

**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	₹. Lakhs)									
	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.**"

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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:

<b>Name of the Director</b>	<b>Shri Dhirajlal S. Shah</b>	<b>Shri Dharmen B. Shah</b>
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
	<b>9927.47</b>	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/-	<b>Rs. 17.89</b>	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

## 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 31<sup>ST</sup> MARCH, 2011

## 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:

Saving in energy cost.

## FORM - A

## A. POWER AND FUEL CONSUMPTION

Sr. No.	Particulars		2010-11	2009-10
1.	Electricity Purchased			
	Units Purchased	Lacs KWH	55.97	52.70
	Total Amount	Rs. Lacs	339.65	330.67
	Average Rate / KWH	Rupees	6.07	6.27
2.	PROPANE Consumed			
	Quantity Consumed	Tonnes	----	168.59
	Total Amount	Rs. Lacs	----	43.98
	Average Rate / Tonne	Rupees	----	26091
3.	GSPC Gas Consumed			
	Quantity Consumed	SCM	18,36,336.51	13,46,139.86
	Total Amount	Rs. Lacs	338.88	219.50
	Average Rate / SCM	Rupees	18.45	16.31

## B. CONSUMPTION PER UNIT OF PRODUCTION

Sr. No.	Particulars		2010-11 Per Tonne	2009-10 Per Tonne
1.	Electricity*	KWH	1068.45	1157.43
2.	PROPANE/GSPC GAS*	Tonne	0.292 @@	0.283 @

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

@ Indicates only PROPANE & GSPC GAS consumption.

@@ Indicates only 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 its 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**

- (i) Activities relating to exports; initiatives taken to increase exports; development of new export markets for products and services; and export plans;

The Company participated in Tube Arabia Exhibition held in January, 2011 at Dubai to Promote exports in Middle East.

- (ii) Total foreign exchange used and earned.

Foreign Exchange Earnings	Rs. 19.07 Lacs
Foreign Exchange Outgo	Rs.1678.05 Lacs

**For and on behalf of the Board of Directors**

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

Place: Mumbai  
Date: 12.05.2011

## MANAGEMENT DISCUSSION AND ANALYSIS REPORT

### 1. Industry Structure and Development

The Company is engaged in manufacturing and marketing of steel tubes welded and seamless of different diameter with single wall mainly to the Original Manufacturer Equipments (OEM) of the automotive and refrigeration industries. Automotive growth is expected to achieve double digit growth and the Company's plant situated at Halol, Gujarat is fully equipped to meet the surging demand.

The Company is also operating in the energy section by maintaining the windmills in Maharashtra and Gujarat in a modest way.

### 2. Opportunities & Threats

#### Opportunities:

With the growth of Automotive Industries, particularly, Commercial vehicles, Diesel vehicles, construction segment, Hydraulic Industries and General Engineering Industries, there would be a surge in demand for our products.

#### Threats:

- (i) Due to steep increase of price in the Raw Material, Transportation and fuel, the cost of inputs has gone up. It is unlikely that OEMs will be able to absorb total price increase and hence there will be a considerable pressure on margins.
- (ii) Demand from Automobile Sector is fully dependant on Bank Finance rate and Oil Price. Recent increase in Interest Rates and Oil Rates is a big threat for demand.
- (iii) The refrigeration industry is dependent on the change of weather. Longer the summer higher the demand and vice versa.

### 3. Product wise Performance

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

Sr. No.	Product	2010-11	2009-10
1.	Welded Tubes	26.42%	32.60%
2.	Seamless Tubes	60.73%	55.33%
3.	Cold Formed Nuts/ Scrap	11.27%	9.84%
4.	Wind Power	1.58%	2.23%
Total		100.00%	100.00%

On account of good government policy the Company has received good orders from all the sectors. Only in the refrigerator Industry due to the change in the weather the demand was sluggish. With lower rate of interest on auto loans the automobile industry recorded a growth of 26%. The industry recorded sales of 15,513,156 units, highest ever, making the current financial year 2010-11 the most successful in its history as compared to 12,295,397 units in previous year 2009-10. (source- Auto Monitor Journal)

### 4. Outlook

Demand for the Company's products from Automobile and General Engineering Industry and Infrastructure Sector is expected to remain healthy, but subject to impact of increase in Interest Rates and Oil Price. Company's reputation as a manufacturer of high quality products and reliable supplier 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 future outlook as is demonstrated by capacity expansion project completed by us.

### 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.

The Company evaluates and monitors all risks associated with various areas of operations such as production, sales, inventory management, debtors management, insurance, legal and other issues like safety and environment with a view to mitigate the adverse impact of the risk factors.

#### 6. Internal Control Systems

The Company has an internal control system in place which is commensurate with its size and nature of its business. The internal control system ensures that all the assets of the Company are safeguarded from loss, damage or disposition. Checks and controls are in place to ensure that transactions are adequately authorised and recorded and that they are reported correctly. The internal control system is supplemented by an extensive programme of internal audit by a firm of independent Chartered Accountants and external statutory audit which is periodically reviewed by the management and Audit Committee.

The Audit Committee of the Board regularly reviews compliance with the Company's policies, procedures and statutory requirements in consultation with the Statutory Auditors and the Internal Auditors, who also attend the Audit Committee meetings.

#### 7. Financial Performance with respect to Operational Performance

##### Sales and Profit:

During the year Product Sales has grown by approximately 22.29% and similar increase in the profit (22.78%) is achieved if other income by way of receipts from Keyman Insurance Policy and sale of Pune land in the previous year are excluded.

##### Capital Investment:

Capital Investment of Rs. 120.40 Lacs including Capital Work in Progress and Capital Advance of Rs 70.68 Lacs was made during the year, out of which major amount of Rs. 108.82 Lacs was towards Plant & Machinery. The entire capital investment has been made out of the Company's internal cash accruals.

#### 8. Human Resources and Industrial Relations

Industrial relations were harmonious through out the year. The Company also provides suitable environment for development of leadership skills which enables it to recruit and retain quality professionals in all the fields.

Safety, Health and Environment (SHE) Management

Safety: Your Company continues to adopt best safety practices giving rich dividends in terms of a reduced accident and severity rate. The initiation of new personnel in SHE practices before their deployment to the shop floor contributed to a significant reduction in unsafe practices. This is progressively taking the company towards achieving the target of Zero Accidents. Regular safety inspection of plant and machinery is carried out to mitigate hazards by terminating the hazard at source by technology upgradation and treating the hazards against exposure to personnel by implementing engineering controls.

#### Cautionary Statement

**Statements in this Management Discussion and Analysis describing the Company's objectives, projections, estimates and expectation are "forward looking statement" within the meaning of applicable laws and regulations. Actual results might differ materially from those either expressed or implied.**

For GANDHI SPECIAL TUBES LTD.

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

Place: Mumbai  
Date: 12-05-2011

## REPORT ON CORPORATE GOVERNANCE

### 1. Company Philosophy on Corporate Governance

**Corporate Governance is aimed primarily to present the management with tools essential for the business practices required for legal and ethical conduct and fair financial reporting in tune with committed corporate response based on transparency, accountability and integrity. It stems from the management's mindset and cannot be regulated by legislation alone and involves necessarily a creative, generative and positive thinking attitude adding ethical value to various stakeholders which are served as end customers of the Corporate entity.**

Your Company is fully compliant with the regulatory guidelines relating to the Corporate Governance of Clause 49 of the listing agreement with BSE & NSE. While complying with all the regulatory requirements, the Company is also guided by the principles of equity, transparency and accountability in its endeavor to achieve the objective of maximizing its profits, and enhancing stake holders' value.

### 2. Board of Directors

#### (A) Composition:-

The Company's Board of Directors is composed of 6 Directors headed by an Executive Chairman, One Executive Promoter Director, One Non Executive Promoter Director and Three Non Executive Independent Directors who are eminent professionals, with experience in business, industry, finance and taxation.

#### (B) Attendance and Other Directorships:

The attendance of the Board of Directors and related information as on 31<sup>st</sup> March, 2011 is as follows:

Name of the Director & Designation	No. of Board Meetings attended	Attendance at the last AGM on 28th July, 2010	Directorship in other companies incorporated in India	No. of other Board Committees of which Member / Chairman	Executive / Non Executive / Independent	Inter Se relationship
Shri Manhar G. Gandhi Chairman and Managing Director	4	Present	1	Nil	Executive (Promoter Group)	Brother of Jt. M.D. & Father of Mr. J. M. Gandhi, Director.
Shri Bhupatrai G. Gandhi Jt. Mg. Director	4	Present	1	Member of Investors' Grievance Committee	Executive (Promoter Group)	Brother of Chairman & Managing Director
Shri Dhirajlal S. Shah	4	Present	Nil	Chairman of Audit Committee, Remuneration Committee as well as of the Investors' Grievance Committee	Non Executive & Independent	None
Shri Kavas N. Warden	4	Present	Nil	Member of Remuneration Committee	Non Executive & Independent	None
Shri Jayesh M. Gandhi	4	Present	2	Member of Audit Committee	Non Executive (Promoter Group)	Son of Chairman & Managing Director
Shri Dharmen B Shah	4	Present	1	Member of Audit Committee, Investors' Grievance Committee & Remuneration Committee	Non Executive & Independent	None

None of the Directors on the Board holds the office of Director in more than 15 Companies or memberships of Committees of the Board in more than 10 Committees or Chairmanship of more than 5 Committees across all companies.

#### (C) Board Meetings

The Agenda along with the background notes are circulated to the Directors well in advance of the Board Meetings.

Four Board Meetings were held during the year on 12<sup>th</sup> May, 2010, 28<sup>th</sup> July, 2010, 28<sup>th</sup> October, 2010 and 27<sup>th</sup> January, 2011.

**(D) Code of Conduct**

The Company has adopted a Code of Conduct for the members of the Board and the senior executives in compliance with the provision of Clause 49 of the Listing Agreement. All the members of the Board and the Management Committee have affirmed compliance to the Code of Conduct as on 31st March, 2011, and a declaration to that effect signed by the Managing Director is attached and forms a part of this Report.

**(E) Code for Prohibition of Insider Trading**

The Company has a comprehensive code of conduct for its Directors, Management, and designated employees for prevention of insider trading and procedure to deal in securities.

The code lays down guidelines and procedures to be followed and disclosures to be made while dealing with securities of the Company. The purpose of the code is also to guide Company's transactions and dissemination of price sensitive information to outside agencies and to ensure timely and adequate disclosures thereof to regulatory authorities on a continuous basis. The company management has identified designated employees and related persons as 'Insider' who are expected to strictly adhere to the Code for prohibition of Insider Trading. All Directors are also identified as 'Insiders' for the purpose.

For the year under review, all the Directors and senior management personnel of the Company have affirmed compliance to the Code of Conduct as on 31st March, 2011, and a declaration to that effect signed by the Managing Director is attached and forms a part of this Report

**COMMITTEES OF THE BOARD****3. Audit Committee****i) Brief description of terms of reference**

- a. Oversight of the Company's financial reporting process and the disclosure of its financial information to ensure that the financial statement is correct, sufficient and credible.
- b. Recommending to the Board, the appointment, re-appointment and, if required, the replacement or removal of the statutory auditor and the fixation of audit fee.
- c. Approval of payment of statutory auditors for any other services rendered by the statutory auditors.
- d. Reviewing with the management, the annual financial statements before submission to the board for approval, with particular reference to:
  - (i) Matters required to be included in the Directors' Responsibility Statement to be included in the Board's report in terms of Clause (2AA) of section 217 of the Companies Act, 1956;
  - (ii) Any Changes in accounting policies and practices; reasons for the same;
  - (iii) Major accounting entries involving estimates based on the exercise of judgement by management;
  - (iv) Significant adjustments made in the financial statements arising out of audit findings;
  - (v) Compliance with accounting standards;
  - (vi) Compliance with stock exchanges and legal requirements concerning financial statements;
  - (vi) Any related party transactions i.e transactions of the company of material nature, with promoters or the management, their subsidiaries or relatives etc. that may have potential conflict with the interests of the Company at large.
- e. Reviewing with the management, statutory and internal auditors the adequacy of the internal control systems
- f. Reviewing the adequacy of internal audit function, including the structure of the internal audit department, staffing and seniority of the official heading the department, reporting structure coverage and frequency of internal audit.



- g. Reviewing the Internal Audit Report and discussion with internal auditors for any significant findings and follow up thereon.
- h. Reviewing the findings of any internal investigations by the internal auditors into matters where there is suspected fraud or irregularity or a failure of internal control system of a material nature and reporting the matter to the board.
- i. Discussion with statutory auditors before the audit commences, about the nature and scope of audit as well as post-audit discussion to ascertain any area of concern.
- j. Reviewing the Company's financial and risk management policies.
- k. To look into the reasons for substantial defaults in the payment to the depositors, debenture holders, shareholders (in case of non-payment of declared dividends) and creditors.
- l. Reviewing related party transactions.
- m. Noting of amendment in the Listing Agreement relating to role and responsibilities of Audit Committee and matters concerning financial results and financial disclosures.
- n. Reviewing with the management performance of the Statutory Auditors and Internal Auditors.
- o. Reviewing the Management Discussion and Analysis of financial condition and results of operations.
- p. Reviewing with the Management, the statement of uses / application of funds raised through an Issue; the statement of funds utilized for purposes other than those stated in the offer document / prospectus / notice and the report submitted by the monitoring agency monitoring the utilization of proceeds of the issue, and making appropriate recommendations to the Board to take steps in this matter.
- q. To discuss management letters / letters of internal control weakness issued by the Statutory Auditors.

The terms of reference of the Audit Committee are in accordance with Clause 49 of the Listing Agreement and Section 292A of the Companies Act, 1956. The Committee acts as a link between the Management, Auditors and Board of Directors of the Company and has full access to financial information.

Recommendations of the Audit Committee, if any, are considered and implemented by the Board from time to time.

**(ii) Composition, Name of Members and Chairperson**

Audit Committee consists of three Directors Viz: Shri D.S.Shah, (Chartered Accountant) Shri. D.B. Shah (Chartered Accountant) and Shri Jayesh M. Gandhi (B. Com and MBA). Shri D.S.Shah is the Chairman of the Audit Committee. All the members of the Committee are Non Executive Directors and two thirds of them are independent directors. The Chairman of the Audit Committee remains present at the Annual General Meeting.

**(iii) Meetings and Attendance during the year**

The Audit Committee met Four times during the year on 12<sup>th</sup> May, 2010, 28<sup>th</sup> July, 2010, 28<sup>th</sup> October, 2010 and 27<sup>th</sup> January, 2011.

The attendance of each member of the committee is given below:

Name of the Director	No. of meetings attended
Shri Dhirajlal S. Shah	4
Shri Dharmen B Shah	4
Shri Jayesh M. Gandhi	4

The Statutory Auditors, the Internal Auditors, the Cost Auditors, Shri R B Dani - Consultant and Shri Manhar G. Gandhi, Managing Director are permanent invitees to the meetings of the committee. The Company Secretary is the secretary of the committee.

#### 4. Remuneration Committee

##### (i) Brief description of Terms of Reference

To determine the Company's policy on specific remuneration packages for Executive Directors including pension rights and any compensation payment and to fix the remuneration payable to executive directors.

##### (ii) Composition, Name of members, Chairperson & Attendance during the year

Remuneration Committee consists of Shri. D.S.Shah, Shri.D.B.Shah and Shri K.N.Warden, all independent directors, as members. Shri D.S.Shah is the Chairman of the Committee.

##### (iii) Remuneration Policy

The remuneration policy for working directors is reviewed periodically to ensure that the same is in line with the peer companies. The payment of remuneration is duly approved by the Remuneration Committee, the Board of Directors and the Shareholders.

##### (iv) Details of Remuneration paid to the Directors for the year ended 31<sup>st</sup> March, 2011.

###### i) Managing Director and Joint Managing Director

The Agreements with the Managing Director and the Joint Managing Director are for a period of Three Years each commencing from 1<sup>st</sup> January, 2010.

The total remuneration paid to the Managing Director and the Joint Managing Director during the year 2010-11 was as under:

(Rupees Lacs)

Name	Salary	Commission	Contribution to Provident Fund/ Gratuity
Shri Manhar G. Gandhi Mg. Director.	84.00	105.00	12.985
Shri Bhupatrai G. Gandhi Jt. Mg. Director.	84.00	105.00	12.985

Notes:

- The agreement with the Managing Director and Jt. Managing Director is for a period of three years. Either party to the agreement is entitled to terminate by the agreement by giving the other party a notice of 3 months.
  - The Managing Director and the Jt. Managing Director is entitled to compensation for loss of office in accordance with and subject to restrictions laid down under section 318 of the Companies Act 1956.
  - Presently, the Company does not have a scheme for grant of stock options either to the Managing Director or to the Jt. Managing Director.
  - The Managing Director and Jt. Managing Director are entitled to commission within the overall limit prescribed under sections 198 & 309 of the Companies Act, 1956.
- ii) The Non Executive Directors are not entitled to any remuneration except payment of sitting fees for attending the meetings of Board of Directors and Committees thereof. During the year 2010-11, the Company has paid total sitting fee of Rs. 1,36,000/- to non executive directors as under:

Shri D.S.Shah	Rs. 38000.00
Shri K.N.Warden	Rs. 24000.00
Shri J.M. Gandhi	Rs. 36000.00
Shri D. B. Shah	Rs. 38000.00

**5. Investors' Grievance Committee (Shareholders' Committee)****(i) Name of Non-executive Director heading the Committee:**

Investors' Grievance Committee is headed by Shri Dhirajlal S Shah, a non executive independent director. Shri Bhupatrai G. Gandhi (Executive & Promoter Member) and Shri Dharmen B Shah (Non Executive Independent Member) are the other members of the Committee.

The Investment Grievance Committee met once during the year on 31st March, 2011. All the members of the Committee attended the said meeting.

**(ii) Name & Designation of Compliance Officer:**

Shri Shyam Kumar Misra, Company Secretary is designated as Compliance Officer of the Company.

**(iii) to (v) A statement of various complaints received and cleared by the Company during the year ended on 31<sup>st</sup> March, 2011 is given below:**

Nature of Complaint	Received	Cleared	Pending
Non Receipt of Annual Report	1	1	Nil
Non Receipt of Dividend Warrants	9	9	Nil
Request for Duplicate Share Certificates	1	1	Nil
Non Receipt of Share Transferred	2	2	Nil
Non receipt of shares	5	5	Nil
Excess short receipt of securities	12	12	Nil
Others	3	3	Nil
Letters from Stock Exchange/ SEBI/ Department of Company Affairs	1	1	Nil

As per revised Clause 47(F) of the listing agreement the E-mail ID of the Investor Grievance Department of the Company is [complianceofficer@gandhitubes.com](mailto:complianceofficer@gandhitubes.com).

**6. General Body Meetings****(i) and (ii) The date, time and venue of the last 3 General Body Meetings of the Company is given below:**

Financial Year ended	Date	Time	Venue	Details of Special Business Resolutions
31st March, 2008	24.07.2008	11.00 a.m.	Kanji Khetsey Sabhagriha, Bharatiya Vidya Bhavan, K. M. Munshi Marg, Mumbai 400007	Appointment of Shri Dharmen B. Shah.
31st March, 2009	23.07.2009	11.00 a.m.	Kanji Khetsey Sabhagriha, Bharatiya Vidya Bhavan, K. M. Munshi Marg, Mumbai 400007	No Special business was transacted.
31st March, 2010	28.07.2010	11.00 a.m.	Kanji Khetsey Sabhagriha, Bharatiya Vidya Bhavan, K. M. Munshi Marg, Mumbai 400007	Re-appointment of Shri. M.G. Gandhi as Managing Director for a further period of three years w.e.f. 01.01.2010. Re- appointment of Shri. B.G. Gandhi as Joint Managing Director for a further period of three Years w.e.f. 01.01.2010.

(iii) to (vi) None of the items transacted at the said meetings were required to be passed by postal ballot. At the forthcoming Annual General Meeting there is no item on the agenda requiring to be passed by postal ballot. Hence, no need to specify the procedure for postal ballot.

## 7. Disclosures

- (i) During the year under review, besides the transactions reported elsewhere in the Annual Report, there were no other related party transactions with the promoters, directors and management that had a potential conflict with the interest of the Company at large.

All the transactions with related parties are periodically placed before the Audit Committee. The Register of Contracts detailing transactions in which Directors are interested is placed before the Board at every meeting for its approval. Transactions with related parties, as per requirements of Accounting Standard 18, are disclosed in Schedule 19, Note No.16 to the Accounts in the Annual Report and they are not in conflict with the interest of the Company at large.

- (ii) There have been no instances of non-compliance on any matter with the rules and regulations prescribed by the Stock Exchanges, Securities and Exchange Board of India or any other statutory authority relating to the capital market during the last three years.

- (iii) The Company has not adopted Whistle Blower Policy.

- (iv) The Company has complied with the mandatory requirements regarding the Board of Directors, Audit Committees and other Board committees and other disclosures as required under the provisions of the revised Clause 49 of the Listing Agreement. The status of compliance in respect of non-mandatory requirements of Clause 49 of Listing Agreement is as follows:

- a) **Maintenance of the Chairman's Office:** The Company has an Executive Chairman and the office provided to him for performing his executive duties is also utilized by him for discharging his duties as Chairman. No separate office is maintained for the non-executive Chairman of the Audit Committee but Secretarial and other assistance is provided to him whenever needed, in performance of his duties.
- b) **Tenure of Independent Directors: No specific tenure has been specified for the Independent Directors.**
- c) **Remuneration Committee:** The Company has set up a remuneration committee consisting of three Non Executive Independent Directors.
- d) **Shareholders' rights:** Un-audited quarterly financial results are posted on the website of the Company. In view of new portal viz. Corporate Filing and Dissemination System (CFDS) put in place jointly by BSE and NSE at the <http://www.corpfilings.co.in> SEBI has discontinued the system of posting the result on EDIFAR website of SEBI.
- e) **Audit Qualification:** There have been no qualifications by the Auditors in their report on the Accounts of the Company. The Company shall endeavor to continue to have unqualified financial statements.
- f) **Training of Board of Directors:** The Directors of the Company are persons from Business and Profession with experience in corporate sector. They are being kept posted with various statutory and regulatory changes which are applicable to the Company.
- g) **Mechanism for evaluating non-executive Board members:** Non Executive members of the Board are highly qualified and there is no need for evaluation.
- h) **Whistle Blower Policy:** The Company has so far not framed a formal whistle blower policy. However, the employees of the Company have free access to the Board of Directors, Audit Committee and Senior Management personnel to report their concerns about unethical behaviour, fraud or violation of statutory requirements, with assurance from the management to protect the employees from victimization in case they report any such unethical or fraudulent behavior.
- i) **Board disclosures-Risk Management:** The Board is kept informed about the risk management being followed by the Company from time to time. All the risks such as fire, marine, burglary,

earthquake etc. have been adequately insured.

- j) The Company has not issued any shares during the year.
- v) Shareholding of the Non-executive Directors and their relatives in the Company

Name of the Non-Executive Director	No. of Shares held
Shri Dhirajlal S. Shah	4250
Shri Kavas N. Warden	29500
Shri Jayesh M. Gandhi	956366
Shri Dharmen B Shah	1000

#### 8. Means of Communication:

Apart from furnishing the copies of the Unaudited Quarterly & Half Yearly Results and Audited Annual results to all the Stock Exchanges where the shares of the Company are listed, the Company publishes the results in one English Newspaper and one Vernacular Newspaper. The Financial Results and Shareholding Pattern of the Company are posted on the CORPFILING section of the SEBI's website regularly.

The Company's financial results are sent in time to Stock Exchanges so that they may be posted on the Stock Exchange's website. The Financial Results of the Company and other information pertaining to the Company is available on the Company's web site at [www.gandhitubes.com](http://www.gandhitubes.com). The Company also provides copies of its financial results to investors if so requisitioned for without any charge, at the same time they are available on the Company's website also and can be downloaded from there. The Management Discussion and Analysis Report will form part of the Directors' Report to shareholders.

Quarterly Report on Corporate Governance under Clause 49 of the Listing Agreement have been submitted to Stock Exchange(s) as follows:

Quarterly Report for the quarter ended	Submitted to Stock Exchange(s) on
30/06/2010	29/07/2010
30/09/2010	06/10/2010
31/12/2010	07/01/2011
31/03/2011	15/04/2011

In view of recent amendment in Clause 47(f) of Listing Agreement, the Company has designated an email account specifically for investor service and the same is disclosed on the website of the Company. *Investors may e-mail their queries at [complianceofficer@gandhitubes.com](mailto:complianceofficer@gandhitubes.com).*

#### 9. General Shareholders Information

##### (i) Annual General Meeting

The 26<sup>th</sup> Annual General Meeting of the shareholders will be held on 27.07.2011 at 11.00 a.m.

Venue: Kanji Khetsey Sabhagriha,  
Bharatiya Vidya Bhavan,  
K.M.Munshi Marg,  
Mumbai 400 007.

##### (ii) Financial Calendar:-

For the year ending 31<sup>st</sup> March, 2011 the Financial Results were announced on:

First Quarter	:	July, 2010
Half year	:	October, 2010
Third Quarter	:	January, 2011
Yearly	:	May, 2011

- (iii) **Date of Book Closure:** - Tuesday, 26<sup>th</sup> July, 2011 to Wednesday day 27<sup>th</sup> July, 2011 (both days inclusive)
- (iv) **Dividend Payment Date:** Interim Dividend for the year 2010-11 already paid on 24<sup>th</sup> February, 2011. Final dividend is not recommended by the Board
- (v) **Listing:** The equity shares of the Company are listed on Bombay Stock Exchange Ltd and National Stock Exchange of India Ltd.
- (vi) **ISIN NO.** : INE524B01027  
Scrip Code : BSE - 513108

**NSE - GANDHITUBE**

- (vii) **Market Price Data: high, low during each month in the last financial year.**

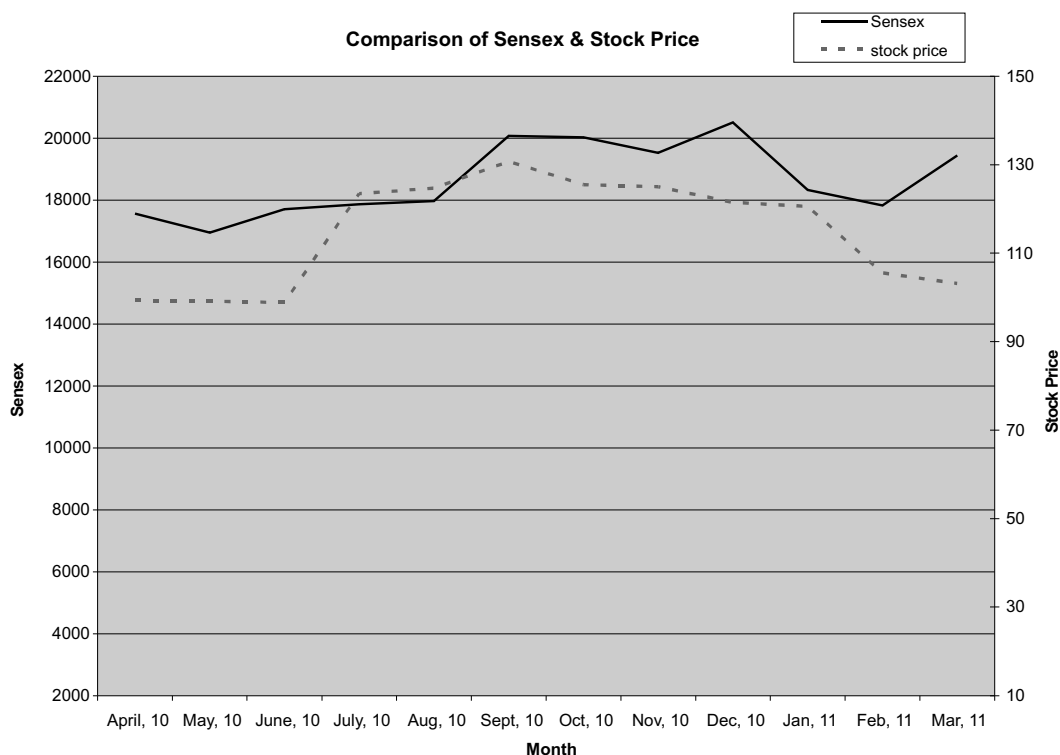
Monthly Share Price Data of the Company's shares on BSE for the year ended 31<sup>st</sup> March, 2011

Month	Highest Rate		Lowest Rate	
	(Rs.)	Date	(Rs.)	Date
April 2010	115.15	09.04.2010	89.25	01.04.2010
May 2010	104.00	13.05.2010	92.00	25.05.2010
June 2010	104.00	03.06.2010	93.155	11.06.2010
July 2010	127.10	29.07.2010	95.75	02.07.2010
August 2010	137.00	20.08.2010	115.00	02.08.2010
September 2010	137.95	20.09.2010	121.75	02.09.2010
October 2010	140.90	18.10.2010	125.15	29.10.2010
November 2010	137.75	01.11.2010	116.50	26.11.2010
December 2010	135.80	15.12.2010	124.00	01.12.2010
January 2011	131.75	21.01.2011	112.30	19.01.2011
February 2011	122.45	01.02.2011	95.00	09.02.2011
March 2011	113.70	30.03.2011	100.00	03.03.2011

Monthly Share Price Data of the Company's shares on NSE for the year ended 31<sup>st</sup> March, 2011

Month	Highest Rate		Lowest Rate	
	(Rs.)	Date	(Rs.)	Date
April 2010	108.00	13.04.2010	90.30	01.04.2010
May 2010	104.20	19.05.2010	93.00	25.05.2010
June 2010	100.80	22.06.2010	92.80	07.06.2010
July 2010	128.45	29.07.2010	96.00	01.07.2010
August 2010	139.95	18.08.2010	116.00	02.08.2010
September 2010	129.91	17.09.2010	122.05	03.09.2010
October 2010	139.95	14.10.2010	126.30	28.10.2010
November 2010	136.00	09.11.2010	107.00	29.11.2010
December 2010	134.70	13.12.2010	111.55	08.12.2010
January 2011	130.00	10.01.2011	116.10	18.01.2011
February 2011	102.77	01.02.2011	93.05	09.02.2011
March 2011	114.85	11.03.2011	95.00	07.03.2011

## (viii) Performance in comparison to BSE sensex



## (ix) Name and Address of the Registrar and Share Transfer Agent:

**KARVY COMPUTERSHARE PVT LTD.****Regd. Office**

"Karvy House" No.46  
Avenue 4, Street no.1  
Banjara Hills,  
HYDERABAD 500 034  
Tel No: 91-40-44655179/ 44655181  
Fax No: 91-40-23311968

**City Office**

"24" Maharashtra Chamber of Commerce Lane  
Above Parkeen, Opp. MSC Bank,  
Fort,  
MUMBAI 400 023  
Tel No: 91-22-22040170  
Fax No: 91-22-56331135

## (x) Share Transfer System

Karvy Computershare Pvt Ltd., processes transfer of shares held in physical form. The powers for approval of share transfers are delegated as under:

Upto 2500 Shares	:	Karvy Computershare Pvt Ltd.,
2500 to 5000 Shares	:	Company Secretary
above 5000 Shares	:	Managing Director.

If the relevant documents are complete and in order in all respects, the transfer of shares is effected and certificates are dispatched to the transferees within 30 days from the date of receipt.

The requests for dematerialisation of shares are processed by the Registrar and Share Transfer Agents and if all the documents are found to be in order, the same are approved by them within a period of 15 days.

(xi) (1) Distribution of Share Holding as on 31<sup>st</sup> March, 2011**DISTRIBUTION SCHEDULE AS ON 31/03/2011**

Sr. No.	Category	No. of shareholders	% of Cases	Amount (Rs)	% Amount
1	upto 1 - 5000	4592	89.23	6636740	9.03
2	5001 - 10000	312	6.06	2548060	3.47
3	10001 - 20000	105	2.04	1515020	2.06
4	20001 - 30000	41	0.80	1005695	1.37
5	30001 - 40000	17	0.33	581235	0.79
6	40001 - 50000	11	0.21	507675	0.69
7	50001 - 100000	24	0.47	1764875	2.40
8	100001 & ABOVE	44	0.86	58933780	80.19
<b>Total:</b>		<b>5146</b>	<b>100.00</b>	<b>73493080</b>	<b>100.00</b>

(2) Distribution of shareholding according to categories of shareholders as on 31<sup>st</sup> March, 2011**SHARE HOLDING PATTERN AS ON 31/03/2011**

Sr.No.	Description	Shareholders	No. of Shares	% Equity
1	BANKS	3	7200	0.05
2	CLEARING MEMBERS	4	1521	0.01
3	DIRECTORS AND THEIR RELATIVES	3	34750	0.24
4	H U F	95	126555	0.86
5	INDIAN PROMOTER COMPANIES	2	1069700	7.28
6	BODIES CORPORATES	91	281705	1.92
7	MUTUAL FUNDS	1	1000	0.01
8	NON RESIDENT INDIANS	309	283724	1.93
9	COMPANY PROMOTERS	26	9704367	66.02
10	RESIDENT INDIVIDUALS	4612	3188094	21.69
<b>Total:</b>		<b>5146</b>	<b>14698616</b>	<b>100.00</b>

For the purpose of SEBI (Substantial Acquisition of Shares & Takeover) Regulation 1997, the following Companies are to be considered as Group Companies belonging to Promoters Group.

Sr. No.	Name of the Person	Shareholding as on 31.03.2011
1	B.M.Gandhi Investment Co. Pvt. Ltd.	559300
2	Gandhi Finance Co. Pvt. Ltd.	510400

**Information pursuant to Clause 32 of the Listing Agreement.**

The Company has no subsidiary and hence provisions for furnishing specific information are not applicable.



**(xii) Details of Demat Shares as on 31<sup>st</sup> March, 2011**

<b>Name of Depository</b>	<b>No. of Shareholders</b>	<b>No. of Shares</b>	<b>% of Capital</b>
NSDL	2396	11831040	80.49
CDSL	991	2007532	13.66
<b>Sub-Total</b>		<b>13794810</b>	<b>94.15</b>
Physical Mode	1759	860044	5.85
<b>Grand Total</b>	<b>5146</b>	<b>14698616</b>	<b>100</b>

(xiii) The Company has not issued any GDR's/ADR's, Warrants or any other convertible instruments.

(xiv) **Plant Location:** -Halol (Gujarat), Windmills at Bhogat, Navadara & Kutch (Gujarat), Sangli (Maharashtra)

**(xv) Address for Correspondence:**

Shri K.S.Reddy/ Shri. Manoj Pillai  
Karvy Computershare Pvt. Limited  
Karvy House, No.46  
Avenue 4, Street No.1  
Banjara Hills  
HYDERABAD 500 034  
Tel : 91-40-44655179  
K.S. Reddy : 91-40-44655181  
Email:ksreddy@karvy.com/  
manoj.pillai@karvy.com

Shri ShyamKumar Misra, Company Secretary  
Gandhi Special Tubes Ltd.  
Jariwala Mansion  
43, K.M.Munshi Marg  
Near Bhartiya Vidya Bhavan  
Mumbai 400 007  
Tel: 022-23634179  
Fax: 022-23634392  
Email: gstl@mtnl.net.in/  
complianceofficer@gandhitubes.com

**10. Declaration by the Managing Director to the Compliance of Code of Conduct in pursuance of Clause 49 (D) (ii) of the Listing Agreement**

It is hereby declared that all the Board Members and Senior Management Personnel of the Company have affirmed to the Board of Directors, their compliance with the Code of Conduct of the Company pursuant to Clause 49 (D) (ii) of the Listing Agreement.

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

Date: 12.05.2011

**11. Auditors' Certificate on Corporate Governance**

Certificate regarding compliance of conditions of Corporate Governance, as stipulated in the listing agreement with the stock exchange, received from M/s. S.V.Doshi & Co, Statutory Auditors of the Company, is annexed to this report. The said certificate will also be sent to the stock exchange along with the annual return to be filed by the Company.

On behalf of the Board of Directors  
**GANDHI SPECIAL TUBES LTD**

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

Place: Mumbai  
Date: 12.05.2011

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**CERTIFICATE REGARDING COMPLIANCE OF CONDITIONS OF CORPORATE GOVERNANCE**

**TO THE MEMBERS OF GANDHI SPECIAL TUBES LIMITED**

We have examined the compliance of the conditions of Corporate Governance by Gandhi Special Tubes Limited for the year ended 31<sup>st</sup> March, 2011, as stipulated in Clause 49 of the Listing agreement of the said Company with the Stock Exchange.

The compliance of conditions of Corporate Governance is the responsibility of the Management. Our examination was carried out in accordance with Guidance Note on Certification of Corporate Governance (As stipulated in Clause 49 of the Listing Agreement), issued by the Institute of Chartered Accountants of India and was limited to the procedures and implementation thereof, adopted by the Company for ensuring the compliance of the conditions of the Corporate Governance. It is neither an audit, nor an expression of opinion on the financial statements of the Company.

In our opinion and to the best of our information and according to the explanation given to us, we certify that the Company has complied with the conditions of Corporate Governance as stipulated in the abovementioned Listing Agreement.

We state that such compliance is neither an assurance as to the future viability of the Company nor the efficiency or effectiveness with which the Management has conducted the affairs of the Company.

**For S. V. Doshi & Co.**  
*Chartered Accountants*

**Sunil Doshi**  
*Partner*  
Membership No.: 35037  
Firm Reg. No. 102752W

Mumbai,  
Date: 12.05.2011

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**AUDITORS' REPORT**

**To**  
**The Members of**  
**Gandhi Special Tubes Limited**

- 1) We have audited the attached balance sheet of Gandhi Special Tubes Limited as at 31<sup>st</sup> March, 2011, the profit and loss account and also the cash flow statement for the year ended on that date annexed thereto. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audit.
- 2) We conducted our audit in accordance with auditing standards generally accepted in India. Those Standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.
- 3) As required by the Companies (Auditor's Report) Order, 2003 issued by the Central Government of India in terms of sub-section (4A) of Section 227 of the Companies Act, 1956 and on the basis of such checks as we considered appropriate and according to the information and explanations given to us during the course of audit, we enclose in the Annexure a statement on the matters specified in paragraphs 4 & 5 of the said order.
- 4) Further to our comments in the Annexure referred to above, we report that:
  - a) we have obtained all the information and explanations, which to the best of our knowledge and belief were necessary for the purposes of our audit;
  - b) in our opinion, proper books of account as required by law have been kept by the Company so far as appears from our examination of the books;
  - c) the balance sheet, profit and loss account and cash flow statement dealt with by this report are in agreement with the books of account;
  - d) in our opinion, the balance sheet, profit and loss account and cash flow statement dealt with by this report comply with the Accounting Standards referred to in sub-section (3C) of Section 211 of the Companies Act, 1956;
  - e) on the basis of written representations received from the directors and taken on record by the Board of Directors, we report that none of the directors is disqualified as on 31<sup>st</sup> March, 2011 from being appointed as director of the Company in terms of clause (g) of sub-section (1) of Section 274 of the Companies Act, 1956;
  - f) in our opinion and to the best of our information and according to the explanations given to us, the said accounts read together with notes thereon, give the information required by the Companies Act, 1956, in the manner so required and give a true and fair view in conformity with the accounting principles generally accepted in India:
    - i) in the case of the balance sheet, of the state of affairs of the Company as at 31<sup>st</sup> March, 2011;
    - ii) in the case of the profit and loss account, of the profit for the year ended on that date; and
    - iii) in the case of the cash flow statement, of the cash flows for the year ended on that date.

**For S. V. DOSHI & CO.**  
*Chartered Accountants*

**SUNIL DOSHI**  
*Partner*

Membership No.: 35037  
Firm Reg. No.: 102752W

Mumbai, 12 May 2011

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**ANNEXURE TO THE AUDITORS' REPORT**

Statement referred to in paragraph 3 of our report of even date on the accounts of Gandhi Special Tubes Limited for the year ended on 31<sup>st</sup> March, 2011.

- (i) (1) The Company has maintained proper records showing full particulars including quantitative details and situation of fixed assets.
  - (2) As explained to us, the fixed assets have been physically verified by the management in accordance with the phased programme of verification, which, in our opinion, is reasonable having regard to the size of the Company and the nature of its assets. No material discrepancies were noticed on such verification.
- (ii) (1) The inventories have been physically verified during the year by the management. In our opinion, the frequency of verification is reasonable.
  - (2) In our opinion, the procedures of physical verification of inventories followed by the management are reasonable and adequate in relation to the size of the Company and the nature of its business.
  - (3) The Company has maintained proper records of inventories and the discrepancies noticed on physical verification of the inventories as compared to book records were not material.
- (iii) (1) According to the information and explanations given to us, the Company has, during the year, not granted any loans, secured or unsecured, to companies, firms or other parties covered in the register maintained under Section 301 of the Companies Act, 1956. Accordingly, paragraphs 4 (iii) (a), (b), (c) and (d) of the Order are not applicable.
  - (2) According to the information and explanations given to us, the Company has, during the year, not taken any loans, secured or unsecured, from companies, firms or other parties covered in the register maintained under Section 301 of the Companies Act, 1956. Accordingly, paragraphs 4 (iii) (e), (f) and (g) of the Order are not applicable.
- (iv) In our opinion and according to the information and explanations given to us, there is an adequate internal control system commensurate with the size of the Company and the nature of its business, with regard to the purchases of inventories, fixed assets and for sale of goods and services. Further, on the basis of our examination and according to the information and explanations given to us, we have neither come across nor have any information of any instances of major weaknesses in the aforesaid internal control system.
- (v) (1) According to the information and explanations given to us, the particulars of contracts or arrangements referred to in Section 301 of the Companies Act, 1956 have been entered in the register required to be maintained under that section; and
  - (2) In our opinion and according to the information and explanations given to us, the transactions made in pursuance of such contracts or arrangements entered in the register maintained under Section 301 of the Companies Act, 1956 and exceeding the value of Rs.500,000/- in respect of each party during the year, have been made at prices which are reasonable having regard to prevailing market prices, except for items of specialized nature, where a question of comparison does not arise.
- (vi) The Company has not accepted any deposits from the public.
- (vii) In our opinion, the Company has an internal audit system commensurate with its size and nature of its business.
- (viii) We have broadly reviewed the books of account maintained by the Company in respect of products where, pursuant to the rules made by the Central Government, the maintenance of cost records have been prescribed under Section 209 (1) (d) of the Companies Act, 1956 and are of the opinion that, prima facie, the prescribed accounts and records have been made and maintained. We have not, however, made a detailed examination of records with a view to determine whether they are accurate or complete.
- (ix) (a) According to the information and explanations given to us and the records of the Company examined by us, in our opinion, the Company is generally regular in depositing undisputed statutory dues including Provident Fund, Investor Education & Protection Fund, Employees' State Insurance, Income Tax, Sales Tax, Wealth tax, Service tax, Custom duty, Excise duty, cess and other material statutory dues as applicable with the appropriate authorities.

- (b) According to the information and explanation given to us and the records of the Company examined by us, there are no dues of custom duty, income tax, wealth tax, service tax and cess which have not been deposited on account of any dispute. The particulars of excise duty and sales tax as at 31<sup>st</sup> March 2011 which have not been deposited on account of dispute are as follows

Name of the Statute	Nature of Dues	Amount under dispute not yet Deposited (Rs. in lacs)	Period to which the amount relates	Forum where the dispute is pending
Central Excise Laws	Excise Duty	8.14	2008-2009	Before Excise Superintendent
	Service Tax	0.77	2009-2010	Before Asst. Commissioner
Sales Tax Laws	Sales Tax	25.23	2002-2003	Before Comm. of Sales Tax

- (x) The Company has no accumulated losses at the end of the financial year and has not incurred cash losses in the financial year under report and in the immediately preceding financial year.
- (xi) The Company has not defaulted in repayment of its dues to bank. The Company has not issued any debentures.
- (xii) Based on our examination of the records and the information and explanations given to us, the Company has not granted any loans and advances on the basis of securities by way of pledge of shares, debentures and other securities.
- (xiii) In our opinion, the provisions of any special Statute applicable to Chit Fund, Nidhi or Mutual Benefits Fund/Societies are not applicable to the Company.
- (xiv) The Company is not dealing or trading in shares, securities, debentures or other investments and hence requirements of Para 4 (xiv) are not applicable to the Company.
- (xv) According to information and explanation given to us, the Company has not given any guarantee for loans taken by others from banks or financial institutions.
- (xvi) The Company has not raised any term loan during the year.
- (xvii) The Company has not raised any funds during the year on short-term basis and hence question of use of such funds for long-term investment does not arise.
- (xviii) The Company has not made any preferential allotment of shares to parties and companies covered in the register maintained U/s 301 of the Companies Act, 1956.
- (xix) The Company has not issued any debentures and hence, question of creating security or charge in respect thereof does not arise.
- (xx) The Company has not raised any money by public issues during the year.
- (xxi) Based upon the audit procedures performed and according to the information and explanations given to us, no fraud on or by the Company has been noticed or reported during the year.

**For S. V. DOSHI & CO.**  
Chartered Accountants

**SUNIL DOSHI**  
Partner

Membership No.: 35037  
Firm Reg. No.: 102752W

Mumbai, 12 May 2011

**BALANCE SHEET AS AT 31ST MARCH, 2011**

SCHEDULE		₹	31-03-2011	₹	31-03-2010
<b><u>SOURCES OF FUNDS</u></b>					
<b>A. SHAREHOLDERS' FUNDS</b>					
a) Capital	1	73,493,080			73,493,080
b) Reserves and Surplus	2	<u>1,118,866,012</u>			<u>941,650,314</u>
			<b>1,192,359,092</b>		<b>1,015,143,394</b>
<b>B. DEFERRED TAX LIABILITIES (NET)</b>	3		<b>43,600,176</b>		<b>44,638,327</b>
<b>TOTAL</b>			<b><u>1,235,959,268</u></b>		<b><u>1,059,781,721</u></b>
<b><u>APPLICATION OF FUNDS</u></b>					
<b>A. FIXED ASSETS</b>					
a) Gross Block	4	874,189,887			869,218,397
b) Less: Depreciation/Amortisation		<u>495,264,565</u>			<u>448,137,092</u>
c) Net Block		378,925,322			421,081,305
d) Capital Work in Progress (Including Capital Advances)		<u>7,068,179</u>			-
			<b>385,993,501</b>		<b>421,081,305</b>
<b>B. INVESTMENTS</b>	5		<b>514,168,885</b>		<b>309,443,896</b>
<b>C. CURRENT ASSETS, LOANS AND ADVANCES</b>					
a) Inventories	6	188,302,808			180,861,178
b) Sundry Debtors	7	156,608,903			148,166,267
c) Cash and Bank Balances	8	22,425,092			26,323,612
d) Loans and Advances	9	<u>37,790,107</u>			<u>34,497,317</u>
		<b>405,126,910</b>			<b>389,848,374</b>
<b>D. LESS : CURRENT LIABILITIES AND PROVISIONS</b>					
a) Liabilities	10	51,642,182			46,027,767
b) Provisions	11	<u>17,687,846</u>			<u>14,564,087</u>
		<b>69,330,028</b>			<b>60,591,854</b>
<b>NET CURRENT ASSETS</b>			<b>335,796,882</b>		<b>329,256,520</b>
<b>TOTAL</b>			<b><u>1,235,959,268</u></b>		<b><u>1,059,781,721</u></b>
Notes on Accounts	18				

As per our attached report of even date

**For S. V. DOSHI & CO.***Chartered Accountants***SUNIL V. DOSHI***Partner*

M. No. : 35037

Mumbai, 12th May, 2011

**S. K. MISRA**  
(Company Secretary)

For and on behalf of the Board of Directors

**M. G. GANDHI**  
(Chairman & Managing Director)**D. S. SHAH**  
(Director)**J. M. GANDHI**  
(Director)**B. G. GANDHI**  
(Joint Managing Director)**K. N. WARDEN**  
(Director)**D. B. SHAH**  
(Director)

**PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED 31ST MARCH, 2011**

		31-03-2011		31-03-2010
SCHEDULE		₹	₹	₹
<b>INCOME</b>				
Sales				
	- Products	977,097,786		799,018,853
	- Wind Power	15,648,550		18,224,007
		<u>992,746,336</u>		<u>817,242,860</u>
	Less : Excise Duty recovered on Sales	91,006,138		62,325,780
	Net Sales	901,740,198		754,917,080
	Wind Power, captively consumed	18,432,274		21,830,358
	Other Income	22,354,194		81,332,807
	<b>TOTAL</b>	<u>942,526,666</u>		<u>858,080,245</u>
<b>EXPENDITURE</b>				
	Decrease/(Increase) in Stocks	202,836		(16,963,551)
	Raw Materials Consumed	293,417,733		259,316,449
	Manufacturing Expenses	150,554,848		127,792,735
	Excise Duty	348,176		168,507
	Employees' Remuneration and Benefits	58,859,835		53,843,676
	Administrative and Other Expenses	17,655,971		19,178,875
	Depreciation/Amortisation	47,127,473		50,826,578
	<b>TOTAL</b>	<u>568,166,872</u>		<u>494,163,269</u>
	<b>PROFIT BEFORE TAXATION</b>	<u>374,359,794</u>		<u>363,916,976</u>
Provision for Taxation :				
	i) Current Tax [Including Wealth Tax Rs. 17,815/- (P.Y.Rs. 23,170/-)]	116,517,815		114,023,170
	ii) Deferred Tax ( Net)	(1,038,151)		(2,749,756)
	Taxation adjustment of previous years	(4,034,930)		(687,213)
	<b>PROFIT AFTER TAXATION</b>	<u>262,915,060</u>		<u>253,330,775</u>
	Balance brought forward from Previous Year	767,611,924		630,264,498
	<b>PROFIT AVAILABLE FOR APPROPRIATION</b>	<u>1,030,526,984</u>		<u>883,595,273</u>
<b>APPROPRIATION</b>				
	Interim Dividend - Rs. 5.00 (Rs. 2.50) per share	73,493,080		36,746,600
	Silver Jubilee - Special Interim Dividend - Nil (Rs. 2.50) per share	-		36,746,600
	Corporate Dividend Tax	12,206,282		12,490,149
	Transfer to General Reserve	30,000,000		30,000,000
	Balance carried over to the Balance Sheet	914,827,622		767,611,924
	<b>TOTAL</b>	<u>1,030,526,984</u>		<u>883,595,273</u>
	Earning Per Shares of Rs. 5/- each (Basic/Diluted) (Refer Note No.15 of Schedule 18)	17.89		17.24

Notes on Accounts 18

As per our attached report of even date

For and on behalf of the Board of Directors

**For S. V. DOSHI & CO.**

Chartered Accountants

**M. G. GANDHI**

(Chairman &amp; Managing Director)

**B. G. GANDHI**

(Joint Managing Director)

**SUNIL V. DOSHI**

Partner

M. No. : 35037

**D. S. SHAH**

(Director)

**K. N. WARDEN**

(Director)

Mumbai, 12th May, 2011

**S. K. MISRA**  
(Company Secretary)**J. M. GANDHI**  
(Director)**D. B. SHAH**  
(Director)

**CASH FLOW STATEMENT FOR THE YEAR ENDED 31ST MARCH, 2011**

	31-03-2011	31-03-2010
	₹	₹
<b>A. CASH FLOW FROM OPERATING ACTIVITIES :</b>		
Profit before Taxation and extra ordinary items	374,359,794	363,916,976
Adjustments for :		
Depreciation/Amortisation	47,127,473	50,826,578
Loss on Sale of Assets	-	1,031,114
Loss on Sale of Investments	251,324	1,347,334
Dividend from Mutual Fund	(11,693,956)	(10,089,722)
Profit on Sale of Land	-	(11,491,582)
Profit on Sale of Mutual Fund Units	(646,618)	(4,527,230)
Interest on Fixed deposits/Bonds	(6,850,000)	(5,073,456)
<b>Operating Profit before Working Capital Changes</b>	<b>402,548,017</b>	<b>385,940,012</b>
Adjustments for :		
Trade Receivables	(8,442,636)	(46,931,428)
Loans and Advances	(3,292,790)	(11,680,985)
Inventories	(7,441,630)	(3,456,821)
Trade Payables & Other Liabilities	5,975,164	5,849,974
<b>Cash generated from Operations</b>	<b>389,346,125</b>	<b>329,720,752</b>
Taxes Paid	(109,719,875)	(119,617,308)
<b>Net cash from Operating activities</b>	<b>(A) 279,626,250</b>	<b>210,103,444</b>
<b>B. CASH FLOW FROM INVESTING ACTIVITIES :</b>		
Purchase of Fixed Assets	(12,039,669)	(9,810,617)
Sale of Fixed Assets	-	17,250,500
Purchase of Investments	(736,835,022)	(562,083,393)
Sale of Investments	532,110,033	428,870,847
Loss on Sale of Investments	(251,324)	(1,347,334)
Dividend from Mutual Fund	11,693,956	10,089,722
Profit on Sale of Mutual Fund Units	646,618	4,527,230
Interest on Fixed deposits/Bonds	6,850,000	5,073,456
<b>Net Cash used in Investing activities</b>	<b>(B) (197,825,408)</b>	<b>(107,429,589)</b>
<b>C. CASH FLOW FROM FINANCING ACTIVITIES :</b>		
Increase/(Decrease) in borrowing	-	(2,867,484)
Dividend paid and tax thereon	(85,699,362)	(85,983,349)
<b>Net Cash used in Financing activities</b>	<b>(C) (85,699,362)</b>	<b>(88,850,833)</b>
<b>NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS (A+B+C)</b>	<b>(3,898,520)</b>	<b>13,823,022</b>
Opening Cash and Cash equivalents	26,323,612	12,500,590
Closing Cash and Cash equivalents	22,425,092	26,323,612

**Notes**

- The above Cash Flow Statement has been prepared under the "Indirect Method" as set out in the Accounting Standard-3 on Cash Flow Statements, notified under sub-section (3C) of section 211 of the Companies Act, 1956.
- Cash & cash equivalents consists of Cash on hand and Balance with Scheduled banks.
- Cash & cash equivalents includes Rs. 63,34,701/- (Previous year Rs. 46,27,656/-) of restricted bank balance relating to unclaimed dividend.

As per our attached report of even date

**For S. V. DOSHI & CO.**

Chartered Accountants

**SUNIL V. DOSHI**

Partner

M. No. : 35037

Mumbai, 12th May, 2011

**S. K. MISRA**  
(Company Secretary)

For and on behalf of the Board of Directors

**M. G. GANDHI**

(Chairman &amp; Managing Director)

**D. S. SHAH**

(Director)

**J. M. GANDHI**

(Director)

**B. G. GANDHI**

(Joint Managing Director)

**K. N. WARDEN**

(Director)

**D. B. SHAH**

(Director)



**SCHEDULES FORMING PART OF THE ACCOUNTS**

	31-03-2011	31-03-2010
	₹	₹

**SCHEDULE 1 : CAPITAL****AUTHORISED**

24,000,000 Equity Shares of Rs. 5/- each 120,000,000 120,000,000

**ISSUED, SUBSCRIBED AND PAID-UP**

14,698,616 Equity Shares of Rs. 5/- each fully paid-up 73,493,080 73,493,080

**TOTAL** 73,493,080 73,493,080

**SCHEDULE 2 : RESERVES AND SURPLUS**

	As at 1st April, 2010	Additions during the year	As at 31st March, 2011
<b>CAPITAL RESERVES</b>			
i) Capital Subsidy	2,500,000	-	2,500,000
	(2,500,000)	(-)	(2,500,000)
ii) Surplus on Reissue of Forfeited Shares	539,100	-	539,100
	(539,100)	(-)	(539,100)
<b>CAPITAL REDEMPTION RESERVE</b>	<b>20,999,290</b>	-	<b>20,999,290</b>
	(20,999,290)	(-)	(20,999,290)
<b>REVENUE RESERVE</b>			
General Reserve	150,000,000	30,000,000	180,000,000
	(120,000,000)	(30,000,000)	(150,000,000)
	<b>174,038,390</b>	<b>30,000,000</b>	<b>204,038,390</b>
	(144,038,390)	(30,000,000)	(174,038,390)
<b>SURPLUS</b>			
Profit and Loss Account	767,611,924		914,827,622
<b>TOTAL</b>	<b><u><u>941,650,314</u></u></b>		<b><u><u>1,118,866,012</u></u></b>

**SCHEDULE 3 : DEFERRED TAX (ASSETS)/LIABILITIES**

<b>A. Deferred Tax Assets</b>			
Gratuity		(4,621,354)	(4,538,444)
Section 43B disallowances		-	(79,769)
<b>B. Deferred Tax Liabilities</b>			
Depreciation/Amortisation		48,221,530	49,256,540
<b>Deferred Tax Liabilities (Net)</b>	<b>TOTAL</b>	<b><u><u>43,600,176</u></u></b>	<b><u><u>44,638,327</u></u></b>

**SCHEDULES FORMING PART OF THE ACCOUNTS****SCHEDULE 4 : FIXED ASSETS**

DESCRIPTION	GROSS BLOCK				DEPRECIATION / AMORTISATION				NET BLOCK	
	As at 01-04-2010	Additions	Deductions/ Adjustments	As at 31-03-2011	As at 01-04-2010	During the year	Deductions/ Adjustments	As at 31-03-2011	As at 31-03-2011	As at 31-03-2010
Freehold Land - and Site Development	7,180,461	-	-	7,180,461	-	-	-	-	7,180,461	7,180,461
Buildings :										
Factory	71,131,586	917,535	-	72,049,121	19,828,049	2,380,039	-	22,208,088	49,841,033	51,303,537
Others	1,519,417	-	-	1,519,417	511,627	23,104	-	534,731	984,686	1,007,790
Plant and Machinery	528,277,753	3,813,610	-	532,091,363	299,161,904	24,717,800	-	323,879,704	208,211,659	229,115,849
Furniture & Fixtures	4,509,384	-	-	4,509,384	2,967,965	173,203	-	3,141,168	1,368,216	1,541,419
Office Equipments	4,675,365	240,345	-	4,915,710	2,829,860	352,456	-	3,182,316	1,733,394	1,845,505
Vehicles	6,899,566	-	-	6,899,566	613,947	655,459	-	1,269,406	5,630,160	6,285,619
Wind Mills	245,024,865	-	-	245,024,865	122,223,740	18,825,412	-	141,049,152	103,975,713	122,801,125
<b>TOTAL</b>	869,218,397	4,971,490	-	874,189,887	448,137,092	47,127,473	-	495,264,565	378,925,322	421,081,305
Previous Year	870,225,968	9,810,617	10,818,188	869,218,397	401,338,670	50,826,578	4,028,156	448,137,092		
Capital Work in Progress (Including Capital Advances)									7,068,179	-
									385,993,501	421,081,305

31-03-2011

31-03-2010

₹

₹

**SCHEDULE 5 : INVESTMENTS****A. Long Term Investments - (Non-Trade, At Cost)**

Quoted - Fully Paid-up

1) In Bonds :

i) 1000 (1000) 6.85% India Infrastructure Finance Co. Ltd.

Tax Free Bonds of Rs. 1,00,000/- each

100,470,000

100,470,000

2) In Mutual Fund Units :

Franklin Templeton Fixed Tenure Fund Series XII Growth Fund  
[2,000,000 (2,000,000) Units of Rs. 10/- each]

20,000,000

20,000,000

HDFC Monthly Income Plan-Long Term  
[4,796,114 (1,527,510) Units of Rs. 10/- each]

64,000,000

20,000,000

HDFC High Interest Fund-Short Term Income Plan  
[Nil (6,227,615) Units of Rs. 10/- each]

-

66,073,919

Reliance Monthly Income Plan  
[4,175,861 (949,756) Units of Rs.10/- each]

48,309,462

10,809,462

Franklin Templeton Short Term Income Retail Plan  
[Nil (39,925) Units of Rs. 1,000/- each]

-

43,000,714

Reliance Fixed Horizon Fund - XVI - Series-5  
[1,000,000 (Nil) Units of Rs. 10/- each]

10,000,000

-

UTI Fixed Maturity Institutional Plan - (09/10)  
[1,000,000 (Nil) Units of Rs. 10/- each]

10,000,000

-

Kotak Fixed Maturity Plan - Series-8  
[500,000 (Nil) Units of Rs. 10/- each]

5,000,000

-

**SCHEDULES FORMING PART OF THE ACCOUNTS**

	31-03-2011	31-03-2010
	₹	₹
<b>SCHEDULE 5 : INVESTMENTS (Contd.)</b>		
Sundaram Bnp Paribas Fixed Term Plan [500,000 (Nil) Units of Rs. 10/- each]	5,000,000	-
Fidelity Fixed Maturity Plan Series-III/F [500,000 (Nil) Units of Rs. 10/- each]	5,000,000	-
UTI Fixed Income Interval Fund Annual Interval Plan III [768,510 (Nil) Units of Rs. 10/- each]	10,000,000	-
Birla Sun Life Govt. Securities-Long Term Plan [360,032 (Nil) Units of Rs. 10/- each]	10,000,000	-
Birla Sun Life Fixed Term Plan Series-CF [4,000,000 (Nil) Units of Rs. 10/- each]	40,000,000	-
Birla Sun Life Fixed Term Plan Series-CI [750,000 (Nil) Units of Rs. 10/- each]	7,500,000	-
Kotak Fixed Maturity Plan - Series-9 [1,000,000 (Nil) Units of Rs. 10/- each]	10,000,000	-
L & T FMP - II - November 12 MA [1,000,000 (Nil) Units of Rs. 10/- each]	10,000,000	-
BNP Paribas Fixed Term Fund Series-19D [1,000,000 (Nil) Units of Rs. 10/- each]	10,000,000	-
Reliance Fixed Horizon Fund - XVI- Series-3 [2,001,819 (Nil) Units of Rs. 10/- each]	20,018,189	-
ICICI Prudential FMP - Series-53 [2,000,000 (Nil) Units of Rs. 10/- each]	20,000,000	-
BNP Paribas Fixed Term Fund Series-21H [4,000,000 (Nil) Units of Rs. 10/- each]	40,000,000	-
ICICI Prudential FMP - Series-55 [2,000,000 (Nil) Units of Rs. 10/- each]	20,000,000	-
Fidelity Fixed Maturity Plan Series-5 [1,000,000 (Nil) Units of Rs. 10/- each]	10,000,000	-
IDFC Fixed Maturity Plan - Series - 41 [2,000,000 (Nil) Units of Rs. 10/- each]	20,000,000	-
<b>B. Current Investments (Non-Trade, Lower of cost &amp; fair value)</b>		
Quoted - Fully Paid-up		
In Mutual Fund Units :		
HDFC Cash Management Treasury Advantage Plan [1,881,198 (4,893,565) Units of Rs. 10/- each]	18,871,234	49,089,801
<b>TOTAL</b>	<b>514,168,885</b>	<b>309,443,896</b>
Quoted-Cost	514,168,885	309,443,896
Repurchase Price	520,003,402	309,402,339

## SCHEDULES FORMING PART OF THE ACCOUNTS

## NOTES :

## INVESTMENTS IN MUTUAL FUNDS - (At Cost)

Name of Mutual Fund	Balance as on 01.04.2010		Purchased during the year		Sold during the year		Balance as on 31.03.2011	
	No. of Units	Rupees	No. of Units	Rupees	No. of Units	Rupees	No. of Units	Rupees
Birla Sun Life Fixed Term Plan Series-CF	-	-	4,000,000	40,000,000	-	-	4,000,000	40,000,000
Birla Sun Life Fixed Term Plan Series-CI	-	-	750,000	7,500,000	-	-	750,000	7,500,000
Birla Sun Life Govt. Securities-Long Term Plan	-	-	360,032	10,000,000	-	-	360,032	10,000,000
BNP Paribas Fixed Term Fund Series-19D	-	-	1,000,000	10,000,000	-	-	1,000,000	10,000,000
BNP Paribas Fixed Term Fund Series-21H	-	-	4,000,000	40,000,000	-	-	4,000,000	40,000,000
Fidelity Fixed Maturity Plan Series-5	-	-	1,000,000	10,000,000	-	-	1,000,000	10,000,000
Fidelity Fixed Maturity Plan Series-III/F	-	-	500,000	5,000,000	-	-	500,000	5,000,000
Franklin Templeton Fixed Tenure Fund Series XII	2,000,000	20,000,000	-	-	-	-	2,000,000	20,000,000
Franklin Templeton India Short Term Income Retail Plan	39,925	43,000,714	28,666	31,384,067	68,591	74,384,781	-	-
HDFC Cash Management Fund Treasury Advantage Plan	4,893,565	49,089,801	31,080,241	311,781,433	34,092,608	342,000,000	1,881,198	18,871,234
HDFC High Interest Fund Short Term Income Plan	6,227,615	66,073,919	2,796,894	29,633,144	9,024,509	95,707,063	-	-
HDFC Monthly Income Plan	1,527,510	20,000,000	3,268,604	44,000,000	-	-	4,796,114	64,000,000
ICICI Prudential FMP - Series-53	-	-	2,000,000	20,000,000	-	-	2,000,000	20,000,000
ICICI Prudential FMP - Series-55	-	-	2,000,000	20,000,000	-	-	2,000,000	20,000,000
IDFC Fixed Maturity Plan - Series - 41	-	-	2,000,000	20,000,000	-	-	2,000,000	20,000,000
Kotak Fixed Maturity Plan - Series-8	-	-	500,000	5,000,000	-	-	500,000	5,000,000
Kotak Fixed Maturity Plan - Series-9	-	-	1,000,000	10,000,000	-	-	1,000,000	10,000,000
L & T FMP - II - November 12 MA	-	-	1,000,000	10,000,000	-	-	1,000,000	10,000,000
Reliance Fixed Horizon Fund - XVI - Series-5	-	-	1,000,000	10,000,000	-	-	1,000,000	10,000,000
Reliance Fixed Horizon Fund - XVI- Series-3	-	-	2,001,819	20,018,189	-	-	2,001,819	20,018,189
Reliance Money Manager Fund	-	-	19,991	20,018,189	19,991	20,018,189	-	-
Reliance Monthly Income Plan	949,756	10,809,462	3,226,104	37,500,000	-	-	4,175,860	48,309,462
Sundaram Bnp Paribas Fixed Term Plan	-	-	500,000	5,000,000	-	-	500,000	5,000,000
UTI Fixed Income Interval Fund Annual Interval Plan III	-	-	768,510	10,000,000	-	-	768,510	10,000,000
UTI Fixed Maturity Institutional Plan - (09/10)	-	-	1,000,000	10,000,000	-	-	1,000,000	10,000,000
<b>Total</b>	<b>15,638,371</b>	<b>208,973,896</b>	<b>65,800,861</b>	<b>736,835,022</b>	<b>43,205,699</b>	<b>532,110,033</b>	<b>38,233,533</b>	<b>413,698,885</b>
Previous Year	15,828,013	165,181,350	40,756,732	461,613,393	40,946,374	417,820,847	15,638,371	208,973,896

**SCHEDULES FORMING PART OF THE ACCOUNTS**

	31-03-2011	31-03-2010
	₹	₹
<b><u>SCHEDULE 6 : INVENTORIES</u></b>		
(As certified by the Management)		
(At lower of cost and net realisable value unless otherwise stated)		
Stores and Spares [Includes Goods in Transit Rs. Nil (P.Y. Rs. 36,04,186/-)]	21,258,442	20,600,230
Raw Materials [Includes Goods in Transit Rs. Nil (P.Y. Rs. 10,012,630/-)]	134,013,378	127,027,124
Work in Process	30,163,462	31,586,688
Finished Goods	2,556,748	1,286,032
Scrap - At net realisable value	310,778	361,104
<b>TOTAL</b>	<b>188,302,808</b>	<b>180,861,178</b>
<b><u>SCHEDULE 7 : SUNDRY DEBTORS</u></b>		
(Unsecured, considered good)		
Debts over six months	5,579	4,301,681
Others	156,603,324	143,864,586
<b>TOTAL</b>	<b>156,608,903</b>	<b>148,166,267</b>
<b><u>SCHEDULE 8 : CASH AND BANK BALANCES</u></b>		
Cash on hand	37,703	140,410
Balance with Scheduled Banks :		
In Current Accounts	22,387,389	26,183,202
<b>TOTAL</b>	<b>22,425,092</b>	<b>26,323,612</b>
<b><u>SCHEDULE 9 : LOANS AND ADVANCES</u></b>		
(Unsecured, considered good)		
Balance with Central Excise	2,707,263	2,127,609
Interest accrued on Investments	1,276,164	1,276,164
Advances recoverable in cash or in kind or for value to be received	20,536,622	18,415,010
Deposits	13,270,058	12,678,534
<b>TOTAL</b>	<b>37,790,107</b>	<b>34,497,317</b>
<b><u>SCHEDULE 10 : CURRENT LIABILITIES</u></b>		
Sundry Creditors :		
Micro and Small Enterprises (refer Note No. 4 of Schedule-18)	4,189,003	3,509,450
Others	6,281,035	3,731,041
Due to Directors	21,000,000	10,800,000
Advances from Customers	2,884,712	1,844,393
Deposits from Customers	433,367	433,367
Other Liabilities	10,519,364	21,081,860
Unclaimed Dividends *	6,334,701	4,627,656
* There are no amounts due and outstanding to be credited to Investor Education and Protection Fund		
<b>TOTAL</b>	<b>51,642,182</b>	<b>46,027,767</b>

**SCHEDULES FORMING PART OF THE ACCOUNTS**

	31-03-2011	31-03-2010
	₹	₹
<b><u>SCHEDULE 11 : PROVISIONS</u></b>		
Current Taxation (Provisions in excess of payments)	3,293,964	530,954
Employee Benefits	14,393,882	14,033,133
<b>TOTAL</b>	<b>17,687,846</b>	<b>14,564,087</b>
<b><u>SCHEDULE 12 : DECREASE/(INCREASE) IN STOCKS</u></b>		
<b><u>CLOSING STOCKS</u></b>		
Finished Goods	2,556,748	1,286,032
Work In Process	30,163,462	31,586,688
Scrap	310,778	361,104
	<b>33,030,988</b>	<b>33,233,824</b>
<b><u>LESS : OPENING STOCKS</u></b>		
Finished Goods	1,286,032	527,531
Work In Process	31,586,688	15,515,102
Scrap	361,104	227,640
	<b>33,233,824</b>	<b>16,270,273</b>
<b>TOTAL</b>	<b>202,836</b>	<b>(16,963,551)</b>
<b><u>SCHEDULE 13 : OTHER INCOME</u></b>		
Job Work Charges [TDS Rs. 44,102/- (P.Y. Rs. 30,465/-)]	2,205,252	1,446,288
Interest :		
On Deposits	-	1,812
On Bonds	6,850,000	5,071,644
On Others [TDS Rs. 67,202/- (P.Y. Rs. 132,577/-)]	702,007	1,098,755
Dividend from Mutual Funds	11,693,956	10,089,722
Profit on sale of Mutual Fund Units	646,618	4,527,230
Gain/(Loss) on fluctuation in Foreign Exchange	(125,516)	64,329
Profit on sale of Land	-	11,491,582
Receipt from Keyman Insurance Policies	-	46,000,000
Miscellaneous Receipts	381,877	1,541,445
<b>TOTAL</b>	<b>22,354,194</b>	<b>81,332,807</b>
<b><u>SCHEDULE 14 : RAW MATERIALS CONSUMED</u></b>		
Opening Stock	117,014,494	143,227,285
Add : Purchases and related Expenses	310,416,617	233,103,658
	<b>427,431,111</b>	<b>376,330,943</b>
Less : Closing Stock	134,013,378	117,014,494
<b>TOTAL</b>	<b>293,417,733</b>	<b>259,316,449</b>

**SCHEDULES FORMING PART OF THE ACCOUNTS**

	31-03-2011	31-03-2010
	₹	₹
<b><u>SCHEDULE 15 : MANUFACTURING EXPENSES</u></b>		
Stores, Spares and Packing Materials consumed	52,313,564	39,148,334
Power and Fuel	68,310,219	59,945,439
Labour Charges	16,544,289	16,320,327
Factory Expenses	220,108	219,585
Repairs and Maintenance :		
Plant and Machinery	5,231,692	4,639,427
Building	487,106	433,788
Insurance	1,231,040	1,149,294
Wind Mill Operating Expenses	5,974,121	5,472,642
Freight Charges	242,709	463,899
<b>TOTAL</b>	<b>150,554,848</b>	<b>127,792,735</b>
<b><u>SCHEDULE 16 : EMPLOYEES' REMUNERATION AND BENEFITS</u></b>		
Salaries, Wages, Bonus and Other Benefits	16,089,717	13,898,653
Contribution to Provident and Other Funds	3,182,340	3,062,423
Gratuity	1,155,866	8,596,591
Staff Welfare Expenses	631,912	686,009
Directors' Remuneration	37,800,000	27,600,000
<b>TOTAL</b>	<b>58,859,835</b>	<b>53,843,676</b>
<b><u>SCHEDULE 17 : ADMINISTRATIVE AND OTHER EXPENSES</u></b>		
Rent/Compensation	6,750	6,000
Rates & Taxes	64,521	62,660
Insurance	10,027	1,812
Electricity Charges	303,727	395,432
Printing and Stationery	426,635	464,235
Communication Expenses	462,300	566,173
Travelling Expenses :		
Directors	608,742	184,543
Others	530,511	410,223
	<b>1,139,253</b>	<b>594,766</b>
Security Charges	1,010,150	877,703
Professional Charges	2,801,738	3,014,636
[Includes Cost Audit Fees Rs. 24,000/- (P.Y. Rs. 20,000/-)]		
Repairs and Maintenance - Others	236,386	525,909
Directors' Sitting Fees	136,000	119,000
Outward Freight	2,529,028	3,629,696
Advertising and sales Promotion Expenses	667,062	1,255,652
Commission on Sales	1,453,436	1,082,687
Auditor's Remuneration	505,000	455,000
Donation	2,816,111	1,705,000
Loss on Sale of Assets	-	1,031,114
Loss on Sale of Investments	251,324	1,347,334
Bank charges and commission	768,946	468,210
Other Expenses	2,067,577	1,575,856
<b>TOTAL</b>	<b>17,655,971</b>	<b>19,178,875</b>

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**SCHEDULES FORMING PART OF THE ACCOUNTS**

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**SCHEDULE 18 : NOTES ON ACCOUNTS**

## 1). SIGNIFICANT ACCOUNTING POLICIES

## A) ACCOUNTING CONVENTION

The financial statements are prepared under the historical cost convention, in accordance with applicable accounting standards notified by the companies (Accounting Standards) Rules, 2006 and the relevant provisions of the Companies Act, 1956.

## B) FIXED ASSETS

Fixed Assets are stated at cost less accumulated depreciation. Cost is inclusive of freight, duties, levies and any directly attributable cost of bringing the assets to their working condition for intended use.

## C) DEPRECIATION / AMORTISATION

Depreciation is provided on Straight Line Method at the rates and in the manner specified in Schedule XIV of the Companies Act, 1956, except for Wind Mills, which is provided on Written Down Value Method. Leasehold land is amortized over the period of lease.

## D) INVESTMENTS

Long-term Investments are stated at cost. Provision for diminution in the value of long-term investments is made only if such a decline is other than temporary in the opinion of the management. Current investments are valued at lower of cost and fair value.

## E) INVENTORIES

Inventories are valued at lower of cost and net realisable value. The cost is determined on the basis of FIFO Method. For the purpose of finished goods and work-in-process, cost comprises of material cost plus appropriate share of production overheads and excise duty, wherever applicable

## F) EMPLOYEE BENEFITS

## i) Defined Contribution Plan :

- a) In accordance with the provisions of Employees Provident Funds and Miscellaneous Provisions Act, 1952, eligible employees of the Company are entitled to receive benefits with respect to provident fund, a defined contribution plan in which both the Company & the employee contribute monthly at a determined rate (currently 12% of employee's basic salary). Company's contribution to Provident Fund is charged to Profit & Loss Account.
- b) The Company has taken a Policy with Life Insurance Corporation of India for the payment of gratuity, a defined contribution plan and premium paid on the policy has been charged to Profit & Loss Account in the year of payment.

## ii) Defined Benefit Plan :

- a) Gratuity to the Managing Director and Joint Managing Director, who are not covered under the policy with LIC has been provided for on the basis of Actuarial valuation, which is based on their contractual terms.
- b) Liability for employees' leave encashment benefits is provided for on the basis of Actuarial valuation, except in the case of Managing Director and Joint Managing Director, the same is accounted on cash basis.



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**SCHEDULES FORMING PART OF THE ACCOUNTS**


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**G) FOREIGN CURRENCY TRANSACTIONS**

Transactions in foreign currency are recorded at the exchange rate prevailing on the date of the transaction. In case of liabilities incurred for the acquisition of fixed assets, the loss or gain on conversion (at the rate prevailing at the year end) is recognized as income or expenses in the profit & loss account. Current Assets and Liabilities (Other than those relating to fixed assets) are restated at the rate prevailing at the year end. The difference between the year end rate and the exchange rate at the date of the transaction is recognized as income or expense in the profit and loss account.

**H) REVENUE RECOGNITION**

Sale of goods is recognized at the point of despatch to the customer. Income from Wind Power is recognized at the point of generation. Sales includes excise duty but excludes Sales Tax and discounts. Other Income are accounted on accrual basis.

**I) TAXATION**

Current tax is determined as the amount of tax payable in respect of taxable income for the year. Deferred tax is recognised, subject to the consideration of prudence in respect of deferred tax assets, on timing difference, being the differences between taxable income and accounting income that originate in one period and are capable of reversal in one or more subsequent periods except for carried forward losses, which are recognized only if there is virtual certainty of their realization.

**J) IMPAIRMENT**

An asset is treated as Impaired when the carrying cost of assets exceeds its recoverable value. An impairment loss is charged to the Profit and Loss Account in the year in which an asset is identified as impaired. The impairment loss recognised in prior accounting periods is reversed if there has been a change in the estimate of recoverable amount.

**K) PROVISIONS AND CONTINGENT LIABILITIES**

A Provision is recognized when there is a present obligation as a result of past events for which it is probable that an outflow of resources will be required to settle the obligation and in respect of which a reliable estimate can be made. These are reviewed at each balance sheet date and adjusted to reflect the current best estimates. Contingent liabilities are disclosed after an evaluation of the facts and legal aspects of the matters involved.

	<b>2010-2011</b>	2009-2010
	<b>Rs. In Lacs</b>	Rs. In Lacs
<b>2).</b> Estimated amount of contracts remaining to be executed on Capital Accounts and not provided for (Net of Advance)	<b>61.98</b>	3.30
<b>3). CONTINGENT LIABILITIES</b>		
a) Claims against the Company not acknowledged as debt :		
i) Cenvat/Service Tax Credit under disputes by Excise authorities	<b>29.07</b>	56.55
ii) Excise demand disputed by the Company	<b>57.99</b>	28.98
iii) Sales Tax demand disputed by the Company	<b>25.23</b>	25.23
iv) Professional Fees	<b>1.66</b>	-
b) Counter Guarantees given by the Company to the bankers for Bank Guarantees	<b>69.07</b>	50.00
c) Letter of Credits issued by the Bank	<b>146.67</b>	-

**SCHEDULES FORMING PART OF THE ACCOUNTS**

	2010-2011 Rs. In Lacs	2009-2010 Rs. In Lacs
<b>4). DUE TO MICRO AND SMALL ENTERPRISES</b>		
Amount Due to the Micro and Small Enterprises	4.96	-
<p>The above information and that given in Schedule 10 - "Current Liabilities" regarding Micro and Small Medium enterprises has been determined on the basis of confirmation obtained from suppliers who have registered themselves under the Micro Small Medium Enterprise Development Act, 2006 (MSMED Act,2006) and based on the information available with the Company. This has been relied upon by the Auditors. Further, no interest during the year has been paid or payable under the terms of the MSMED Act,2006.</p>		
<b>5). MANAGERIAL REMUNERATION</b>		
a) Salaries	168.00	168.00
Contribution to Provident Fund	20.16	20.16
Gratuity	5.81	80.90
Commission	210.00	108.00
<b>TOTAL</b>	<b>403.97</b>	<b>377.06</b>
b) Computation of Net Profit U/s 198/349 of the Companies Act, 1956		
Profit before taxation as per Profit and Loss Account	3,743.60	3,639.17
Add : a] Depreciation/Amortisation (as per accounts)	471.27	508.27
b] Managerial Remuneration	403.97	377.06
c] Directors' Sitting Fees	1.36	1.19
d] Loss on sale of Investments	2.51	13.47
e] Loss on Sale of Assets/Discarded Assets	-	10.31
	<b>4,622.71</b>	<b>4,549.47</b>
Less : a] Depreciation/Amortisation U/s 350 of the Companies Act, 1956	471.27	508.27
b] Loss on Sale of Assets/Discarded Assets U/s 350	-	10.31
c] Profit on Sale of Investments	6.47	45.27
d] Profit on Sale of Land	-	114.91
Net Profit U/s 349	<b>4,144.97</b>	<b>3,870.71</b>
Commission Payable :		
a) Managing Director	105.00	54.00
b) Joint Managing Director	105.00	54.00
<b>TOTAL</b>	<b>210.00</b>	<b>108.00</b>
<b>6). AUDITORS' REMUNERATION *</b>		
A) STATUTORY AUDITORS		
Audit Fees	2.21	2.21
Tax Audit Fees	0.60	0.60
Taxation Matters	2.76	2.21
* Includes service tax and education cess.	<b>5.57</b>	<b>5.02</b>
B) COST AUDITORS		
Cost Audit Fees	0.24	0.20



## SCHEDULES FORMING PART OF THE ACCOUNTS

9). a) RAW MATERIALS CONSUMED	2010-2011		2009-2010	
	Quantity (Tonnes)	Rs. In Lacs	Quantity (Tonnes)	Rs. In Lacs
Steel Strips	2,500	1,002.36	2,587	932.24
Seamless Hollows	3,127	1,621.48	2,635	1,350.14
Others		310.34		310.78
<b>TOTAL</b>		<b>2,934.18</b>		<b>2,593.16</b>
<b>Of the above :</b>	(%)		(%)	
Indigenous	44.72	1,312.30	47.63	1,235.25
Imported	55.28	1,621.88	52.37	1,357.91
<b>TOTAL</b>	<b>100.00</b>	<b>2,934.18</b>	<b>100.00</b>	<b>2,593.16</b>
<b>STORES AND SPARES ETC. CONSUMED</b>	(%)	Rs. In Lacs	(%)	Rs. In Lacs
i) Indigenous	83.09	434.67	82.25	321.99
ii) Imported	16.91	88.47	17.75	69.49
<b>TOTAL</b>	<b>100.00</b>	<b>523.14</b>	<b>100.00</b>	<b>391.48</b>

	2010-2011	2009-2010
10). CIF VALUE OF IMPORTS (Including advance payment)	Rs. In Lacs	Rs. In Lacs
i) Raw Materials	1,617.70	1,059.86
ii) Consumable Stores and Spares	34.52	85.15
iii) Capital Goods	18.14	-
<b>TOTAL</b>	<b>1,670.36</b>	<b>1,145.01</b>

## 11). EXPENDITURE IN FOREIGN CURRENCY

i) Travelling Expenses	3.65	0.83
ii) Exhibition Expenses	3.63	-
iii) Export Commission	0.40	-
iv) Bank Commission	0.01	-
<b>TOTAL</b>	<b>7.69</b>	<b>0.83</b>

## 12). EARNINGS IN FOREIGN CURRENCY

FOB value of Exports	19.07	16.81
<b>TOTAL</b>	<b>19.07</b>	<b>16.81</b>

## 13). The Company has classified the various benefits provided to employees as under

A) Charge to Profit and Loss Account based on contributions :	(Rs. In Lacs)	
Particulars	2010-2011	2009-2010
a) Gratuity	5.75	5.07
b) Provident Fund	24.25	23.37
c) Employees' Pension scheme	3.46	3.39
	<b>33.46</b>	<b>31.83</b>

## SCHEDULES FORMING PART OF THE ACCOUNTS

## B) Disclosures for defined benefit plans based on actuarial reports as on 31st. March 2011

(Rs. In Lacs)

Particulars	2010-2011		2009-2010	
	Gratuity	Leave encashment	Gratuity	Leave encashment
i) <u>Change in Defined Benefit Obligation</u>				
Opening defined benefit obligation	136.63	-	55.73	6.25
Current Service Cost	6.21	-	2.65	-
Interest Cost	10.78	-	4.09	-
Excess provision written back	-	(2.40)	-	(3.85)
Actuarial (Gain)/Loss	(11.18)	-	74.16	-
Closing defined benefit obligation	142.44	(2.40)	136.63	2.40
ii) Expenses recognised in the Profit and Loss Account				
Current Service Cost	6.21	-	2.65	-
Interest Cost	10.78	-	4.09	-
Actuarial (Gain)/Loss	(11.18)	(2.40)	74.16	(3.85)
	5.81	(2.40)	80.90	(3.85)

## 14) SEGMENT REPORTING

(Rs. In Lacs)

Particulars	31-03-2011				31-03-2010			
	Steel Tubes	Wind Power	Others	Total	Steel Tubes	Wind Power	Others	Total
<b>SEGMENT REVENUE</b> (Less Excise Duty)								
External Sales	8,007.71	156.49	853.20	9,017.40	6,749.18	182.24	617.75	7,549.17
Wind power, captively consumed	-	184.32	-	184.32	-	218.30	-	218.30
<b>Total Segment Revenue</b>	<b>8,007.71</b>	<b>340.81</b>	<b>853.20</b>	<b>9,201.72</b>	<b>6,749.18</b>	<b>400.54</b>	<b>617.75</b>	<b>7,767.47</b>
<b>SEGMENT RESULT(PROFIT/(LOSS) BEFORE TAX AND INTEREST</b>	<b>3,201.82</b>	<b>87.95</b>	<b>460.13</b>	<b>3,749.90</b>	<b>3,010.80</b>	<b>116.12</b>	<b>468.71</b>	<b>3,595.63</b>
Unallocable Expenditure				207.72				153.36
Operating Profit				3,542.18				3,442.27
Unallocable Income				201.42				196.90
<b>Profit before tax (PBT)</b>				<b>3,743.60</b>				<b>3,639.17</b>
Provision for current tax				1,165.18				1,140.23
Provision for deferred tax				(10.38)				(27.50)
Taxation Adjustments of earlier years				(40.35)				(6.87)
<b>Profit after tax (PAT)</b>				<b>2,629.15</b>				<b>2,533.31</b>
<b>OTHER INFORMATION</b>								
Segment assets	5,444.65	1,195.16	508.54	7,148.35	5,461.30	1,445.93	394.17	7,301.40
Unallocable assets				5,904.55				3,902.33
<b>Total assets (a)</b>				<b>13,052.90</b>				<b>11,203.73</b>
Segment liabilities	795.70	150.69	77.98	1,024.37	760.63	139.34	61.80	961.77
Unallocable liabilities				104.94				90.53
<b>Total liabilities (b)</b>				<b>1,129.31</b>				<b>1,052.30</b>
<b>Total Capital Employed (a-b)</b>				<b>11,923.59</b>				<b>10,151.43</b>

## Notes:

- (i) The Company has disclosed Business Segments as the primary segment. There are no secondary segments. Segments have been identified taking into account the nature of the product, the differing risk and returns, the organisational structure and Internal reporting system. The Company's operations predominantly relate to manufacture of steel tubes. Other business segments comprise of nuts.
- (ii) Segment revenue, Segment Result, Segment Assets and Segment Liabilities include respective amounts identifiable to each of the segments as also amounts allocated on a reasonable basis. The expenses which are not directly relatable to the business segments, are shown as unallocated corporate cost. Assets and liabilities that can not be allocated between the segments are shown as unallocated corporate assets and liabilities respectively.

**SCHEDULES FORMING PART OF THE ACCOUNTS**

15) EARNING PER SHARE	2010-2011	2009-2010
Profit after Taxation (Rs. In Lacs)	<b>2,629.15</b>	2,533.31
Weighted average number of shares (In Lacs)	<b>146.99</b>	146.99
Earning per share (Basic and Diluted) (Rs.)	<b>17.89</b>	17.24
Face Value per share (Rs.)	<b>5.00</b>	5.00

**16) RELATED PARTY DISCLOSURES****A) NAME OF RELATED PARTIES AND RELATIONSHIP**

Name	Relationship
1) Mr. M.G. Gandhi	Key Management Personnel(KMP)
2) Mr. B.G.Gandhi	Key Management Personnel(KMP)
3) Mr. J.M. Gandhi	Relative of KMP
4) Jaishri Engineering Co. Pvt. Ltd.	Significant influence by KMP
5) Gandhi Finance Co. Pvt. Ltd.	Significant influence by relatives of KMP
6) B.M. Gandhi Investment Co. Pvt. Ltd.	Significant influence by relatives of KMP
7) Randeep Exports	Significant influence by KMP/ relatives of KMP

**B) TRANSACTIONS (IN AGGREGATE ) WITH RELATED PARTIES****(Rs. In Lacs)**

Description	Transactions during		Outstanding During	
	Current Year	Previous Year	Current Year	Previous Year
1) Remuneration				
M.G.Gandhi	<b>201.99</b>	188.53	<b>105.00</b>	54.00
B.G.Gandhi	<b>201.98</b>	188.53	<b>105.00</b>	54.00
2) Dividend paid				
M.G.Gandhi	<b>105.78</b>	105.78		
B.G.Gandhi	<b>97.03</b>	97.03		
J.M.Gandhi	<b>47.82</b>	47.82		
Others	<b>53.48</b>	53.48		
3) Sitting fees				
J.M.Gandhi	<b>0.36</b>	0.33		
4) Purchase of goods				
Jaishri Engineering Co. Pvt. Ltd.	<b>0.42</b>	0.47		
5) Purchase of DEPB Licence				
Randeep Exports	-	4.62		
6) Sales of Goods				
Jaishri Engineering Co. Pvt. Ltd.	<b>172.75</b>	140.42		
Randeep Exports	<b>53.42</b>	45.66		
7) Job Work Charges received				
Jaishri Engineering Co. Pvt. Ltd.	<b>22.05</b>	14.46		
8) Compensation for Godown				
Jaishri Engineering Co. Pvt. Ltd.	<b>0.07</b>	0.06		

Note: Related parties relationship is as identified by the Company on the basis of information available with them and accepted by the Auditors

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**SCHEDULES FORMING PART OF THE ACCOUNTS**

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17) Previous Year figures have been regrouped, rearranged and reclassified, wherever considered necessary.

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**Signature to Schedules 1 to 18**

As per our attached report of even date

For and on behalf of the Board of Directors

**For S. V. DOSHI & CO.**

*Chartered Accountants*

**SUNIL V. DOSHI**

*Partner*

M. No. : 35037

Mumbai, 12th May, 2011

**S. K. MISRA**  
(Company Secretary)

**M. G. GANDHI**

(Chairman & Managing Director)

**D. S. SHAH**

(Director)

**J. M. GANDHI**

(Director)

**B. G. GANDHI**

(Joint Managing Director)

**K. N. WARDEN**

(Director)

**D. B. SHAH**

(Director)

**SCHEDULES FORMING PART OF THE ACCOUNTS**

Additional Information as required under Part IV of Schedule VI of the Companies Act, 1956

**I. REGISTRATION DETAILS**

Registration No.	L27104MH1985PLCO36004	State Code	11
Balance Sheet Date	31-03-2011		

**II. CAPITAL RAISED DURING THE YEAR**

Public Issue	Nil	Rights Issue	Nil
Bonus Issue	Nil	Private Placement	Nil

**III. POSITION OF MOBILISATION AND DEPLOYMENT OF FUNDS ( RUPEES )**

<b>Total Liabilities</b>	1,235,959,268	<b>Total Assets</b>	1,235,959,268
<b>Sources of Funds</b>			
Paid up Capital	73,493,080	Reserves and Surplus	1,118,866,012
Secured Loans	Nil	Unsecured Loans	Nil
Deferred Tax Liabilities (Net)	43,600,176		
<b>Application of Funds</b>			
Net Fixed Assets	385,993,501	Investments	514,168,885
Net Current Assets	335,796,882	Misc. Expenditure	Nil
Accumulated Losses	Nil		

**IV. PERFORMANCE OF COMPANY ( RUPEES )**

Turnover *	942,526,666	Total Expenditure	568,166,872
* Includes Other Income			
Profit/(Loss) Before Tax	374,359,794	Profit/(Loss) After Tax	262,915,060
Earnings Per Share in Rs.	17.89	Dividend Rate %	100

**V. GENERIC NAMES OF THREE PRINCIPAL PRODUCTS/SERVICES OF THE COMPANY (AS PER MONETARY TERMS)**

Product Description	Item Code No. (ITC Code)
Seamless Steel Tubes	73043119
ERW Precision Steel Tubes	73069019
Nuts	73181600

For and on behalf of the Board of Directors

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

**B. G. GANDHI**  
(Joint Managing Director)

**D. S. SHAH**  
(Director)

**K. N. WARDEN**  
(Director)

**S. K. MISRA**  
(Company Secretary)

**J. M. GANDHI**  
(Director)

**D. B. SHAH**  
(Director)

Mumbai, 12th May, 2011



## ANNEXURE I

### ELECTRONIC CLEARING SERVICES (ECS) MANDATE FORM

To,  
 Gandhi Special Tubes Ltd  
 C/O. Karvy Computershare Pvt.Ltd  
 46, Avenue 4 , StreetNo.1, Banjara Hills,  
 Hyderabad – 500 034

Dear Sir,

#### FORM FOR ELECTRONIC CLEARING SERVICES FOR PAYMENT OF DIVIDEND

Please fill in the information in CAPITAL LETTERS in ENGLISH only.

For shares held in Physical Form

Folio No.

For shares held in Electronic Form

DP Id

Client Id

<b>FOR OFFICE USE ONLY</b>
ECS Ref. No. <input style="width: 80%;" type="text"/>

Name of Sole/ First Holder	<input style="width: 100%;" type="text"/>
Bank Name	<input style="width: 100%;" type="text"/>
Branch Name	<input style="width: 100%;" type="text"/>
Branch Code	<input type="text"/> <input type="text"/> <input type="text"/> <input type="text"/> <input type="text"/> <input type="text"/> <input type="text"/> <input type="text"/> <input type="text"/> <input type="text"/>
(9 Digit Code Number appearing on the MICR Band of the Cheque supplied by the Bank). Please attach a Xerox copy of a Cheque or a blank Cheque of your bank duly cancelled for ensuring accuracy of the banks name, branch name and code number	

<b>Account Type</b> [please Tick (✓) wherever applicable]	⇒	Savings <input type="checkbox"/>	Current <input type="checkbox"/>	Cash Credit <input type="checkbox"/>
--	---	----------------------------------	----------------------------------	--------------------------------------

A/C. No.(as appearing in the Cheque book)	⇒	<input type="text"/> <input type="text"/> <input type="text"/> <input type="text"/> <input type="text"/> <input type="text"/> <input type="text"/> <input type="text"/> <input type="text"/> <input type="text"/> <input type="text"/> <input type="text"/> <input type="text"/> <input type="text"/> <input type="text"/>
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Effective date of this mandate	⇒	<input type="text"/> <input type="text"/> <input type="text"/> <input type="text"/> <input type="text"/> <input type="text"/> <input type="text"/>
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I, hereby declare that the particulars given above are correct and complete. If any transaction is delayed or not effected at all for reason of incompleteness or incorrectness of information supplied as above, the Company/ Karvy Computershare Pvt. Ltd will not be held responsible. I agree to avail the ECS facility provided by RBI, as and when implemented by RBI/ Gandhi Special Tubes Ltd.

I further undertake to inform the Company any change in my Bank/branch and account number.

**Date:** \_\_\_\_\_

\_\_\_\_\_  
**(Signature of Sole/First Holder)**

**Notes:**

1. Whenever the Shares in the given folio are dematerialized, then this ECS mandate form stands rescinded.
2. For Shares held in dematerialized mode ECS Mandate is required to be filed with the Depository Participant in their prescribed form.



**Attendance Slip**

**GANDHI SPECIAL TUBES LTD.**

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

**TWENTY SIXTH ANNUAL GENERAL MEETING**

**27th July, 2011**

Regd. Folio NO. / Client ID: .....

Mr./Mrs./Ms. ....

I certify that I am a registered share holder / Proxy for the Registered Share holder of the Company.

I hereby record my presence at the TWENTYSIXTH ANNUAL GENERAL MEETING of the Company at Kanji Khetsey Sabhagriha, Bharatiya Vidya Bhavan, K.M.Munshi Marg, Mumbai - 400 007 at 11.00 a.m. on Wednesday the 27<sup>th</sup> July, 2011.

.....  
Proxy's Name in Block Letters

.....  
Member's / Proxy Signature

Note: Please fill in this attendance slip and hand it over at the ENTRANCE OF TH HALL

**PROXY FORM**

**GANDHI SPECIAL TUBES LTD.**

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

Mr./Mrs./Ms. .... Regd. Folio NO. / Client ID: .....

I/We .....

of ..... in the district of ..... being the member/s of the above mentioned Company hereby appoint .....

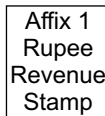
of ..... in the district of .....

or failing him ..... of ..... in the district of .....

as my / our proxy to vote for me / us on my / our behalf at the TWENTYSIXTH ANNUAL GENERAL MEETING of the Company to be held on Wednesday the 27<sup>th</sup> July, 2011 at 11.00 a.m. and at any adjournment thereof.

Signed this ..... Day of ..... 2011

Signature .....



.....

Note : This proxy must be deposited at the Registered Office of the Company at Jariwala Mansion, 43, K.M. Munshi Marg, Near Bhartiya Vidya Bhavan, Mumbai 400 007 no less than 48 hours before the time of the meeting.

**BOOK-POST**

If undelivered please return to :

**GANDHI SPECIAL TUBES LTD.**

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