

MANAGEMENT DISCUSSION AND ANALYSIS REPORT**1. Industry Structure and Development**

Our Company is engaged in manufacturing and marketing of welded and seamless steel tubes of different sizes and specifications and Cold Formed Coupling Nuts. These products are mainly supplied to the Original Equipment Manufacturers (OEMs) of the automotive sector, Farm Equipment manufacturers, Construction equipment manufacturers and other Engineering Industries. There was a good growth in demand from all these sectors.

The Company is also operating in Power Sector through Windmills installed in Maharashtra and Gujarat in a modest way.

2. Opportunities & Threats**Opportunities:**

Growth in rural income coupled with forecast of good monsoon should fuel demand for Farm equipment.

Ban on old commercial vehicles and overall higher economic activities will boost demand for new Commercial Vehicles. Increased rate of infrastructure development should increase demand for construction equipments.

Threats:

Tightening of emission norms could see change in technology and could impact demand for Company's one line of products i.e. fuel injection tubes only. With the introduction of BS IV standards from 1st April, 2017, there is a major change in specifications for high pressure fuel injection tubes which is one of the applications for which company's products are used. Technology to manufacture CRDI TUBES is currently not with the Company.

3. Product wise Performance

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

| Sr. No. | Product | 2017-18 | 2016-17 |
|---------|------------------|-------------|-------------|
| 1. | Welded Tubes | 14.64 | 18.30% |
| 2. | Seamless Tubes | 78.64 | 73.23% |
| 3. | Cold Formed Nuts | 5.09 | 6.33% |
| 4. | Wind Power | 1.63 | 2.14% |
| | Total | 100% | 100% |

4. Impact of GST:

The Goods and Service Tax (GST) is beyond doubt the most revolutionary tax related reform to be witnessed in India in several decades. It is expected to eliminate cascading taxation structures which have been prevalent in several industries since past few decades. It will most certainly have a profound effect on India's economic prospects. A single indirect tax regime covers all the goods and services and in the long run, this will increase tax collection. Though the GST structure has been announced, there is still a lot conjecture about which tax rate will be applicable.

5. Outlook

Outlook for the company in near future seems to be encouraging as all the major sectors in which company operates are expected to have robust growth.

6. Risk and Concerns

Increase in commodity prices has already resulted in overall increase in cost which is difficult to pass to customers. Further increase in commodity prices may adversely affect profitability.

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.

7. Internal Control Systems

The Company has an internal control system in place which is commensurate with the 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 authorized 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.

8. Financial Performance with respect to Operational Performance**Sales and Profit:**

During the year, Net Sales increased by approximately 16.77% and increase of 8.95% was seen in the Operating Profit.

Capital Investment:

Capital Investment of ₹12.86 Lakhs were made during the year. The entire capital investment has been made out of the Company's internal cash accruals.

9. Human Resources and Industrial Relations

Human relations were harmonious throughout 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.

10. Safety, Health and Environment (SHE) Management

Safety: Your Company continues to adopt best safety practices which have resulted into a reduced accident and severity rate. The initiation of new personnel in Safety, Health and Environment (SHE) Management 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 up gradation and treating the hazards against exposure to personnel by implementing engineering controls.

Cautionary Statement

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

The Management is confident that your Company with its Quality products and enduring relations with OEM and commitment of its staff, will continue to sustain its growth and payout by way of dividend to the shareholders in the year 2018-19.

For GANDHI SPECIAL TUBES LTD.

Manhar G. Gandhi
Chairman and Managing Director
DIN: 00041190

Place : Mumbai
Date : May 28, 2018