

**Nineteenth
Annual Report
2004 - 2005**

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Oil Country Tubular Ltd.

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

Dr T S Sethurathnam	Chairman
Shri K Suryanarayana	Managing Director
Shri K Sridhar	Joint Managing Director
Dr N S Datar	
Shri K V Ravindra Reddy	
Dr. Jayaram B Naidu	
Shri Luis Alberto Acevedo	Nominee of TAMS, MEXICO
Shri K G Joshi	Director (Technical)
Shri V Srinivasa Rao	Nominee of IDBI
Shri T D Kalra	Nominee of IFCI
Shri P S Ravendernath	Nominee of ICICI
Shri R S Mani	Nominee of BOI

GENERAL MANAGER (F) & COMPANY SECRETARY

Shri P Prabhakara Rao

REGISTERED OFFICE

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

BANKERS

Bank of India
State Bank of India
State Bank of Hyderabad
ICICI Bank Ltd

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 Nineteenth Annual General Meeting of Oil Country Tubular Limited will be held on Thursday, the 18th day of August, 2005 at 10-00 AM at Bharatiya Vidya Bhavan Auditorium, King Koti 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, 2005 and Balance Sheet as at that date together with Auditors' Report thereon.
2. To appoint a Director in place of Mr Luis A Acevedo, 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 a **Special Resolution**.

"Resolved that subject to the Provisions 269, 309, 198, Schedule XIII and other applicable Provisions of the Companies Act, 1956, Shri K Suryanarayana, be and is hereby appointed as Managing Director of the Company for a period of three years with effect from 20/1/2005 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.

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

5. 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 269, 309, 198, Schedule XIII and other applicable Provisions of the Companies Act, 1956, Shri K Sridhar be and is hereby appointed as Joint Managing Director of the Company for a period of Five years with effect from 1/10/2004 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.

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 Sridhar, 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."

6. 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 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 1/10/2004 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.

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."

By Order of the Board of Directors

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

P PRABHAKARA RAO
GENERAL MANAGER (F) &
COMPANY SECRETARY

Date:16/07/2005

Notice To Members



NOTES:

- a. 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: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 17/08/2005 to 18/08/2005 (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 Suryanarayana, aged 69 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 3 years from 20th January, 2005 by the Board at the meeting of Board of Directors held on 20th October, 2004 on a remuneration within the limits prescribed under Section 269, 309, 198 and Schedule XIII and other applicable Provisions of the Companies Act, 1956, Subject to overall ceiling fixed under Schedule XIII - Part II - Section II (B) of Companies Act, 1956 as amended from time to time.

Shri K Suryanarayana, be and is hereby reappointed as Managing Director of the Company at a remuneration and upon the terms and conditions as per details given below:

Effective from	: 20/1/2005
Period of appointment	: 3 years ie upto 19/1/2008
Remuneration	: Rs.3,00,000 PM

OTHER BENEFITS:

- (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,
- (c) encashment of leave at the end of the tenure.
- (d) if in any financial year, during the term of office of Shri K Suryanarayana as Managing Director, the Company has inadequate profits as computed under the applicable provisions of the Act, he shall be entitled to receive the aforementioned remuneration as the minimum remuneration as provided under the Act.
- (e) If in any financial year, during the term of office of Shri K Suryanarayana as Managing Director, the Company has adequate profits as computed under the applicable provisions of the Act, notwithstanding the above, Shri K Suryanarayana shall be entitled to receive remuneration in accordance with provisions of Section 198, 309, 349 and 350 of the Act.

Your Directors recommend this resolution for your approval.

Shri K Suryanarayana, Managing Director and Shri K Sridhar, Joint Managing Director are interested in the Resolution.

Notice To Members



STATEMENT AS REQUIRED UNDER SCHEDULE XIII-PART II - SECTION II B (iv) OF COMPANIES ACT, 1956

I. General Information:

- | | |
|---|---|
| (1) Nature of Industry | Manufacture of OCTG Products
Drill Pipes, Production Tubing and Casing
Pipes used for Oil & Gas Exploration
and drilling |
| (2) Date of commencement of commercial Production | October, 1990 |
| (3) In case of new companies, expected date of commencement of activities as per project approval by financial institutions appearing in the prospectus | N.A. |
| (4) Financial performance based on given indicators | |
| 1. Effective Capital | - Rs.6482.99 Lakhs |
| 2. Net Worth | - Rs.2409.50 Lakhs |
| 3. Turnover | - Rs.12316.06 Lakhs |
| 4. Profit/(Loss) | - Rs. 206.45 Lakhs |
| 5. Dividend Declared | - Nil |
| (5) Export performance based on given indicators | Rs.2785.68 lakhs |
| (6) Foreign investments or collaborators, if any | Nil |

II. Information about the appointee

(1) Background Details

Shri K.Suryanarayana aged 69 years, is Technocrat, a Metallurgist from Banaras Hindu University. He has over 45 years of experience. He had previously worked with Rourkela Steel Plant and was later deputed to Kaiser Steel Plant in California, USA for a period of one year. On return, he worked at various Managerial Cadres in Rourkela Steel Plant with distinguished Professionalism.

He left Rourkela Steel Plant in 1965 and had setup United Steel Allied Industries (USAI) a partnership firm, in 1966. This firm was later converted into a company USAIPL which was engaged in the building up of heavy industrial projects in different sectors viz Power, Steel, Aluminium, Nuclear Fuel etc. This company had undertaken heavy structural engineering works and technological pipelines for various projects and has successfully executed the works for Indian Oil, Nuclear Fuel Complex, Madhya Pradesh Electricity Board, Bharat Aluminium Company, Bhilai Steel Plant, Vizag Steel Plant etc.

He has been the Managing Director of the company since inception and has been successfully leading the company, making the company's presence felt as an important organization in the Oil and Gas Industry, in the domestic as well as in the Export Market.

Past Remuneration

Rs.1,50,000 per month upto 19/01/2005

(2) Recognition or awards

Under his able leadership, the Company obtained most prestigious recognition ie ISO 9001:2000 and APIQR Certifications.

(3) Job profile and his suitability

Having an experience of over 45 years in the Steel Industry (including one year on deputation overseas) at various managerial cadres in different steel Units, he is adequately suited.

(4) Remuneration proposed

Rs.3,00,000 Per month with effect from 20/1/2005

(5) Comparative remuneration profile with respect to industry, Size of the Company, Profile of the position and person (in case of expatriates the relevant details would be w.r.t the country of his origin)

Notice To Members



The Remuneration Committee felt that the existing remuneration paid to the Managing Director is substantially lower, noting the imperative needs to increase the same.

The Remuneration Committee of the Board of Directors consisting of all Independent Directors after careful examination considering a) The Profile of Shri K.Suryanarayana, b) Type of the Company c) Performance of the Company and d) The existing remuneration in such industries/companies, has recommended the proposed remuneration.

(6) Pecuniary relationship directly or indirectly with the Company, other or Relationship with the managerial personnel, if any

Other than Shri K Sridhar, no other directors are related

III Other information

- | | |
|---|--|
| (1) Reasons for loss or inadequate profits | Due to heavy interest burden payable to Financial Institutions |
| (2) Steps taken or proposed to be taken for improvement | Restructuring is done by Institutions
By reducing rate of interest and
Deferring Principal repayment |
| (3) Expected increase in productivity and profits in measurable Terms | 1. 20% increase in Productivity by 2785 MT
2. 21.70% increase in Profits by Rs.48.71 Lakhs |

Agenda Item 5 :

Shri K Sridhar is qualified Engineer and acquired Special qualification MS (Engineering and Engineering Management) from USA and has undergone training in OCTG manufacturing facilities in USA. He is working in the Company since 1st April, 1992. He was appointed as Director (International Operations) for a period of 5 years with effect from 27/6/1997 and subsequently reappointed and redesignated as Joint Managing Director for a period of 5 years with effect from 1.10.2004, on a remuneration within the limits prescribed under Schedule XIII of the Companies Act, 1956 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.

From	:	01/10/2004
Period of appointment	:	5 years
Pay	:	Rs.75,000 PM in the scale of pay of Rs.75,000-10000-1,25,000

PERQUISITES:

- 1) **HOUSING** : The Expenditure by Company on hiring furnished accommodation will be subject to 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.

- 2) **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.
- 3) **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.
- 4) **CLUB FEES** : Club Fees subject to maximum of 2 Clubs, which will not include admission and life membership fees.
- 5) **PERSONAL ACCIDENT INSURANCE**: Premium not exceeding Rs.2000/- per annum.

Notice To Members



Apart from the above, he will also be entitled to the following:

- a) **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.
- b) **CAR:** Company's car for business of the Company
- c) **TELEPHONE :** Provision of telephone at residence will not be considered as perquisite but personal long distance calls shall be billed by the Company.
- d) **ENTERTAINMENT/TRAVELLING :** Reimbursement of travelling, entertainment and other expenses as incurred by him for the business of the Company.
- e) **PRIVILEGE LEAVE:** One Month's leave on full pay and allowance, for every eleven months of service.

Your Directors recommend this resolution for your approval.

Shri K Sridhar and Shri K Suryanarayana are interested in the Resolution.

Agenda Item 6 :

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 29 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. The Board of Directors of the Company at its meeting held on 20th October, 2004, reappointed Shri K G Joshi as Director (Technical) for 3 years with effect from 01/10/2004 subject to approval of Annual General Meeting and subject to approval, if any, required from Institutions.

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

Effective Date	:	1/10/2004
Period of appointment	:	3 years
Pay	:	Rs.60,000-10000-90000

OTHERS:

PERQUISITES:

- 1) **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.

- 2) **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.
- 3) **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.
- 4) **CLUB FEES :** Club Fees subject to maximum of 2 Clubs, which will not include admission and life membership fees.
- 5) **PERSONAL ACCIDENT INSURANCE:** Premium not exceeding Rs.2000/- per annum.

Directors' Report



Apart from the above, he will also be entitled to the following:

- a) **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.
- b) **CAR:** Company's car for business of the Company
- c) **TELEPHONE :** Provision of telephone at residence will not be considered as perquisite but personal long distance calls shall be billed by the Company.
- d) **ENTERTAINMENT / TRAVELLING :** Reimbursement of travelling, entertainment and other expenses as incurred by him for the business of the Company.
- e) **PRIVILEGE LEAVE:** One Month's leave on full pay and allowance, for every eleven months of service.

Your Directors recommend this resolution for your approval.

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

By Order of the Board of Directors

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

P PRABHAKARA RAO
GENERAL MANAGER (F)&
COMPANY SECRETARY

Date:16/07/2005

Directors' Report



To the Members,

The Directors have pleasure in presenting the Nineteenth Annual Report on the Business of the Company and the Audited Statements of Accounts for the year ended 31st March, 2005 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. 239.37 Crores during 2004-2005 including Export Orders valued at Rs.27.84 Crores.

FINANCIAL RESULTS:

	2004-2005 (Rs in Lakhs)	2003-2004 (Rs in Lakhs)
1. Gross Income	12081.94	9992.05
2. Profit before interest and Depreciation	2583.33	1717.53
3. Finance Charges	1719.39	988.32
4. Gross Profit	863.94	729.21
5. Provision for Depreciation	639.49	648.55
6. Net Profit/(Loss) before tax	224.45	80.66
7. Provision for Tax	18.00	7.00
8. Net Profit/(Loss) after tax	206.45	73.66
9. Prior period adjustments	(68.20)	(4.82)
10. Surplus /(Loss) in P&L Account	(1204.51)	(1273.35)
11. Profit/(Loss) Carried to Balance Sheet	(1066.26)	(1204.51)

DIVIDEND :

In view of inadequacy of profits, no dividend is declared on the equity shares of the Company for the year 2004-05

FINANCE :

During the year IFCI restructured the Term Loan liabilities of the company. As a part of restructuring, they rescheduled the repayment and reduced interest on the loans. Necessary entries were passed in Accounts for the year 2004-05.

The Company has issued 50 Lakh Equity Shares of Rs.10/- each to IDBI Ltd on preferential basis during the year at par. These shares have been duly listed on NSE and BSE.

PROSPECTS :

The company had over Rs.175 crores worth of orders on hand for execution as on May 2005. The financial position of the company is expected to improve further during 2005-06 due to reduction in interest rates of Term Loans by financial institutions and orders on hand position.

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 Fees for the Year 2005-06 to NSE and BSE, where the company's shares are listed.

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, (CDSL). 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, authorised 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 31/03/2005, 77.22% of Equity shares were dematerialised.

Directors' Report



DIRECTORS:

During the year BOI has withdrawn nomination of Shri T Sekhar and nominated Shri R S Mani as Director with effect from 6/9/2004. The Board placed on record its appreciation for the valuable services rendered by Shri T Sekhar during his tenure as Director on the Board of your Company.

Shri Luis Alberto Acevedo and Dr Jayaram B Naidu retire by rotation at 19th Annual General Meeting. Shri Luis Alberto Acevedo being eligible has offered himself for reappointment. Dr Jayaram B Naidu though eligible for reappointment has not offered himself for reappointment.

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, 2005 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 as at the end of the financial year 31st March, 2005 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, 2005 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 under 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, 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, Hyd- 500 001.

For and on behalf of the Board

D R T S SETHURATHNAM
Chairman

Date : 16/07/2005