

Oil Country Tubular Limited.



ANNUAL REPORT 2001-2002

Oil Country Tubular Limited**BOARD OF DIRECTORS**

| | |
|---------------------------|-------------------------------------|
| Dr. T.S. Sethurathnam | Chairman |
| Shri K. Suryanarayana | Managing Director |
| Shri K. Banerjee | Nominee of IDBI |
| Shri Sunil Kapoor | Nominee of IFCI |
| Shri B. B. Bhattacharyya | Nominee of BOI |
| Shri Luis Alberto Acevedo | Nominee of TAMSA, MEXICO |
| Dr.N.S. Datar | |
| Shri K. V. Ravindra Reddy | |
| Dr. Jayaram B. Naidu | |
| Shri K. Sridhar | Director (International Operations) |
| Shri K.G. Joshi | Director (Technical) |

**GENERAL MANAGER (F)
COMPANY SECRETARY**

Shri A. P. Vitthal

REGISTERED OFFICE

108, Kanchanjunga
King Koti Road
Hyderabad - 500 001 (A.P.)

BANKERS

Bank of India
State Bank of India
State Bank of Hyderabad

AUDITORS

Raju & Prasad
Chartered Accountants
401, Diamond House
Punjagutta
Hyderabad - 500 082

WORKS

Shreepuram
Marketpally Mandalam
Nalgonda Dist- 508 254 (A.P.)

Notice to Members



Notice is hereby given that the Sixteenth Annual General Meeting of Oil Country Tubular Limited will be held on Thursday, the 26th day of September, 2002 at 10.00 A.M. at Bharatiya Vidya Bhavan Auditorium, King Kothi Road, Bashirbagh, Hyderabad - 500 029 to transact the following business:

ORDINARY BUSINESS :

1. To receive, consider and adopt the Directors' Report and Audited Profit and Loss Account for the year ended 31st March, 2002 and Balance Sheet as at that date together with Auditors' Report thereon.
2. To appoint a Director in place of Dr. Jayaram B. Naidu, who retires by rotation, and being eligible offers himself for reappointment.
3. To consider and if thought fit, to pass with or without modifications, the following resolution as an ORDINARY RESOLUTION :

"Resolved that, the retiring Auditors, M/s Raju & Prasad, Chartered Accountants be and are hereby reappointed as Auditors of the Company to hold office from the conclusion of this Meeting until the conclusion of the next Annual General meeting at such remuneration as may be determined by the Board of Directors."

SPECIAL BUSINESS :

4. To consider and if thought fit to pass with or without modification, the following resolution as an ordinary Resolution :

"Resolved that Mr. Luis Alberto Acevedo who was appointed as Additional Director of the Company by the Board of Directors and who ceases to hold office at conclusion of this Annual General Meeting and in respect of whom the Company has received a notice in writing alongwith a deposit of Rs. 500/- (Rupees five hundred only) under section 257 of Companies Act, 1956, from a member proposing his candidature for the office of the Director, be and is hereby appointed as Director of the company whose period of office shall be liable to be determined by retirement of Directors by rotation."

5. To consider and if thought fit, to pass with or without modifications, the following Resolution as Ordinary Resolution :

"Resolved that Subject to Provisions of Section 269, 309, 198 and Schedule XIII and other applicable Provisions of the Companies Act, 1956, Shri K Suryanarayana, be and is hereby reappointed as Managing Director of the company for a period of 5 years with effect from 20th January, 2002 at a remuneration and upon the terms and conditions as set out in the agreement placed before the meeting and initialled by the Chairman for the purpose of identification and subject to such modification as may be required by the Financial Institutions."

"And Resolved further that the Board be and is hereby authorised to do all such acts, deeds, matters and things may be considered necessary, usual or expedient to give effect to the aforesaid resolution."

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

"Resolved that pursuant to the applicable provisions of the Companies Act, 1956, Securities Contracts (Regulation) Act and the Rules framed thereunder, Listing Agreement and all other applicable laws, regulations and guidelines and subjects to such approvals, permissions and sanctions, as may be necessary and subject to such conditions and modifications as may be prescribed or imposed by any authority while granting such approvals, permissions and sanctions, which may be agreed to by the Board of Directors of the Company (hereinafter referred to as "the Board" which term shall be deemed to include any Committee thereof for the time being exercising the powers conferred on the Board by this resolution), approval of the Company be and is hereby accorded to the Board for voluntary de-listing of the equity shares of the Company from all or any of the Stock Exchanges at Ahmedabad, Calcutta, Delhi and Chennai."

Notice to Members



"Resolved further that the Board of Directors of the Company including any committee(s) thereof formed for the time being to exercise the powers conferred by the Board be and is hereby authorized to take all necessary steps in this regard and do all such acts, deeds, matters and things as it may in its absolute discretion deem necessary, proper or desirable and settle any question, difficulty, doubt that may arise in regard to voluntary delisting of the equity shares from all or any of the aforesaid Stock Exchanges and to execute all such deeds, documents, writings as may be necessary, expedient or desirable as it may deem fit and for this purpose delegate the authority duly vested in it by virtue hereof to any Director or the Company Secretary or any other person who it may consider suitable to do the various acts, deeds and things required to give effect to this resolution."

By Order of the Board of Directors

Regd Office:
108, Kanchanjunga
King Kothi Road
Hyderabad - 500 001.

A.P. VITTHAL
GENERAL MANAGER (F) &
COMPANY SECRETARY

Date: 26/06/2002

Notes :

- a. Explanatory Statement Pursuant to Section 173(2) of the Companies Act, 1956 relating to special business for item 4,5 & 6 is annexed hereto.
- b. A member entitled to attend and vote is entitled to appoint one or more proxies to attend and vote instead of himself. A proxy need not be a member of the company. Instrument of Proxies in order to be effective must be received by the company not less than 48 hours before the time for holding the meeting.
- c. The Register of Members and Share Transfer Books of the Company will remain closed from 24/09/2002 to 26/09/2002 (both days inclusive).
- d. Members are requested to notify immediately any change of address to the Registered office of the Company.

EXPLANATORY STATEMENT

(Pursuant to Section 173(2) of the Companies Act, 1956.)

Agenda Item 4:

Mr. Luis Alberto Acevedo, aged 36 years, is Engineer in Metallurgical Engineering and M.B.A in Finance and General Management with 14 years of rich experience in various fields viz., Generic Engineering & Design, Marketing & Commercial and Management areas. He is working as General Manager in M/s Tubos De Acero De Mexico, S.A (TAMSA) and based at Dubai. He is nominated by TAMSA.

Mr Luis Alberto Acevedo was appointed as Additional Director of the Company Pursuant to Section 260 of the Companies Act, 1956, at the meeting of Board of Directors of the Company held on 25/04/2002. In terms of applicable provisions of the Companies Act, 1956 and Articles of Association of the Company, his term of office as Additional Director expires at the conclusion of this meeting. The Company has received a notice from a member proposing his candidature for the office of Director and also deposited Rs.500/- (Rupees Five Hundred only).

The Resolution is recommended for your approval.



Notice to Members



Agenda Item 5:

Shri K Suryanarayana, aged 66 years, is a Metallurgical Engineer from Banaras Hindu University. He worked in Rourkela Steel Plant as Production Engineer (for 7 years). He was trained in Kaiser Steel Works, Fontana, California, USA in the technology of Steel manufacture.

Shri K Suryanarayana was reappointed as Managing Director for a period of 5 years from 20th January, 2002 by the Board at the meeting of Board of Directors held on 27th October, 2001 on a remuneration within the limits prescribed under Schedule XIII of Companies Act, 1956 and upon such terms and conditions as set out in the Agreement placed before the meeting and initialled by the Chairman for the purpose of identification.

The terms and conditions governing the appointment of Shri K Suryanarayana are set out below:

| | | |
|-----------------------|---|--|
| Period of Appointment | : | 5 years w.e.f 20th January, 2002 |
| a) SALARY | : | Rs .1,50,000 per month |
| b) COMMISSION | : | One percent commission on the net profits of the Company computed in the manner laid down in Section 309(5) of the companies Act, 1956, subject however to a Maximum of total annual salary. |

PERQUISITES :

- a) Contribution / to provident fund, superannuation fund or annuity fund to the extent these either singly or put together are not taxable under the Income-tax Act, 1961.
- b) Gratuity payable at a rate not exceeding half a Month's salary for each completed year of service and
- c) He is entitled to leave and encashment of leave at the end of the tenure as per rules of the Company.

Other Terms :

- a) Compensation for loss of office : The company shall pay compensation for loss of office under Section 318, 319, 321 and other provisions of the companies Act, 1956.
- b) In the event of loss or inadequacy of profits in any financial year, the Managing Director shall be paid remuneration by way of salary and perquisites as specified above.
- c) The Managing Director shall not, during the tenure of his office, as Managing Director becomes interested or otherwise concerned, directly or through his wife and/or minor children, any selling agency of the Company without the prior approval of the Company Law Board.

None of the Directors other than Shri K Suryanarayana and Shri K. Sridhar are interested in the said Resolution.

Agenda Item 6 :

At present, the Company's securities are listed on the National Stock Exchange and the Stock Exchanges at Ahmedabad, Bombay, Calcutta, Delhi, Chennai and Hyderabad. The shares of the Company are compulsory traded only in dematerialised form by all categories of Investors in the stock exchanges with effect from 28/8/2000.

As the Stock Exchange, Mumbai (BSE) and National Stock Exchange of India Ltd. (NSE) have provided wide networking, investors have access to online dealings in the Company's securities across the Country. The Company's shares are mostly traded at the National Stock Exchange and Stock Exchanges at Mumbai. Company's Registered Office is at Hyderabad and Hyderabad Stock Exchange is the Regional Exchange.

Notice to Members



The following is the statistics of number of shares of the Company traded at the Stock Exchanges where the Company's Shares are listed, during the period from 1/4/2001 to 31/3/2002

| Name of the Stock Exchange | No. of Shares |
|--------------------------------------|-------------------------|
| National Stock Exchange of India Ltd | 2872583 |
| The Stock Exchange, Mumbai | 803009 |
| The Calcutta Stock Exchange Assn.Ltd | 5490 |
| The Stock Exchange, Hyderabad | No transaction reported |
| Ahmedabad Stock Exchange Assn. Ltd | No transaction reported |
| Madras Stock Exchange Ltd | No transaction reported |
| The Delhi Stock Exchange Assn. Ltd | No transaction reported |

The trading volumes and liquidity of the shares of the Company at the Stock Exchanges at Chennai, Calcutta, Ahmedabad and Delhi are either nil or low compared to the volume and liquidity of the shares of the Company at the National Stock Exchange of India Ltd and Stock Exchanges at Mumbai.

The Listing fees paid to Stock Exchanges at Chennai, Calcutta, Ahmedabad and Delhi are disproportionate to the volume and trading at these Stock Exchanges. It is therefore, proposed to de-list the equity shares of the Company at these Stock Exchanges.

Members approval is being sought for enabling voluntary delisting of shares of the Company from all or any of the Stock Exchanges at Chennai, Calcutta, Ahmedabad and Delhi.

The Company will also be giving a notice of the proposed enabling resolution for the said delisting in one National Newspaper on an all India basis. The proposed delisting of the shares of the Company from the Stock Exchanges at Chennai, Calcutta, Ahmedabad and Delhi, as and when the same takes place, will not adversely affect the investors. The shares of the Company will continue to be listed at Hyderabad Stock Exchange as the Regional Stock Exchange and at the BSE and NSE.

The delisting will take effect after all approvals, permissions and sanctions are received. The exact date on which de-listing will take effect will be suitably notified at that time.

The Directors recommend the resolution as set out in item No. 6 for approval.

None of the Directors of the Company is interested in this Resolution.

By Order of the Board of Directors

Regd Office:

108, Kanchanjunga
King Kothi Road
Hyderabad - 500 001.

A.P. VITTHAL
GENERAL MANAGER (F) &
COMPANY SECRETARY

Date: 26/06/2002

Directors' Report



To the Members,

The Directors have pleasure in presenting the Sixteenth Annual Report on the Business of the Company and the Audited Statements of Accounts for the year ended 31st March, 2002.

OPERATIONS:

The global market was severely affected in the aftermath of September 11, 2001 and consequent International Developments. Your company's plans for exports were adversely affected on this count. Despite such situation, your Company could export to the tune of Rs. 554.18 Lakhs.

According to the present indications, the situation is likely to improve in about 6 months time and the effect of such improvement will be partially reflected in the Company's operations during 2002-2003.

FINANCIAL RESULTS:

| | 2001-2002 (Rs in Lakhs) | 2000-2001 (Rs in Lakhs) |
|--|----------------------------|----------------------------|
| 1. Gross Income | 6801.36 | 5874.94 |
| 2. Profit before interest and Depreciation | 2358.63 | 384.43 |
| 3. Interest | 1785.32 | 1455.99 |
| 4. Gross Profit/(Loss) | 573.31 | (1071.56) |
| 5. Provision for Depreciation | 540.70 | 572.66 |
| 6. Net Profit/(Loss) before tax | 32.61 | (1644.22) |
| 7. Provision for Tax | 22.40 | Nil |
| 8. Profit/(Loss) after tax | 10.21 | (1644.22) |
| 9. Prior period adjustments | 260.10 | (23.06) |
| 10. Surplus(Loss) in P&L Account | (1341.05) | 326.23 |
| 11. Profit/(Loss) carried to Balance Sheet | (1070.74) | (1341.05) |

DIVIDEND:

In view of inadequacy of profits, no dividend is declared on the equity shares of the Company for the year 2001-02.

FINANCE:

During the year under review the Company has made repayments to the extent of Rs. 796.77 Lakhs towards Term Loans to the Financial Institutions and Banks as per the Repayment schedule. Your Directors are pleased to inform that all Institutional/Banks' interest/instalment dues up to 31.03.2002 were paid.

PROSPECTS:

There are signs of recovery in the Global activity in the Oil and Gas industry relating to the Drilling and Exploration and the demand for OCTG products is likely to go up in next 6 months. On the Domestic front also, there are positive indications of improvement in the Drilling and Exploration activities. Regular customers of the Company have floated tenders and company expects to receive substantial domestic orders during the year 2002-03.

MANAGEMENT DISCUSSIONS AND ANALYSIS REPORT:

As required by Clause 49 of the Listing Agreements with Stock Exchanges, the Management discussions and Analysis Report is enclosed as a part of this report.(Annexure I)

STOCK EXCHANGE LISTINGS:

The Equity Shares of the Company are listed on the Stock Exchanges at - Ahmedabad, Bombay, Calcutta, Delhi, Hyderabad, Madras and the National Stock Exchange. The Company confirms that it has paid the

Directors' Report



Annual Listing Fees due to all the above Stock Exchanges. However, it is noted that the shares are not frequently traded in Ahmedabad, Calcutta, Delhi and Madras Stock Exchanges. Therefore, the Company propose to delist the shares in these Stock Exchanges and retain Listing with NSE, BSE and HSE. Necessary resolutions are proposed for approval of Shareholders.

DEMATERIALISATION OF SHARES:

Sebi has notified that the Company's Shares shall be traded in the Stock Exchanges only in Demat form with effect from 28/8/2000. The Company has executed Tripartite agreement with both the Depositories viz National Security Depository Ltd (NSDL) and Central Depository Systems Ltd. The Company's Depository Registrars M/s Aarthi Consultants (P) Ltd, Hyderabad have established connectivity to both the Depositories to facilitate trading in the electronic mode. As on 31/3/2002, 51.01% of Equity shares were dematerialised.

DIRECTORS:

During the year IDBI has withdrawn nomination of Shri K V George and nominated Shri K Banerjee as a Director. Bank of India has withdrawn the nomination of Shri S Bhaskaran and nominated Shri B B Bhattacharyya as a Director. TAMSAs has withdrawn the nomination of Shri Gabriel Monti and in his place nominated Shri Luis Alberto Acevedo as Director. IFCI has withdrawn nomination of Shri Lakshmi Niwas Sharma and nominated Mr Sunil Kapoor as a Director.

The Board placed on record its appreciation for the valuable services rendered by Shri K V George, Shri S Bhaskaran, Mr Gabriel Monti and Shri Lakshmi Niwas Sharma during their tenure as Directors on the Board of Directors of the Company.

Dr Jayaram B Naidu retires on rotation at the AGM and being eligible offer himself for reappointment. Shri Luis Alberto Acevedo, additional Director appointed by the Board ceases to be a director at this AGM. A notice was received from a Shareholder for his appointment as a Director alongwith a deposit of Rs.500/- as required U/s 257 of Companies Act, 1956.

Shri K Suryanarayana, Managing Director was reappointed as MD for a period of 5 years with effect from 20/1/2002 on the same remuneration subject to approval at the AGM.

The Directors recommend the reappointment/approval of remuneration as proposed in the notice for the AGM.

THE DIRECTORS' RESPONSIBILITY STATEMENT (UNDER SECTION 217(2AA) OF COMPANIES ACT, 1956)

To the best of their knowledge and belief and according to the information and explanations obtained by them, your Directors make the following Statement in terms of Section 217(2AA) of the Companies Act, 1956.

- 1) That in the preparation of the Annual Accounts for the year ended 31st March, 2002 the applicable accounting Standards have been followed alongwith proper explanation relating to material departures, if any.
- 2) That such accounting policies as mentioned in Notes on Accounts have been selected and applied consistently and judgments and estimates that are reasonable and prudent made so as to give a true and fair view of the state of affairs of the Company at the end of the financial year ended 31st March 2002 and of the profit of the Company for that year.
- 3) That Proper and sufficient care has been taken for the 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.
- 4) That the Annual Accounts for the year ended 31st March, 2002 have been prepared on a going concern basis.

Directors' Report



AUDITORS:

The Auditors of the Company, M/s Raju & Prasad, Chartered Accountants, Hyderabad retire at the ensuing meeting and are eligible for reappointment.

Auditors' observations are suitably explained in notes to the Accounts and are self-explanatory.

CORPORATE GOVERNANCE:

Your Company continues to strive to incorporate appropriate standards for good Corporate Governance. It has taken adequate steps to ensure that all mandatory provisions of Corporate Governance, prescribed under the amended Listing Agreement with Stock Exchanges with which the Company is listed, are complied with.

A separate report on Corporate Governance is furnished as a part of the Annual Report along with the Auditors Certificate on its Compliance. (Annexure II)

CONSERVATION OF ENERGY, TECHNOLOGY ABSORPTION AND FOREIGN EXCHANGE OUTGO:

Information required as per Section 217(1)(e) of the Companies Act, 1956 read with Companies (Disclosure of particulars in Directors' Report) Rules 1988 is given in the Annexure forming part of this report. (Annexure III)

PERSONNEL:

There are no employees of the Company whose remuneration is beyond the limits specified under Provisions of Section 217(2A) of the Companies Act, 1956 read with Company's (particulars of Employees) Rules, 1975 as amended.

During the year under Review, relationship with the employees was cordial.

ACKNOWLEDGMENT:

Directors take this opportunity to express their thanks to various departments of the Central and State Government, ONGC, Oil India Ltd, Financial Institutions, Bankers, Grant Aideco, Raw Material suppliers, customers and shareholders for their continued support and guidance.

The Directors wish to place on record their appreciation of the dedicated efforts put in by the employees of the Company at all levels.

Regd Office:
108, Kanchanjunga
King Kothi Road
Hyderabad - 500 001.

for and on behalf of the Board

Dr. T.S. SETHURATHNAM
Chairman

Date: 26/06/2002

Annexure to Directors' Report



ANNEXURE-1

Management Discussions and Analysis Report

A) Industry Structure and Developments, Opportunities and Threats, Performance, Outlook and Risks and Concerns:

The International Scenario in the Oil & Gas industry has undergone sea change after 11th September, 2001 and consequent international developments. On this account, the Global Market for Oil Country Tubular Goods (OCTGs) experienced downtrend, particularly in view of the volatile Oil Prices. In spite of this situation, the Company could maintain reasonable Turnover during the current year. On the Domestic front also, the Government of India has dismantled the Administered Price Mechanism (APM) for the Oil, thus opening up the Oil sector for Private participation. The impact due to the Policy change by the Government of India will have positive affect on the Company's operations, since the demand for OCTGs will go up in the Domestic Market on account of Private participation. However, this affect will be felt by the Company in the operations during the 2nd / 3rd Quarter of the current year.

Though the Company was able to secure Orders for supply of Drill Pipes in the International and Domestic Markets, the same is not the case with Casings and Production Tubing, for which the Company cannot compete due to non-availability of Green Pipes of required quality at competitive prices. As a result of this, the Company is unable to utilise their Processing capacity for Casings and Tubings. It is imperative that the Company establishes its own source for Manufacture of Green Pipes.

In the above circumstances, the Company is contemplating to setup a Pipe Project for manufacture of Green Pipes as a diversification activity. The details of the Project and the modalities of implementation are being worked out. The implementation period for such a Project would be around Two Years but on implementation, the Company would get Long Term Benefits and Stability in its Operations, in addition to substantial improvement in the profitability besides enhancing the product range.

The Company faces threats due to fluctuations in the Global Oil & Gas industry. The Government of India has announced a massive capital outlay in the Oil & Gas exploration activities, which will increase the OCTG requirements multifold in the Domestic Market. The implementation of the Pipe Manufacturing Project with the multifold increase in the demand of OCTGs will help stabilise the Company's operations.

B) Internal Control System and their Adequacy:

The Internal Control System comprises of exercising controls at various stages and are established in order to provide reasonable assurance for :

- (i) Safeguarding Assets and their Usage,
- (ii) Maintenance of Proper Accounting Records and
- (iii) Adequacy and Reliability of the Information used for carrying on Business Operations.

The key elements of the system are as follows:

- (a) Existence of Authority Manuals and periodical updating of the same for all Functions.
- (b) Existence of Clearly Defined Organisational Structure and Authority.
- (c) Existence of Corporate Policies for Financial Reporting and Accounting.
- (d) Existence of Management Information System updated from time to time as may be required.
- (e) Existence of Annual Budgets and Long Term Business Plans.