

18TH
ANNUAL REPORT
2002-2003



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

AUDIT COMMITTEE : DHIRAJLAL S. SHAH
Chairman

JAGDISH M. MEHTA
Director

JAYESH M. GANDHI
Director

COMPANY SECRETARY : N. H. MANKAD

REGISTERED OFFICE : JARIWALA MANSION,
43, K. M. MUNSHI MARG,
NEAR BHARATIYA VIDYA BHAVAN,
MUMBAI - 400 007.

Tel. No. : 2363 4179, 2363 4183, 2363 4789

Fax : 91-22-2363 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 FOR THE YEAR 2003-2004

NOTICE

NOTICE is hereby given that the Eighteenth Annual General Meeting of the members of **GANDHI SPECIAL TUBES LIMITED** will be held on Wednesday the 20th August, 2003 at 11.00 a.m. at Kanji Khetsey Sabhagriha, Bharatiya Vidya Bhavan, Kulpati K.M.Munshi Marg, Mumbai 400 007, to transact the following business:

ORDINARY BUSINESS:

1. To receive, consider and adopt the Balance Sheet as at 31st March, 2003 and the Profit & Loss Account of the Company for the year ended on that date together with the Directors' Report and the Report of the Auditors thereon.
2. To declare a dividend on equity shares.
3. To appoint a Director in place of Shri J.M.Mehta, who retires by rotation and being eligible offers himself for reappointment.
4. To appoint a Director in place of Shri K.N.Warden, who retires by rotation and being eligible offers himself for reappointment.
5. To appoint Auditors and to fix their remuneration.

SPECIAL BUSINESS:

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

"RESOLVED THAT pursuant to the provisions of Section 163 and such other provisions as may be applicable, of the Companies Act, 1956 (the Act), consent of the Company be and is hereby granted for the appointment of **Intime Spectrum Registry Limited** as the Registrar and Share Transfer Agents in respect of both Physical and Electronic Mode and to keep the Register of Beneficial Owners or such other registers as may be required under the Depositories Act and/or Register of Members, Index of Members and copies of all Annual Returns prepared under Section 159 of the said Act together with copies of the certificates and documents required to be annexed thereto under Section 161 of the said Act, or any one or more of them (the documents) at the office of Intime Spectrum Registry Limited, the Registrars & Share Transfer Agents of the Company, situated at C-13, Pannalal Silk Mills Compound, LBS Road, Bhandup (West), Mumbai 400078 on and from 1st February, 2003 instead of at the Registered Office of the Company."

"RESOLVED FURTHER THAT the said documents be kept open for inspection, at the place where they are kept, by the persons entitled thereto to the extent, in the manner and on payment of fees, if any, specified in the said Act between 10.00 a.m. & 12.00 noon on any working day (other than Saturdays and Sundays) except when the Registers and Books are closed under the provisions of the Companies Act, 1956 or the Articles of Association of the Company."

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

"RESOLVED THAT pursuant to the provisions of Section 17 of the Companies Act, 1956 and such other applicable provisions, the Memorandum of Association of the Company be amended as under:

The following new clause be substituted for the existing Clause No. 82 in Clause III (c) under the Other Objects:

82. To carry on the business of manufacturing or generating, exploring, promoting, developing, exploiting conventional and / or non conventional sources of electrical energy such as wind, mini/micro, hydro, tidal, geothermal, biogas, solar, photovoltaic, biomass, waste heat, garbage incineration,

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magnetohydro dynamics, and / or any other such system for captive consumption and/or to transmit, distribute, convey, supply and sale such power by whatever means to any user, trader or any person or agency."

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

"RESOLVED THAT pursuant to Section 149 (2A) and other applicable provisions, if any, of the Companies Act, 1956, consent of the Company be and is hereby accorded to the Board of Directors for commencing and carrying on the business of generating and distributing electrical energy in terms of the proposed new Clause 82 of Clause III (c) of the Memorandum of Association of the company from time to time upon the said new Clause 82 becoming effective."

By Order of the Board of Directors

N. H. MANKAD
COMPANY SECRETARY

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

Date : 17th July, 2003.

NOTES:

1. A MEMBER ENTITLED TO ATTEND AND VOTE AT THE MEETING IS ENTITLED TO APPOINT A PROXY TO ATTEND AND VOTE INSTEAD OF HIMSELF AND A PROXY NEED NOT BE A MEMBER. PROXY FORM IN ORDER TO BE EFFECTIVE MUST BE RECEIVED BY THE COMPANY NOT LESS THAN 48 HOURS BEFORE THE COMMENCEMENT OF THE MEETING. A PROXY SO APPOINTED SHALL NOT HAVE ANY RIGHT TO SPEAK AT THE MEETING. BLANK PROXY FORM IS ENCLOSED.
2. The Register of Members and Share Transfer Books of the Company will be closed from Tuesday the 19th August, 2003 to Wednesday the 20th August, 2003 (both days inclusive).
3. Explanatory Statement pursuant to Section 173 of the Companies Act, 1956, in respect of special business is annexed hereto.
4. All the documents referred to in the Notice and Explanatory Statement are open for inspection at the Registered Office of the company between 10.00 a.m. and 12.00 noon on all days, except Saturdays, Sundays and Holidays until the date of the Annual General Meeting or any adjournment thereof.
5. Brief profile of the Directors retiring by rotation and eligible for re-appointment, as required by Clause 49 of the Listing Agreement signed by the company with the Stock Exchange, Mumbai, is given in the Report on Corporate Governance.
6. Beneficial Owners holding shares in electronic/demat form are requested to notify any change in their address, bank account, mandate, etc. to their respective Depository Participant. Members holding shares in physical form are requested to notify any change in their address, bank account etc. to the Registrar and Share Transfer Agents, **Intime Spectrum Registry Limited**. With a view to prevent fraudulent encashment of dividend warrants, members holding shares in physical form are advised to furnish to the Registrars the particulars of their bank account with a request to incorporate the same in the dividend warrant.
7. The dividend on the Equity Shares as recommended by the Board of Directors for the year ended 31st March, 2003 when sanctioned at the Annual General Meeting of the Company will be payable

within Thirty days from the date of declaration of dividend by the members i.e. on or before 19th September 2003, to those shareholders whose names appears on the Company's Register of Members or as the beneficial owner of shares in the records of the Depository as on 19th August, 2003.

8. Members attention is being drawn that pursuant to the provisions of Section 205A of the Companies Act, 1956, with effect from Financial Year ended 31st March, 1997 dividend which remains unpaid or unclaimed for a period of seven years will be transferred to the Investor Education and Protection Fund of the Central Government. Members who have not encashed their dividend warrant(s) for the financial year ended 31st March, 1997 to 31st March, 1999 along with Interim Dividend for the year ended 31st March, 2000 and Dividend for the year ended 31st March, 2001 and 31st March, 2002 are requested to write to the Company's Share Department at its Registered Office. It may also be noted that once the unclaimed Dividend is transferred to the Central Government as above, no claim shall lie in respect thereof with the Company.
9. 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.
10. Members/ Proxies should bring the attendance slip duly filled in for attending the meeting. The identity/ signature of the Members holding shares in electronic/demat form is liable for verification with specimen signatures as may be furnished by NSDL/CDSL to the Company. Such Members are advised to bring the relevant identity card issued by the Depository Participant to the Annual General Meeting.
11. Members are hereby informed that the trading in the Shares of the company has been made compulsory in dematerialized form. Members are therefore requested to open an Account with Depository Participant, if not done so far to avoid inconvenience in future.
12. Pursuant to the provisions of Section 109A of the Companies Act, 1956, members are entitled to make a nomination in respect of the shares held by them. Members desirous of making nominations are requested to submit Form No. 2B duly filled in and signed by them to the company's Registrar & Share Transfer Agents in case of shares held in Physical Form and to the Depository Participants in case of shares held in electronic form.
13. Members are requested to bring their copy of the Annual Report to the Annual General Meeting.
14. The company has appointed **Intime Spectrum Registry Limited**, having its office at C-13, Pannalal Silk Mills Compound, LBS Road, Bhandup (W), Mumbai 400078 as the Registrar and Transfer Agent for shares held in physical form and in electronic/demat form. The Register of Members is maintained at the Office of the Registrar and Share Transfer Agents.

EXPLANATORY STATEMENT PURSUANT TO SECTION 173 (2) OF THE COMPANIES ACT, 1956.

Item No. 6

Securities and Exchange Board of India (SEBI) has made it compulsory for all listed companies to maintain all the work related to Share Registry in terms of both physical and electronic at a single point.

Your Board of Directors have therefore appointed Intime Spectrum Registry Limited as the Registrar and Transfer Agent both for Physical Share Work and Electronic Connectivity to comply with the SEBI guidelines.

Pursuant to the provisions of Section 163 the Companies Act, 1956 the appointment of Intime Spectrum Registry Limited as the Registrars & Share Transfer Agents of the Company requires to be approved by the Shareholders. With the appointment of Intime Spectrum Registry Limited as Registrar and Share Transfer Agents the Register of Members, Register of Beneficial Owners and Share Transfer Register are kept at their office. For keeping the said registers at the place other than registered office of the Company i.e.

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at the office of the Registrar & Share Transfer Agents it is necessary to obtain the approval of the members of the company in their General Meeting.

Your Board of Directors recommends the resolution as set out under item no. 6 of the Notice for your approval as a Special Resolution.

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

Item no. 7 and 8

The Company has undertaken a project to set up windmills for generation of electricity from wind power near Porbunder, in Gujarat State in terms of the policy declared by Government of Gujarat for participation of private sector companies in the generation of electricity through non-conventional sources of energy. Although the company proposes to use the entire energy generated for its own captive consumption, the project involves wheeling, evacuating and banking arrangements for the electricity generated, which may result in certain settlements with Gujarat Electricity Board (GEB) in monetary terms. Since the company is making substantial investments of about Rs. 530 Lacs on this project, it is considered appropriate, by way of abundant caution, to enlarge the objects clause by substituting new Clause 82 in place of the existing clause 82 under clause III (C) of the object clause.

Pursuant to the provisions of Section 17 of the Companies Act, 1956 approval of the members is required to amend the Object Clause of the Memorandum of Association. Further, pursuant to the provisions of Section 149 (2-A) of the Companies Act, 1956, to enable the Board of Directors to commence and undertake all or any of the business and activity specified under the Other Object Clause of the Memorandum of Association, it is necessary to obtain the approval of the members in their General Meeting.

The Board of Directors, therefore, recommends passing of the Special Resolutions contained in item nos. 7 and 8 of the accompanying notice.

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

A copy of the Memorandum of Association of the company together with proposed alterations as set out in the resolution No. 7 will be open for inspection by the shareholders at the Registered Office of the Company between 10.00 a.m. and 12.00 noon on any working day of the company (except Saturdays, Sundays and Holidays) up to and including the day of the annual general meeting.

By Order of the Board of Directors

N. H. MANKAD
COMPANY SECRETARY

Regd. Office :
Jariwala Mansion,
43, K.M. Munshi Marg,
Near Bhartiya Vidya Bhavan,
Mumbai 400 007.

Date : 17th July, 2003.

DIRECTORS' REPORT

To
The Members,

Your Directors have pleasure in presenting their Eighteenth Annual Report together with the Audited Accounts for the year ended 31st March, 2003.

1. FINANCIAL RESULTS

	31.03.2003	(Rs. in Lacs) 31.03.2002
SALES	2954.08	2382.27
PROFIT BEFORE TAXATION	669.59	573.57
Less : Provision for Taxation	238.24	196.52
PROFIT AFTER TAXATION	431.36	377.05
Proposed Dividend	110.24	88.19
Corporate Dividend tax	14.12	—
Earning Per Share	5.87	5.13

The Company registered a Sales growth of 24% over the previous year. The profit before tax increased by 16.74% and profit after tax increased by 14%.

2. DIVIDEND

After taking in to account the current and future requirement of funds for the Company's existing operations and capital expenditure, the Directors recommend for consideration of members, dividend @ 15% (Rs.1.50 per equity share of Rs.10/- each) for the year ended on 31st March, 2003.

3. CORPORATE GOVERNANCE

The Corporate Governance and Management's Discussion and Analysis Reports form an integral part of this report and are set out as separate Annexure to this Report. The Certificate from Auditors of the Company certifying compliance of the conditions of Corporate Governance as stipulated in Clause 49 of the Listing Agreement is annexed to the Report on Corporate Governance.

4. DEPOSITS

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

5. DIRECTORS

Shri J.M.Mehta & Shri K.N.Warden retire by rotation and being eligible offer themselves for reappointment.

6. DIRECTORS' RESPONSIBILITY STATEMENT

Pursuant to Section 217 (2AA) of the Companies Act, 1956, the directors confirm that:

- in the preparation of the annual accounts, the applicable accounting standards have been followed;
- the accounting policies have been consistently applied and reasonable and prudent judgment and estimates have been made so as to give a true and fair view of the state of affairs of the Company at the end of the financial year and of the profit of the Company for that year;
- proper and sufficient care has been taken for maintenance of adequate accounting records in accordance with the provisions of the Companies Act, 1956 for safeguarding the assets of the Company and for preventing and detecting fraud and other irregularities; and
- the annual accounts have been prepared on a going concern basis.

7. AUDITORS

The Company's Auditors M/s. S.V.Doshi & Co., Chartered Accountants, retire at the conclusion of the ensuing Annual General Meeting, and are eligible for reappointment. The Company has received certificate to this effect from the Auditors.

8. PARTICULARS OF 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 the Rules framed there under.

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

Information in accordance with the provisions of Section 217 (1) (e) of the Companies Act, 1956 and the Companies (Disclosure of Particulars in the Report of Directors) Rules, 1988 is given in Annexure and forms part of this report.

10. ACKNOWLEDGEMENT

Your Directors place on record their appreciation for the continued support of the Company's Customers, Bankers and Suppliers. Your Directors also appreciate the contribution of the employees at all levels through their involvement, dedication and sincerity.

For and On behalf of the Board of Directors

Place : Mumbai
Date : 17th July, 2003

M. G. GANDHI
Managing Director

D. S. SHAH
Director

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 ON 31ST MARCH 2003.

I. Conservation of Energy

1. The Company monitors consumption of energy in its production operations by regular plant maintenance and by replacement and up-gradation of old plant and machinery.
2. The Company has installed:
 - i) Dedicated additional Straightening & Cutting Machine of 5 H.P. capacity motor instead of 20 H.P. capacity motor for manufacturing small size of tubes which has resulted in substantial saving of power consumption.
 - ii) Solar Heating System for LPG Vaporising, which will result in saving of about 5000 units of electricity, valued at about Rs. 25000 per month.
 - iii) 315 KVA additional transformer to absorb Peak Loading of Machines like Condensor Welding Machines, and thereby reduce the Voltage Fluctuation and in turn improve production and increase the life of Electric Motors.

FORM – A

A. POWER AND FUEL CONSUMPTION

PARTICULARS		2002-2003	2001-2002
1. Electricity Purchased			
Units Purchased	Lacs KWH	29.47	26.30
Total Amount	Rs. Lacs	148.70	137.82
Average Rate / KWH	Rupees	5.05	5.24
2. LPG Consumed			
Quantity Consumed	Tonnes	701.01	626.28
Total Amount	Rs. Lacs	120.81	96.55
Average Rate/ Tonne	Rupees	17233.83	15415.91

B. CONSUMPTION PER UNIT OF PRODUCTION

PARTICULARS		2002-2003 Per Tonne	2001-2002 Per Tonne
1. Electricity *	KWH	1343.017	1492.00
2. LPG **	Tonne	0.320	0.355

* Indicates combined consumption of welded / seamless tubes and Nuts.

** Indicates combined consumption of welded and seamless tubes.

II. Research & Development and Technology Absorption:

A. RESEARCH & DEVELOPMENT

(1) SPECIFIC AREAS IN WHICH R & D WAS CARRIED OUT BY THE COMPANY

- i. Salt Spray unit for testing corrosion resistance of plated tubes & nuts replaced by latest State of the Art Salt Spray Unit with unique features for reliable Results.
- ii. Baking Oven capacity for Condenser Painting doubled by changing design and increasing size of the Oven.
- iii. Welding capacity for Condensers increased by installing additional and dedicated Machines for manufacturing specific models in large quantities.
- iv. State of the Art Tool Room machinery has been installed for better control over toolings.
- v. In house Continuous and Automatic Tube Plating Plant installed for electrogalvanising, thereby doing away with the need to out source the same.
- vi. Manufacturing facility for Cold Formed Nuts has been installed including Inside/ Outside Thread Rolling and continuous Automatic Plating to cater requirement of customers.

(2) BENEFITS DERIVED AS A RESULT OF THE ABOVE R&D

- i. Production processes have been improved with the benefit of increased productivity, greater economy and value addition.
- ii. Dependency on outsiders removed, with better control over quality and productivity.

(3) FURTHER PLAN OF ACTION

- i. Additional Solar Heating Systems to be installed to save power cost.
- ii. Two Draw Benches to be converted on A.C. Variable Drive for power saving.

(4) EXPENDITURE ON R&D

No separate allocation is being made in the accounts, but the expenditure (other than capital expenditure) has been shown under respective heads of expenditure in the Profit & Loss Account.

B. TECHNOLOGY ABSORPTION, ADAPTATION AND INNOVATION

The company is continuously taking steps to improve product and process technology in an effort to provide value added products to the consumers.

III. Foreign Exchange Earnings And Outgo

The information on Foreign Exchange earnings and outgo is contained in Schedule 21, Paras 10, 11 and 12 of the Notes to the Accounts.

For and on behalf of the Board of Directors

M. G. GANDHI
Managing Director

D. S. SHAH
Director

Place : Mumbai
Date : 17th July, 2003

