

**24<sup>TH</sup>  
ANNUAL REPORT  
2008-2009**



**GANDHI SPECIAL TUBES LIMITED**

## **GANDHI SPECIAL TUBES LIMITED**

**BOARD OF DIRECTORS :** MANHAR G. GANDHI  
*Chairman & Managing Director*

BHUPATRAI G. GANDHI  
*Joint Managing Director*

DHIRAJLAL S. SHAH  
*Director*

KAVAS N. WARDEN  
*Director*

DHARMEN B. SHAH  
*Director*

JAYESH M. GANDHI  
*Director*

**AUDIT COMMITTEE :** DHIRAJLAL S. SHAH  
*Chairman*

DHARMEN B. SHAH  
*Director*

JAYESH M. GANDHI  
*Director*

**COMPANY SECRETARY :** SHYAMKUMAR MISRA

**REGISTERED OFFICE :** JARIWALA MANSION  
43, K.M.MUNSHI MARG,  
NEAR BHARTIYA VIDYABHAVAN  
MUMBAI 400007  
Tel No: 23634179, 23634183, 23635042

**WORKS :** VILLAGE NURPURA  
TALUKA- HALOL, DIST: PANCHMAHAL  
GUJARAT - 389350

**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 BOMBAY STOCK EXCHANGE LTD &  
NATIONAL STOCK EXCHANGE OF INDIA LTD

**LISTING FEES :** LISTING FEES PAID FOR THE YEAR 2009-10

**7-YEARS FINANCIAL HIGHLIGHTS**

Particulars	2002-03	2003-04	2004-05	2005-06	2006-07	2007-08	2008-09
Net Sales	2,954.08	3,437.86	4,541.43	5,428.45	6,015.21	7,623.13	5,606.96
Total Income	3,130.92	3,610.48	4,797.64	5,700.92	6,251.15	7,998.65	6,287.71
EBIDTA (Earning Before Dep, Interest & Tax)	886.50	1,254.00	1,832.14	2,197.95	2,344.76	3,148.09	2,854.89
Depreciation	216.91	297.77	341.95	343.45	408.53	463.32	535.85
Profit After Taxation	431.36	590.01	983.63	1,614.29	1,287.13	1,884.42	1,592.75
Equity Dividend (%)	15.00	25.00	30.00	40.00	40.00	50.00	50.00
Dividend Payout	110.24	183.73	220.48	293.97	293.97	367.46	367.46
Equity Share Capital	734.93	734.93	734.93	734.93	734.93	734.93	734.93
Reserves & Surplus	1,777.61	2,160.34	2,894.68	4,173.77	5,125.69	6,580.20	7,743.03
Net Worth	2,512.54	2,895.27	3,629.61	4,908.70	5,860.62	7,315.13	8,477.96
Gross Fixed Assets	3,351.36	3,945.55	4,196.12	5,460.70	6,704.75	8,466.77	8,702.26
Net Fixed Assets	1,579.82	1,876.35	1,808.76	2,746.10	3,605.07	4,958.92	4,688.87

**KEY INDICATORS**

Particulars	2002-03	2003-04	2004-05	2005-06	2006-07	2007-08	2007-08
Earning per share	5.87	8.03	13.38	21.97	17.51	12.82*	10.84*
Turnover per share - Rs.	40.20	46.78	61.79	73.86	81.85	51.86	38.15
Book Value per share	34.19	39.40	49.39	66.79	79.74	49.77	57.68
Debt/Equity Ratio	0.09	0.06	0.04	0.02	0.01	0.0007	0.0034
Net Profit Margin %	14.60	17.16	21.66	29.74	21.40	24.72	28.41
EBDIT/ Net Sales %	30.01	36.48	40.34	40.49	38.98	41.30	50.92

\* During the year 2007-08, the Company has split the paid up value of its equity shares of the face value of Rs.10/- each into equity of share of Rs. 5/- each, Accordingly, EPS for the year 2007-08 & 2008-09 has been restated, as per the AS 20 "Earning Per Share"

**NOTICE OF THE TWENTY FOURTH ANNUAL GENERAL MEETING**

**NOTICE** is hereby given that the Twenty Fourth Annual General Meeting of the members of GANDHI SPECIAL TUBES LIMITED will be held on Thursday the 23rd day of July 2009 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, 2009, 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 K. N. Warden, 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: 14th May, 2009

**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 Wednesday the 22nd July, 2009 to Thursday the 23rd July, 2009 (both days inclusive)
3. 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 Mandate has to be sent to the concerned Depository Participant directly.
4. 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."
5. The Company's equity shares of Rs.10/- each have been sub-divided into 2 (Two) equity shares of Rs.5/- each. Members holding shares in the Company in physical mode are requested to send the old share certificates of Rs.10/- each at the Company's Registered Office at Mumbai for exchanging the same with new share certificate of Rs.5/- each.
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, the Company has transferred to Investors Education and Protection Fund (IEPF) all unclaimed/ unpaid dividends in respect of the financial years up to 2000-2001.

The last date for lodging claim with the Company for Interim Dividend for the year 2001-2002 is 29.07.2009. The unclaimed dividend will be transferred to Investor Education & Protection Fund (IEPF) of the Central Government on or after 05.9.2009 and before 04.10.2009. Members who have not encashed their dividend warrant(s) for the financial year ended 31st March, 2002 to 31st March 2009 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.
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.

## GANDHI SPECIAL TUBES LIMITED

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) 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. 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 proposed to be appointed / re-appointed at the annual general meeting is given below:

<b>Name of the Director</b>	Shri K. N. Warden
<b>Date of Birth</b>	22.08.1935
<b>Date of Appointment</b>	03.06.1988
<b>Experience in specific functional areas</b>	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 in charge 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.
<b>Qualification</b>	B.E. (Mechanical)
<b>Directorship in other Companies</b>	None
<b>Chairman/ Member of the Committees of the Board of Directors of the Company</b>	Member- Remuneration Committee
<b>Chairman/ Member of the Committees of the Board of Directors of the other Companies in which he is a Director</b>	Nil
<b>No. of Shares held in the Company</b>	29289

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: 14th May, 2009

**DIRECTORS' REPORT**

To  
The Members,

Your Directors have pleasure in presenting their Twenty Fourth Annual Report together with the Audited Accounts for the year ended on 31st March, 2009.

**1. FINANCIAL RESULTS**

	(Rs. in Lacs)	
	31.03.2009	31.03.2008
Sales and Other Income	6287.70	7902.37
Profit before Tax	2319.04	2684.77
Less: Provision for Taxation		
- Current Tax	650.17	706.21
- Deferred Tax	74.07	95.98
- Fringe Benefit Tax	2.05	2.75
Prior Year adjustments	—	(4.61)
Profit after Tax	1592.74	1884.42
Interim Dividend	367.46	367.46
Corporate Dividend Tax	62.45	62.45
Earning Per Share	10.84	12.82

Due to slowdown in the overall Indian Economy, particularly in the second half of the financial year under review, your company's performance was adversely affected. Sales of Steel Tubes and Nuts during the year was lower at Rs.5606.96 Lacs vis a vis Rs. 7623.13 Lacs in the previous year, registering a decline of 26.45%. The Profit after Tax was correspondingly lower at Rs. 1592.74 Lacs as against Rs. 1884.42 Lacs in the previous year.

During the year under review, your Company has closed down its Pune Plant with effect from 25th July, 2008. The said plant was engaged mainly in assembly of components transferred from the Company's Halol Plant and supplying the finished products to customers in nearby area. After completion of the expansion project at Halol, the Company had now sufficient resources at Halol Plant to undertake assembly and supply of products to all its customers from the said plant itself. The contribution of the Pune Plant to the total turnover of the Company was not significant. With a view to reduce costs and convenience of controlling the entire production activity at one location, it was decided to close the Pune Plant with effect from 25th July, 2008 after complying with the statutory requirements under the various laws applicable to the said plant.

**2. DIVIDEND**

Based on provisional profit for the ten month period ended on 31st January, 2009, your Board of Directors had paid an interim dividend of Rs. 2.50 per equity share of RS. 5/- each amounting to Rs.367.46 Lacs for the year ended 31st March, 2009. The said interim dividend was paid by the Company on 20th February, 2009. As there has been no significant change in the final profits for the full year ended on 31st March, 2009, 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 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 K. N. Warden, retires by rotation and being eligible and not being disqualified under Section 274 of the Companies Act, 1956, offers himself for reappointment.

**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, in selection of the accounting policies, consulted the Statutory and Internal Auditors and have 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 to the best of their knowledge and ability, 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 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 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 towards Company's customers, bankers, suppliers and our esteemed shareholders for their continued support. Your Directors also wish to place on record their deep sense of appreciation for the committed services of the Workers, Staff and Executives of the Company.

For and On behalf of the Board of Directors

Place: Mumbai  
Date: 14.05.2009

**M.G.GANDHI**  
*Chairman & Managing 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, 2009****I. Conservation of Energy****a. Energy conservation measures taken:**

Conservation of energy is an ongoing exercise being undertaken by the Company. Wherever possible motors and pumps of higher capacity are replaced with motors and pumps of optimum capacity. All the workmen and the staff of the Company are trained to avoid wasteful use of energy by switching off idle machines, and lights.

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

At present the Company is not considering any specific investment for reducing consumption of energy. However, normal investment, wherever required, will be made on need basis from time to time.

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

- i. Saving in energy cost.

**FORM - A****A. POWER AND FUEL CONSUMPTION**

<b>Sr. No.</b>	<b>Particulars</b>		<b>2008-09</b>	<b>2007-08</b>
1.	Electricity Purchased			
	Units Purchased	Lacs KWH	<b>36.51</b>	51.71
	Total Amount	Rs. Lacs	<b>232.58</b>	279.49
	Average Rate / KWH	Rupees	<b>6.37</b>	5.41
2.	LPG Consumed			
	Quantity Consumed	Tonnes	<b>25.00</b>	439.49
	Total Amount	Rs. Lacs	<b>10.89</b>	140.71
	Average Rate / Tonne	Rupees	<b>43561.44</b>	32017.73
3.	PROPANE Consumed			
	Quantity Consumed	Tonnes	<b>673.11</b>	1114.22
	Total Amount	Rs. Lacs	<b>314.31</b>	367.28
	Average Rate / Tonne	Rupees	<b>45023.13</b>	32962.83
4.	GSPC Gas Consumed			
	Quantity Consumed	SCM	<b>126673.410</b>	Nil
	Total Amount	Rs. Lacs	<b>30.87</b>	Nil
	Average Rate / SCM	Rupees	<b>17.55</b>	N.A.

## GANDHI SPECIAL TUBES LIMITED

### B. CONSUMPTION PER UNIT OF PRODUCTION

Sr. No.	Particulars		2008-09 Per Tonne	2007-08 Per Tonne
1.	Electricity*	KWH	1199.35	1073.05
2.	LPG/PROPANE/GSPC GAS**	Tonne	0.280	0.336@

\* Indicates combined consumption of Welded / Seamless Tubes and Nuts.

\*\* Indicates combined consumption of Welded and Seamless Tubes.

@ Indicates only LPG & PROPANE consumption.

### 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 regular developmental activities to strengthen company's operations through innovation to improve productivity and quality.

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

Company is achieving efficiency in production, 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

The Company has not made separate allocation in the accounts, but the expenditure (other than capital expenditure) is 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 as under:

Foreign Exchange Earnings	Rs. 17.82 Lacs
Foreign Exchange Outgo	Rs. 1317.61 Lacs

For and on behalf of the Board of Directors

**M.G.GANDHI**

*Chairman & Managing Director*

Place: Mumbai

Date: 14.05.2009