

13TH
ANNUAL REPORT
1997-98

MD	✓	BKC	✓
CS	NA	DPY	MD
RC	✓	DIV	✓
TRA	NA	AC	✓
AGM	✓	SHI	✓
YE	✓		✓

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GANDHI SPECIAL TUBES LIMITED

GANDHI SPECIAL TUBES LIMITED

BOARD OF DIRECTORS : JAGDISH M. MEHTA

Chairman

MANUBHAI G. GANDHI

Managing Director

BHUPATRAI G. GANDHI

Joint Managing Director

DHIRAJLAL S. SHAH

Director

KAVAS N. WARDEN

Director

JAYESH M. GANDHI

Director

REGISTERED OFFICE : JARIWALA MANSION

43, K. M. MUNSHI MARG,

NEAR BHARATIYA VIDYA BHAVAN,

MUMBAI - 400 007.

WORKS : NURPURA VILLAGE,

TALUKA HALOL, DIST. PANCHMAHAL,

GUJARAT. PIN - 389 350

T-39, M.I.D.C.

BHOSARI,

PUNE - 411 026

AUDITORS : S. V. DOSHI & CO.

CHARTERED ACCOUNTANTS,

45, GOPAL BHUVAN,

199, PRINCESS STREET,

MUMBAI - 400 002

BANKERS : CANARA BANK,

GIRGAUM BRANCH,

MUMBAI - 400 004

COMPANY LAW CONSULTANTS : DHOLAKIA & ASSOCIATES,

COMPANY SECRETARIES,

MHB-11/540, KHER NAGAR,

BANDRA (E), MUMBAI - 400 051

NOTICE

Notice is hereby given that the Thirteenth Annual General Meeting of the members of Gandhi Special Tubes Limited will be held at Shree Mumbai Patidar Samaj, Mafatlal Baug, 6, French Bridge, Mumbai - 400 007 on Monday, the 28th September, 1998 at 11.00 a.m. to transact the following business :

Ordinary Business:

1. To receive and adopt the Directors' Report, Auditors' Report and Audited Statement of Accounts for the year ended 31st March, 1998.
2. To declare a dividend.
3. To appoint a Director in place of Mr. J.M.Mehta who retires by rotation and being eligible offers himself for re-appointment.
4. To appoint a Director in place of Mr. M.G.Gandhi who retires by rotation and being eligible offers himself for re-appointment.
5. To appoint Auditors and fix their remuneration.

Special Business:

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

"RESOLVED that pursuant to Section 257 and other relevant provisions of the Companies Act, 1956 Shri Jayesh M. Gandhi be and is hereby appointed as a Director of the Company, liable to retire by rotation."
7. To consider and, if thought fit, to pass, with or without modification, the following Resolution as a Special Resolution :

"RESOLVED that pursuant to Section 31 and all other applicable provisions, if any, of the Companies Act, 1956, the Articles of Association of the Company be altered in the following manner :

Insert the following Article as Article 24A after Article 24

24A 'Notwithstanding anything contained in Article 24, if and when it is permitted by law for a company to purchase or finance purchase of its own shares or securities, the Board of Directors may, if thought fit, buy back or finance to buy back such of the Company's own shares or securities as it may think necessary, subject to such limits, upon such terms and conditions, and subject to such approvals, as may be permitted by the law.'

8. To consider and, if thought fit, to pass, with or without modification, the following Resolution as a Special Resolution :

"RESOLVED that if and when permitted by the law and subject to all applicable provisions of the law and subject to such other approvals, permissions and sanctions, as may be necessary and subject to such conditions and modifications as may be considered necessary by the Board of Directors of the Company (hereinafter referred to as the "Board" which expression shall also include a Committee thereof), or as may be prescribed or imposed while granting such approvals, permissions and sanctions, which may be agreed to or accepted by the Board, the consent of the Company be and is hereby accorded to the Board, to purchase such number of Equity Shares or other Securities specified by the Government, of the Company in such proportion and manner as may be permitted by the law, not exceeding 25% or such other permissible percentage, whichever is higher, of the present paid-up capital and reserves of the Company, from such funds of the Company as are permitted to be used for this purpose or out of the proceeds of any issue made by the Company, on such terms and subject to such conditions as may be prescribed by the law."

"RESOLVED FURTHER that for the purpose of giving effect to this Resolution, the Board be and is hereby authorised to do all such acts and things and give such directions as may be necessary or desirable and to settle all questions or difficulties whatsoever that may arise with regard to the said purchase of Equity Shares or other Securities.

"RESOLVED FURTHER that nothing herein above contained shall confer any right on any shareholder to offer or any obligation on the Company or the Board to buy back any Equity Shares or Securities."

By Order of the Board of Directors

M. G. GANDHI
Managing Director

Registered Office:

Jariwala Mansion,
43 K.M.Munshi Marg,
Near Bharatiya Vidya Bhavan,
Mumbai 400 007.

Mumbai : 17th July, 1998.

NOTES

1. A MEMBER ENTITLED TO ATTEND AND VOTE AT THIS MEETING IS ENTITLED TO APPOINT A PROXY TO ATTEND AND VOTE INSTEAD OF HIMSELF AND A PROXY NEED NOT BE A MEMBER.
2. The Explanatory Statement under Section 173(2) of the Companies Act, 1956 is annexed hereto.
3. The Register of Members and Share Transfer Books of the Company will be closed from Friday, 18th September, 1998 to Monday, 28th September, 1998 (both days inclusive).
4. Dividend, as recommended by the Board of Directors, if declared by the members at the meeting, will, subject to the provisions of Section 206A of the Companies Act, 1956, be payable to those shareholders or their mandate(s) whose names appear on the Company's Register of Members as on 28th September, 1998.
5. Shareholders who have not encashed their Dividend Warrants pertaining to First Dividend for the year 31st March, 1997 are requested to write to the Company's Share Department immediately.
6. Those members who are desirous of having their bank account details on the Dividend Warrants so as to avoid any misuse or its fraudulent encashment, should give details to the Company before 25th September, 1998. For convenience of members, a form is provided alongwith the report.
7. Members desirous of getting any information about the accounts and operations of the Company are requested to write their queries to the Company at least seven days in advance of the meeting so that the information required can be made readily available at the meeting.
8. Members/Proxies should bring the attendance slip duly filled in for attending the meeting.
9. Members are requested to notify immediately any change in their address to the Company.

EXPLANATORY STATEMENT**Item No. 6 :**

Mr. Jayesh M. Gandhi was appointed as an Additional Director at the meeting of the Board of Directors held on 7th May, 1998.

Pursuant to the provisions of Section 260 of the Companies Act, 1956 and Articles 119 of Articles of Association of the Company an Additional Director holds the office only upto the date of the next Annual General Meeting of the Company. Accordingly, Mr. Jayesh M. Gandhi will hold office upto the date of Annual General Meeting and is eligible for reappointment.

The Company has received notices alongwith the requisite amount of deposits in pursuance to Section 257 of the Companies Act, 1956 proposing the appointment of Mr. Jayesh M. Gandhi as a Director of the Company.

Mr. Jayesh M. Gandhi is B.Com, M.B.A and has been associated with the Group Companies and has gained experience of about 15 years in the business.

The Board recommend the appointment of Mr. Jayesh M. Gandhi as Director of the Company. Mr. Jayesh M. Gandhi is interested in the resolution. Shri M.G. Gandhi and Shri B. G. Gandhi who are related to Mr. Jayesh M. Gandhi may be considered as interested or concerned in the resolution.

No other Directors are interested in the resolution.

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Item No. 7 & 8 :

Article 24 of the Articles of Association of the Company presently restrict the purchase of its own shares by a Company or the financing by a Company of such a purchase of its own shares.

There have been indications recently that the law will be suitably amended to enable the Company to purchase/finance the purchase of its own shares.

It is, therefore, proposed to introduce a new Article 24A in the Articles of Association as set out in the Resolution at Item No.7 to enable the Company to purchase or finance to purchase any of its own shares or securities.

The power to purchase its own shares will enable the Company to beneficially employ its surplus funds as and when the Company has surplus funds. Moreover, it will send positive signals to the shareholders of the Company at large regarding the management's confidence in the working of the Company and the intrinsic value of its shares. It will, therefore, be in the fitness of things for the shareholders to approve the resolution set out in Item No.7 & 8 enabling the Company to acquire/purchase/finance the purchase of its own shares.

The Directors wish to draw the attention of the shareholders that the acquisition/purchase/financing the purchase of its own shares by the company as proposed in the resolutions in Item No. 7 and 8 should not be construed as reduction in capital which is subject to the controls as stipulated in Sections 100 to 104 of the Companies Act, 1956, for the time being in force.

Subject to the buy-back of securities being legally permissible, it is proposed to enable the Company to buy back its Equity Shares or such other permissible securities, not exceeding 25% or such other permissible percentage, whichever is higher, of the paid-up capital and reserves of the Company from the Members of the Company either from the open market or from the holders of odd lots, or from the holders of the shares that may be issued under the Employees' Stock Option Scheme or as permitted by the law. The buy-back of shares or securities would be at the rate and from the funds permitted by the law as set out in the Resolution.

The Board commends the Resolution for acceptance by the Members.

A copy of the Articles of Association of the Company showing the proposed alteration is available for inspection at the Registered Office of the Company during office hours on all working days except Saturday, between 10.00 a.m. and 1.00 p.m upto the date of the Annual General Meeting.

None of the Directors of the Company is in any way concerned or interested in the resolution.

By Order of the Board of Directors

M. G. GANDHI
Managing Director

Registered Office:

Jariwala Mansion, 43 K.M.Munshi Marg,
Near Bharatiya Vidya Bhavan,
Mumbai 400 007.

Mumbai : 17th July, 1998.

DIRECTORS' REPORT

To
The Shareholders,

Your Directors have pleasure in presenting the Thirteenth Annual Report together with Audited Accounts for the year ended 31st March, 1998.

1. FINANCIAL RESULTS

(Rs. in Lakhs)

	31.03.1998	31.03.1997
SALES	2399.90	2834.21
Profits before Depreciation	654.01	804.97
Less : Depreciation	146.33	138.08
PROFIT BEFORE TAXATION	507.68	666.89
Less : Provision for Taxation	54.50	86.10
PROFIT AFTER TAXATION	453.18	580.79
Less : Depreciation adjustment of earlier years (Net)	23.66	—
	429.52	580.79
Add : Profit/(Loss) B/F from Previous Year	307.36	65.58
PROFIT AVAILABLE FOR APPROPRIATION	736.88	646.37
APPROPRIATIONS :		
Proposed Dividend	113.39	94.49
Dividend Tax	11.34	9.45
General Reserve	20.00	—
Investment Allowance Reserve	—	235.07
Balance carried to Balance Sheet	592.15	307.36
	736.88	646.37

Due to severe recession in automobile and other industries, the Company's turnover for the year 1997-98 declined by 15% to Rs.2399.90 lakhs as against Rs.2834.21 lakhs for the year 1996- 97 and there is consequential reduction in the Profit of the Company.

2. DIVIDEND

The Directors recommend payment of a Dividend of 12% (Previous year: 10%) which, if approved by the Members at the Annual General Meeting, will absorb Rs.113.39 lakhs (previous year: Rs.94.49 lakhs) (excluding income tax on dividend amounting to Rs.11.34 lakhs).

3. FINANCE

During the year under review the Company repaid an amount of Rs.287.56 lakhs against its outstanding Term Loans from Financial Institutions.

In the current year, the Company repaid all the outstanding loans of Financial Institutions and it has become debt free Company in respect of long term borrowings except for Deferred Sales Tax liability under Gujarat Sales Tax Incentive Scheme.

4. FUTURE PROSPECTS

The automobile and other industries continue to reel under the recessionary trend and inspite of such depression, your Company has maintained the performance in terms of turnover of Rs.593.93

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lakhs and net profit of Rs.100.22 lakhs for the first quarter of the current year. Your Directors are making all endeavours to contain cost of all kinds of inputs and hopeful of sustaining the performance of previous year in the current year.

5. FIXED DEPOSITS

The Company has not accepted any fixed deposits from the public during the year under review.

6. DIRECTORS

Mr. Jayesh M. Gandhi was appointed as Additional Director of the Company on 7th May, 1998. He holds office upto the date of this Annual General Meeting. The Company has received from some of its Members notice under Section 257 of the Companies Act, 1956, proposing his appointment as Director subject to retirement by rotation.

Mr. J. M. Mehta and Mr. M.G. Gandhi retire by rotation and being eligible offer themselves for re-appointment.

The above appointments require approval of the Shareholders. The Board recommends their re-appointment.

During the year under review, ICICI has withdrawn its nominee, Mr. Suresh Vishwanath. The Board places on record its appreciation for the services rendered by Mr. Suresh Vishwanath during his tenure as a Director.

7. AUDITORS

M/s. S.V. Doshi & Co., Chartered Accountants, who were appointed as Auditors to hold office until the conclusion of the ensuing Annual General Meeting are eligible for re-appointment. The Company has received the Certificate from them to this effect.

8. EMPLOYEES

There were no employees other than the Managing Director and Joint Managing Director, covered under the purview of Section 217 (2A) of the Companies Act, 1956 and rules framed thereunder.

9. CONSERVATION OF ENERGY, TECHNOLOGY ABSORPTION & FOREIGN EXCHANGE EARNING AND OUTGO.

Information in accordance with the provisions of Section 217 (1) (e) of the Companies (Disclosure of Particulars in the Report of Board of Directors) Rules, 1988 is given in annexure and forms part of this Report.

10. SPECIAL BUSINESS

As regards the item of Notice of the Annual General Meeting relating to the Special Business, the Resolutions incorporated in the Notice and the Explanatory Statements thereto fully indicate the reasons for seeking the approval of the Members to those proposals.

11. APPRECIATION

The Directors take this opportunity to thank the Financial Institutions, the Central and the State Governments, the Company's Bankers, Customers and the Shareholders for their continued interest in, and valued support to, the Company's operations.

The Directors place on record their sincere appreciation of the significant contributions made, and the support extended, by the employees at all levels to the Company's operations during the year.

For and on behalf of the
Board of Directors

J M MEHTA
CHAIRMAN

Mumbai, 17th July, 1998.

ANNEXURE TO DIRECTORS' REPORT

PARTICULARS REQUIRED UNDER THE COMPANIES (DISCLOSURE OF PARTICULARS IN THE REPORT OF BOARD OF DIRECTORS) RULES, 1988 FOR THE YEAR ENDED 31ST MARCH, 1998.

I. CONSERVATION OF ENERGY

The company continues to take adequate measures for conservation and saving of energy.

FORM - A**A. POWER AND FUEL CONSUMPTION**

PARTICULARS		1997-98	1996-97
1. Electricity Purchased :			
Units Purchased	(Lakhs KWH)	27.47	30.62
Total Amount	(Rs. lakhs)	113.06	104.91
Average Rate/KWH	(Rupees)	4.12	3.43
2. LPG Consumed :			
Quantity Consumed	(Tonnes)	710.01	735.77
Total Amount	(Rs. Lakhs)	94.55	103.08
Average Rate/Tonnes	(Rupees)	13316.58	14010.00

B. CONSUMPTION PER UNIT OF PRODUCTION

PARTICULARS		1997-98	1996-97
		Per Tonnes	Per Tonnes
1. Electricity *	(KWH)	1297.08	1200.98
2. LPG *	(Tonnes)	0.335	0.288

(* Indicates combined consumption of welded and seamless tubes)

FORM - B**II. RESEARCH AND DEVELOPMENT AND TECHNOLOGY ABSORPTION AS PER FORM B :****A. RESEARCH AND DEVELOPMENT****(1) SPECIFIC AREAS IN WHICH R&D WAS CARRIED OUT BY THE COMPANY**

Research & Development has continuously been carried out for improvement in quality of existing products and improved products and new processing technology for better productivity, quality and cost effectiveness.