribution to Provident Fund is made to recognized provident fund as required by the relevant statutes and the rules.

ii) Gratuity

Liability towards gratuity payable to employees is continued to be covered by Gratuity scheme of Life Insurance Corporation of India (LIC) through Gratuity Trust Fund managed by GUVNL (Holding Company). The contribution payable under the scheme is charged to Profit and Loss Account of the company.

iii) Leave encashment

a) Prospective liability:-

Liability in respect of accumulated leave is accounted for by the company on the basis of an actuarial valuation made by LIC. The same has been debited to the Profit & Loss Account in accordance with Accounting Standard 15 pronounced by the Institute of Chartered Accountants of India.

b) Liability in respect of past services of transferred employees:-

The amount attributable in respect of past services of transferred employees had been treated as deferred Revenue Expenditure in the Accounting Year 2005-06 to be charged to Profit & Loss Account over a period of five years. The residue amount of deferred Revenue Expenditure i.e. 4/5th of the total liability has been written off during the current Accounting Year 2006-07.

(iv) Leave Travel Concession

Expenditure on Leave Travel Concession to retiring employees is recognized on the basis of actual claim for reimbursement.

(8) Borrowing Costs:

Borrowing Cost specifically identified to the acquisition or construction of qualifying assets is capitalized as part of such asset. A qualifying asset is one that necessarily takes substantial period of time to get ready for intended use. All other borrowing costs are charged to Profit and Loss Account.

(9) Taxation:

Tax expense for the current year, comprising current tax, deferred tax, fringe benefit tax, wealth tax are included in determining the net profit after tax for the year.

Provision is made for the current tax based on the tax liability computed in accordance with relevant tax rates and tax laws.

Deferred Tax is recognized subject to the consideration of prudence, on timing differences, being the differences between taxable income and accounting income that originate in one period and are capable of reversal in one or more subsequent periods. The deferred tax asset is recognized and carried forward only to the extent that there is a reasonable certainty except for carried forward losses and unabsorbed depreciation which is recognized on virtual certainty that the asset will be realized in future (see note 23 of Schedule 32).

(10) Provisions and contingent liabilities:

The company recognizes a provision when there is a present obligation as a result of an event that probably requires an outflow of resources and a reliable estimate can be made of the amount of the obligation.

A disclosure for a contingent liability is made when there is a possible obligation or a present obligation that may, but probably will not, require an outflow of resources. Where there is a possible obligation or a present obligation that the likelihood of outflow of resources is remote, no provision or disclosure is made.

(11) Consumer contributions & Capital Grants:

Consumers' Contribution and capital grants towards cost of capital assets are not reduced from cost of assets. All receipts of consumer contributions and capital grants are treated as deferred credit and 10% of the year end balance is transferred to profit & loss account.

(12) Impairment of Assets:

Consideration is given at each Balance Sheet date to determine whether there is any indication of impairment of the carrying amount of the Company's fixed assets. If any indication of impairment exists, recoverable amount of the asset is estimated. If such recoverable amount of the asset or the recoverable amount of the cash generating unit to which the asset belongs is less than its carrying amount, the carrying amount is reduced to its recoverable amount. The reduction is treated as an impairment loss and is recognized in the Profit & Loss Account. If at the Balance Sheet date, there is an indication that if a previously assessed impairment loss no longer exists, the recoverable amount is reassessed and the asset is reflected at the recoverable amount so reassessed.

(13) Segment Reporting:

- (i) **Business Segments :** The Company has only one activity namely 'Distribution of Electricity'. Accordingly, the Accounting Standard 17 – Segment Reporting issued by the Institute of Chartered Accountants of India has been considered as not applicable.
- (ii) **Geographical Segments :** The Company's operations are mainly confined within the State of Gujarat. The Company does not have material earnings outside Gujarat or outside India. As such, there are no reportable geographical segments.

(14) Adjustments in the accounts balances and write offs :-

In view of the fact that the company has acquired/inherited the operating distribution activity related to a particular designated region from GEB-erst, during the year 2005-06, the year is considered to be the year of commencement of "commercial operation" of the company.

However, any adjustments made in profit and loss account and/or balance-sheet of the company on account of the difference in underlying accounting principles and accounting traditions



followed by :-

- a) the GEB-erst as the Non profit/ public utility government department wedded to welfare principles rather than commercial motives, on one hand and
- b) the company as the corporate entity having commercial objectives and governed by the principles of "corporate Governance" and financial/accounting transparency,

in respect of the transactions included in the transferred balances shall be considered as the "prior period adjustments" for proper disclosure in view of the principles of "prudence", though of course, such adjustments would not be strictly governed by the circumstances envisaged in the Accounting standard number 5 dealing with "Prior period items etc"

(15) Prior period items:

All identifiable items of income and expenditure pertaining to prior period comprising within period starting from the commencement of commercial operations are accounted through net prior period credits/ (charges) as stipulated in the Accounting standard number 5 dealing with "Prior period items etc....".

SCHEDULE: 32

NOTIES FORMING PART OF ACCOUNTS

1. Financial Restructuring Plan:

A) Allocation of, "Final Opening Balance Sheet", as transferred by erstwhile Gujarat Electricity Board (GEB-erst) effective from 1st April,2005, (referred to in paragraph (A) contained in Schedule-31 of Schedules forming part of these Financial Statements).

(i) Value of assets, so transferred, were allocated in the books of the account of the company as follows :

Sr. No.	Allocation of Assets	Basis of Allocation
1	Fixed Assets	The gross values (cost of acquisition), accumulated depreciation and the net values are taken as per the fixed assets registers maintained at the Division/Circle Offices of the Central Distribution Zone of the GEB-erst.
2	Capital work in progress	As per register maintained at the Division/Circle Offices of the Central Distribution Zone of the GEB-erst.
3	Total other Assets	As per register/records maintained at the Division/Circle Offices of the Central Distribution Zone of the GEB-erst.
4	Current assets	Allocated to individual items of Current Assets on the basis of their respective values (balances) on 31.03.2005 as per the register / records maintained at the Division/Circle Offices of the Central Distribution Zone of the GEB-erst
5	Subsidy receivable from Government of Gujarat	As per records maintained at the Division/Circle Offices of the Central Distribution Zone of the GEB-erst.
6.	Investment	As per records maintained at the Division/Circle Offices of the Central Distribution Zone of the GEB-erst.



(ii) Value of liabilities so transferred were allocated in the books of the account of the company as follows :

Sr. No.	Allocation of Assets	Basis of Allocation
1	Share Capital	Divided in to two parts :- a) Equity Share capital – Balance as per balance sheet as on 31-03-05 b) Equity Share Capital Suspense account – Pending determination of the nature/extent of the equity capital and other consideration, by GUVNL in consultation with the Government
2	Long term loans and Short Term Loans (Unsecured Loan)	a) Those directly identifiable with the distribution undertaking of the Central Distribution Zone of the GEB-erst have been taken at those specific values b) Those borrowing standing in common for generation, transmission and distribution functions as well as borrowings those were not identifiable with any of these specific activities have been taken at the value apportioned by the government
3	Security Deposits from consumers	As per register maintained at the Division/Circle Offices of the Central Distribution Zone of the GEB-erst.
4	Current Liabilities	Allocated to individual items of Current Liabilities on the basis of their respective values (balances) on 31.03.2005 as per the records maintained at the Division/Circle Offices of the Central Distribution Zone of the GEB-erst
5	Apportionment of total Loans of GEB-erst Long Term Rs.377.87 crores and Short Term Loans Rs. 107.08 crores	In absence of specific Govt. order for apportionment of Secured Loans or Multilateral Facility or of any Securities Sharing Agreement between GUVNL, transferee companies as well as the lenders, these loans have been considered as Unsecured allocated Loans from GUVNL. Note : Action has been initiated for execution of Facilities & Securities agreement between GUVNL, transferee companies and the lenders.
6	Loan raised during the year 2005-06 Rs.210.51crores	Loans raised by GUVNL for common usage of all the four transferee companies and transferred the portion to the company.

B) Consideration for transfer of undertaking by GEB-erst

The said consideration has been divided into two parts :

(i) Equity Share Capital :

This represent the equity share capital of Rs. 10 each actually allotted by the company in the year 2004-05 in the name of GEB-erst which were transmitted w.e.f 1st April 2005 by operation of law in the name of Gujarat Urja Vikas Nigam Limited (GUVNL- Holding company)



(II) Equity Share Capital Suspense Account :

Equity Share Capital Suspense Account represents the consideration payable by the Company to GUVNL for the transfer of portion of net worth related to the Distribution undertaking from GEB-erst to be discharged in the form of issue of Equity Shares of Rs.10/-each. However in absence of any decision from the Government in-respect of the actual division of the said amount in to face value and otherwise, the entire amount is shown as "equity share capital suspense account." On decision from the Government, statutory formalities will be complied.

2. Secured and unsecured Loans.**a) Loan transferred under the Financial Restructuring Plan as on 01.04.2005**

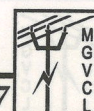
(i) As per clause 3(2) of the Gujarat Electricity Industries (Reorganization & Regulation) Act and Comprehensive Transfer Scheme, 2003 if the assets of the undertaking transferred are subject to security document in favour of third party (Lender) for any financial obligation or arrangement entered in to by GEB-erst and the said loans are required to be apportioned to different transferee companies, the Government may, by order, do so and upon such apportionment, the Security will be applicable only to those apportioned liabilities, by operation of Law.

(ii) The Government has in FRP notification apportioned total Loans of erstwhile GEB as Long Term and Short Term Loans Rs. 48495.87 Lacs (balance as on 31.03.2007 Rs.50275.52 lacs) respectively have been transferred to the Company. In absence of specific Government order for apportionment of Secured Loans or Multilateral Facility and Securities Sharing Agreement between GUVNL transferee companies and Lenders, these loans have been considered as unsecured allocated Loans from GUVNL transferee Companies and Lenders.

(iii) The loans which were raised by erstwhile GEB from Bonds, Banks, PFC, REC, LIC, Financial Institutions and other Lenders against the assets relating to generation transmission and distribution activities and were used for common purposes are continued in the Books of GEB / (now GUVNL) on behalf of all transferee companies and the same have been apportioned under FRP Notification dated 3rd October 2006, based on their purpose and usage amongst all transferee companies and the same loans have been accounted by the Company as "Loans allocated from GUVNL Lenderwise" in separate accounts. The repayments and interest thereon are reimbursed by the Company to GUVNL.

b) Additional Loans raised by GUVNL during 2006-07.

GUVNL has raised several loans during the year 2006-07 for common usage of transferee companies. GUVNL has apportioned Rs.11801.68 lacs out of these loans to the Company. The repayments and interest thereon are reimbursed by the company to GUVNL. These loans are also shown as "Unsecured Loans" for reasons mentioned under a (ii) above.



- c) During the year, due to execution of joint consortium agreement between the Company and UCO Bank, lead Bank, cash credit from banks is secured against hypothecation charge on the stocks and book debts of the company ranking pari passu interse.

3. Registration of charge in-respect of proportionate Secured Loans transferred by GEB-erst:-

The company has, under a scheme of transfer, acquired the properties, which are subjected to charges created by the GEB erst, a transferor entity. As per the provisions of the Companies Act, the company is required to register the charges in respect of all such assets with the Registrar of Companies, Gujarat. Due to the common funds for all the operations of GEB erst funds were raised against the charge over all its assets. However, the amount of Secured Loans of GEB erst which are secured against the separate properties transferred to each transferee company has not yet to be identified. The Company, therefore, has not registered the charge on these properties with the Registrar of Companies, Gujarat.

4. Legal ownership (titles) of immovable properties:

The immovable properties, in respect of which the account balances have been transferred, are held in the name of GEB erst. The procedure for the registration and /or transfer in the name of the Company has been initiated.

5. Compensation of usage of inter company assets

Consequent upon unbundling of business of GEB-erst, various assets including lands and buildings belonging to the companies are used by Holding Company/other fellow subsidiary companies. Common expenses for maintenance/usage of such assets have been apportioned and debited to Holding Company/other fellow subsidiary companies based on reasonable basis. However, for such other unidentifiable expenses or income, no provision has been made for any such charges receivable or payable to or by the company.

6. Employee Cost:

The company has adopted policy of accounting liability for leave encashment on the basis of actuarial valuation by Life Insurance Corporation of India. The liability on account of Leave encashment for the current amounting to Rs.43.45 lacs has been charged to Profit & Loss Account.

The company has majority of employees, which are transferred from GEB-erst along with an ongoing distribution business related to a particular region, say central Zone. Along with the employees' services, the liability in respect of accumulated leave is also inherited to the company as an essential condition of the transfer.

Since the Company has the advantage of inheriting the long standing loyalty and experience of these employees with an ongoing distribution business of GEB-erst., the company had got evaluated the liability in respect of accumulated leave through LIC and created a provision in-respect thereof. In view of the fact that the peculiar circumstances of the company in this respect were not covered by the said Accounting Standard 15, the management had decided to exercise prudence and apply matching principle to the said liability, taking into consideration the commercial advantage accruing from the creation of said provision. Accordingly the amount attributable to their past year of services had been carried forward in the Balance Sheet under the head "Miscellaneous expenditure" as the "deferred revenue expenditure" to be charged to



profit and loss account over a period of five years starting from the accounting year 2005-06. Accordingly 1/5th of the deferred revenue expenditure amounting to Rs.5.77 crores was written off in the Accounting Year 2005-06 and the balance 4/5th of the deferred revenue expenditure amounting to Rs.23.11 crores was carried over to the next Accounting Year 2006-07. However, considering commercial prudence, the management has decided to charge the remaining deferred amount to Profit & Loss Account during the current Accounting Year 2006-07.

The company has already initiated the discussions with recognized employees' unions on the charter of demands submitted by them for wage revision from its due date. 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.

7. Staff Welfare schemes:

The employees are entitled to benefits from contributory welfare scheme for which part of the accumulated fund has been transferred to the company by GUVNL in the ratio of allocation of Voluntary Retirement cum Death Benevolent Fund (VRDBF) of the GEB erst. as it stood on 31.03.2005.

Actual Balance under this scheme as on 31.03.2007 is yet to be determined. Upon determination of the same, the adjustment will be made in the profit and loss account to bring it to the extent of actual liability as determined.

8. Inter Division & Circle / Inter Company Account :

(i) During the year there are various transactions between divisions, circles and corporate office and the net balances pending reconciliation as on 31.03.2007 are as under:

Sr. No.	Particulars	Balance under reconciliation (Rs. in Lakhs)
1	Inter Division	122.91 (Debit)
2	Inter Circle	16.12 (Credit)
3	Between Circle & Corporate Office	626.56 (Credit)
	Net Total	519.77 (Credit)

(ii) During the year there are also various transactions with the following Holding Fellow Subsidiary Companies which are under reconciliation:

- Gujarat Urja Vikas Nigam Limited (Holding Company)
- Gujarat State Electricity Corp. Ltd. (Fellow Subsidiary Company)
- Gujarat Energy Transmission Corp. Ltd. (Fellow Subsidiary Company)
- Dakshin Gujarat Vij Company Ltd. (Fellow Subsidiary Company)
- Paschim Gujarat Vij Company Ltd. (Fellow Subsidiary Company)
- Uttar Gujarat Vij Company Ltd. (Fellow Subsidiary Company)

The closing balances of the said companies as appearing in the books of accounts of the Company as on 31/03/2007 is not confirmed by the Holding/Fellow Subsidiary Companies. Hence, amount due to / from group Companies are subject to reconciliation.



9. Disclosure of the prescribed details in respect of the dues to small scale industries (as required by Schedule VI of the Companies Act, 1956) could not be given in view of their large number and difficulty of segregating / obtaining detailed information.

10. Balance in respect of sundry creditors, sundry debtors, loans and advances (debit / credit) as at 31.3.2007 have been taken as shown in the books of accounts and are subject to independent confirmation and reconciliation.

11. Treatment of Capital work-in-progress and charge of depreciation:

The assets are sometimes not capitalized for a considerable time for want of, technical certificate and other routine procedural requirements despite being put to use. Accordingly, depreciation on the same has been undercharged. The amount is not ascertainable.

12. The Contingent Liabilities not provided for :

Contingent Liabilities in respect of	[RUPEES IN LACS]	
	As at 31 st March	
	2007	2006
a) Unexpired Bank Guarantees issued by Banks	Nil	Nil
b) Letters of Credit issued by Banks	Nil	Nil
c) Bill discounted with Bank.	Nil	Nil
d) Sales Tax demand in Appeal/Dispute	Nil	Nil
e) Income Tax demand in Appeal / Dispute(not provided for)	Nil	Nil
f) Claims against company not acknowledged as debt.	1066.27	1065.00

13. Estimated amount of Contracts remaining to be executed on Capital Account and not provided for (net of advances) Rs.2815.88 lakhs (Previous Year Rs. 4600.38 lakhs).

14. Segment Information

The company is principally engaged in the business of distribution of electricity and ancillary activities. Accordingly there is only one reportable segment as per Accounting Standard 17 issued by the Institute of Chartered Accountants of India on "Segment Reporting".

15. Related Party Disclosures

As per Para 9 of AS 18 on "Related Party Disclosure", no disclosure is required in the financial statements as regards related party relationships with other state-controlled enterprises and transactions with such enterprises.

16. Managerial Remuneration

Particulars	[AMOUNT IN RUPEES]	
	For the period ended 31 st March	
	2007	2006
Salaries	4,62,600	1,22,952
Allowances	4,560	1,965
Medical reimbursement	36,552	16,199
Total	5,03,712	1,41,116



17. Auditor's Remuneration
Statutory Auditor

Particulars	[AMOUNT IN RUPEES]	
	For the period ended 31 st March	
	2007	2006
Statutory Audit Fee	4,00,000	3,25,000
Cash Flow Certificate & Others	2,00,000	0
Out of pocket expenses	25,000	25,000
Total	6,25,000	3,50,000

18. Management is of the opinion that 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.

19. Subject to the notes hereof and the method of accounting followed by the Company, management is of the opinion that the provision for all known liabilities is adequate and not in excess of amount reasonably necessary and that there are no contingent liabilities except those stated in the notes.

20. Expenses of erstwhile GEB

Any short-fall between the actual payment made by the company, of liability transferred from GEB-erst, and the corresponding provision made available from GEB-erst, has been debited to Profit & Loss Account. Management is of the opinion that such debits are in nature of the normal business expenditure under the peculiar transaction of split transfer of a running business undertaking.

21. Impairment of Assets

As per assessment made by the management, the company has not suffered any impairment loss during the current financial year.

22. Borrowing Cost

Borrowing cost capitalized during the year is Rs. 2.11 Lacs (Previous year Rs. Nil) for acquisition of long term assets.

23. During the year, based on the expert opinion sought for by GUVNL and adopted by the company, and in accordance with the AS 22 "Accounting for Taxes on Income" issued by ICAI, the Company has recognized Deferred Tax on the basis of 'Income Approach'. The Company has huge carried forward losses and unabsorbed depreciation under the Income Tax Act. As a matter of prudence and in view of the above, such Deferred Tax Assets have been recognized to the extent of Deferred Tax Liability for the Year. Hence, the Net effect of Deferred Tax in the books of accounts for the year is "NIL".

Further, on account of huge carry forward losses and unabsorbed depreciation as per the income tax, there is no virtual certainty that sufficient future taxable income will be available against which such deferred tax asset can be realized and hence as a matter of prudence the deferred tax assets have not been recognized in the books of accounts and Deferred Tax Asset of previous year Rs.640.52 Lacs has been adjusted accordingly.

Deferred Tax on the depreciation on the opening balances of the assets vested by the Government of Gujarat under various notifications and Restructuring Plan have not been recognized considering the permanent difference. Further consequential difference between the amount of deprecation for accounting purpose and tax purpose in respect of such assets in subsequent years would also be considered as permanent difference.



Deferred Tax Liability is worked out as under:

Particulars	[AMOUNT IN RUPEES]	
	Deferred Tax Asset Amount	Deferred Tax Liability Amount
Difference in Depreciation for the year	--	1187.38
Provision for leave encashment	792.41	--
Net Deferred Tax Assets / (Liabilities)	--	(394.97)
Set off against c/f Deferred Tax Asset	--	394.97
Net effect of Deferred Tax for the year 2006-07	--	NIL

24. Valuation of assets retired from active use

As per Para 14 of Accounting Standard – 10 “Accounting for Fixed Assets” an item of fixed asset that has been retired from its active use and is held for disposal is to be stated at the lower of Net Book Value or Net Realizable Value (NRV).

In respect of all those assets of the companies which are identified as “retired from active use”, the management is of the opinion that the NRV is higher than their Net Book Value and that there was an upward trend in the scrap market. In view of this, the company does not recognize any expected loss in the Profit & Loss Account.

25. Additional information pursuant to provision of paragraph 3,4C, 4D of the Part-II of Schedule VI to the Companies Act, 1956 is given to the extent possible in view of nature of business of the company.

- (a) Nature of activity:- the company is a utility industry and is mainly engaged in distribution of electricity and providing services ancillary to the main activity.

Particulars	Units (MUs)
Units Purchased inclusive of transmission losses	5612
Units Sold	4614
Transmission & Distribution Losses	998

- (b) C.I.F value of direct import during the year is Rs. Nil (previous year Rs. Nil)

- (c) The value of consumption of directly imported and indigenously obtained raw material, components, stores and spares part and percentage of each to the total consumption.

Particulars	[AMOUNT IN RUPEES]	
	For the period ended 31 st March	
	2007	2006
Indigenous		
Raw Materials	NIL	NIL
Spares	NIL	NIL
Components	NIL	NIL
Imported		
Raw Materials	NIL	NIL
Spares	NIL	NIL
Components	NIL	NIL



(d) Expenditure in foreign currency

Particulars	[AMOUNT IN RUPEES]	
	For the period ended 31 st March	
	2007	2006
Payment for professional / consultancy fees	NIL	NIL
Payment for capital goods	NIL	NIL
Foreign travel expenses	NIL	NIL
Others	NIL	NIL

e) Earning in foreign currency:

Rs. Nil (previous year Nil)

f) Remittance in foreign currency:

Rs. Nil (previous year Nil)

26. The previous year's figures have been recast / restated, wherever necessary, in conformity to the current year's presentation.

SIGNATURES TO SCHEDULE 1 TO 32

As per our attached report of even date

For and on behalf of the Board of Directors

For Prakash Chandra Jain & Co.
Chartered Accountants

P. C. Nalwaya
Partner

L. Chuaungo
Chairman

Anoop Shukla
Managing Director

K. R. Shah
General Manager (F&A)

K. M. Antani
Company Secretary

Place : Vadodara
Date : 08/09/2007

Place : Vadodara
Date : 08/09/2007

Particulars	[AMOUNT IN RUPEES]	
	For the period ended 31 st March	
	2007	2006
Payment for professional / consultancy fees	NIL	NIL
Payment for capital goods	NIL	NIL
Foreign travel expenses	NIL	NIL
Others	NIL	NIL



**STATEMENT PURSUANT TO PART IV OF SCHEDULE VI TO THE COMPANIES ACT, 1956
BALANCE SHEET ABSTRACT AND COMPANY'S GENERAL BUSINESS PROFILE**

1. Registration Details		
Registration No.	U 4 0 1 0 2 G J 2 0 0 3 P L C 4 2 9 0 7	
Balance Sheet Date	3 1 0 3 0 7 Date Month Year	State Code 0 4
2. Capital Raised during the year (Amount in Rs. Thousands)		
Public Issue	NIL	Rights Issue NIL
Bonus Issue	NIL	Private Placement NIL
3. Position of Mobilisation and Deployment of Funds (Amount in Rs. Thousands)		
Total Liabilities	1 0 8 1 3 7 0 7	Total Assets 1 0 8 1 3 7 0 7
Sources of Funds		Reserves & Surplus 3 4 3 6 3 4
Paid up Capital	5 0 1	
Share Capital Suspense Account	2 6 7 9 0 0 1	
Secured Loans	2 3 3 8 8 7	Unsecured Loans 5 0 3 6 1 5 8
Application of Funds		
Net Fixed Assets	1 0 6 6 2 5 8 8	Investments NIL
Net Current Assets	1 3 8 7 7 4	Deferred Tax NIL
		Misc. Expenditure 1 2 3 4 5
4. Performance of Company (Amount in Rs. Thousands)		
Turnover	1 8 8 4 8 4 2 4	Total Expenditure 1 8 5 7 9 3 3 1
(+)/(-) Profit / Loss Before Tax	+ 2 6 9 0 9 3	(+)/(-) Profit / Loss After Tax + 1 6 9 5 0 3
Earning per Share* in Rs.	0.63 *after considering equity share capital suspense account	Dividend Rate % 0 0 . 0 0 %
5. Generic Names of Three Principal Products / Services of Company (as per monetary terms)		
Item Code No.	NIL	Product Description DISTRIBUTION OF ENERGY

As per our attached report of even date
For **Prakash Chandra Jain & Co.**
Chartered Accountants

P. C. Nalwaya
Partner

Place : Vadodara
Date : 08/09/2007

For and on behalf of the Board of Directors

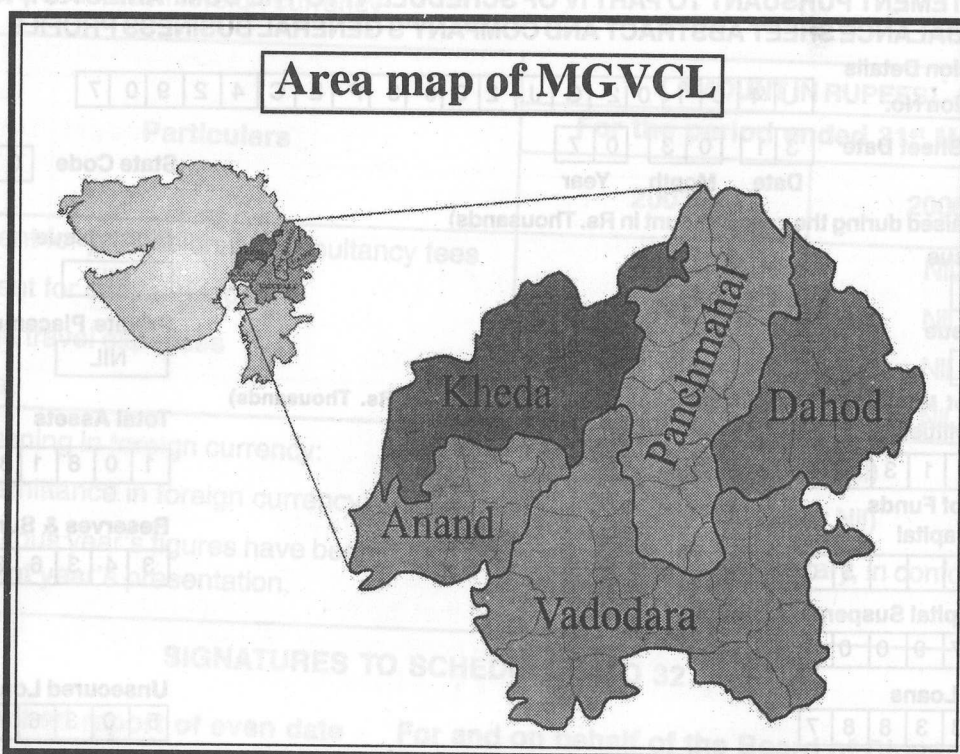
L. Chuaungo
Chairman

K. R. Shah
General Manager (F&A)
Place : Vadodara
Date : 08/09/2007

Anoop Shukla
Managing Director

K. M. Antani
Company Secretary





MGVCL AT A GLANCE
(AS ON 31-03-2007)

Total Area (in Sq. Kms.)	23,854
Districts covered	5
No. of Towns	46
No. of Villages	4,404
Population (Census 2001)	1,11,80,098
Total Circles	4
Total Divisions	17
Total Sub-Divisions	83
Total Sub-Stations	114
Total Transformer Centers	37,739
Total No. of Feeders	963
Total H.T. Line (Kms.)	30,504
Total L.T. Line (Kms.)	43,464
Ratio L.T./H.T.	1.42
Total Employees	5,499