

**10 YEARS FINANCIAL HIGHLIGHTS**

| Particulars                                 | (Rs. Lakhs) |          |          |          |          |          |          |          |          |           |
|---|-------------|----------|----------|----------|----------|----------|----------|----------|----------|-----------|
|   | 2000-01     | 2001-02  | 2002-03  | 2003-04  | 2004-05  | 2005-06  | 2006-07  | 2007-08  | 2008-09  | 2009-10   |
| Net Sales                                   | 2,549.95    | 2,382.27 | 2,581.85 | 3,437.86 | 4,541.43 | 5,428.45 | 6,015.21 | 7,623.13 | 5,606.96 | 7,549.17  |
| Total Income                                | 2,661.15    | 2,516.58 | 2,719.12 | 3,610.48 | 4,797.64 | 5,700.92 | 6,251.15 | 7,998.65 | 6,287.71 | 8,750.36  |
| EBIDTA (Earning Before Dep, Interest & Tax) | 708.93      | 711.11   | 886.50   | 1,252.30 | 1,832.14 | 2,197.95 | 2,344.76 | 3,148.09 | 2,854.89 | 4,147.43  |
| Depreciation                                | 135.09      | 137.54   | 216.91   | 297.77   | 341.95   | 343.45   | 408.53   | 463.32   | 535.85   | 508.26    |
| Profit After Taxation                       | 341.84      | 377.05   | 447.03   | 590.01   | 983.63   | 1,614.29 | 1,287.13 | 1,884.42 | 1,592.75 | 2,533.31  |
| Equity Dividend (%)                         | 12.00       | 15.00    | 15.00    | 25.00    | 30.00    | 40.00    | 40.00    | 50.00    | 50.00    | 100.00    |
| Dividend Payout                             | 88.19       | 110.24   | 110.24   | 183.73   | 220.48   | 293.97   | 293.97   | 367.46   | 367.46   | 734.92    |
| Equity Share Capital                        | 734.93      | 734.93   | 734.93   | 734.93   | 734.93   | 734.93   | 734.93   | 734.93   | 734.93   | 734.93    |
| Reserves & Surplus                          | 1,500.45    | 1,454.93 | 1,777.61 | 2,160.34 | 2,894.68 | 4,173.77 | 5,125.69 | 6,580.20 | 7,743.03 | 9,416.50  |
| Net Worth                                   | 2,235.38    | 2,189.86 | 2,512.54 | 2,895.27 | 3,629.61 | 4,908.70 | 5,860.62 | 7,315.13 | 8,477.96 | 10,151.43 |
| Gross Fixed Assets                          | 2,994.98    | 3,081.52 | 3,351.36 | 3,945.55 | 4,196.12 | 5,460.70 | 6,704.75 | 8,466.77 | 8,702.26 | 8,692.18  |
| Net Fixed Assets                            | 1,449.88    | 1,400.97 | 1,579.82 | 1,876.35 | 1,808.76 | 2,746.10 | 3,605.07 | 4,958.92 | 4,688.87 | 4,210.81  |

**Key Indicators**

| Particulars              | 2000-01 | 2001-02 | 2002-03 | 2003-04 | 2004-05 | 2005-06 | 2006-07 | 2007-08 | 2008-09 | 2009-10 |
|--------------------------|---------|---------|---------|---------|---------|---------|---------|---------|---------|---------|
| Earning per share        | 4.65    | 5.13    | 5.87    | 8.03    | 13.38   | 21.97   | 17.51   | 12.82*  | 10.84*  | 17.24*  |
| Turnover per share - Rs. | 34.70   | 32.41   | 35.13   | 46.78   | 61.79   | 73.86   | 81.85   | 51.86   | 38.15   | 51.36   |
| Book Value per share     | 30.42   | 29.80   | 34.19   | 39.40   | 49.39   | 66.79   | 79.74   | 49.77   | 57.68   | 69.06   |
| Debt/Equity Ratio        | 0.42    | 0.38    | 0.32    | 0.24    | 0.19    | 0.15    | 0.12    | 0.08    | 0.04    | 0.00    |
| Net Profit Margin %      | 13.41   | 15.83   | 17.31   | 17.16   | 21.66   | 29.74   | 21.40   | 24.72   | 28.41   | 33.56   |
| EBDIT/ Net Sales %       | 27.80   | 29.85   | 34.34   | 36.43   | 40.34   | 40.49   | 38.98   | 41.30   | 50.92   | 54.94   |

\* 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 & 2009-10 has been restated, as per the AS 20 "Earning Per Share"

## **GANDHI SPECIAL TUBES LIMITED**

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### **NOTICE OF THE TWENTY FIFTH ANNUAL GENERAL MEETING**

NOTICE is hereby given that the Twenty Fifth Annual General Meeting of the members of GANDHI SPECIAL TUBES LIMITED will be held on Wednesday the 28th day of July 2010 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 31st March, 2010, 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.

#### **SPECIAL BUSINESS:**

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

"RESOLVED THAT pursuant to the provisions of Sections 198, 269, 309, 311 and other applicable provisions of the Companies Act, 1956, the approval be and is hereby accorded for the appointment of Shri M. G. Gandhi as Managing Director of the Company for a further period of three years with effect from 1st January, 2010 on the terms and conditions including remuneration as set out in the draft agreement submitted to this meeting and signed by the Chairman of the remuneration committee 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 Board of Directors and Mr. M.G. Gandhi.

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

"RESOLVED THAT pursuant to the provisions of Sections 198, 269, 309, 311 and other applicable provisions of the Companies Act, 1956, the approval be and is hereby accorded for the appointment of Mr. B. G. Gandhi as Joint Managing Director of the Company for a further period of three years with effect from 1st January, 2010 on the terms and conditions including remuneration as set out in the draft agreement submitted to this meeting and signed by the Chairman of the remuneration committee 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 Board of Directors and Mr. B. G. Gandhi.

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: 12th May, 2010.

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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. 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 Tuesday the 27th July, 2010 to Wednesday the 28th July, 2010 (both days inclusive).
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 Mandate 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, the Company has transferred to Investor Education and Protection Fund (IEPF) all unclaimed/ unpaid dividends in respect of the financial years up to 2001-2002.

The last date for lodging claim with the Company for Interim Dividend for the year 2002-2003 is 19.08.2010. The unclaimed dividend will be transferred to Investor Education & Protection Fund (IEPF) of the Central Government on or after 25.9.2010 and before 24.10.2010.

Members who have not encashed their dividend warrant(s) for the financial year ended 31st March, 2003 to 31st March 2010 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 requested to bring their copy of the Annual Report to the Annual General Meeting.
11. 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:

## GANDHI SPECIAL TUBES LIMITED

| Name of the Director  | Shri Jayesh M. Gandhi  |
|---|--|
| Date of Birth   | 28.11.1965   |
| Date of Appointment   | 07.05.1998   |
| Experience in specific functional areas   | Shri. Jayesh M. Gandhi has a rich and extensive experience for more than 20 years in manufacturing, administration and marketing automobile and diesel engine, oil engine parts including exports. He has achieved good export orders visiting various countries. He is also a key person in developing the ERP system for your Company. |
| Qualification   | B.COM., M. B. A.   |
| Directorship in other Companies   | Jaishri Engineering Private Limited.<br>B. M. Gandhi Investments Company Private Limited.  |
| 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 | Nil  |
| No. of Shares held in the Company   | 9, 56,366  |

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: 12th May, 2010.

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

#### Item No. 5 & 6

The present term of Shri M.G.Gandhi as Managing Director and Shri B.G.Gandhi as Joint Managing Director has expired on 31st December 2009.

The Board of Directors of the Company at its Meeting held on 14th October, 2009 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 2010 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 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.

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#### **MINIMUM REMUNERATION**

Where in any financial year during 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 each of 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.700000/- 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, but not exceeding the ceiling in respect of overall remuneration as prescribed under Section 198 and 309 of the Companies Act, 1956.

#### **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 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.

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 resolutions in respect of their respective reappointments as also they being related to each other. Shri Jayesh Gandhi, Director is also interested being related to the Managing Director and the Joint Managing Director. No other Director is concerned or interested in the said resolutions.

The 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.

The above may also be considered as extract of the terms and conditions of appointment of the Managing Director and Jt. Mg. Director as required under Section 302 of the Companies Act, 1956. Documents referred to in the resolution and the explanatory statement would remain available for inspection between 10.00 a.m. to 12.00 noon on all working days except Saturdays and Sundays.

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: 12th May, 2010

## GANDHI SPECIAL TUBES LIMITED

### DIRECTORS' REPORT

To  
The Members,

Your Directors have pleasure in presenting their Twenty Fifth Annual Report together with the Audited Accounts for the year ended on 31st March, 2010.

#### 1. FINANCIAL RESULTS

(Rs. in Lacs)

|                              | 31.03.2010 | 31.03.2009 |
|------------------------------|------------|------------|
| Sales                        | 8172.43    | 6287.08    |
| Profit before Tax            | 3639.17    | 2319.04    |
| Less: Provision for Taxation |            |            |
| - Current Tax                | 1140.23    | 650.17     |
| - Deferred Tax               | (27.49)    | 74.07      |
| - Fringe Benefit Tax         | NIL        | 2.05       |
| Prior Year adjustments       | (6.87)     | —          |
| Profit after Tax             | 2533.30    | 1592.74    |
| Interim Dividend             | 367.46     | 367.46     |
| Silver Jubilee dividend      | 367.46     | —          |
| Corporate Dividend Tax       | 124.90     | 62.45      |
| Earning Per Share of Rs. 5/- | Rs. 17.24  | Rs. 10.84  |

Your Company has fully exploited surging demand for components by the Original Equipment Manufacturers (OEMs). There was a good demand from Automotive, Refrigeration and Infrastructure Industry. Your Company has recorded a growth in the turnover by approximately 30% and net profit after tax by approximately 59% in comparison with the previous year.

#### 2. DIVIDEND

Your Directors on occasion of silver jubilee year of the Company declared special interim dividend of Rs. 2.50 paise per equity shares of Rs. 5/- each. Regular interim dividend of Rs. 2.50 paise was also declared. Both the interim dividends aggregating to Rs. 5.00 per equity share of Rs. 5/- each amounting to Rs.734.93 Lacs for the year ended 31st March, 2010 were paid by the Company on 16th February, 2010. As there has been no significant change in the final profits for the full year ended on 31st March, 2010, your Directors recommend that the Interim Dividend may be confirmed as final dividend.

#### 3. RATINGS

CRISIL has assigned ratings to the bank facilities of your Company as A+/Stable/P1+ which indicates more than adequate degree of safety with regard to timely payment of financial obligations. Your Company hardly uses cash credit facilities and sparingly uses Letter of Credit/Bank Guarantee facility.

#### 4. 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.

#### 5. DEPOSITS

Your Company has not accepted any deposits from the public during the year under review.

**6. DIRECTORS**

Shri J. M. Gandhi retires by rotation and being eligible and not being disqualified under Section 274 of the Companies Act, 1956, offers himself for reappointment.

**7. 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.

**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 and holding peer review certificate issued by The Institute of Chartered Accountants of India. 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 the 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 gratefully acknowledge their sincere thanks for unstinting support by the customers, bankers, suppliers and our esteemed shareholders for their continued support and encouragement. 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: 12.05.2010

**M.G.GANDHI**  
Chairman & Managing Director

## GANDHI SPECIAL TUBES LIMITED

### 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, 2010

#### 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

| Sr. Particulars No.      |          | 2009-10    | 2008-09    |
|--------------------------|----------|------------|------------|
| 1. Electricity Purchased |          |            |            |
| Units Purchased          | Lacs KWH | 52.70      | 36.51      |
| Total Amount             | Rs. Lacs | 330.67     | 232.58     |
| Average Rate / KWH       | Rupees   | 6.27       | 6.37       |
| 2. LPG Consumed          |          |            |            |
| Quantity Consumed        | Tonnes   | —          | 25.00      |
| Total Amount             | Rs. Lacs | —          | 10.89      |
| Average Rate / Tonne     | Rupees   | —          | 43561.44   |
| 3. PROPANE Consumed      |          |            |            |
| Quantity Consumed        | Tonnes   | 168.59     | 673.11     |
| Total Amount             | Rs. Lacs | 43.98      | 314.31     |
| Average Rate / Tonne     | Rupees   | 26091      | 45023.13   |
| 4. GSPC Gas Consumed     |          |            |            |
| Quantity Consumed        | SCM      | 1346139.86 | 126673.410 |
| Total Amount             | Rs. Lacs | 219.50     | 30.87      |
| Average Rate / SCM       | Rupees   | 16.31      | 17.55      |



**B. CONSUMPTION PER UNIT OF PRODUCTION**

| Sr. No. | Particulars            |       | 2009-10<br>Per Tonne | 2008-09<br>Per Tonne |
|---------|------------------------|-------|----------------------|----------------------|
| 1.      | Electricity*           | KWH   | 1157.43              | 1199.35              |
| 2.      | LPG/PROPANE/GSPC GAS** | Tonne | 0.283 @@             | 0.280 @              |

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

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

@ Indicates only LPG, PROPANE & GSPC GAS consumption.

@@ Indicates only PROPANE & GSPC GAS 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) Capital 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. 16.81 Lacs    |
| Foreign Exchange Outgo    | Rs. 1,145.84 Lacs |

For and on behalf of the Board of Directors

**M.G.GANDHI**

*Chairman & Managing Director*

Place: Mumbai  
Date: 12.05.2010

## GANDHI SPECIAL TUBES LIMITED

### MANAGEMENT DISCUSSION AND ANALYSIS REPORT

#### 1. Industry Structure and Development

The Automobile Industry particularly Commercial Vehicles (CV) made a good recovery due to fiscal support by the Government of India. The Refrigeration Industry also recovered. Heavy Investment made by the Central Government and most of the state governments to improve the infrastructure facility has boosted automotive industry to a great extent. With a helping hand of government's stimulus package and lowered interest rates on auto loans, the automobile industry recorded a growth of 26.41%. The industry recorded sales of 12.3 million units, highest ever, making the current financial year 2009-10 the most successful in its history..

#### 2. Opportunities & Threats

##### Opportunities:

With the growth of Automotive Industries, particularly Diesel vehicles, construction segment, Hydraulic Industries and General Engineering Industries, we expect growth in demand for our products. Increase Heat waves all over the country has boosted the growth of the Refrigeration Industry and the demand for the components has increased.

##### Threats:

Due to steep increase of price in the commodities the cost of input has gone up. It is unlikely that OEMs will agree for price increase and hence there will be a considerable pressure on margins.

#### 3. Product wise Performance

Product wise classification and their contribution to total sales are as under:

| Sr. No. | Product                 | 2009-10 | 2008-09 |
|---------|-------------------------|---------|---------|
| 1.      | Welded Tubes            | 32.60%  | 31.37%  |
| 2.      | Seamless Tubes          | 55.33%  | 55.17%  |
| 3.      | Cold Formed Nuts/ Scrap | 9.84%   | 9.75%   |
| 4.      | Wind Power              | 2.23%   | 3.71%   |
| Total   |                         | 100.00% | 100.00% |

#### 4. Outlook

Demand for the Company's products from Automobile and General Engineering Industry is expected to remain healthy. Company's reputation as a manufacturer of high quality products and reliable supplier backed up by excellent after sales service, puts us in a strong position against any down-turn in demand. With healthy economic environment, barring any unforeseen circumstances, your company is optimistic and confident about outlook for future as is demonstrated by capacity expansion project completed by us recently.

#### 5. Risk and Concerns

- > The margins could come under pressure due to increase in input costs and other expenses.
- > Competition from low cost manufacturing countries such as China.
- > Adverse fluctuation in foreign exchange rates.