

**27TH  
ANNUAL REPORT  
2011-2012**



**GANDHI SPECIAL TUBES LIMITED**



ISO 9001:2008 & ISO/TS 16949:2009  
Certified Company

## **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 2012-13

## 10-YEARS FINANCIAL HIGHLIGHTS

Particulars	(Rs. Lakhs)									
	2002-03	2003-04	2004-05	2005-06	2006-07	2007-08	2008-09	2009-10	2010-11	2011-12
Net Sales	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	10,424.83
Total Income	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	11,074.13
EBIDTA (Earning Before Dep. Interest & Tax)	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	4,620.26
Depreciation	216.91	297.77	341.95	343.45	408.53	463.32	535.85	508.26	471.27	452.69
Profit After Taxation	447.03	590.01	983.63	1,614.29	1,287.13	1,884.42	1,592.75	2,533.31	2,629.15	2,981.74
Equity Dividend (%)	15.00	25.00	30.00	40.00	40.00	50.00	50.00	100.00	100.00	120.00
Dividend Payout	110.24	183.73	220.48	293.97	293.97	367.46	367.46	734.92	734.93	881.92
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	1,777.61	2,160.34	2,894.68	4,173.77	5,125.69	6,580.20	7,743.03	9,416.50	11,188.66	13,145.42
Net Worth	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	13,880.35
Gross Fixed Assets	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	8,915.72
Net Fixed Assets	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	3,553.49

## Key Indicators

Particulars	2002-03	2003-04	2004-05	2005-06	2006-07	2007-08	2008-09	2009-10	2010-11	2011-12
Earning per share	5.87	8.03	13.38	21.97	17.51	12.82*	10.84*	17.24*	17.89*	20.29*
Turnover per share - Rs.	35.13	46.78	61.79	73.86	81.85	51.86	38.15	51.36	61.35	70.92
Book Value per share	34.19	39.40	49.39	66.79	79.74	49.77	57.68	69.06	81.12	94.43
Debt/Equity Ratio	0.32	0.24	0.19	0.15	0.12	0.08	0.04	-	-	-
Net Profit Margin %	17.31	17.16	21.66	29.74	21.40	24.72	28.41	33.56	29.16	28.60
EBDIT/ Net Sales %	34.34	36.43	40.34	40.49	38.98	41.30	50.92	54.94	46.74	44.32

\*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 2011-12 has been restated, as per the AS 20 "Earning Per Share"

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

**NOTICE** is hereby given that Twenty Seventh Annual General Meeting of the Members of **GANDHI SPECIAL TUBES LIMITED** will be held on Wednesday, 25<sup>th</sup> day of July, 2012 at 11.00 a.m. at Indian Merchant Chamber, IMC Building, IMC Marg, Mumbai 400 020 to transact the following business:

**ORDINARY BUSINESS:**

1. To receive, consider and adopt the Balance Sheet as at 31<sup>st</sup> March, 2012, the Profit & Loss Account and Cash Flow Statement of the Company for the year ended on that date together with the Reports of the Auditors and Directors thereon.
2. To confirm the Interim Dividend paid on Equity Shares as Final Dividend.
3. To appoint a Director in place of Shri K. N. Warden, who retires by rotation and being eligible, offers himself for re-appointment.
4. To appoint Auditors to hold office from the conclusion of this Annual General Meeting until the conclusion of the next Annual General Meeting 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 a **Special Resolution**:

**"RESOLVED THAT** pursuant to the provisions of Section 31 and other applicable provisions, if any, of the Companies Act, 1956, the Article No. 113 of the Articles of Association of the Company ("Articles") be and is hereby amended and altered by deleting the phrase *"not exceeding rupees two hundred and fifty"* appearing in the first and second line of the said Articles and the amended Article No. 113 will read as under:-

113. The sitting fee of a director shall be such amount as may be fixed by the Board for every meeting of the Board or of the Committee of Directors attended by him; and such reasonable additional remuneration as may be fixed by the Board be paid to anyone or more of their members for services rendered by him or them in signing the share certificates in respect of the Company's original capital or any future or new issue thereof or any debentures issued by the Company; and the directors shall be paid such further remuneration (if any) as the Board shall from time to time determine; and such remuneration and further remuneration shall be divided among the Directors in such proportion and manner as the Board may from time to time determine and in default of such determination within the year equally.

**By Order of the Board of Directors**

Mumbai  
22<sup>nd</sup> May, 2012

**S.K.MISRA**  
COMPANY SECRETARY

**Regd. Office:**

Jariwala Mansion,  
43, K.M.Munshi Marg,  
Near Bhartiya Vidya Bhavan,  
Mumbai 400 007

**NOTES:**

1. The relevant Explanatory Statement pursuant to Section 173(2) of the Companies Act, 1956, in respect of Item No. 5 is annexed hereto and forms a part of this Notice.
2. A MEMBER ENTITLED TO ATTEND AND VOTE AT THE MEETING IS ENTITLED TO APPOINT A PROXY TO ATTEND AND VOTE INSTEAD OF HIMSELF AND THE PROXY NEED NOT BE A MEMBER OF THE COMPANY. PROXY FORM IN ORDER TO BE EFFECTIVE SHOULD BE DEPOSITED AT THE

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REGISTERED OFFICE OF THE COMPANY NOT LATER THAN 48 HOURS BEFORE THE COMMENCEMENT OF THE MEETING. A PROXY MAY NOT VOTE EXCEPT ON POLL. A PROXY SO APPOINTED SHALL NOT HAVE ANY RIGHT TO SPEAK AT THE MEETING. BLANK PROXY FORM IS ENCLOSED.

3. The Register of Members and the Share Transfer books of the Company will remain closed from Tuesday, 24<sup>th</sup> July, 2012 to Wednesday, 25<sup>th</sup> July, 2012 (both days inclusive).
4. In case of Dematerialized Shares, the Company is obliged to print Bank details on the dividend warrants, as are furnished by the National Securities Depository Limited (NSDL) and Central Depository Services (India) Limited (CDSL) ("the Depositories") to the Company and the Company cannot entertain any request for deletion/change of Bank details without confirmation from the Depositories. Hence, 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 Registrar and Share Transfer Agent (RTA) "**M/s. Karvy Computershare Pvt. Ltd**" (for **ECS Mandate Form See Annexure I**). Members holding shares in physical form are also requested to intimate any change in their Address, Bank Account etc. to the RTA.
6. To avoid incidents of fraudulent encashment of the Dividend warrants, Members holding shares in physical form are requested to intimate the RTA of the Company, under the signatures of the sole/first joint holder, the following information so that the Bank Account number and name and address of the Bank can be printed on the dividend warrant, if and when issued:
  - (a) Name of the sole/first joint holder and folio number.
  - (b) Particulars of Bank Account viz:
    - (i) Name of Bank;
    - (ii) Name of branch;
    - (iii) Complete address of the Bank with pin code number;
    - (iv) Account type, whether Savings or Current;
    - (v) Bank account number allotted by the Bank;
    - (vi) 9 Digits MICR No.
7. **Members' attention is particularly drawn to the provisions of Section 205A of the Companies Act, 1956, wherein the Company is required to transfer the unclaimed/unpaid Dividend to the Investor Education and Protection Fund established by the Central Government pursuant to Section 205C of the Companies Act, 1956. The amount of the unclaimed dividends for and upto the Financial Year ended 2005 has been transferred to the Investor Education and Protection Fund (IEPF). Pursuant to Section 205C of the Companies Act, 1956, those Members who have not claimed their dividend for the said period shall not be entitled to claim the same either from the Company or from the said fund.**

The unclaimed dividend for the Financial Year 2005-2006 will be due for transfer to the Investor Education and Protection Fund (IEPF) on 1<sup>st</sup> March, 2013. Those Shareholders, who have not encashed their dividend warrants, are requested to ensure that they claim the dividend referred to above, before it is transferred to IEPF. (For Proforma of Indemnity Bond for duplicate Dividend Warrant see Annexure II)

**Members who have not encashed their dividend warrant(s) for the Financial Year ended 31<sup>st</sup> March, 2006 to 31<sup>st</sup> March 2012 are requested to seek issue of Duplicate warrants by writing to the Company's Share Department at its Registered Office.**
8. Member who is desirous of getting any information as regard to the business to be transacted at the meeting are requested to write their queries to the Company at least seven days in advance of the Meeting in order to keep the information required 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 attend the Annual General Meeting.
10. The Annual Report duly circulated to the Members of the Company, is available on the Company's Website at [www.gandhitubes.com](http://www.gandhitubes.com).
- 11. Members are requested to bring their copies of the Annual Report to the Meeting.**
12. As a part of its Green Initiative in Corporate Governance and circulars issued by Ministry of Corporate Affairs allowing paperless compliances through electronic mode, soft copy of the Annual Report for 31-3-2011 has been sent to all the members whose email addresses are registered with the Company/Depository Participant(s)(DP) unless any member has requested for a hard copy of the same. **For members who have not yet registered, are requested to register their email address with the DP or the Company on email id: [complianceofficer@gandhitubes.com](mailto:complianceofficer@gandhitubes.com).**
13. As required by Clause 49 of the Listing Agreement brief profile of the Directors proposed to be appointed / re-appointed at the Annual General Meeting is given below:

<b>Name of Director</b>	Shri K. N. Warden
<b>Date of Birth</b>	22.08.1935
<b>Date of Appointment on the Board</b>	03.06.1988
<b>Qualification</b>	B.E. (Mechanical) from Pune University.
<b>Experience in specific field</b>	Shri. K. N. Warden started his career as an Engineer. He was associated with Steel Age Industries Ltd. for 35 years. He was overall in charge of the operations of the Company's Plants at Mumbai, Ahmedabad and Halol. He was also looking after Business Development. He retired as an Executive Director of Steel Age Industries Ltd.
<b>Name of other Companies in which he holds Directorships</b>	None
<b>Chairman/Member of the Committee(s) of the Board of Directors of the Company</b>	Member- Remuneration Committee
<b>Chairman/Member of the Committee(s) of Directors of other Companies.</b>	Nil
<b>No. of Shares held in the Company</b>	29500

By Order of the Board of Directors

Mumbai  
22<sup>nd</sup> May, 2012

**S.K.MISRA**  
COMPANY SECRETARY

**Regd. Office:**  
Jariwala Mansion,  
43, K.M.Munshi Marg,  
Near Bhartiya Vidya Bhavan,  
Mumbai 400 007

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

**Item No 5.**

Section 310 of the Companies Act, 1956 no longer contains the provision for payment of sitting fee of Rs. 250/- (Rupees Two hundred fifty only) as the same has been amended from time to time by the Ministry of Corporate Affairs. In order to give flexibility to the Company it is proposed to delete the phrase "not exceeding rupees two hundred and fifty" from the Article No. 113 of the Articles of Association of the Company. Any amendment or alteration in the Articles of Association can be made by passing a special resolution at the general meeting. The Board recommends alteration in the Article as stated in the proposed Special Resolution.

None of the Directors except Non-executive Directors are concerned or interested in this resolution.

Copy of the Memorandum and Articles of Association is available for inspection till the conclusion of the Annual General Meeting between 10.00 a.m. to 12.00 noon on all working days except Sundays and public holidays at the Registered Office of the Company.

**By Order of the Board of Directors**

Mumbai  
22<sup>nd</sup> May, 2012

**S.K.MISRA**  
*COMPANY SECRETARY*

**Regd. Office:**  
Jariwala Mansion,  
43, K.M.Munshi Marg,  
Near Bhartiya Vidya Bhavan,  
Mumbai 400 007

**DIRECTORS' REPORT**

To  
The Members,

Your Directors have pleasure in presenting Twenty Seventh Annual Report together with the Audited Accounts for the year ended on 31<sup>st</sup> March, 2012.

**1. FINANCIAL RESULTS**

	(Rs. in Lacs)	
	31.03.2012	31.03.2011
Revenue from operations	10652.93	9224.80
<b>Profit before Tax</b>	<b>4167.56</b>	<b>3743.42</b>
Less: Tax Expenses		
- Current Tax	1183.00	1165.00
- Current Tax for Prior Years	-	( 40.35)
- Deferred Tax	2.82	(10.38)
<b>Profit for the year</b>	<b>2981.74</b>	<b>2629.15</b>
Interim Dividend	881.92	734.93
Corporate Dividend Tax	143.07	122.06
<b>Earning Per Share of Rs. 5/-</b>	<b>Rs 20.29</b>	<b>Rs. 17.89</b>

**PERFORMANCE OF THE COMPANY**

Your Company has posted a healthy performance for the year under review. The sales increased by 15.5% and crossed **100 Crores** mark for the first time. Profit after Tax increased by 13.4%.

There is a tremendous growth in the demand of seamless tubes manufactured by the Company in India and is expecting similar increase in International market. To meet this demand, your Company has decided to expand its capacity of manufacturing seamless tubes by incurring capital expenditure towards construction of third building of approx. Rs 10 Crores and new machineries / balancing equipments of approx. Rs 20 Crores aggregating to Rs. 30 Crores. Your Company is also planning to have its own office in Mumbai with an outlay of about Rs.10 Crores. The entire capital expenditure will be met from internal accruals.

Your Company has maintained its status of remaining debt-free and there are no long-term borrowings. Internal cash flows have covered working capital requirements, investments, capital expenditure and dividend payment.

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 its policy of suitably rewarding its shareholders and declared the interim dividend of **120 %** (as against 100% in the previous year) i.e. **Rs. 6/-** on face value of Rs. 5/- each amounting to Rs. 8.82 crores for the year ended 31 March, 2012. The interim dividend was paid by the Company on 15 February, 2012. As there has been no significant change in the final profits for the year ended on 31 March, 2012, your Directors recommend that the Interim Dividend be confirmed as Final Dividend.



**3. CORPORATE GOVERNANCE**

The Report on Corporate Governance and Management's Discussion and Analysis Report 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. 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). Presently 94.30 %of shares are held in electronic/dematerialized form.

**5. INSURANCE**

All the Assets of the Company are insured under the various Insurance Policies. Risks of fire, earthquake, flood, marine, loss of profit, etc as also damage to third party are covered.

**6. PUBLIC DEPOSITS**

Your Company does not accept deposits from the public and, as such, no amount of principal or interest was outstanding as of the Balance Sheet date.

**7. DIRECTORS**

Shri K. N. Warden retires by rotation and being eligible offers himself 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 read with requirements set out under Schedule VI to the Companies Act, 1956, have been followed and that there are no material departures from the same;
- 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. AUDITORS****(i) STATUTORY AUDITORS**

The Statutory Auditors of your Company namely, M/s. S.V.Doshi & Co., Chartered Accountants retire at the conclusion of the ensuing Annual General Meeting, and are eligible for re-appointment and are 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**

Mr. D. H. Zaveri, Cost Accountant has been appointed as Cost Auditors of the Company for the Financial Year 2011-12 to conduct Cost Audit of Steel Tubes and Pipes manufactured by the Company. Activity of Wind Mill is still not covered under the cost audit.

**10. CORPORATE SOCIAL RESPONSIBILITY**

The Company believes that it has the duty towards betterment of society and its well being and to achieve this noble objective made donations of Rs. 7,00,000/- during the year under review to the organisations rendering the services to mentally underdeveloped human beings, educations, sports, social awareness etc.

**11. GREEN INITIATIVES**

The Company has started transmitting Annual Report through electronic mode - email to the shareholders and initiated steps to reduce consumption of paper.

**12. HUMAN RESOURCES**

Humans are considered as one of the most critical resources in the business and they 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.

**13. 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.

**14. 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. 164.50 Lakhs (previous year Rs. 19.07 Lakhs). The Company continues to explore possibility of increasing its export. The foreign exchange earning was Rs. 164.50 Lakhs and foreign exchange outgo was Rs. 2050.19 Lakhs during the year under review. The Company's windmills are operating in Gujarat and Maharashtra and have generated units and thereby contributed to its mite to the energy requirement of the Country.

**15. ACKNOWLEDGEMENT**

The Board wishes to acknowledge and thank all shareowners and 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

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

Place: Mumbai  
Date : 22.05.2012