

21ST
ANNUAL REPORT
2005-2006



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 : VILLAGE NURPURA
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 : HDFC BANK LTD., MUMBAI

COMPANY LAW CONSULTANTS : DHOLAKIA & ASSOCIATES
COMPANY SECRETARIES

DETAILS OF STOCK EXCHANGE : COMPANY'S EQUITY SHARES ARE LISTED ON
THE BOMBAY STOCK EXCHANGE LIMITED

LISTING FEES : LISTING FEES PAID FOR THE YEAR 2006-07

NOTICE OF THE TWENTY FIRST ANNUAL GENERAL MEETING

NOTICE is hereby given that the Twenty First Annual General Meeting of the members of GANDHI SPECIAL TUBES LIMITED will be held on Saturday the 23rd day of September 2006 at 11.00 a.m. at Kanji Khetsey Sabhagriha, Bhartiya 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 31st March, 2006, 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 J.M.Mehta who retires by rotation and being eligible offers himself for reappointment.
4. To appoint Director in place of Shri Kavas 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 an Special Resolution:

"RESOLVED THAT pursuant to the provisions of Sections 198, 269, 309, Schedule XIII and other applicable provisions of the Companies Act, 1956, Shri M.G.Gandhi be and is hereby re-appointed as Managing Director of the Company for a further period of three years with effect from 1st January, 2007 on the terms and conditions including remuneration as set out in the draft agreement submitted to this meeting and signed by the Chairman for the purpose of identification which agreement is hereby specifically sanctioned with a liberty to the Directors to alter and vary the terms and conditions of the said appointment and / or agreement, so as not to exceed the limits of remuneration, if any, specified in Schedule XIII to the Companies Act, 1956 or any amendments thereto, as may be agreed to between the Directors and Shri M.G.Gandhi.

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

"RESOLVED THAT pursuant to the provisions of Sections 198, 269, 309, Schedule XIII and other applicable provisions of the Companies Act, 1956, Shri B.G.Gandhi be and is hereby re-appointed as Joint Managing Director of the Company for a further period of three years with effect from 1st January, 2007 on the terms and conditions including remuneration as set out in the draft agreement submitted to this meeting and signed by the Chairman for the purpose of identification which agreement is hereby specifically sanctioned with a liberty to the Directors to alter and vary the terms and conditions of the said appointment and / or agreement, so as not to exceed the limits of remuneration, if any, specified in Schedule XIII to the Companies Act, 1956 or any amendments thereto, as may be agreed to between the Directors and Shri B.G.Gandhi.

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 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 KARVY COMPUTERSHARE PRIVATE LIMITED having its Registered office

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at Karvy House No. 46, Avenue 4, Street No. 1, Banjara Hills, Hyderabad 500 034 and branch office at "24", Maharashtra Chamber of Commerce Lane, Above Parkeen, Opp. MSC Bank, Fort, Mumbai-400 023 as the Registrar and Share Transfer Agents in respect of both Physical and Electronic Mode and to keep the Register of Beneficial Owner 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 branch office of Karvy Computershare Private Limited, the Registrars & Share Transfer Agents of the Company, situated at "24", Maharashtra Chamber of Commerce Lane, Above Parkeen, Opp. MSC Bank, Fort, Mumbai-400 023 on and from 1st February, 2006 instead of at the Registered Office of the Company."

"RESOLVED FURTHER THAT the said documents be kept open for inspection at branch office of Karvy Computershare Private Limited, situated at "24", Maharashtra Chamber of Commerce Lane, Above Parkeen, Opp. MSC Bank, Fort, Mumbai-400 023 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."

"RESOLVED FURTHER THAT the Board of Directors of the Company be and are hereby authorized to do all such acts, deeds, matters and things as they may in their absolute discretion deem necessary, expedient, usual and proper in this regard."

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: 25th July, 2006

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. **Explanatory Statement pursuant to Section 173(2) of the Companies Act, 1956 in respect of the Special Business to be transacted at the annual general meeting is annexed hereto and forms part of this notice.**
3. The Register of Members and Share Transfer Books of the Company will be closed from THURSDAY the 21st September 2006 to SATURDAY the 23rd September 2006 (both days inclusive).
4. All the documents referred to in the Notice 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. 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, KARVY COMPUTERSHARE PVT 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.
6. 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, 1999 dividend which remains unpaid or unclaimed for a period of seven years will be transferred to the Investor Education and Protection Fund (IEPF) of the Central Government. Members who have not encashed their dividend warrant(s) for the financial year ended 31st March, 1999 along with Interim Dividend for the year 1999-2000, 2002-03, 2003-04, 2004-05, 2005-06 and Dividend for the years 2000-2001, 2001-2002 are requested to write to the Company's Share Department at its Registered Office. Kindly note that once the unclaimed/unpaid Dividend is transferred to the IEPF, members will not be entitled to claim such dividend either from the Company or IEPF.
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.
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 obtained from the Company's Share Department)

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duly filled in and signed by them to the Company's Registrar & Share Transfer Agent 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.**
13. The Company has appointed KARVY COMPUTERSHARE PRIVATE LIMITED having its office at Karvy House, No. 46, Avenue 4, Street No. 1, Banjara Hills, Hyderabad 500034 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 Agent.
14. As required by Clause 49 of the Listing Agreement signed by the Company with the Stock Exchange, Mumbai, brief profile of the Directors retiring by rotation and eligible for re-appointment is given below:

Name of the Director	Shri J. M. Mehta
Date of Birth	05.07.1937
Date of Appointment	28.06.1985
Experience in specific functional areas	He is an eminent solicitor and Senior Partner of M/S BHAISHANKAR KANGA & GIRDHARLAL, a reputed firm of Advocates, Solicitors and Notaries. He is a law graduate from Mumbai University and a member of Bombay Incorporated Law Society. He has over 40 years of experience as an Advocate and Solicitor.
Qualification	Solicitor
Directorship in other Companies	One
Chairman/Member of the Committees of the Board of Directors of the Company	Chairman – Board of Directors Chairman – Investor Grievance Committee & Remuneration Committee
Chairman/Member of the Committees of the Board of Directors of the other Companies in which he is a Director	Nil
No. of Shares held in the Company	Nil

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Name of the Director	Shri K. N. Warden
Date of Birth	22.08.1935
Date of Appointment	03.06.1988
Experience in specific functional areas	He is a qualified Engineer having done his B.E. (Mechanical) from Pune University. He started his career as an Engineer. He was associated with STEEL AGE INDUSTRIES LTD. for 35 years. He was overall incharge of all the operations of the Company's Plants at Mumbai, Ahmedabad and Halol. He was also looking after Business Development. He retired as Executive Director of Steel Age Industries Ltd. and at Present providing Technical Consultancy Services.
Qualification	B.E. (Mechanical)
Directorship in other Companies	One
Chairman/ Member of the Committees of the Board of Directors of the Company	Member- Investor Grievance Committee
Chairman/ Member of the Committees of the Board of Directors of the other Companies in which he is a Director	Nil
No. of Shares held in the Company	13000

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: 25th July, 2006

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

Item No. 6 & 7

The present terms of Shri M.G.Gandhi as Managing Director and Shri B.G.Gandhi as Joint Managing Director will expire on 31st December 2006.

The Board of Directors of the Company at its Meeting held on 25th July, 2006 re-appointed Shri M.G.Gandhi and Shri B.G.Gandhi as Managing Director and Joint Managing Director respectively of the Company, with effect from 1st January 2007 for a further period of Three Years, subject to the approval of the Company in General Meeting in accordance with Schedule XIII of the Act. The terms and conditions including remuneration payable to Shri M.G.Gandhi and Shri B.G.Gandhi are set out in the draft Agreements to be entered into by the Company with Shri M.G.Gandhi and Shri B.G.Gandhi contain inter alia the following terms and conditions.

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 and Shri B.G.Gandhi, Jt.Managing Director, in any financial year shall not exceed 10% (Ten 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 and Shri B.G.Gandhi, Jt.Managing Director, the company has no profits or its profits are inadequate, the remuneration payable to Shri M.G.Gandhi, Managing Director and 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 M.G.Gandhi, Managing Director and 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 decided by the Board of Directors at the time of adoption of accounts, but not exceeding the ceiling in respect of overall remuneration as prescribed under Section 198 and 309 of the Companies Act, 1956.

Other Terms and Conditions

- a) Leave: 30 working days leave (travelling time included) once in every year of service, with encashment of unavailed leave at the end of their 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 M.G.Gandhi and 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 M.G.Gandhi and Shri B.G.Gandhi shall not be liable to retire by rotation.

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	: 1800 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 Windmills with capacity of 1.25 MW & 0.350 MW at Bhogat, Navadara in Gujarat State and Two Windmills with a capacity of 1.25 MW each at Sangli in Maharashtra State.

Outstanding Achievements:

The Company has obtained certification as per an ISO 2000 and TS 16949/2000 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 31/3/2006)

Sr. No.	Particulars	Year ended 31/03/2006 Rs. Lacs	Year ended 31/03/2005 Rs. Lacs
1	Total Income	5689.71	4760.39
2	PBDIT	2197.96	1832.14
3	Depreciation	343.45	341.95
4	PBT	1854.52	1490.19
5	Taxation	236.24	508.40
7	PAT	1614.29	983.63

KEY FINANCIAL RATIOS

Sr. No.	Particulars	Year ended 31/03/2006 Rs. Lacs	Year ended 31/03/2005 Rs. Lacs
1	Total Income to Profit before interest, depreciation and tax	38.63%	38.49%
2	Total Income to Profit before tax	32.59%	31.30%
3	Current Ratio	4.06	3.58
4	Debt Equity Ratio	0.02	0.04

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(5) Export Performance and net foreign exchange collaborations

	As on 31/03/2006 (Rs. In Lacs)	As on 31/3/2005 (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 158875 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.

2) Past remuneration:

As per approval granted by the members of the Company at their 17th AGM held on 30th July 2002, the Managing Director was entitled to overall remuneration of not exceeding 5% of the Net Profits of the Company in any financial year. Within the said overall remuneration the Managing Director was entitled to a remuneration of Rs.80,000/- p.m. plus perquisites as per schedule XIII of the Companies Act, 1956 which was revised to Rs.3,00,000/- p.m. as approved by members of the Company at 20th AGM held on 5th July 2005. If the Company earns 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.

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. 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 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.