

Seventeenth Annual Report 2002-2003

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Oil Country Tubular Ltd.

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BOARD OF DIRECTORS

Dr T S Sethurathnam	Chairman
Shri K Suryanarayana	Managing Director
Smt K V Shenoy	Nominee of IDBI
Shri Sunil Kapoor	Nominee of IFCI
Shri T Sekhar	Nominee of BOI
Shri Luis Alberto Acevedo	Nominee of TAMS, 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
Narketpally Mandalam
Nalgonda Dist - 508 254 (A.P.)

Notice To Members



Notice is hereby given that the Seventeenth Annual General Meeting of members of Oil Country Tubular Limited will be held on Thursday, the 18th day of September, 2003 at Taj Mahal Hotel, IIInd Floor, Akshaya Hall, 4-1-999, Abids Road, Hyderabad - 500 001 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, 2003 and Balance Sheet as at that date together with Auditors' Report thereon.
2. To appoint a Director in place of Dr N S Datar, 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 subject to the Provisions of section 269, 309, 198, Schedule XIII and other applicable Provisions of the Companies Act, 1956, Shri K G Joshi be and is hereby appointed as Director (Technical) of the Company for a period of three years with effect from 27th June, 2003 at a remuneration and upon terms and conditions as set out in the agreement placed before this meeting and initialled by the Chairman for the purpose of identification and subject to such modifications as may be required by the Financial Institutions and approval of Government of India, if any.

"Resolved further that the Board be and is hereby authorised to alter and vary the terms and conditions of the said agreement in such a manner as may be agreed to by the Board and Shri K G Joshi, but so as not to exceed the limits specified in Schedule XIII of the Companies act, 1956 or any amendment thereto or enactments thereof, with effect from such dates as may be decided by it."

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

"Resolved that pursuant to the applicable provisions of the Companies Act, 1956, Securities Contracts (Regulation) Act and the Rules framed thereunder, SEBI (Delisting of Securities) Guidelines 2003, Listing Agreement and all other applicable laws, regulations and guidelines and subject to such approval, 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 without giving an exit option to the Shareholders from all or any of the Stock Exchanges at Ahmedabad, Chennai, Delhi, Hyderabad and Kolkata."

"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 authorised 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 other aforesaid Stock Exchanges and to execute all such deeds,

Notice To Members



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 of the Company or 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 Koti Road
Hyderabad - 500 001

A P VITTHAL
GENERAL MANAGER (F)&
COMPANY SECRETARY

Date: 31st July, 2003

Notes:

- a. Explanatory Statement Pursuant to Section 173(2) of the Companies Act, 1956 relating to Special Business for item 4 & 5 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 16.09.2003 to 18.09.2003 (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:

Shri K G Joshi is a qualified Engineer with Honours Degree with wide and varied experience. He has held various senior positions in the Public Sector for over 27 years and has been associated with the Company from inception. He was appointed as Director Technical, from 27.06.1997 at the 11th Annual General Meeting held on 18.09.1997 and was reappointed at 14th Annual General Meeting held on 24.08.2000 upto 27.06.2003. The Board of Directors of the Company at its meeting held on 28th April, 2003, reappointed Shri K G Joshi as Director (Technical) for 3 years with effect from 27.06.2003 subject to approval of Annual General Meeting and subject to approval, if any, required from Institutions and Government of India.

The remuneration approved by Board of Directors to Shri K G Joshi is as follows:

- | | | |
|-----------------|---|--|
| a) SALARY | : | Rs.50,000/- per month in the grade of
Rs.50,000-5000-65000 |
| b) PERQUISITES: | | |
| HOUSING | : | The Expenditure by Company on hiring furnished accommodation will be subject to a ceiling of 50% of the Salary.

In case no accommodation is provided by the Company, the appointee shall be entitled to House rent allowance subject to the ceiling of 50% of the Salary. |



- The expenditure incurred by the Company on gas, electricity, Water and furnishing shall be subject to a ceiling of 10% of the Salary.
- MEDICAL REIMBURSEMENT : For Self and family, not exceeding one month's salary in a year or 3 months salary in a period of 3 years.
- LEAVE TRAVEL CONCESSION : For Self and family, once in a year to and from any place in India in accordance with the Rules of the Company.
- CLUB FEES : Club Fees subject to maximum of 2 Clubs, which will not include admission and life membership fees.
- PERSONAL ACCIDENT INSURANCE : Premium not exceeding Rs.2000/- per annum.
- APART FROM THE ABOVE, HE WILL ALSO BE ENTITLED TO THE FOLLOWING:
- PROVIDENT FUND, SUPERANNUATION AND GRATUITY : Provident Fund, Superannuation and Gratuity as per rules of the Company, subject to the ceiling as per the guidelines for managerial remuneration in force from time to time.
- CAR : Company's car for business of the Company
- TELEPHONE : Provision of telephone at residence will not be considered as perquisite but personal long distance calls shall be billed by the Company.
- ENTERTAINMENT/TRAVELLING : Reimbursement of travelling, entertainment and other expenses as incurred by him for the business of the Company.
- PRIVILEGE LEAVE : One Month's leave on full pay and allowance, for every eleven months of service.

In the event of loss or inadequacy of Profits in any financial year Director(Technical) shall be paid remuneration by way of salary and perquisites as specified above.

Your Directors recommend this Resolution for your approval.

None of the Directors other than Shri K G Joshi is interested in the said Resolution.

Agenda Item 5:

At present, the Company's Securities are listed on the National Stock Exchange and the Stock Exchanges at Ahmedabad, Mumbai, Chennai, Delhi, Hyderabad and Kolkata. 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 Exchange at Mumbai.

The following is the statistics of number of shares of the Company traded at the Stock Exchange where the Company's shares are listed, during the period from 1/4/2002 to 31/3/2003.

Notice To Members



Name of the Stock Exchange	No. of Shares
National Stock Exchange of India Ltd	1400123
The Stock Exchange, Mumbai	625962
The Calcutta Stock Exchange Assn.Ltd	86100
Ahmedabad Stock Exchange Assn. Ltd	No transaction reported
The Delhi Stock Exchange Assn.Ltd	No transaction reported
The Stock Exchange, Hyderabad	No transaction reported
Madras Stock Exchange Ltd	No transaction reported

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

The Listing fees paid to Stock Exchanges at Ahmedabad, Chennai, Delhi, Hyderabad and Kolkata 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 Ahmedabad, Chennai, Delhi, Hyderabad and Kolkata. The delisting is proposed as per SEBI (delisting of Securities) guidelines 2003. As permitted in these guidelines, keeping in view the fact that Company's shares continue to be listed on BSE and NSE, the Company proposes to delist at Stock Exchanges at Ahmedabad, Chennai, Delhi, Hyderabad and Kolkata without giving an exit option to the Shareholders.

The proposed delisting of the shares of the Company from the Stock Exchanges at Hyderabad, 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 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:5 for approval.

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

By Order of the Board of the Directors

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

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

Date:31st July, 2003

Directors' Report



To the Members,

The Directors have pleasure in presenting the Seventeenth Annual Report on the Business of the Company and the Audited Statements of Accounts for the year ended 31st March, 2003 and Auditors report thereon.

OPERATIONS:

The demand of the company's products in the International Market had shown signs of improvement during First Quarter of the current year (2002-03) and the company was successful in securing Export Orders valued at over USD 4.00 Million (Rs.20 Crores) from Syrian Petroleum Company (SPC), Syria. Subsequent developments in the Gulf Region slumped the improving International Market.

The Domestic Market also got affected. Even the process of procurement of the company's products viz. Drill Pipes was delayed and the orders which are normally finalized in the First / Second Quarter were not finalized till the end of financial year (2002-03).

These factors had adversely effected the Company's operations and resulted in achieving a lower turnover during the year 2002-03.

FINANCIAL RESULTS:

	2002-2003 (Rs in Lakhs)	2001-2002 (Rs in Lakhs)
1. Gross Income	5441.21	6801.36
2. Profit before interest and Depreciation	1544.67	2358.63
3. Interest	1226.92	1785.32
4. Gross Profit	317.75	573.31
5. Provision for Depreciation	545.92	540.70
6. Net Profit/(Loss) after tax	(228.17)	32.61
7. Provision for Tax	NIL	22.40
8. Profit/(Loss) after tax	(228.17)	10.21
9. Prior period adjustments	25.56	260.10
10. Surplus (Loss) in P&L Account	(1070.74)	(1341.05)
11. Profit/(Loss) Carried to Balance Sheet	(1273.35)	(1070.74)

DIVIDEND:

In view of inadequency of profits, no dividend is declared on the equity shares of the Company for the year 2002-03.

FINANCE:

Despite the low turnover and losses during the year, the company paid a sum of Rs. 402.38 lakhs to Institutions / Banks towards interest and Rs.208.16 lakhs towards Principle Repayment. IDBI/IFCI have rescheduled the interest payment of Two Quarters.

ACCREDITATION :

The Directors are pleased to inform that your company has been accredited with ISO 9001-2000 by American Petroleum institute (APIQR) internationally recognising the high quality management systems of the company.

Directors' Report

PROSPECTS:

Your Directors are pleased to report that the company has secured over Rs.120 Crores of orders from ONGC for execution by April 2004, besides Export Orders valued at Rs.20 Crores from Syrian Petroleum Company, Syria. With the situation in the Gulf Region settling down and reconstruction activities planned on war footing, the demand for the company's products in the International Market is expected to go up. The company's financial position is also expected to improve substantially during 2003-04 and onwards.

MANAGEMENT DISCUSSION AND ANALYSIS REPORT:

As required by Clause 49 of the Listing Agreements with Stock Exchanges, the Management discussion and Analysis Report is enclosed as a part of this report (Annexure-1)

STOCK EXCHANGES LISTINGS:

The Company confirms that it has paid the Annual Listing Fees to NSE and BSE, where the company's shares are Listed. However, it is noted that the Shares are not frequently traded in Ahmedabad, Calcutta, Delhi, Hyderabad and Chennai Stock Exchanges. Therefore, the Company propose to delist the shares in these Stock Exchanges and retain with NSE/BSE. As such Listing fee to Ahmedabad, Chennai, Delhi, Hyderabad and Kolkata Stock Exchanges will be settled/paid after completing the delisting formalities. The Company has no intention of giving any exit option to the Shareholders in these areas where shares are proposed to be delisted.

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 Service India Ltd. The Company's Depository Registrars M/s Dakshin Consultants (P) Ltd H No: 6-3-655/2/4, Civil Supplies Bhavan Lane, Somajiguda, Hyderabad - 500 082 have established connectivity to both the Depositories to facilitate trading in the electronic mode. As on 31/03/2003, 55.78% of Equity shares were dematerialised.

DIRECTORS:

During the year IDBI has withdrawn nomination of Shri K Banerjee and nominated Smt K V Shenoy as a Director. Bank of India has withdrawn the nomination of Shri B B Bhattacharyya and nominated Shri T Sekhar as a Director.

The Board placed on record its appreciation for the valuable services rendered by Shri K Banerjee and Shri B B Bhattacharyya during their tenure as Directors on the board of Directors of your Company.

Dr N S Datar retires on rotation at the AGM and being eligible offers himself for reappointment.

Shri K G Joshi, Director (Technical) was reappointed for a period of 3 years with effect from 27/06/2003 on a remuneration which is within the permissible amount under Schedule XIII of Companies Act, 1956 subject to approval of Annual General Meeting and Government of India, if any.

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, 2003 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 judgements 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, 2003 and of the loss of the Company for that year.

Directors' Report



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, 2003 have been prepared on a going concern basis.

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 alongwith 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.

ACKNOWLEDGEMENT:

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

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

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

For and on behalf of the Board

D R T S SETHURATHNAM
Chairman

Date: 31st July, 2003

Annexure to Directors' Report



ANNEXURE I

Management Discussion and Analysis Report

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

The exploration activities in the Oil & Gas Industry had shown signs of improvement in the International Market in the First Quarter of the year 2002-03 but received a serious set back due to the situation in the Gulf Region. On the Domestic front there was delay in the process of procurement and certain changes were also made in the tendering policy. The Drill Pipe Orders on the domestic front, which should have been received and supplied during 2002-03, have now been received in the first quarter of 2003-04 and will be executed during 2003-04.

These developments had adversely effected the turnover of the Company and profitability.

With the situation in the Gulf Region settling down now and reconstruction activities expected to be taken up on war footing, the demand for company's products viz., Drill Pipes, Production Tubing and Casings is bound to increase. But the company can not take any advantage of the increased demand for the other two products viz., Production Tubing and Casings, since the company can not compete in the International / Domestic Market 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 Manufacturing of Green Pipes. In view of this the Company planned to setup a Pipe Project for manufacture of Green Pipes as a diversification activity, but could not make much progress in view of present financial position. However 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. Thereafter, 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 Oil Country Tubular Goods (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 Systems 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.