

15TH
ANNUAL REPORT
1999-2000

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

COMPANY SECRETARY : MS. VIDYA R. SHEMBEKAR

REGISTERED OFFICE : JARIWALA MANSION
43, K. M. MUNSHI MARG,
NEAR BHARATIYA VIDYA BHAVAN,
MUMBAI - 400 007.
Tel. No. : 363 4179, 363 4183, 363 4789
Fax : 91-22-363 4392
E-mail : gstl@bol.net.in
Website : www.gandhitubes.com

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

BANKERS : CANARA BANK,
GIRGAUM BRANCH,
MUMBAI - 400 004

COMPANY LAW CONSULTANTS : DHOLAKIA & ASSOCIATES,
COMPANY SECRETARIES

DETAILS OF STOCK EXCHANGE : COMPANY'S EQUITY SHARES ARE
LISTED ON MUMBAI STOCK EXCHANGE

LISTING FEES : LISTING FEES PAID UPTO 2000-2001

NOTICE

Notice is hereby given that the Fifteenth Annual General Meeting of the members of Gandhi Special Tubes Limited will be held at Walchand Hirachand Conference Hall of Indian Merchants' Chamber, IMC Marg, Churchgate, Mumbai - 400 020, on Tuesday, the 18th July, 2000 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, 2000.
2. To confirm payment of Interim Dividend made by the Directors for the year ended 31.03.2000
3. To appoint a Director in place of Mr. K.N. Warden who retires by rotation and being eligible offers himself for re-appointment.
4. To appoint a Director in place of Mr. J.M. Mehta 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(s), the following as a **Special Resolution**:
"RESOLVED that pursuant to section 31 and all other applicable provisions, if any, of the Companies Act, 1956 (including any statutory modification or re-enactment thereof for the time being in force) the Articles of Association of the Company be and are hereby amended as follows:-
Insert the following Headings and Articles alongwith marginal notes as Article 24B after Article 24A and Article 25A, 25B, 25C, 25D, 25E after Article 25.

ARTICLE 24B

COMPLIANCE OF GUIDELINES FOR BUYBACK OF SHARES

On exercising the powers for Buyback of its own shares under the Article 24A, the Company shall comply with the Guidelines as laid down by the Securities and Exchange Board of India (SEBI) or the Stock Exchange or any other authority and shall also maintain record of share certificates which have been cancelled and destroyed as may be prescribed under section 77A of the Companies Act, 1956 or any enactment relating thereto.

DEMATERIALISATION OF SECURITIES

ARTICLE 25A

For the purpose of this Article:

- i) 'Beneficial Owner' means a person or persons whose name is recorded as such with a depository.
- ii) 'SEBI' means the Securities and Exchange Board of India.
- iii) 'Depository' means a Company formed and registered under Companies Act, 1956, and which has been granted a certificate of registration to act as a depository under the Securities and Exchange Board of India Act, 1992 and
- iv) 'Security' means such security as may be specified by SEBI from time to time.

ARTICLE 25B

Dematerialisation of Securities:

- 1) Notwithstanding anything contained in these Articles, the Company shall be entitled to dematerialise its securities and to offer securities in a dematerialised form pursuant to the Depositories Act, 1996.

2) Options for Investors :

Every person subscribing to securities offered by the Company shall have the option to receive security certificates or to hold the securities with a depository. Such a person who is the beneficial owner of the securities can at any time opt out of a depository, if permitted by law, in respect of any security in the manner provided by the Depositories Act, and the Company shall, in the manner and within the time prescribed, issue to the beneficial owner the required certificates of securities.

If a person opts to hold his security with a depository, the Company shall intimate such depository the details of allotment of the security, and on receipt of the information, the depository shall enter in its record the name of the allottee as the beneficial owner of the security.

3) Demat Securities in fungible form:

All securities held by a depository shall be dematerialised and be in fungible form. Nothing contained in Sections 153, 153A, 153B, 187B, 187C, and 372A of the Act shall apply to a depository in respect of the securities held by it on behalf of the beneficial owners.

4) Rights of Depositories and Beneficial Owners:

a) Notwithstanding anything to the contrary contained in the Act or these Articles, a depository shall be deemed to be registered owner for the purpose of effecting transfer of ownership of security on behalf of the beneficial owner.

b) Save as otherwise provided in (a) above, the depository as the registered owner of the securities shall not have any voting rights or any other rights in respect of the securities held by it.

c) Every person holding securities of the Company and whose name is entered as the beneficial owner in the records of the depository shall be deemed to be a member of the Company. The beneficial owner of the securities shall be entitled to all the rights and benefits and subject to all the liabilities in respect of his securities which are held by a depository.

5) Records of beneficial ownership:

Notwithstanding anything contained in the Act or these Articles to the contrary, where securities are held in a depository, the records of the beneficial ownership be served by such depository on the Company by means of electronic mode or by delivery of floppies or discs.

6) Transfer of Demat shares:

Nothing contained in Section 108 of the Act or these Articles shall apply to a transfer of securities effected by a transferor and transferee both of whom are entered as beneficial owners in the records of a depository.

7) Allotment of Securities dealt with by a Depository:

Notwithstanding anything in the Act or these Articles, where securities are dealt with by depository, the Company shall intimate the detail thereof to the depository immediately on allotment of such securities.

8) Distinctive Numbers and securities held in Depository:

Nothing contained in the Act or these Articles regarding the necessity of having distinctive numbers for securities issued by the Company shall apply to securities held in a depository.

9) Depository to furnish information :

Every depository shall furnish to the Company information about the transfer of securities in the name of the beneficial owners at such intervals and in such manner as may be specified by the bye-laws and the Company in that behalf.

10) Cancellation of certificates upon surrender by a person :

Upon receipt of certificate of securities on surrender by a person who has entered into an agreement with the Depository through a Participant, the Company shall cancel such certificate and substitute in its record the name of Depository as the registered owner in respect of the said securities and shall also inform the Depository accordingly.

11) Option to opt out in respect of any security :

- a) Subject to the provisions of section 8 of the Depositories Act, 1996, if a beneficial owner seeks to opt out of a depository in respect of any security, the beneficial owner shall inform the depository accordingly.
- b) The depository shall on receipt of intimation as above make appropriate entries in its records and shall inform the Company.
- c) The Company shall, within thirty days of the receipt of the intimation from the depository and on fulfillment of such conditions and on payment of such fees as may be specified by the regulations, issue the certificate of securities to the beneficial owner or the transferee as the case may be.

12) Beneficial Owner deemed as an absolute owner

Except as ordered by a court of competent jurisdiction or as required by law, the Company shall be entitled to treat the person whose name appears as the beneficial owner of the securities in the records of the Depository as the absolute owner thereof and accordingly the Company shall not be bound to recognise any benami, trust or equitable, contingent, future or partial interest in any security or (except otherwise expressly provided by the Articles) any right in respect of a security other than an absolute right thereto, in accordance with these Articles on the part of any person whether or not it shall have express or implied notice thereof.

13) Section 83 and 108 of the Act not to apply.

Notwithstanding anything to the contrary contained in the Articles :-

- a) Section 83 of The Act shall not apply to the shares held with a depository.
- b) Section 108 of The Act shall not apply to transfer of securities effected by the transferor and the transferee both of whom are entered as beneficial owners in the records of the depository."

14) Register and Index of Beneficial Owners:

The Register and Index of Beneficial Owners, maintained by the Depository under the Depositories Act, 1996 shall be deemed to be the Register and Index of Members and Security holders for the purpose of these Articles."

ARTICLE 25C

NOMINATION OF SHARES/DEPOSITS

- (i) Notwithstanding anything to the contrary in these Articles every holder of shares, or holder of Debentures of the Company may, at any time nominate, in the prescribed manner under Section 109A of the Act, a person to whom his shares in, or Debentures of the Company shall vest in the event of his death.
- (ii) A member or debentureholder may revoke or vary his nomination at any time by notifying the Company to this effect.
- (iii) Where the Shares in, or debentures of the Company are held by more than one person jointly, the joint holders may together nominate, in the prescribed manner under Section 109A of The Act, a person to whom all the rights in the Shares or Debentures of the Company shall vest in the event of death of all the joint holders.
- (iv) Notwithstanding anything contained in any other law for the time being in force or in any disposition, whether testamentary or otherwise, in respect of such shares in, or debentures of the Company, where a nomination made in the prescribed manner under Section 109A of the Act, purports to confer on any person the right to vest the Shares in, or Debentures of the Company, the nominee shall, on the death of the Shareholder or holder of Debentures of the Company or, as the case may be, on the death of the joint holders, become entitled to all the rights in the Shares and Debentures of the Company or, as the case may be, all the joint holders, in relation to such Shares in, or Debentures of the Company to the exclusion of all other persons, unless the nomination is varied or cancelled in the prescribed manner under Section 109A of the Act.

- (v) Where the nominee is a minor, it shall be lawful for the holder of the Shares, or holder of Debentures, to make the nomination to appoint, in the prescribed manner under Section 109A of the Act, any person to become entitled to Shares in, or Debentures of the Company, in the event of his death, during the minority.

ARTICLE 25D

TRANSMISSION OF SHARES UNDER NOMINATION

- (i) Any person who becomes a nominee by virtue of the provisions of the Section 109A of the Act, upon the production of such evidence as may be required by the Board and subject to as hereinafter provided, elect, either:
- To be registered himself as holder of the Shares or Debentures, as the case may be; or
 - To make such transfer of the Share or Debenture, as the case may be, as the deceased Shareholder or Debentureholder, as the case may be could have made.
- (ii) The Board shall, in either case, have the same right to decline or suspend registration as it would have had, if the deceased Shareholder or Debenture holder as the case may be had transferred the Shares or Debentures, as the case may be, before his death.
- (iii) If the person being a nominee, so becoming entitled, elects to be registered as holder of the Shares or Debentures, himself, as the case may be, he shall deliver or send to the Company a notice in writing signed by him stating that he so elects and such notice shall be accompanied with the death certificate of the deceased Shareholder or Debenture holder, as the case may be.
- (iv) All the limitations, restrictions and provisions of The Act relating to the right to transfer and the registration of transfer of Shares or Debentures shall be applicable to any such notice or transfer as aforesaid as if the death of the member had not occurred and the notice or transfer signed by that Shareholder or Debenture holder.
- (v) A person, being a nominee, becoming entitled to a Share or Debenture by reason of the death of the holder shall be entitled to same dividends and other advantages to which he would be entitled if he were the registered holder of the Share or Debenture except that he shall not, before being registered a member in respect of his Share or Debenture, be entitled in respect of it to exercise any right conferred by membership in relation to meetings of the Company. Provided that the Board may, at any time, give notice requiring any such person to elect either to be registered himself or to transfer the Share or Debenture, and if the notice is not complied with within 90 days, the Board may thereafter withhold payment of all dividends, bonuses or other monies payable in respect of the Share or Debenture, until the requirements of the notice have been complied with.

ARTICLE 25E

NOMINATION OF DEPOSITS

The provisions of Articles No.25C and 25D shall apply mutatis mutandis to a deposit of money made with the Company as per Section 58A of the Act.

7. To consider and if thought fit, to pass with or without modification(s), the following as a **Special Resolution**:
- "RESOLVED THAT pursuant to and subject to section 77A, 77AA, 77B and other applicable provisions if any, of the Companies Act, 1956, the Securities and Exchange Board of India (Buy Back of Securities) Regulations, 1998 and /or any modifications or re-enactment thereof and the relevant provisions of the Memorandum of Association and Articles of Association of the Company, as amended upto date and such other approvals as may be necessary, and subject to such conditions and modifications as may be prescribed or imposed while granting such approvals, permissions and sanctions, the Company do hereby approve/authorise the Board of Directors of the Company or a Committee of the Board of Directors duly constituted by the Board for the purpose of (hereinafter referred to for the sake of brevity as the "Board ") to buy back upto 21,00,000 fully paid-up equity shares of the Company from the existing shareholders in aggregate not exceeding approximately 22.22% of the total existing paid-up equity share capital of the Company under one or more of the methods as set out in the Explanatory

Statement hereto and in the manner prescribed by law and in market lots or in lots smaller than market lots, from the Reserves and surplus and/or Internal accruals of the Company and/or from such other sources or mechanisms as may be permitted by law, in one or more tranches, on such terms, conditions and in such manner as may be decided by the Board from time to time."

"RESOLVED FURTHER THAT the Board be and is hereby authorised to determine the specific price for buy back of equity shares of the Company within a maximum price not exceeding Rs. 17/- per equity share and the time frame for such buy back."

"RESOLVED FURTHER THAT the aggregate consideration for the shares bought back shall be within the overall limit of twenty five percent of the total Paid-up Capital and Free Reserves of the Company."

"RESOLVED FURTHER THAT any buy back pursuant to this resolution shall be completed within 12 months of passing of this resolution or such extended period as may be permissible under the relevant laws/regulations."

"RESOLVED FURTHER THAT buy back of shares from Non-resident shareholders shall be subject to such approval of the Reserve Bank of India, if any, as may be required under the Foreign Exchange Regulation Act, 1973. or Foreign Exchange Management Act, 1999 as the case may be."

"RESOLVED FURTHER THAT in case of tender offer and/or odd lot of shares so determined by the Board, in the event the number of shares offered by the shareholders in addition to their acceptances are more than the total number of shares to be bought back by the Company, the acceptance per shareholder in respect of such excess offer shall be made in accordance with the SEBI (Buyback of Securities Regulations) 1998."

"RESOLVED FURTHER THAT the Board of Directors of the Company (including any Committee thereof) be and is hereby authorised to do all such acts, deeds, matters and things as may, in its absolute discretion, deem necessary, expedient usual or proper including the appointment of Merchant Bankers, Brokers, Solicitors, Registrars, Advertisement Agency, Compliance Officer, Investors Service Centre and other Advisors, Consultants or Representatives, incidental to the implementation of the scheme of Buy-back as also to prefer all applications to the appropriate authorities, parties and the institutions for their requisite approvals as also to initiate all necessary actions for preparation and issue of public announcement and filing of public announcement with SEBI/Stock Exchange(s), filing of declaration of solvency certificate and filing of certificate for extinguishment and physical destruction of certificates, and all other documents required to be filed in the above connections and to settle all such questions or difficulties whatsoever which may arise in the Buy-back and take all such steps and decisions in this regard."

"RESOLVED FURTHER THAT the Board be and is hereby authorised to delegate all or any of its powers to any Committee of Directors of the Company to give effect to the aforesaid resolution(s)."

"RESOLVED FURTHER THAT the Board be and is hereby authorised to settle all questions, difficulties or doubts that may arise in relation to the implementation of the aforesaid Resolution without being required to seek any further consent or approval of Members or otherwise to the end and intent that the Members shall be deemed to have given their approval thereto expressly by the authority of this resolution."

By Order of the Board of Directors

VIDYA R. SHEMBEKAR
COMPANY SECRETARY

Regd. Office :
Jariwala Mansion,
43, K.M. Munshi Marg,
Near Bhartiya Vidya Bhavan,
Mumbai 400 007
Date : 29th May, 2000.

EXPLANATORY STATEMENT PURSUANT TO SECTION 173 (2) OF THE COMPANIES ACT 1956.**ITEM NO.6**

In order to implement the Scheme of Buy Back of shares and Dematerialisation of shares, consequent upon the enactment of the Depositories Act, 1996 it is necessary to amend the existing Articles of the Company as set out in the Resolution at Item No. 6 of the Notice.

Since the amendment of the Articles of Association of the Company requires the approval of the shareholders by a Special Resolution, consent of the shareholders is being sought for the said amendment.

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

A copy of the Memorandum and Articles of Association of the Company together with the proposed alterations is available for inspection by the members of the Company at its Registered office between 11.00 a.m. and 1.00 p.m. on all working days.

As the proposal for amendments in the Articles of Association of the Company will be in the interest of the Company, the Directors recommend the passing of the resolution as set out in the notice.

ITEM NO. 7

Pursuant to the provisions of Sections 77A, 77AA and 77B of the Companies Act, 1956 and SEBI (Buy Back of Securities) Regulations, 1998 and further amendments thereof the following disclosures are set out below.

i) Board Approval

After giving due notice to the Stock Exchange, Mumbai, the Board of Directors of the Company at their meeting held on 29/05/2000 considered and approved the proposal for the buy back of the equity shares by the Company;

ii) Necessity for Buy back

- a) The buy back is efficient mechanism to provide exit opportunity to those shareholders who so desire, in a manner that does not substantially impact the market price of the Company's share or adversely affect the interest of the shareholders.
- b) The buy back is likely to enhance the earning per share of the Company in future and create a long-term shareholder value.

iii) Methods for Buy back

The Shareholders are requested to authorise the Board to adopt either one or more of the following method(s) for Buy Back :

- 1) from the existing shareholders on a proportionate basis through the Tender Offer
- 2) from Open Market through
 - a) book building process
 - b) stock exchange
 - c) from odd-lot holders.
- 3) such other method as may be permissible under the Guidelines.

iv) Maximum amount required for the Buy back and its resources

- a) It is proposed to authorise the Board of Directors of the Company to buy back upto 21,00,000 Equity Shares of the Company at a maximum price of Rs.17/- per share. The Aggregate amount at a maximum price works out to Rs. 357 lacs.

Gandhi Special Tubes Limited

- b) The amount lying in General Reserves and Surplus as well as internal accruals of the Company will be utilised and for this purpose the Company has adequate liquidity to finance Buy back of its shares.

v) **Basis of arriving at the Buy back Price**

The Board has considered the following factors to arrive at the buy back price.

- a) Stock Exchange price quotation
- b) Return on Equity
- c) EPS
- d) Networth & other factors

vi) **Number of securities to be bought back**

It is proposed to Buy back 21,00,000 equity shares of Rs. 10/-each out of 94,49,237 equity shares of the Company.

vii) **Shareholding of the Promoters/Directors as on the date of notice convening the Annual General Meeting (i.e. 29.05.2000)**

a)	Shares held by	No.of shares held	% to the total paid-up shares
	Promoters, Directors and persons who are in control of the Company	44,56,852	47.17%

- b) Details of Shares purchased during the last six months preceding 29th May, 2000 , being the date of the meeting of the Board of Directors at which the buy back was approved are as follows:

No. of shares purchased/sold by	No. of shares purchased *	No.of shares sold
Promoters, Directors and persons who are in control of the Company	2,62,600*	NIL

* The above purchase of shares is within the permissible limits as set down by Securities and Exchange Board of India (Substantial acquisition of Shares and Takeovers) Regulations, 1997 and the amendments thereto.

- c) Of the above purchases the maximum price at which the shares were bought during last six months is Rs.14/- on 26.11.1999 and the minimum price at which the shares were bought during the last six months is Rs.12/- on 21.03.2000. There were no sale of shares in the said period.

viii) **Intention of the Promoters to Buy back**

The Promoters, Directors and persons who are in control of the Company do not intend to participate in the present offer. Accordingly, pre and post buy back holding of the said person will be same number of shares as mentioned above.

ix) **Confirmation that no defaults subsists**

The Board of Directors of the Company confirms that there are no defaults subsisting in the repayment of deposits or repayments of term loans to any banks, financial institutions. The Company has not issued any Debentures/Preference shares since inception.

x) **Confirmation/Opinion of the Board**

The Board of Directors confirm that they have made a full enquiry into affairs and prospects of the Company and that they have formed the opinion,

- a) that immediately following the date on which the Annual General Meeting is convened, there will be no grounds on which the Company could be found unable to pay its debts;
- b) that as regards its prospects for the year immediately following the date of the Annual General Meeting, having regard to their intention with respect to the management of the Company's business during the year and to the amounts and character of the financial resources which will in the view of the Board of Directors be available to the Company during that year, the Company will be able to meet its liabilities as and when they fall due and will not be rendered insolvent within a period of one year from the date of this Annual General Meeting; and
- c) In forming the above opinion for the above purposes, the Board of Directors have taken into account the liabilities, as if the Company were being wound up under the provisions of the Companies Act, 1956 (including prospective and contingent liabilities).

xi) **Auditors' Report**

The text of the Report dated 29th May, 2000 received from M/s S.V. Doshi & Co., the Statutory Auditors of the Company addressed to the Board of Directors of the Company is reproduced below :

"In connection with the proposal of Gandhi Special Tubes Limited (the "Company") to Buy-back its shares and in pursuance of the provisions of Sections 77A and 77B of the Companies Act, 1956 and the SEBI (Buy-back of Securities) Regulations, 1998, we have examined the audited financial statements of the Company for the year ended 31st March, 2000 and the relevant records, ratios, analysis, reports and according to the information and explanations given to us and on the basis of such verification of records as we considered appropriate, we report that:-

We have enquired into Company's state of affairs,

In our opinion, the amount of permissible Capital payment, being Rs. 3.57 crores which is 15.05% of the total paid-up capital and free reserves of the Company, for the shares to be bought back, is properly determined in accordance with section 77A(2)(c) of the Companies Act, 1956.

The Board of Directors in their meeting on 29th May, 2000 have formed their opinion, as specified in clause (X) of Schedule 1 of Securities and Exchange Board of India (Buy-back of Securities) Regulations, 1998, on reasonable grounds and that the Company will not, having regard to its state of affairs, be rendered insolvent within a period of one year from the date of the annual general meeting of the members of the Company proposed to be held on 18th July, 2000.

Additional Disclosures

- 1) All the shares of the Company are fully paid-up.
- 2) With the view to afford the required operational flexibility, it is proposed that the Board of Directors for the purpose be authorised to determine the specific price for Buy Back of equity shares of the Company not exceeding Rs.17/- (maximum Price).
- 3) As per the provisions of the Act, the special resolution passed by the shareholders approving the share Buy-back will be valid for a maximum period of twelve months from the date of passing of the special resolution. The Company proposes to complete the buy back on or before 17th July, 2001.
- 4) In accordance with the regulatory provisions, the shares bought back by the Company will compulsorily be cancelled, and will not be held for re-issuance.
- 5) In accordance with the provisions of the Act, the Company will not be entitled to make a fresh offering of equity shares for a period of 2 years from the date of completion of this share Buy-back programme.
- 6) The Share Buy-back Programme will be implemented after the approval of the shareholders, subject to completion of necessary formalities as prescribed in law.