

**20TH
ANNUAL REPORT
2004-2005**



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 400007
Tel No: 23634179, 23634183, 23634789

WORKS : VILLAGE NURPURA
TALUKA- HALOL, DIST: PANCHMAHAL
GUJARAT. PIN – 389350
T-39, M.I.D.C., BHOSARI
PUNE – 411026

AUDITORS : S.V.DOSHI & CO.
CHARTERED ACCOUNTANTS

BANKERS : HDFC BANK LTD., MUMBAI

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 2005-06

NOTICE OF THE TWENTIETH ANNUAL GENERAL MEETING

NOTICE is hereby given that the Twentieth Annual General Meeting of the members of GANDHI SPECIAL TUBES LIMITED will be held on Tuesday the 5th July, 2005 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, 2005, the Profit & Loss Account and Cash Flow Statement 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.
3. To appoint Director in place of Shri D.S.Shah who retires by rotation and being eligible offers himself for reappointment.
4. To appoint Auditors and to fix their remuneration.

SPECIAL BUSINESS:

5. 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 Sections 198, 269, 309, 310,311 Schedule XIII and other applicable Provisions of the Companies Act. 1956, the remuneration payable to Shri M.G.Gandhi, the Managing Director of the Company be and is hereby revised and restructured with effect from 1st April, 2005 till the expiry of his present term i.e. 31st December, 2006 as follows:

OVERALL REMUNERATION

Subject to the provisions of Sections 198, 269, 309, 310, 311, Schedule XIII and other provisions applicable of the Companies Act,1956, if any, the remuneration payable to Shri M.G.Gandhi, Managing Director, in any financial year shall not exceed 5% (five percent) of the net profits of the Company.

MINIMUM REMUNERATION

Where in any financial year during the currency of the tenure of Shri M.G.Gandhi, Managing Director, the Company has no profits or its profits are inadequate, the remuneration payable to Shri M.G.Gandhi, Managing Director, will be according to the applicable provisions of Schedule XIII of the Act. Within the aforesaid ceiling, the remuneration payable to Shri M.G.Gandhi, Managing Director, shall be as follows:-

SALARY, PERQUISITES AND ALLOWANCES

Not Exceeding Rs.300000/- p.m. inclusive of all perquisites and allowances except those specifically excluded as per Schedule XIII of the Act.

COMMISSION

As may be decided by the Board of Directors at the time of adoption of accounts within the overall limit prescribed under Sections 198 and 309 of the Act.

Other Term and Conditions

- a) Leave: 30 working days leave (traveling time included) once in every year of service, with encashment of unavailed leave at the end of his tenure.
- b) Contribution to Provident Fund, Superannuation Fund or Annuity Fund to the extent these either singly or put together are not taxable under the Income Tax Act, 1961; gratuity payable at a rate not exceeding half a month salary for each completed year of service and encashment of unavailed leave at the end of tenure shall not be included in the computation of the ceiling on remuneration in terms of Schedule XIII of the Companies Act, 1956.

GANDHI SPECIAL TUBES LIMITED

- c) Shri M.G.Gandhi will not be entitled to sitting fees for meetings of the Board/ Committee of the Board attended by him
 - d) Shri M.G.Gandhi shall not be liable to retire by rotation.
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 Sections 198, 269, 309, 310, 311 Schedule XIII and other applicable Provisions of the Companies Act 1956, the remuneration payable to Shri B.G.Gandhi, the Jt. Managing Director of the Company be and is hereby revised and restructured with effect from 1st April, 2005 till the expiry of his present term i.e. 31st December, 2006 as follows:

OVERALL REMUNERATION

Subject to the provisions of Sections 198, 269, 309, 310, 311 Schedule XIII and other provisions applicable of the Companies Act, 1956, if any, the remuneration payable to Shri B.G.Gandhi, Jt. Managing Director, in any financial year shall not exceed 5% (five percent) of the net profits of the Company.

MINIMUM REMUNERATION

Where in any financial year during the currency of the tenure of Shri B.G.Gandhi, Jt. Managing Director, the Company has no profits or its profits are inadequate, the remuneration payable to Shri B.G.Gandhi, Jt. Managing Director, will be according to the applicable provisions of Schedule XIII of the Act. Within the aforesaid ceiling, the remuneration payable to Shri B.G.Gandhi, Jt. Managing Director, shall be as follows:-

SALARY, PERQUISITES AND ALLOWANCES

Not Exceeding Rs.300000/- p.m. inclusive of all perquisites and allowances except those specifically excluded as per Schedule XIII of the Act.

COMMISSION

As may be decided by the Board of Directors at the time of adoption of accounts within the overall limit prescribed under Sections 198 and 309 of the Act..

Other Term and Conditions

- a) Leave: 30 working days leave (traveling time included) once in every year of service, with encashment of unavailed leave at the end of his tenure.
- b) Contribution to Provident Fund, Superannuation Fund or Annuity Fund to the extent these either singly or put together are not taxable under the Income Tax Act, 1961; gratuity payable at a rate not exceeding half a month salary for each completed year of service and encashment of unavailed leave at the end of tenure shall not be included in the computation of the ceiling on remuneration in terms of Schedule XIII of the Companies Act, 1956.
- c) Shri B.G.Gandhi will not be entitled to sitting fees for meetings of the Board/ Committee of the Board attended by him.
- d) Shri B.G.Gandhi shall not be liable to retire by rotation.

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: 20th May, 2005

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 Saturday the 2nd July, 2005 to Tuesday the 5th July, 2005 (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. As required by Clause 49 of the Listing Agreement signed by the Company with the Stock Exchange, Mumbai, brief profile of the Director retiring by rotation and eligible for re-appointment 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 SPECTURM REGISTRY LTD. 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. Members attention being drawn that pursuant to the provisions of Section 205A of the Companies Act, 1956, with effect from Financial Year ended 31st March, 1998 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, 1998 & 31st March, 1999 along with Interim Dividend for the year 1999-2000, 2002-03, 2003-04, 2004-05 and Dividend for the years 2000-2001, 2001-2002 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.
8. 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.
9. 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.
10. 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.
11. 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 (which may be downloaded from the Company's website www.gandhitubes.com) 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.
12. **Members are requested to bring their copy of the Annual Report to the Annual General Meeting.**

GANDHI SPECIAL TUBES LIMITED

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

Item No. 5 & 6

Shri M.G.Gandhi and Shri B.G.Gandhi were appointed as Managing Director & Jt. Managing Director respectively of the Company for a period of five years with effect from 1st January, 2002 on the remuneration and other terms of appointment as approved by the members in their 17th Annual General Meeting held on 30th July, 2002.

As per the said terms of remuneration, the minimum remuneration payable to the Managing Director and the Jt. Managing Director, in the event of absence of profit or inadequacy of profits in any particular year during the term of their appointment, was fixed at Rs.80000/- p.m. plus permissible perquisites & commission as decided by the Board of Directors at the time of adoption of accounts, but not exceeding the ceiling prescribed under Section 198 and 309 of the Companies Act, 1956.

Pursuant to recommendation of the Remuneration Committee, the Board of Directors of the Company, at the meeting held on 20th May, 2005, has revised the terms of remuneration of Shri M.G.Gandhi, the Managing Director and Shri B.G.Gandhi, the Jt. Managing Director with effect from 1st April, 2005 for the remaining period of their existing term i.e. up to 31st December, 2006. There is no increase in total remuneration compared to present remuneration except that the monthly salary is increased from Rs.80000/- to Rs.300000/- considering the trend adopted by all the Companies.

Information pursuant to the provisions of Schedule XIII of the Companies Act, 1956 and forming part of the explanatory statement to the Notice convening the Annual General Meeting.

I. GENERAL INFORMATION

(1) Nature of Industry :

Gandhi Special Tubes Ltd., is engaged in manufacture of Seamless and Welded Steel Tubes having use in Automobile, Refrigeration, Hydraulic & General Engineering Industries. The installed capacity of the Company's main manufacturing plant located at Halol in Gujarat State is as under:

Seamless Tubes	:	1200 M.T.
Welded Tubes	:	2400 M.T.

The Company is also having manufacturing facilities for Cold Formed Nuts used mainly in Automobile & General Engineering Industry at Halol in Gujarat State.

Further the Company has installed Two Wind Mills with capacity of 1.25 MW & 0.350 MW at Bhogat and Navadara respectively near Porbunder in Gujarat State.

Outstanding Achievements :

The Company has obtained certification as per an ISO 9001 : 2000 and ISO/TS 16949 : 2002 for the quality system for manufacturing its products.

(2) Date or expected date of commencement of commercial production

The Company was incorporated on 22nd April, 1985 and date of commencement of the business is 14th May, 1985.

(3) In case of new companies, expected date of commencement of activities as per project approved by financial institutions appearing in the prospectus.

- Not Applicable.

(4) Financial performance based on given indicators (Based on Audited published financial statement for the year ended 31/3/2005)

Sr. No.	Particulars	Year ended on 31/03/2005 Rs. Lacs	Year ended on 31/03/2004 Rs. Lacs
1	Total Income	4797.64	3628.21
2	PBDIT	1837.69	1257.11
3	Interest	5.54	4.80
4	Depreciation	341.95	297.77
5	PBT	1490.19	954.54
6	Taxation	508.40	364.53
7	PAT	983.63	590.01

KEY FINANCIAL RATIOS

Sr. No.	Particulars	Year ended 31/03/2005	Year ended 31/03/2004
1	Total Income to Profit before interest, depreciation and tax	38.30%	34.65%
2	Total Income to Profit before tax	31.06%	26.31%
3	Current Ratio	3.58	3.02
4	Debt Equity Ratio	0.04	0.06

(5) Export Performance and net foreign exchange collaborations

	As on 31/03/2005 (Rs. In Lacs)	As on 31/3/2004 (Rs. In Lacs)	Remarks
1. Export Earnings	Nil	Nil	-
2. Net Foreign Exchange Collaborations	Nil	Nil	-

6) Foreign Investments or Collaborators, if any

There is no foreign collaboration as such there is no investment by them, but the Non Resident Indians are holding 1,70,201 Equity Shares of Rs.10/- each fully paid up.

II. INFORMATION ABOUT THE APPOINTEES**SHRI M. G. GANDHI****1. Background details:**

Shri M. G. Gandhi was re-appointed as Managing Director of the Company for a period of 5 years from 01/01/2002 to 31/12/2006 by the Members of the Company at their 17th Annual General Meeting (AGM) held on 30th July 2002. Now it is proposed to revise and restructure the present remuneration package considering the requirements of Schedule XIII to the Companies Act, 1956.

2) Past remuneration:

- The remuneration approved by members of the Company at AGM convened on 30th July 2002 was Rs.80,000/- p.m. plus perquisites as per schedule XIII of the Companies Act, 1956 for a period of 5 years w.e.f. 01/01/2002. If the Company makes an adequate profit then the appointee was eligible to draw the remuneration by way of commission within an aggregate limit of 5% of the net profits as calculated in accordance with the provisions of the Act.
- The remuneration has not been revised since the date of appointment of the appointee even though there was an enabling provision in the terms of his appointment.

GANDHI SPECIAL TUBES LIMITED

3) Recognition and Awards :

Shri M. G. Gandhi has a rich and extensive experience of management and his vision and commitment has enabled the Company steer through the most difficult times the Company had faced in its initial years and converted from loss making to profit earning Company.

4) Job Profile and his suitability :

As Managing Director, he oversees various functions of the Company namely marketing, finance and administration to promote the second line of management. He has a rich and varied background as a self made Industrialist. He imparts solutions to problems, foresight and vision in Marketing and Planning. This insight experience has largely contributed to the Company's progress in present competitive environment.

5. Remuneration proposed : As per the draft resolution.

6. Industry Trend :

The Company can be broadly classified as an Engineering Industry and there are many large corporate houses in this Industry, where the remuneration is substantially higher in line with their turnover and profits. The Company could be classified as a medium sized engineering company and considering its size in terms of turnover and profits, the proposed remuneration could be considered to be reasonable. The proposed remuneration being minimum payable as per schedule XIII of Companies Act, 1956, which is in comparison with prevailing remuneration payable to the managerial person in the industry. It may kindly be noted that there is no substantial revision in the remuneration but restructuring the same by increasing the monthly salary from Rs.80,000/- to Rs.3,00,000/- per month

SHRI B. G. GANDHI

1. Background details:

Shri B. G. Gandhi was appointed as Joint Managing Director of the Company for a period of 5 years from 1/01/2002 to 31/12/2006 by the Members of the Company at their 17th Annual General Meeting (AGM) convened on 30th July 2002. Now it is proposed to revise and restructure the present remuneration package considering the requirements of Schedule XIII to the Companies Act, 1956.

2. Past remuneration :

- (a) The remuneration approved by members of the Company at AGM convened on 30th July 2002 was Rs.80,000/- p.m. plus perquisites as per schedule XIII of the Companies Act, 1956 for a period of 5 years w.e.f. 01/01/2002. If the Company makes an adequate profit then the appointee was eligible to draw the remuneration by way of commission within an aggregate limit of 5% of the net profits as calculated in accordance with the provisions of the Act.
- (b) The remuneration has not been revised since the date of appointment of the appointee even though there was an enabling provision in the terms of his appointment.

3. Recognition and Awards :

Shri B.G.Gandhi has a rich and extensive experience of production and his innovative vision and commitment has enabled the Company steer through the most difficult times the Company had faced in its initial years.

4. Job Profile and his suitability :

As a Joint Managing Director of the Company and being associated for the last 17 years, he has been responsible for the production. He has traveled extensively and is personally responsible for the selection of world class machineries to suit the production of the Company and instrumental in automising and updation of machineries for optimum production. He is in control of day to day production and quality output with the highest efficiency for Halol (Gujarat) and Pune (Maharashtra) Units.

5. Remuneration proposed: As per the draft resolution.

6. Industry Trend :

The Company can be broadly classified as an Engineering Industry and there are Multinational and large corporate houses in this Industry, where the remuneration is substantially higher in line with their turnover and profits. The Company could be classified as a medium sized engineering company and considering its size in terms of turnover and profits, the proposed remuneration could be considered to be reasonable. The proposed remuneration being minimum payable as per schedule XIII of Companies Act, 1956, which is in comparison with prevailing remuneration payable to the managerial person in the industry. It may kindly be noted that there is no substantial revision in the remuneration but restructuring the same by increasing the monthly salary from Rs.80,000/- to Rs.3,00,000/- per month

III. OTHER INFORMATION

(1) Reasons of loss or inadequate profits :

The Company is earning sufficient and adequate profits and the proposed aggregate remuneration of the Managing Director and the Jt. Managing Director is within the stipulated limit of 10% of the net profits of the Company. However, the present special resolution is proposed by way of abundant caution to enable the Company to pay minimum remuneration as proposed, in the unlikely eventuality of the Company's profits becoming inadequate during the remaining terms of the Managing Director and the Jt. Managing Director.

(2) Steps taken or proposed to be taken for improvement :

NOT APPLICABLE

(3) Expected increase in productivity and profits in measurable terms :

NOT APPLICABLE

The revised overall remuneration is in accordance with the provisions of Section I of Part II of Schedule XIII to the Companies Act, 1956 and the minimum remuneration is in accordance with the provisions of Section II of Part II of the Schedule XIII to the Companies Act, 1956 and subject to the overall limit of 10% (5% for each) of the net profits of the Company for each financial year computed in the manner prescribed in Section 349 & 350 of the Companies Act, 1956.

Your Board of Directors recommends the Special Resolutions as set out under item no. 5 and 6 of the Notice for your approval.

Shri M. G. Gandhi and Shri B. G. Gandhi are interested in the above variation in the terms of their respective remuneration as also they being related to each other. Shri Jayesh Gandhi, Director is also interested being related the Managing Director and the Jt. Managing Director. No other Director is concerned or interested in the said variation.

THIS MAY ALSO BE TREATED AS ABSTRACT OF THE REVISION IN REMUNERATION PAYABLE TO THE MANAGING DIRECTOR, SHRI MANHAR G. GANDHI AND JOINT MANAGING DIRECTOR, SHRI BHUPATRAI G. GANDHI PURSUANT TO SECTION 302 OF THE COMPANIES ACT, 1956.

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: 20th May, 2005

GANDHI SPECIAL TUBES LIMITED

DIRECTORS' REPORT

To
The Members,

Your Directors have pleasure in presenting their Twentieth Annual Report together with the Audited Accounts for the year ended on 31st March, 2005.

1. FINANCIAL RESULTS

	(Rs. in Lacs)	
	31.03.2005	31.03.2004
Sales and Other Income	4760.39	3606.45
Profit before Tax	1490.19	954.54
Less: Provision for Taxation		
- Current Tax	535.28	232.31
- Deffered Tax	(26.87)	105.22
Profit after Tax	983.63	590.01
Interim Dividend	220.48	183.73
Corporate Dividend Tax	28.81	23.54
Earning Per Share	13.38	8.03

The year ended 31st March, 2005 has been a year of exceptional and outstanding performance for the Company. Your Company has exceeded the performance of the previous year on all counts. The total revenue increased by 32% from Rs.3606.45 Lacs in the FY 2003-04 to Rs.4760.39 Lacs in current year, whereas the Profit After Tax (PAT) of Rs. 983.63 Lacs registered a growth of 67 % over F.Y. 2003-04. Your Company has achieved its best ever financial results, in highly competitive market, by continuously focusing on enhancing its operational competencies, productivity improvement, quality standard and cost reduction.

2. DIVIDEND

An interim dividend of 30% amounting to Rs.220.48 lacs for the year ended 31st March, 2005, has been paid by the Board of Directors of the Company on 21st February, 2005. As there was no significant change in the final profits for 2004-2005, your Directors recommend that the Interim Dividend may be confirmed as 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 D.S.Shah retires by rotation and being eligible offers himself 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