

**26TH  
ANNUAL REPORT  
2010-2011**

**GANDHI SPECIAL TUBES LIMITED**

## FOR KIND ATTENTION OF SHAREHOLDERS

- ❖ **DEMAT:-** if you are still holding shares in physical mode kindly consider following advantages by opting shares in demat mode:-
  - ♦ sale of shares is possible only through demat mode as the Company's shares are traded compulsorily in demat mode only.
  - ♦ Realize better price for transfer/sale of shares
  - ♦ Eliminate loss of shares through burglary or theft, misplacement or mutilation
  - ♦ Easy and faster transaction of shares
  - ♦ Minimum brokerage.
  - ♦ No stamp duty on purchase/sale
- ❖ Steps involved in dematerialization of shares
  - ♦ Open an account with a Depository Participant (DP) of your choice.
  - ♦ You may choose your DP based on your evaluation of their reputation, service standards, charges, comfort level, other conveniences, etc.
  - ♦ Submit a dematerialization request form (DRF) to your DP along with the defaced shares certificates.
  - ✦ Shares will be converted into electronic form and will get credited into your demat account.
- ❖ To understand about the procedure and for all queries relating to dematerialization, kindly contact the Shares Transfer Agent of the Company.
- ❖ **ECS:-** To avoid loss of dividend warrants in transit and undue delay in respect of receipt of dividend warrants, the Company has provided a facility to the Members for remittance of dividend through the Electronic Clearing System (ECS). The ECS facility is available at locations identified by Reserve Bank of India from time to time and covers most of the cities and towns. Members holding shares in physical form and desirous of availing this facility are requested to contact the Company's Registrars and Transfer Agents.
- ❖ **GREEN INITIATIVE:-** Please register your email ID with the Registrars and Transfer Agents of the Company or with the Secretarial department of the Company at [companysecretary@gandhitubes.com](mailto:companysecretary@gandhitubes.com). Your initiative will save forest wealth of our Country.

## **GANDHI SPECIAL TUBES LIMITED**

<b>BOARD OF DIRECTORS</b>	:	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
<b>AUDIT COMMITTEE</b>	:	DHIRAJLAL S. SHAH Chairman
		DHARMEN B. SHAH Director
		JAYESH M. GANDHI Director
<b>COMPANY SECRETARY</b>	:	SHYAMKUMAR MISRA
<b>REGISTERED OFFICE</b>	:	JARIWALA MANSION 43, K.M.MUNSHI MARG, NEAR BHARTIYA VIDYA BHAVAN MUMBAI 400007 Tel No: 23634179, 23634183, 23635042
<b>WORKS</b>	:	VILLAGE NURPURA TALUKA- HALOL, DIST: PANCHMAHAL GUJARAT - 389350
<b>AUDITORS</b>	:	S.V.DOSHI & CO. CHARTERED ACCOUNTANTS
<b>BANKERS</b>	:	HDFC BANK LTD., MUMBAI
<b>COMPANY LAW CONSULTANTS</b>	:	DHOLAKIA & ASSOCIATES COMPANY SECRETARIES
<b>DETAILS OF STOCK EXCHANGE</b>	:	COMPANY'S EQUITY SHARES ARE LISTED ON BOMBAY STOCK EXCHANGE LTD & NATIONAL STOCK EXCHANGE OF INDIA LTD
<b>LISTING FEES</b>	:	LISTING FEES PAID FOR THE YEAR 2011-12

## 10-YEARS FINANCIAL HIGHLIGHTS

Particulars	2001-02	2002-03	2003-04	2004-05	2005-06	2006-07	2007-08	2008-09	2009-10	2010-11
Net Sales	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	9,017.40
Total Income	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	9,425.27
EBIDTA (Earning Before Dep, Interest & Tax)	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	4,214.87
Depreciation	137.54	216.91	297.77	341.95	343.45	408.53	463.32	535.85	508.26	471.27
Profit After Taxation	377.05	447.03	590.01	983.63	1,614.29	1,287.13	1,884.42	1,592.75	2,533.31	2,629.15
Equity Dividend (%)	15.00	15.00	25.00	30.00	40.00	40.00	50.00	50.00	100.00	100.00
Dividend Payout	110.24	110.24	183.73	220.48	293.97	293.97	367.46	367.46	734.92	734.93
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	1,454.93	1,777.61	2,160.34	2,894.68	4,173.77	5,125.69	6,580.20	7,743.03	9,416.50	11,188.66
Net Worth	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	11,923.59
Gross Fixed Assets	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	8,741.90
Net Fixed Assets	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	3,789.25

## Key Indicators

Particulars	2001-02	2002-03	2003-04	2004-05	2005-06	2006-07	2007-08	2008-09	2009-10	2010-11
Earning per share	5.13	5.87	8.03	13.38	21.97	17.51	12.82*	10.84*	17.24*	17.89*
Turnover per share - Rs.	32.41	35.13	46.78	61.79	73.86	81.85	51.86	38.15	51.36	61.35
Book Value per share	29.80	34.19	39.40	49.39	66.79	79.74	49.77	57.68	69.06	81.12
Debt/Equity Ratio	0.38	0.32	0.24	0.19	0.15	0.12	0.08	0.04	-	-
Net Profit Margin %	15.83	17.31	17.16	21.66	29.74	21.40	24.72	28.41	33.56	29.16
EBDIT/ Net Sales %	29.85	34.34	36.43	40.34	40.49	38.98	41.30	50.92	54.94	46.74

\* 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 to 2010-11 has been restated, as per the AS 20 "Earning Per Share"

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

NOTICE is hereby given that the Twenty Sixth Annual General Meeting of the members of GANDHI SPECIAL TUBES LIMITED will be held on Wednesday the 27<sup>th</sup> day of July, 2011 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 31<sup>st</sup> March, 2011, 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 Dhirajlal. S. Shah who retires by rotation and being eligible offers himself for reappointment.
4. To appoint Director in place of Shri Dharmen. B. Shah, who retires by rotation and being eligible offers himself for reappointment
5. 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: 12<sup>th</sup> May, 2011.

**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 Tuesday the 26<sup>th</sup> July, 2011 to Wednesday the 27<sup>th</sup> July, 2011 (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. 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.

6. **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 2002-2003. The Company is in process of transferring the unclaimed/ unpaid dividends for the financial year 2003-2004 and will be transferred on or before 17<sup>th</sup> June, 2011 after considering the response received from the shareholders who have not claimed their dividend for the said Financial Year and for which the reminder letters were sent to all of them.**

**Members who have not encashed their dividend warrant(s) for the financial year ended 31<sup>st</sup> March, 2005 to 31<sup>st</sup> March 2011 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.
8. 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 attend the Annual General Meeting.
9. The Annual Report duly circulated to the members of the Company, will be available on the Company's Website at [www.gandhitubes.com](http://www.gandhitubes.com)

**10. Members are requested to bring their copy of the Annual Report to the Annual General Meeting.**

11. The Company has sent circular to all the shareholders requesting them to register their email IDs with the Company or with the Registrar and Share Transfer Agents and thereby implemented the "Green Initiative" as per the Circular No. 17/2011 dated April 21, 2011 and 18/ 2011 dated April 29, 2011 issued by the Ministry of Corporate Affairs (MCA) to enable electronic delivery of notices/ documents and annual reports to shareholders. Members holding shares in electronic mode or in physical mode are requested to update their email addresses by writing to the Company on [complianceofficer@gandhitubes.com](mailto:complianceofficer@gandhitubes.com)
12. 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 Directors proposed to be appointed / re-appointed at the annual general meeting is given below:

Name of the Director	Shri Dhirajlal S. Shah	Shri Dharmen B. Shah
Date of Birth	04.08.1941	21.11.1960
Date of Appointment	28.06.1985	11.10.2007
Experience in specific functional areas	He is a practicing Chartered Accountant having rich experience in the field of Accounts, Audit, Finance and Taxation.	He is a practicing Chartered Accountant. He has a rich experience in the field of Accounts, Audit, Finance, and Taxation.
Qualification	B.Com, F.C.A.	B.Com, F.C.A.
Directorships in other Companies	Nil	Sagron Properties Pvt. Ltd
Chairman/ Member of the Committees of the Board of Directors of the Company	Chairman of Audit Committee & Remuneration Committee, Member of Investors' Grievance Committee	Members of Audit Committee, Investors' Grievance Committee and Remuneration Committee
Chairman/Member of the Committees of the Board of Directors of the other Companies in which he is a Director	None	None
No. of Shares held in the Company	4250 Equity Shares of Rs. 5/- each	Nil

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: 12<sup>th</sup> May, 2011.

**DIRECTORS' REPORT**

To  
The Members,

Your Directors have pleasure in presenting their Twenty Sixth Annual Report together with the Audited Accounts for the year ended on 31<sup>st</sup> March, 2011.

**1. FINANCIAL RESULTS**

	(₹ in Lacs)	
	31.03.2011	31.03.2010
Sales : Products	9770.97	7990.18
Wind Power	156.49	182.24
	9927.47	8172.43
Profit before Tax	3743.60	3639.17
Less: Provision for Taxation		
- Current Tax	1165.18	1140.23
- Deferred Tax	(10.38)	(27.49)
Prior Year adjustments	(40.35)	(6.87)
Profit after Tax	2629.15	2533.30
Interim Dividend	734.92	367.46
Silver Jubilee dividend	NIL	367.46
Corporate Dividend Tax	122.06	124.90
Earning Per Share of Rs. 5/-	Rs. 17.89	Rs. 17.24

**PERFORMANCE OF THE COMPANY**

Your Company has delivered another year of profitable growth by recording 22.29% increase in the sale of products. The profit of the year after tax has increased by 22.78% if other income by way of receipts from Keyman Insurance Policy and sale of Pune Land in the previous year are excluded. Continuous focus on quality, value addition and cost management have helped your Company to achieve this profitable growth. The performance and outlook have been discussed in the Management Discussion and Analysis Report which is forming part of the Directors' Report.

**2. DIVIDEND**

Your Directors have continued the trend of aptly rewarding the shareholders and maintained an interim dividend of Rs. 5/- per equity share of Rs. 5/- each (100%) for the financial year 2010-2011. Total out lay for an interim dividend of Rs 5/- per share on 1,46,98,616 Equity Shares of Rs 5/- each is Rs .734.93 Lacs for the year ended 31<sup>st</sup> March, 2011. The interim dividend was paid by the Company on 24<sup>th</sup> February, 2011. As there has been no significant change in the final profits for the full year ended on 31<sup>st</sup> March, 2011, your Directors recommend that the Interim Dividend should 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.

Corporate Governance voluntary guidelines issued by the Ministry of Corporate Affairs.

The Major part of the Corporate Governance Voluntary Guidelines, 2009 has been complied with by adhering to the standards of the Corporate Governance under clause 49 of the Listing Agreement and Company's own policy of transparency and professionalism.



**4. LISTING OF SHARES AND DEPOSITORIES**

Your Company's shares are listed on The Bombay Stock Exchange Limited (BSE) and National Stock Exchange India Limited (NSE). Your Directors wish to state that the Equity Shares of your Company are compulsorily traded in the dematerialized form w.e.f.26/06/2000. Presently 94.159% of shares are held in electronic/dematerialized form.

**5. INSURANCE**

The Company's all assets are covered under the various policies. Risks of fire, earthquake, flood, marine, loss of profit, etc and also due to damage to third party are covered.

**6. PUBLIC DEPOSITS**

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

**7. DIRECTORS**

Shri D.S.Shah and Shri D.B.Shah retire by rotation and being eligible offer themselves for re-appointment.

**8. 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.

**9. (i) 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 from the Auditors as required under Section 224 (1B) of the Companies Act, 1956. There is no qualification or observation made by the statutory auditors in their audit report.

**(ii) COST AUDITOR**

The Central Government has approved the appointment of M/s.Narottam L. Tola, as Cost Auditors of the Company for the Financial Year 2011-12 to conduct Cost Audit of Steel Tubes and Pipes product in the Products of the Company.

**10. CORPORATE SOCIAL RESPONSIBILITY**

The Company believes that it has the duty towards betterment of society and its wellbeing and to achieve this noble objective made following donations during the year under review:-

NAME OF THE TRUST	AMOUNT	PURPOSE
Navjivan Charitable Trust	Rs. 20,00,000/-	The Trust is approved by the National Committee for promotion of Social and Economic Welfare under section 35AC of the Income Tax Act, 1961
Valabdas Dagara Indian Society	Rs. 2,00,000/-	The Trust offers services to the mentally retarded
Veerayatan Vidyapath Fund	Rs. 5,00,000/-	The Trust offers its services in the field of education, medical care and empowerment of mankind.
Shri Prabhav Hem Kamdhenu Girivihar Trust	Rs. 1,11,111/-	The Trust is running a hospital located in Palitana (Gujarat)
<b>TOTAL</b>	<b>Rs. 28,11,111/-</b>	

**11. HUMAN RESOURCES**

Humans are considered as one of the most critical resources in the business which can be continuously smoothened to maximize the effectiveness of the Organization. Human resources build the Enterprise and the sense of belonging would inculcate the spirit of dedication and loyalty amongst them towards strengthening the Company's Policies and Systems. All personnel continue to have healthy, cordial and harmonious approach thereby enhancing the contributory value of the Company.

**12. 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.

**13. 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.

The Company has made direct export of Rs. 19.07 lakhs (previous year Rs. 16.81 lakhs). The foreign exchange earning was Rs. 19.07 lakhs and foreign exchange outgo was Rs 1678.05 lakhs during the year under review. The Company's windmills are operating in Gujarat and Maharashtra and have generated units and thereby contributed to the energy requirement of the Country.

The annual reports are being sent through emails to the shareholders who have preferred to receive annual accounts through electronic mode. Any shareholders desirous of obtaining hard copy may write to the Company for the same.

**14. ACKNOWLEDGEMENT**

The Board wishes to acknowledge and thank all stakeholders for their valuable 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: 12.05.2011

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