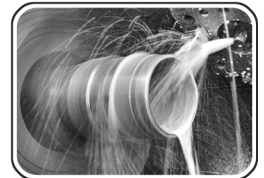




Oil Country Tubular Ltd.

An ISO 9001:2000 Company



Twentieth Annual Report 2005-2006



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	
	Shri Ricardo Antonio Capria	Nominee of TAMSA, 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 Twentieth Annual General Meeting of Oil Country Tubular Limited will be held on Thursday, the 6th July, 2006 at 10-00 AM at Taj Mahal 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, 2006 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 Mr. Ricardo Antonio Capria 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".

By Order of the Board of Directors

Regd Office
108, Kanchanjunga
King Kothi Road
Hyderabad – 500 001

P.PRABHAKARA RAO
GENERAL MANAGER(FINANCE)
& COMPANY SECRETARY

Date: 11/05/2006

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 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 5/07/2006 to 06/07/2006 (both days inclusive).
- d. Members are requested to notify immediately any change of address to the Registered Office of the Company.

Notice To Members



EXPLANATORY STATEMENT

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

Agenda Item 4:

Mr. Ricardo Antonio Capria, aged 43 years is a qualified and experienced executive working as General Manager with M/s Tubos De Acero De Mexico, S.A. (TAMSA) at Dubai. He is nominated by TAMSA.

Mr. Ricardo Antonio Capria 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 27.10.2005, 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 Directors and also deposited Rs. 500/- (Rupees Five Hundred Only).

The Resolution is recommended for your approval.

By Order of the Board of Directors

Regd Office
108, Kanchanjunga
King Kothi Road
Hyderabad – 500 001

P. PRABHAKARA RAO
GENERAL MANAGER (FINANCE)
& COMPANY SECRETARY

Date: 11/05/2006

Directors' Report



To the Members,

The Directors have pleasure in presenting the Twentieth Annual Report on the Business of the Company and the Audited Statements of Accounts for the year ended 31st March, 2006 and Auditors report thereon.

1. OPERATIONS:

The Oil Exploration activities world over has substantially increased thereby increasing the demand of your Company's products. The order book position as at the end of 31.03.2006 is Rs.195.41 Crores for execution during 2006-07 including export orders to the tune of Rs.61.09 Crores.

FINANCIAL RESULTS:

	2005-2006 (Rs. in Lakhs)	2004-2005 (Rs.in Lakhs)
1. Gross Income	15973.69	11967.60
2. Profit before interest and Depreciation	2624.17	2583.33
3. Finance Charges	1704.25	1719.39
4. Gross Profit	919.92	863.94
5. Provision for Depreciation	657.69	639.49
6. Net Profit/(Loss) before tax	262.23	224.45
7. Provisions for Tax	30.87	18.00
8. Net Profit/(Loss) after tax	231.36	206.45
9. Prior period adjustments	14.63	(68.20)
10. Surplus /(Loss) in P&L Account	(1066.26)	(1204.51)
11. Profit/(Loss) Carried to Balance Sheet	(820.27)	(1066.26)

DIVIDEND:

In view of inadequacy of profits, no dividend is declared on the equity shares of the Company for the year 2005-06.

2. FINANCE:

The Institutional / Banks interest / installments due as on 31.03.2006 have been paid. During the year under review, the Company has made repayment of Rs.1031.31 Lakhs towards principal, which would result in interest saving of around Rs.1 Crore during the next year. The Company is approaching institutions and banks to reduce the interest rates, which are higher compared to those prevailing in the International Market. Since your Company has to compete globally, the interest rates also have to be comparable.

3. PROSPECTS:

The Company has achieved a turnover of Rs.158.37 Crores during the year 2005-06 as against Rs.118.57 Crores in 2004-05. The Company expects a turnover to further increase to around Rs.200 Crores during 2006-07 i.e., over 25% growth from the past year. With the good order book position and increase in the sales of Drill Pipes in the International Market, the profitability of the Company will further improve.

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 2006-07 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. 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 31/03/2006, 78.01% of Equity shares were dematerialised.

DIRECTORS:

During the year TAMSAA has withdrawn nomination of Mr Luis Alberto Acevedo and nominated Mr Ricardo Antonio Capria as Director with effect from 27.10.2005. The Board placed on record its appreciation for the valuable services rendered by Mr Luis Alberto Acevedo during his tenure as Director on the Board of your Company.

Mr. Ricardo Antonio Capria, additional director, appointed by the Board ceases to be a director at this Annual General Meeting. A notice was received from a shareholder for his appointment as director along with a deposit of Rs.500/- as required U/s 257 of the Companies act, 1956.

During the year Dr. Jayaram B. Naidu has withdrawn as director from the Board by not offering himself for reappointment. The Board placed on record its appreciation for the valuable services rendered by Dr. Jayaram B. Naidu during his tenure as director on the Board of your company.

Dr N S Datar retires on rotation and being eligible offer himself for reappointment.

The Directors recommend appointment / reappointment as proposed in the notice for the 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, 2006 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, 2006 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, 2006 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.

4. ACKNOWLEDGEMENT:

Directors take this opportunity to express their thanks to various departments of the Central and State Government, ONGC, Oil India Limited, Multinational Companies operating in India and Abroad for Oil and Gas Exploration Activities, 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
Hyderabad- 500 001

For and on behalf of the Board

Dr. T. S. SETHURATHNAM
Chairman

Date: 11/05/2006

Annexure I

Management Discussion and Analysis Report

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

During the past two years the Crude Oil prices have almost doubled. Consequently, the Oil and Gas Exploration activities in the Domestic and International Market has also increased substantially, thereby increasing the demand of the Company's products, Drill Pipes in particular, in the global market. This has enabled the Company to achieve the turnover of Rs.158.37 Crores during the current year 2005-06 which includes Rs.18.27 Crores of exports. The prospects for the year 2006-07 are also encouraging and the Company expects a turnover of around Rs.200 Crores including Rs.50 Crores of Exports, during the next year 2006-07. The profitability will also improve on account of the increased sales for Drill Pipes in the Domestic and International Market. The present scenario of the exploration activities in the Oil and Gas industries promises further impetus in the sale of the Company's products.

However, the Company is unable to take any advantage of the increased demand for the other two products viz., Production Tubing and Casings 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 the above circumstances, the Company has contemplated to setup a Seamless Pipe Project for manufacture of Green Pipes. 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 implementations, the Company would get Long Term Benefits and Stability in its Operations, in addition to substantial improvement in the profitability / cash flow besides enhancing the product range.

The Company is approaching the Institutions / Banks for reduction in the interest rates which are considered high compared to the prevailing international interest rates. The Company has to compete with the international players and therefore the interest rates have also to be comparable.

The Company faces threats due to fluctuation in the global Oil and Gas industry, particularly on account of any untoward happenings in the region as had happened in Iraq and Kuwait few years back. Any such occurrence has a direct bearing on the exploration activities and the OCTG demand in the international market. The domestic market however, remains unaffected. To overcome consequences of such happenings, it is all the more necessary that the Company sets up its own pipe manufacturing plant to meet the multifold increase in the demand of OCTG's, which will help the Company to stabilize its 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.

Annexure to Director's Report



- (e) Existence of Annual Budgets and Long Term Business Plans.
- (f) Existence of Internal Audit System.
- (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)	
		2005-06	2004-05
1	Sales / Income from Operations	15837.49	11857.57
2	Other Income	136.20	110.03
3	Sub-total (1+2)	15973.69	11967.60
4	Total Expenditure (before interest)	14007.21	10023.76
5	Profit before interest, Tax and Exceptional Item	1966.48	1943.84
6	Operating Margin	12.31%	16.24%
7	Profit after Tax	231.36	206.45
8	Return on Average Capital Employed % (before Interest and Tax)	30.43	30.37
9	No. of Months Receivables (Receivables / Sales x 12)	1.56	2.19
10	Current Ratio (Current Assets / Current Liabilities)	1.64	2.17
11	Borrowings : Equity Ratio(TL/Equity)	1.47	1.70

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 are 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: 11.05.2006

Dr.T. S. SETHURATHNAM
CHAIRMAN

Annexure to Director's Report



ANNEXURE II

Compliance report on Corporate Governance

In terms of Compliance to Clause No. 49 of the Listing Agreement on Corporate Governance, your Company is complying with the guidelines. The report for current year is as follows:

a) Company's Philosophy:

The Company's policies, practices and philosophy adopted since inception, are in line with the Corporate Governance. The composition of Board of Directors is well balanced with a view to manage the affairs of the Company efficiently and professionally. The Company's philosophy is to produce OCTGs of high quality conforming to the international standards and provide satisfaction to all stakeholders including customers, shareholders and employees.

b) Board of Directors:

(i) Composition and Category of Directors as of March 31, 2006 is as follows:

Category	No.of Directors	%
Executive Directors	3	27
Non Executive, Independent Directors	3	27
Nominee Director (IDBI,BOI, IFCI, ICICI , TAMS)	5	46
Total	11	100

TAMS has withdrawn nomination of Mr Luis A Acevedo with effect from 27.10.2005 and nominated Mr. Ricardo Antonio Capria as Nominee Director with effect from 27.10.2005.

Dr. Jayaram B. Naidu has withdrawn as director from the Board by not offering himself for reappointment.

(ii) Particulars of Directorships of other Companies

Other Directorships		
Name of the Director	Name of the Company	Position
1. Dr T. S. Sethurathnam Chairman	Kamineni Hospitals Ltd Shriram Transport Finance Company Ltd Bright Brothers Ltd Shriram City Union Finance Ltd Shriram Investments Ltd Meenakshi Power Ltd	Chairman Nominee Director Director Nominee Director Nominee Director Nominee Director
2. Shri K. Suryanarayana Managing Director	United Steel Allied Industries(P)Ltd United Seamless Tubulaar Ltd	Director Director
3. Shri K. Sridhar Joint Managing Director	United Seamless Tubulaar Ltd Guardian Leasing & Finance Ltd United Steel Allied Industries(P) Ltd	Director Director Director
4. Dr N. S. Datar Independent Director	Uttam Galva Steels Ltd United Seamless Tubulaar Ltd Flat Products Equipments(I)Ltd Remi Metals Gujarat Ltd	Director Chairman Director Director