

**Eighteenth
Annual Report
2003-2004**



Oil Country Tubular Ltd.

Oil Country Tubular Ltd.**BOARD OF DIRECTORS**

Dr T S Sethurathnam	Chairman
Shri K Suryanarayana	Managing Director
Shri V Srinivasa Rao	Nominee of IDBI
Shri T D Kalra	Nominee of IFCI
Shri P S Ravendernath	Nominee of ICICI
Shri T Sekhar	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
Narketpally Mandalam
Nalgonda Dist – 508 254 (A.P.)

Notice To Members



Notice is hereby given that the Eighteenth Annual General Meeting of Oil Country Tubular Limited will be held on Friday, the 24th day of September, 2004 at 10-00 AM at Tajmahal Hotel, 2nd 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, 2004 and Balance Sheet as at that date together with Auditors' Report thereon.
2. To appoint a Director in place of Dr T S Sethurathnam, who retires by rotation, and being eligible offers himself for reappointment.
3. To appoint a Director in place of Shri K V Ravindra Reddy, who retires by rotation, and being eligible offers himself for reappointment.
4. 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:

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

"RESOLVED that in accordance with the Provisions of Section 81(1A) and all other applicable provisions, if any, of the Companies Act, 1956 (including any Statutory modification or re-enactment thereof for the time being in force) and the enabling Provisions in the Memorandum and Articles of Association of the Company and the Listing Agreement entered into by the Company with the Stock Exchanges where the Shares of the Company are listed and subject to the approvals if any of Financial Institutions including Industrial Development Bank of India(IDBI) as well as such approvals, permissions and sanctions of such authorities as may be necessary and subject also to such terms, conditions and modifications as may be prescribed by any of them 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 include any Committee thereof for the time being exercising the Powers conferred by the Board), the consent of the Company be and is hereby accorded to the Board to offer, issue and allot upto 5000000 (Fifty Lakh) Equity Shares of Rs.10/- each to IDBI in accordance with the Guidelines on Preferential Issues(Guidelines) framed by Securities & Exchange Board of India(SEBI) in this behalf, on preferential basis on such terms and conditions as may be decided by the Board and in one or more tranches as the Board may deem fit.

RESOLVED FURTHER that the Board be and is hereby authorised to offer, issue and allot such number of Equity shares as may be necessary in accordance with the terms of the offering and that all such Equity shares shall rank pari passu, from their respective dates of allotment, with the existing Equity shares of the company.

RESOLVED FURTHER that for the purpose of giving effect to the Resolution, the Board be and is hereby authorised to do all such acts, deeds, matters and things and carry out or accept all such conditions, modifications and alterations as it may in its absolute discretion deem necessary, proper or desirable and to

Notice To Members



settle any question, difficulty or doubt that may arise in regard to the offer, issue and allotment of the Equity Shares and further to finalise and execute all documents and writing as may be necessary, desirable or expedient without being required to seek any further consent or approval of the Company in this regard."

By Order of the Board of Directors

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

A P VITTHAL
GENERAL MANAGER (FINANCE)&
COMPANY SECRETARY

Date:24/07/2004

Notes:

- An explanatory Statement pursuant to Section 173(2) of the Companies Act, 1956, setting out the material facts in respect of the business under item No:5 is annexed hereto.
- 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.
- The Register of members and Share Transfer Books of the Company will remain closed from 22/09/2004 to 24/09/2004 (both days inclusive).
- 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(the Act) relating to the above mentioned Special Business is appended below)

Agenda Item 5:

Industrial Development Bank of India(IDBI) has restructured the liabilities of the Company subject to conversion of overdues to the extent of Rs.500 lakhs into Equity.

The Special Resolution relates to issue, offer and allot upto 5000000 (Fifty Lakh) Equity Shares of Rs.10 each to be offered in terms of letter Ref No:HO.CFD-II/OCTL/103 Dt 23/04/2004 issued by IDBI.

The Listing agreement with the Stock Exchanges where the shares of the Company are listed, provides that further issue of Shares by the Company shall be offered to the existing Members of the Company unless decided otherwise in a General Meeting. Section 81 of the Act also provides inter alia that when it is proposed to increase the issued capital of a Company by allotment of further shares, such further shares shall be offered to the existing members of the Company in the manner laid down in the said Section unless the Members in a General Meeting decide otherwise.

The Company is advised that the said issue, the pricing and the terms thereof and allotment will need to be in accordance with the guidelines for Preferential Issues of Securities and Exchange Board of India (SEBI) as amended and consents as may be necessary will be obtained from the appropriate authorities. In accordance with the aforesaid SEBI Guidelines, the following information is furnished:

- | | |
|--|--|
| i) Objects of the issue through Preferential Offer | To reduce interest costs and to improve the net worth of the Company |
| ii) Interest of Promoters/directors | The offer is not being made to these entities |

Notice To Members



iii) Shareholding Pattern-Equity Shares:

	EXISTING 30/06/04		PROPOSED ISSUE		POST ISSUE	
	No. of Equity Shares	%	No. of Equity Shares	%	No. of Equity Shares	%
a) Promoters and Persons deemed to be Acting in concert	15041101	38.28			15041101	33.96
b) Directors(other than in a.above) and Key management persons	1090340	2.77			1090340	2.46
c) Institutional Investors						
- ICICI Bank	2600	0.01			2600	0.01
- IDBI	27100	0.07	5000000	12.73	5027100	11.35
- IFCI Ltd.	1400	0.01			1400	0.01
- UTI and Mutual Funds	49780	0.12			49780	0.11
- Banks and Insurance	40160	0.10			40160	0.09
- Companies	-	-			-	-
- Foreign Institutional Investors	5400	0.01			5400	0.01
d) Others						
- Private Corporate	-	-			-	-
- Bodies	1374361	3.50			1374361	3.10
- NRIs/OCBs	5715026	14.54			5715026	12.90
- Indian Public	15942262	40.59			15942262	36.00
Total Equity Shares	39289530	100.00	5000000	12.73	44289530	100.00

- iv. The identity of the proposed allottees and the percentage of Post Equity Issue Capital that may be held by them
Industrial Development Bank of India
The Post Equity issue capital that is likely to be held by them is as indicated in iii.c. above
- v) Proposed time within which the Allotment shall be completed
Within three months from the date of passing of the Special Resolution.
- vi) Price
As may be decided by the Board in terms of SEBI guidelines in vogue at a price not less than face value of the Share i.e. Rs.10/- Share

Shri V Srinivasa Rao, Director Nominated by Industrial Development Bank of India may be deemed to be interested in the said Resolution.

INSPECTION OF DOCUMENTS:

Copies of relevant documents/correspondence etc. in connection with the aforesaid item of business and in particular the following documents are available for inspection at the Registered Office of the Company between 11-00 A M to 1-00 PM on any working day prior to the date of the Annual General Meeting:

- (a) Letter No:HO.CFD-II/OCTL/103 dated 23/04/2004 from Industrial Development Bank of India
(b) Memorandum and Articles of Association of the Company

DISCLOSURE OF INTEREST:

Save and except as stated above, none of the Directors of the Company are interested or concerned in this Resolution except as shareholders of the Company in general.

By Order of the Board

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

A P VITTHAL
GENERAL MANAGER (FINANCE)&
COMPANY SECRETARY

Date:24/07/2004

Directors' Report



To the Members,

The Directors have pleasure in presenting the Eighteenth Annual Report on the Business of the Company and the Audited Statements of Accounts for the year ended 31st March, 2004 and Auditors report thereon.

OPERATIONS:

The Directors are happy to inform that market for your Company's products has picked up during the year and your Company received orders valued over Rs.130 Crores during the year including export Orders valued at Rs.12.25 Crores.

FINANCIAL RESULTS:

	2003-2004 (Rs.in Lakhs)	2002-2003 (Rs in Lakhs)
1. Gross Income	9992.05	5441.21
2. Profit before interest and Depreciation	1717.53	1544.67
3. Finance Charges	988.32	1226.92
4. Gross Profit	729.21	317.75
5. Provision for Depreciation	648.55	545.92
6. Net Profit/(Loss) before tax	80.66	(228.17)
7. Provision for Tax	7.00	-
8. Net Profit/(Loss) after tax	73.66	(228.17)
9. Prior period adjustments	(4.82)	25.56
10.Surplus / (Loss) in P&L Account	(1273.35)	(1070.74)
11.Profit/(Loss) Carried to Balance Sheet	(1204.51)	(1273.35)

DIVIDEND

In view of inadequacy of profits, no dividend is declared on the equity shares of the Company for the year 2003-04.

FINANCE:

The Directors are happy to inform that during the year IDBI and ICICI Bank have restructured the liabilities. As a part of restructuring they rescheduled the repayment and reduced interest on the loans. ICICI has converted 50% of its loan liability to FC Loan. IDBI has informed that they will exercise right of conversion of loans/interest into Equity Share capital to the tune of Rs.500 Lakhs. In view of this approval of the members is sought for allotment of up to 50 Lakhs Equity Shares of the company to IDBI on preferential basis. Approval from IFICI restructuring the liabilities of the Company is expected shortly. The benefit of restructuring was partial during the year under review.

Your Directors wish to inform that the above restructuring would help your Company in reducing Finance charges, by about Rs.300 Lakhs in 2004-05 and networth will go up by Rs.500 lakhs due to additional issue of equity.

PROSPECTS:

The Company had over Rs.80 Crores worth of orders for execution as on April 2004. In view of improved market conditions, the Company expects to sustain turnover achieved in 2003-04 during next year also. The Financial Position is expected to improve during 2004-05 due to reduction in finance charges on account of restructuring by Financial Institutions.

Directors' Report



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)

LISTING WITH STOCK EXCHANGES:

The Company confirms that it has paid the Annual Listing Fee to NSE and BSE, where the company's shares are listed. In line with approval accorded by AGM at the meeting held on 18/9/2003, the Company's shares were delisted from the Stock Exchanges situated at Ahmedabad, Chennai, Delhi, Hyderabad and Kolkata.

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 Services India Ltd. The Company's Registrars, M/s Dakshin Consultants (P) Ltd H No: 6-3-655/2/4, Civil Supplies Bhavan Lane, Somajiguda, Hyderabad – 500 082, single Agency to deal in Shares in Electronic and Physical form have established connectivity to both the Depositories to facilitate trading in electronic mode. As on 31/03/2004, 67.74% of Equity shares were dematerialised.

DIRECTORS:

During the year IDBI has withdrawn nomination of Smt K V Shenoy and nominated Shri V Srinivasa Rao as Director with effect from 25/02/2004. IFCI has withdrawn the nomination of Shri Sunilkapoor as a Director and nominated Shri T D Kalra as Director with effect from 25/06/2004. ICICI Bank has nominated Shri P S Ravendernath as Director with effect from 27/05/2004.

The Board placed on record its appreciation for the valuable services rendered by Smt K V Shenoy and Shri Sunilkapoor during their tenure as Directors on the Board of Directors of your Company.

Dr T S Sethurathnam and Shri K V Ravindra Reddy retire on rotation at 18th AGM and being eligible offer themselves for reappointment in the ensuing Annual General Meeting.

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, 2004 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 31st March, 2004 and of the Profit of the Company for that year.
- 3) That proper and sufficient care has been taken 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.
- 4) That the Annual Accounts for the year ended 31st March, 2004 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 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: 24/07/ 2004

Annexure to Director's 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 have improved both in the International as well as Domestic Markets during the year ended 31-03-2004. This has enabled the Company to achieve a turnover of Rs.100 Crores during the year 2003-04, which includes Rs.12 Crores for Exports. The forecast for the year 2004-05 is also encouraging and the Company expects to maintain Rs.100 Crores turnover during the current year (2004-05), primarily on account of the increased demand of the Company's prime product viz., Drill Pipes. However, the Company is unable to 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. The only solution for the Company to enhance the capacity utilisation of the available facility is to set up a Pipe Project for manufacture of Green Pipes at the earliest available opportunity depending on the financial position.

The Company had to compete with global players who enjoy credit at a very low rate of interest. The Company, therefore, requested Financial Institution (FI) for restructuring of loan liability, which has agreed, to reduce finance charges. The rate of interest has been brought down by about 4% i.e. from existing 14% p.a. by Financial Institutions as a part of restructuring. This is expected to increase profitability of the Company during 2004-05.

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. Though FI's have brought down rate of interest, it is still high compared to prevailing international interest rates.

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.
- (f) Existence of Internal Audit System.

Annexure to Director's Report



- (g) Periodical Review of Opportunities and Risk Factors depending on the Global / Domestic Scenario and to Undertake Measures as may be necessary.

The Internal Audit Department is regularly carrying out Auditing in all the Key Areas of the Operations. Additionally the Audit Committee is reviewing all Audit Plans and Reports with significant control issues raised by Internal and External Audit. Regular Reports on the Business Development of the past and the future plans are given to the Board of Directors. Internal Audit Reports are regularly circulated for perusal of Senior Management and issuance of appropriate directives to comply with the findings.

Normal foreseeable risks of the Company's assets are adequately covered by comprehensive insurance. Risk assessments, Inspections and Safety Audits are carried out periodically.

C) Financial and Operational performance:

The Highlights of Financial Operational Performance are given below:

		(Rs. In lakhs)
	2003-04	2002-03
1 Sales / Income from Operations	9930.93	4520.94
2 Other Income	61.72	920.27
3 Sub-total (1+2)	9992.05	5441.21
4 Total Expenditure (before interest)	8923.07	4442.46
5 Profit before interest, Tax and Exceptional Item	1068.98	277.79
6 Operating Margin	10.76%	6.14%
7 Profit after Tax	73.66	(228.17)
8 Return on Average Capital Employed (%before Interest and Tax)	16.40	14.94
9 No. of Months Receivables (Receivables / Sales x 12)	2.17	4.47
10 Current Ratio (Current Assets / Current Liabilities)	1.70	1.63
11 Borrowings : Equity Ratio	2.18	2.18

D) Human Resources Development and Industrial Relations:

The Company continued with its Policy of Human Resource Development and retention. To enrich the skills of employees and enrich their experience, the Company arranges, Practical Training Courses – by Internal and External Faculty. The Company is maintaining good employee relations and no man-days were lost during the year due to employee's unrest. The Company pursued with welfare activities such as Medical Care, Group Insurance, Canteen Facility and Transport Facility etc. during the year.

For and on behalf of the Board

Hyderabad
Date: 24.07.2004

D R T S SETHURATHNAM
CHAIRMAN