

22ND
ANNUAL REPORT
2006-2007



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 – 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 &
NATIONAL STOCK EXCHANGE OF INDIA LIMITED

LISTING FEES : LISTING FEES PAID FOR THE YEAR 2007-08

7-YEAR FINANCIAL HIGHLIGHTS:

(Rs Lacs)

Particulars	2000-01	2001-02	2002-03	2003-04	2004-05	2005-06	2006-07
Net Sales	2549.95	2382.27	2954.08	3437.86	4541.43	5428.45	6015.21
Total Income	2661.15	2516.58	3130.92	3610.50	4797.60	5700.90	6251.15
EBIDTA (Earning Before Dep., Interest & Tax)	708.94	711.11	886.50	1254.00	1832.14	2197.95	2344.76
Depreciation	135.09	137.54	216.91	297.77	341.95	343.45	408.53
Profit After Taxation	341.84	377.05	431.36	590.01	983.63	1614.29	1287.13
Equity Dividend (%)	15.00	12.00	15.00	25.00	30.00	40.00	40.00
Dividend Payout	110.24	88.19	110.24	183.73	220.48	293.97	293.97
Equity Share Capital	734.93	734.93	734.93	734.93	734.93	734.93	734.93
Reserves & Surplus	1500.45	1454.93	1777.61	2160.34	2894.68	4173.77	5125.69
Net Worth	2235.38	2189.87	2512.54	2895.27	3629.61	4908.70	5860.62
Gross Fixed Assets	2994.98	3081.52	3351.36	3945.55	4196.12	5460.70	6704.75
Net Fixed Assets	1449.88	1400.97	1579.82	1876.35	1808.76	2746.10	3605.07

KEY INDICATORS

(Rs Lacs)

Particulars	2000-01	2001-02	2002-03	2003-04	2004-05	2005-06	2006-07
Earning per share	4.65	5.13	5.87	8.03	13.38	21.97	17.51
Turnover per share - Rs.	34.70	32.41	40.20	46.78	61.79	73.86	81.85
Book Value per share	30.42	29.80	34.19	39.40	49.39	66.79	79.74
Debt/Equity Ratio	0.14:1	0.13:1	0.09:1	0.06:1	0.04:1	0.02:1	0.01:1
Net Profit Margin %	13.41	15.83	14.60	17.16	21.66	29.74	21.40
EBDITA/Net Sales %	3.60	3.35	3.33	2.74	2.48	2.47	2.57

GANDHI SPECIAL TUBES LIMITED

NOTICE OF THE TWENTY SECOND ANNUAL GENERAL MEETING

NOTICE is hereby given that the Twenty Second Annual General Meeting of the members of GANDHI SPECIAL TUBES LIMITED will be held on Tuesday the 24th day of July 2007 at 11.00 a.m. at Kanji Khetsey Sabhagriha, Bharatiya Vidya Bhavan, K.M.Munshi Marg, Mumbai 400 007, to transact the following business:

1. To receive, consider and adopt the Balance Sheet as at 31st March, 2007, 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 Jayesh M.Gandhi who retires by rotation and being eligible offers himself for reappointment.
4. 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: 2nd May, 2007

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 Friday, the 20th July, 2007 to Tuesday, the 24th July, 2007 (both days inclusive).
3. 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.
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. ECS Mandates has to be sent to the concerned Depository Participant directly.
5. Members holding shares in physical form and desiring to receive Dividend payment through ECS may send their ECS Mandate Form, duly filled in, to the Company's R & T Agents "KARVY COMPUTERSHARE PVT. LTD." (for **ECS Mandate Form See Annexure I**). Members holding shares in physical form are also requested to notify any change in their address, bank accounts etc. to the R & T Agents, KARVY COMPUTERSHARE PVT. LTD.
6. With a view to prevent fraudulent encashment of dividend warrants, members holding shares in physical form and desiring not to opt for payment of dividend through ECS are advised to furnish to the R & T Agent "KARVY COMPUTERSHARE PVT. LTD." the particulars of their bank account with a request to incorporate the same in the dividend warrant.
7. 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. Accordingly, the company has already transferred to IEPF all unclaimed/unpaid dividends in respect of the financial years up to 1998-99.

The last date for lodging claim with the Company for Interim Dividend for the year 1999-2000 was 27.03.2007. The unclaimed dividend will be transferred to Investor Education & Protection Fund (IEPF) of the Central Government on or after 12.05.2007, and before 11.06.2007.

Members who have not encashed their dividend warrant(s) for the financial year ended 31st March, 2001 along with Interim Dividend for the year 2002-03, 2003-04, 2004-05, 2005-06, 2006-07 and Dividend for the year 2001-02 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.
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.

GANDHI SPECIAL TUBES LIMITED

10. Members are hereby informed that the trading in the Shares of the Company is 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. (See Annexure II)
- 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 Agents.
14. As required by Clause 49 of the Listing Agreement signed by the Company with the Bombay Stock Exchange Ltd (BSE) and National Stock Exchange of India Ltd (NSE), brief profile of the Director retiring by rotation and eligible for re-appointment is given below:

Name of the Director	Shri Jayesh M. Gandhi
Date of Birth	20.11.1965
Date of Appointment	07.05.1998
Experience in specific functional areas	He has a rich experience of Manufacturing Fuel Injection, Diesel Engine Parts, etc,. He has also good knowledge of EDP and General Management. He has successfully implemented the ERP System in our Company.
Qualification	B.Com, MBA
Directorship in other Companies	Two
Chairman/Member of the Committees of the Board of Directors of the Company	Member- Audit Committee
Chairman/Member of the Committees of the Board of Directors of the other Companies in which he is a Director	1. Jaishri Engineering Pvt. Ltd 2. B.M. Gandhi Investment Company Pvt. Ltd
No. of Shares held in the Company	468183 Equity Shares of Rs. 10/- each

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: 2nd May, 2007

DIRECTORS' REPORT

To
The Members,

Your Directors have pleasure in presenting their Twenty Second Annual Report together with the Audited Accounts for the year ended on 31st March, 2007

1. FINANCIAL RESULTS

	(Rs. in Lacs)	
	31.03.2007	31.03.2006
Sales and Other Income	6229.48	5689.72
Profit before Tax	1936.23	1854.52
Less: Provision for Taxation		
- Current Tax	550.32	380.27
- Deferred Tax	81.06	(146.54)
- Fringe Benefit Tax	2.25	2.50
Taxation/ Depreciation adjustments of previous years	15.47	3.98
Profit after Tax	1287.13	1614.29
Interim Dividend	293.97	293.97
Corporate Dividend Tax	41.23	41.23
Earning Per Share	17.51	21.97

The Company continued its march on the path of growth during the year. The Sales & other income increased by 9.47% over the previous year. The Profit before tax increased by 4.41% but the Profit after tax declined by 20% due to increase in provision for Taxation.

There is unexpected increase in demand for Seamless Tubes on account of boom in Automobile and General Engineering Industries. To meet this demand, the Company has decided to double its capacity for Seamless Tubes for which the Company has incurred / committed capital expenditure towards additional Land and Building of approx. Rs. 4 Crores and new Plant & Machineries of approx. Rs. 10 Crores.

2. DIVIDEND

An interim dividend of 40% amounting to Rs.293.97 Lacs for the year ended 31st March, 2007, was paid by the Board of Directors of the Company on 15th February, 2007. As there has been no significant change in the final profits for 2006-2007, your Directors recommend that the Interim Dividend 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 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 Jayesh M. Gandhi is liable to retire by rotation and not being disqualified under Section 274 of the Companies Act, 1956 offers himself for reappointment.

GANDHI SPECIAL TUBES LIMITED

6. DIRECTORS' RESPONSIBILITY STATEMENT

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

- i) in the preparation of the annual accounts, the applicable accounting standards have been followed and that there are no material departures;
- ii) they have selected such accounting policies and applied them consistently and made judgments and estimates that are reasonable and prudent 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;
- iii) they have taken proper and sufficient care 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
- iv) the annual accounts have been prepared on a going concern basis.

7. LISTING OF SHARES WITH NATIONAL STOCK EXCHANGE OF INDIA LTD.

During the year National Stock Exchange of India Ltd. (NSE) has permitted the Company's securities for trading w.e.f. 31st January, 2007 and the members of the Exchange are allowed to do the business in the Equity shares of the Company. The Company's equity shares continue to remain listed on Bombay Stock Exchange Limited (BSE).

The Company has paid the listing fees for the year 2007-08 for both the Stock Exchanges.

8. 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.

9. 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.

10. 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.

11. 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 in making the year 2006-07 an all round success.

For and on behalf of the Board of Directors

J. M. MEHTA
Chairman

Place : Mumbai
Date : 2nd May, 2007

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 2007

I. Conservation of Energy**a. Energy conservation measures taken:**

It is the Company's policy to pursue reduction of energy consumption in its manufacturing process on an ongoing basis. All the employees / workmen have been specifically directed to shut off power when not in use.

b. Additional investments and proposals, if any, being implemented for reduction of consumption of energy:

While selecting plant and machineries for the ongoing expansion project, the Company has taken care to install energy efficient motors, pumps, gear boxes etc.

During the year the Company has installed two Diesel Generator Sets with total capacity aggregating to 500 KVA costing Rs. 24.43 Lacs.

c. Impact of the measures at (a) and (b) above for reduction of energy consumption and consequent impact on cost of production of goods:

Various initiatives taken by the Company for energy conservation have yielded considerable energy savings.

FORM - A

A. POWER AND FUEL CONSUMPTION

Sr. No.	Particulars	Unit	2006-07	2005-06
1.	Electricity Purchased			
	Units Purchased	Lacs KWH	39.24	37.22
	Total Amount	Rs. Lacs	200.10	183.72
	Average Rate / KWH	Rupees	5.10	4.94
2.	LPG Consumed			
	Quantity Consumed	Tonnes	1006.65	909.09
	Total Amount	Rs. Lacs	296.72	261.87
	Average Rate / Tonne	Rupees	29475.86	28454.95

B. CONSUMPTION PER UNIT OF PRODUCTION

Sr. No.	Particulars	Unit	2006-07 Per Tonne	2005-06 Per Tonne
1.	Electricity*	KWH	975.144	1011.406
2.	LPG**	Tonne	0.265	0.264

* Indicates combined consumption of Welded / Seamless Tubes and Nuts

** Indicates combined consumption of Welded and Seamless Tubes

GANDHI SPECIAL TUBES LIMITED

II. Research and Development and Technology Absorption

A. RESEARCH AND DEVELOPMENT

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

The Company is undertaking routine developmental activities to improve efficiency of production and quality of finished products.

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

Company is achieving reduction in production cost and improvement in quality of product.

(3) FURTHER PLAN OF ACTION

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 are no foreign exchange earnings during the year under review. The information on Foreign Exchange outgo is contained in Schedule 19, Paras 11 of the Notes to the Accounts.

For and on behalf of the Board of Directors

J. M. MEHTA
Chairman

Place : Mumbai

Date : 2nd May, 2007