

19<sup>TH</sup>  
ANNUAL REPORT  
2003-2004



**GANDHI SPECIAL TUBES LIMITED**

# **GANDHI SPECIAL TUBES LIMITED**

**BOARD OF DIRECTORS** : JAGDISH M. MEHTA  
*Chairman*  
MANHAR 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** : SHYAMKUMAR MISRA

**REGISTERED OFFICE** : JARIWALA MANSION  
43, K.M.MUNSHI MARG,  
NEAR BHARTIYA VIDYA BHAVAN  
MUMBAI 400 007  
Tel No: 23634179, 23634183, 23634789

**WORKS** : NURPURA VILLAGE  
TALUKA-HALOL, DIST. PANCHMAHAL  
GUJARAT. PIN – 389350  
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  
THE STOCK EXCHANGE, MUMBAI

**LISTING FEES** : LISTING FEES PAID FOR THE YEAR 2004-05

## NOTICE OF THE NINETEENTH ANNUAL GENERAL MEETING

**NOTICE** is hereby given that the Nineteenth Annual General Meeting of the members of GANDHI SPECIAL TUBES LIMITED will be held on Friday the 16<sup>th</sup> July, 2004 at 11.00 a.m. at Kanji Khetsey Sabhagriha, Bharatiya Vidya Bhavan, 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 31<sup>st</sup> March, 2004 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 confirm interim dividend paid on equity shares for the year ended 31<sup>st</sup> March, 2004.
3. To appoint Director in place of Shri M.G.Gandhi, who retires by rotation and being eligible offers himself for reappointment.
4. To appoint Director in place of Shri J.M.Gandhi, who retires by rotation and being eligible offers himself for reappointment.
5. To appoint Auditors and to fix their remuneration.

By Order of the Board of Directors

S.K.MISRA  
COMPANY SECRETARY.

*Regd. Office:*

Jariwala Mansion,  
43, K.M.Munshi Marg,  
Near Bhartiya Vidya Bhavan,  
MUMBAI 400 007.

Date: 28<sup>th</sup> May, 2004.

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**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 **Thursday the 8<sup>th</sup> July, 2004 to Friday the 9<sup>th</sup> July, 2004** (both days inclusive).
3. 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.
4. 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 LTD.
5. Members attention is being drawn that pursuant to the provisions of Section 205A of the Companies Act, 1956, with effect from Financial Year ended 31<sup>st</sup> 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. Accordingly 1<sup>st</sup> Dividend @ 10% declared on 20<sup>th</sup> August, 1997 is due for transfer to Investor Education Fund by 7<sup>th</sup> October 2004.

**Shareholders are requested to note that no claims shall lie against the Company or the said Fund in respect of any amounts, which were unclaimed and un paid for a period of seven years from the dates that they first become due for payment and no payment shall be made in respect of any such claims.**

6. Members who have not encashed their dividend warrant(s) for the financial year ended 31<sup>st</sup> March, 1997 to 31<sup>st</sup> March, 1999 along with Interim Dividend for the year 1999-2000 & 2003-2004 and Dividend for the years 2000-2001, 2001 - 2002 and 2002-03 are requested to write to the Company's Share Department at its Registered Office.
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. 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.
9. 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.
10. **Members are requested to bring their copy of the Annual Report to the Annual General Meeting.**

## DIRECTORS' REPORT

To  
The Members,

Your Directors have pleasure in presenting their Nineteenth Annual Report together with the Audited Accounts for the year ended on 31<sup>st</sup> March, 2004.

### 1. FINANCIAL RESULTS

(Rs. in Lacs)

	31.03.2004	31.03.2003
Sales and Other Income	<b>3588.73</b>	2696.31
Profit before Tax	<b>954.54</b>	669.59
Less: Provision for Taxation	<b>364.53</b>	222.36
Profit after Tax	<b>590.01</b>	447.03
Interim Dividend	<b>183.73</b>	Nil
Proposed Final Dividend	<b>Nil</b>	110.24
Corporate Dividend Tax	<b>23.54</b>	14.12
Earning Per Share	<b>8.03</b>	6.08

The Company's performance has been extremely satisfactory and it was reflected in growth in net sales of 33% and corresponding increase in Profit before tax of 43% and Profit after tax of 32%. This has been possible due to customer focus, assured performance of products, team work and effective cost control.

### 2. DIVIDEND

An interim dividend of 25% amounting to Rs. 183.73 lacs for the year ended 31<sup>st</sup> March, 2004, has been paid by the Board of Directors of the Company on 18<sup>th</sup> May, 2004. As there was no significant change in the final profits for 2003-2004, your Directors do not recommend any final dividend.

### 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 Annexures 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 M.G.Gandhi and Shri J.M. Gandhi 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 and that no material departures have been made from the same;
- 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 the year under report;
- 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.

## Gandhi Special Tubes Limited

### 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 the 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 to Company's Customers, Bankers, Suppliers and also our esteemed shareholders for their continued support. 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: 28<sup>th</sup> May, 2004

**J. M. MEHTA**  
Chairman

## 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 31<sup>ST</sup> MARCH 2004.

### I. Conservation of Energy

1. Conservation of energy is an ongoing exercise at the Company's manufacturing units. Consumption of energy is kept under control by optimum utilization of machinery and equipments, proper maintenance and up-gradation of plant and machinery.
2. One of the major steps taken by the Company in the area of energy conservation was through the commissioning of a Wind Mill with an installed capacity of 1.25 MW during the year under review.

### FORM - A

#### A. POWER AND FUEL CONSUMPTION

Sr. No.	Particulars		2003-04	2002-03
1.	Electricity Purchased			
	Units Purchased	Lacs KWH	31.73	29.47
	Total Amount	Rs. Lacs	160.28	148.70
	Average Rate / KWH	Rupees	5.05	5.05
2.	LPG Consumed			
	Quantity Consumed	Tonnes	757.56	701.01
	Total Amount	Rs. Lacs	146.21	120.81
	Average Rate / Tonne	Rupees	19300.09	17233.83

**B. CONSUMPTION PER UNIT OF PRODUCTION**

Sr. No.	Particulars		2003-04 Per Tonne	2002-03 Per Tonne
1.	Electricity*	KWH	1141.536	1343.017
2.	LPG**	Tonne	0.273	0.320

\* 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**

- a. Additional Solar Heating Systems have been installed.
- b. Two Draw Benches have been converted to A.C. Variable Drive.

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

Power cost has been reduced substantially.

**(3) FURTHER PLAN OF ACTION**

Apart from routine developmental activities, at present there are no specific areas in which the Company is undertaking Research & Development.

**(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**

There was no foreign exchange earnings during the year under review. The information on Foreign Exchange outgo is contained in Schedule 21, Paras 10 and 11 of the Notes to the Accounts.

For and on behalf of the Board of Directors

**J. M. MEHTA**  
Chairman

Place: Mumbai

Date: 28<sup>th</sup> May, 2004

**MANAGEMENT DISCUSSION AND ANALYSIS REPORT****1. Industry Structure and Development**

The Company's products are inputs for the Refrigeration, Automobile and General Engineering industries. As such structure and development of these industries has direct impact on the working of your Company. With the satisfactory performance of Automobile, Refrigeration and General Engineering Industries, your Company has also achieved satisfactory performance in terms of production, turnover and profitability.

**2. Opportunities & Threats**

It is projected that Industrial production will grow at over 10% during the current year and Indian Economy is also expected to achieve a growth of over 7%. If the projected growth targets are achieved and the current buoyancy in the economy is sustained, your Company, with its technical capabilities and sound financial position, is on the right platform to take full advantage of the opportunity to register an impressive growth.

The Company has been able to combat the competition from multinational companies in the Single Wall Welded tubes because of its quality products. The upward trend in the price of Steel, being the main raw material for the products of the Company, is a cause of concern.

**3. Product wise Performance**

Your Company operates mainly in Steel Tubes Products- consisting of Seamless & Welded tubes. Product wise Classification and their contribution to total sales are as under:

Sr. No.	Product	2003-04	2002-03
1.	Welded Tubes	42%	52%
2.	Seamless Tubes	52%	46%
3.	Cold Formed Nuts/ Scrap	5%	2%
4.	Wind Power Generated	1%	—
<b>Total</b>		<b>100%</b>	<b>100%</b>

**4. Outlook**

Your Company has already received the certificate of the quality systems as per ISO/ TS 16949: 2002 whereby the Company is now meeting quality requirement specific to Automobile Industry in addition to ISO 9001 requirements.

The Wind Mill set up in Gujarat at a cost of about Rs. 530 Lacs was commissioned in September, 2003. The Wind Mill is functioning satisfactorily. The Company has decided to set up second Wind Mill with a capacity of 350 KVA in Gujarat, which will result in further saving in cost of power and also reduction in tax burden during the current financial year.

The Company has successfully implemented the ERP System to integrate various functions & improve efficiency.

The production capacity of the Cold Formed Nuts is being expanded.

**5. Risk and Concerns**

For the past One Year, Indian Rupee has remained firm vis-a-vis US Dollar. However, recently with the possibility of hike in interest rate in US and improvement of the US Economy, there are some signs of the Indian Rupee weakening against the US \$. This may have some adverse impact for the Company on account of increase in cost of imported raw material.



The trend of increase in Steel price which prevailed throughout the year under report, has continued during this year also and will result in increase in cost of production for the Company. To the extent such increase can not be passed on to the customers, the profitability of the Company would suffer.

## **6. Internal Control Systems**

Your Company has in place adequate internal control systems, which are supplemented by an efficient Internal Audit being undertaken by an external firm of Chartered Accountants.

The Audit Committee is regularly reviewing the Internal Control Systems. The management takes corrective steps from time to time on Audit findings.

## **7. Financial Performance with respect to Operational Performance**

### **Sales and Profit**

Sales registered a growth of 43% and Net Profit after tax was up by 32% over the previous year. The year 2003-04 was an exceptionally rewarding year for your Company. Your Company's philosophy of maintaining high quality standards, providing excellent service to its customers, continuous measures taken to control costs, have all contributed to its excellent performance during the current year.

The Plant capacity utilization increased by 14% and consequent growth in production was by 23% on an overall basis. While increase in production of Seamless Tubes was of 48%, the increase in sales volume was 53%. For Welded Tubes, the increase in production was 10% and increase in sales volume was 11%.

### **Capital Investment**

A Capital Investment of Rs.594.39 Lacs was made during the year, out of which an amount of Rs. 530.37 Lacs was towards setting up of Wind Mill in Gujarat. The entire capital investment has been made out of the Company's internal cash accruals.

## **8. Human Resources and Industrial Relations**

The relations with the employees at all levels were cordial throughout the year. The Agreement with Employees' Union is valid up to 31.03.2005. The Company has a well defined performance appraisal system to motivate the employees and get best result out of them.

### **Cautionary Statement**

***Statements in this Management Discussion and Analysis describing the Company's objectives, projections, estimates and expectation may be "forward looking statement" within the meaning of applicable laws and regulations. Actual results might differ materially from those either expressed or implied.***

For GANDHI SPECIAL TUBES LTD.

J. M. MEHTA  
Chairman

Place: Mumbai  
Date: 28<sup>th</sup> May, 2004

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**REPORT ON CORPORATE GOVERNANCE****1. Company Philosophy on Corporate Governance**

The Company's philosophy on corporate governance is to conduct its business in a transparent manner, comply with all the statutory and regulatory requirements relating to corporate governance, both in letter and spirit and to protect the interest of the company's stakeholders.

**2. Board of Directors**

The Company is fully compliant with the corporate governance requirement in respect of constitution of the Board headed by a Non Executive Chairman, Two Executive Promoter Directors, Two Non Executive Independent Directors and One Non Executive Promoter Director.

Representation on the Board from diverse fields of Legal, Finance and Industry ensures proper and timely guidance to the Company in these fields and enables the Company to run its business in a smooth manner.

The Composition of the Board of Directors and related information as on 31<sup>st</sup> March, 2004 is as follows:

Name of the Director & Designation	Executive / Non Executive / Independent	No. of Board Meetings attended	Attendance at the last AGM on 20/08/2003	Directorship in other companies incorporated in India	No. of other Board Committees of which Member Chairman
Shri Jagdish M. Mehta Chairman	Non Executive & Independent	3	Present	Nil	Nil
Shri Manhar G. Gandhi Managing Director	Executive (Promoter Group)	4	Present	2	Nil
Shri Bhupatrai G. Gandhi Jt. Mg. Director	Executive (Promoter Group)	4	Present	2	Nil
Shri Dhirajlal S. Shah	Non Executive & Independent	4	Present	Nil	Nil
Shri Kavas N. Warden	Non Executive & Independent	4	Present	1	Nil
Shri Jayesh M. Gandhi	Non Executive (Promoter Group)	2	Present	1	Nil

None of the Directors on the Board holds the office of Director in more than 15 Companies or memberships of Committees of the Board in more than 10 Committees or Chairmanship of more than 5 Committees across all companies.

**Board Meetings held during the Year**

Four Board Meetings were held during the year ended on 31<sup>st</sup> March, 2004 on 29.04.2003, 17.07.2003, 23.10.2003 and 29.01.2004.