



# Oil Country Tubular Ltd

An ISO 9001:2000 Company



Report

## Twenty Second Annual Report 2007-2008

**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 K G Joshi	Director (Technical)
Dato' Dr. Abdul Halim Bin Harun	UMW India Ventures (L) Ltd
Shri L N Janarthanan	BOI Nominee Director

**COMPANY SECRETARY**

Shri C S Rao

**REGISTERED OFFICE**

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

**BANKERS**

Bank of India  
State Bank of Hyderabad  
Canara Bank

**AUDITORS**

C K S Associates  
Chartered Accountants  
# 87 Nagarjuna, Road No: 3  
Gaganmahal Colony  
Hyderabad - 500 029 (A.P.)

**WORKS**

Shreepuram  
Narketpally Mandalam  
Nalgonda Dist – 508 254 (A.P.)

## NOTICE TO MEMBERS



Notice is hereby given that Twenty Second Annual General Meeting of Oil Country Tubular Limited will be held on Friday, the 18<sup>th</sup> day of July, 2008 at 10.00 A.M. at Taj Mahal Hotel, 2<sup>nd</sup> 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 31<sup>st</sup> March, 2008 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 C K S Associates, Chartered Accountants, Hyderabad 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 20.01.2008 at a remuneration and upon terms and conditions as set out in the agreement placed before this meeting and initialed by the Chairman for the purpose of identification".

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, Joint Managing Director of the Company be paid remuneration and perquisites as detailed in the agreement placed before the meeting and initialed by Chairman for the purpose of identification with effect from 01.10.2007 subject to the approval of shareholders in the Annual General Meeting." "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".

## NOTICE TO MEMBERS



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 01.10.2007 at a remuneration and upon terms and conditions as set out in the agreement placed before this meeting and initialed by the Chairman for the purpose of identification”.

“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”.

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

**By Order of the Board of Directors**

**C S RAO**  
**COMPANY SECRETARY**

Date: 13.06.2008

### Notes:

1. 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's 4,5,6 is annexed hereto.
2. 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.
3. The Register of members and Share Transfer Books of the Company will remain closed from 17.07.2008 to 18.07.2008 (both days inclusive).
4. Members are requested to notify immediately any change of address to the Registered Office of the Company.
5. In respect of the information to be provided under clause 49 of the Listing Agreement pertaining to the Directors being appointed / reappointed, Members are requested to kindly refer the chapter on Corporate Governance in the Annual Report.

## EXPLANATORY STATEMENT



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

### **Agenda Item 4:**

Shri K Suryanarayana, aged 72 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 20<sup>th</sup> January, 2008 by the Board at the meeting of board of Directors held on 24<sup>th</sup> October, 2007 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 Section 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	: 20.01.2008
Period of appointment	: 3 years ie upto 19.01.2011
Remuneration	: Rs.3,00,000/- p.m.

### **Other benefits:**

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. Gratuity payable at a rate not exceeding half a month's salary for each completed year of service, and Encashment of leave at the end of the tenure. If in any financial year, during the terms 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. 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.

“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”.

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.

## EXPLANATORY STATEMENT



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

#### 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                      **Rs. in Lakhs**
  1. Effective Capital                      - Rs. 8177.49
  2. Net Worth                      - Rs. 7433.67
  3. Turnover                      - Rs. 34133.31
  4. Profit / (Loss)                      - Rs. 2891.26
  5. Dividend Declared                      - Nil -
  6. Export performance based on given indicators                      - Rs. 25414.31
  7. Foreign investments or collaborators, if any                      - Nil -

#### II Information about the appointee

##### Background Details

Shri K Suryanarayana aged 72 years, is Technocrat, a Metallurgist from Banaras Hindu University. He has over 48 years 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 set up 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.3,00,000/- per month upto 19.01.2008

##### Recognition or awards

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

##### Job profile and his suitability

Having an experience of over 48 years in the Steel Industry (including one year on deputation overseas) at various managerial cadres in different steel Units, he is adequately suited.



### Remuneration proposed

Rs.3,00,000/- per month with effect from 20.01.2008

### 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)

The Remuneration Committee felt that the existing remuneration paid to the Managing Director is substantially lower.

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.

### 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.

### Agenda Item 5:

Shri K Sridhar is qualified Engineer and acquired Special qualification MS (Engineering Management) from USA and has undergone training in OCTG manufacturing facilities in USA. He is working in the Company since 1<sup>st</sup> April, 1992. He was appointed as Director (International Operations) for a period of 5 years with effect from 27.06.1997 and subsequently reappointed and redesignated as Joint Managing Director with effect from 1.10.2004, on a remuneration within the limits prescribed under Schedule XIII of the Companies Act, 1956.

On the recommendation of the Remuneration Committee the Board has recommended the revision of remuneration payable to Shri K Sridhar as detailed in the draft agreement w e f 1.10.2007 placed before the meeting and initialled by Chairman for the purpose of identification.

The revision of remuneration approved by the Board of Directors to Shri K Sridhar is as follows:

From	:	01.10.2007
Period	:	2 years
Pay Scale	:	Rs.1,15,000 PM in the scale of Rs.1,15,000-15000- 1,90,000

### PERQUISITES:

**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.

**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. Your Directors recommended 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 11<sup>th</sup> Annual General Meeting held on 18.09.1997 and is continuing in the same position. His term expired on 30.09.2007 and Board of Directors on the recommendation of Remuneration Committee reappointed Shri K G Joshi as Director (Technical) w.e.f 1.10.2007 at a remuneration and terms and conditions as detailed in the draft agreement placed before the meeting duly initialled by Chairman for purpose of identification, subject to approval of the same by the shareholders in the Annual General Meeting.

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

From	:	01.10.2007
Period of Appointment	:	3 years
Pay Scale	:	Rs.1,00,000 PM in the scale of Rs.1,00,000-15000- 1,45,000

### PERQUISITES:

**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.

## EXPLANATORY STATEMENT



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.

Your Director recommend this resolution for your approval.

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

### Regd Office

108, Kanchanjunga

King Koti Road

Hyderabad

Date:13<sup>th</sup> June, 2008

### By Order of the Board of Directors

**C S RAO**

COMPANY SECRETARY

**To the Members,**

The Directors have pleasure in presenting the Twenty Second Annual Report on the Business of the Company and the Audited Statements of Accounts for the year ended 31<sup>st</sup> March, 2008 and Auditors report thereon.

**OPERATIONS:**

The Demand of your Company's products has increased multifold due to substantial increase in the Oil Exploration activities. The order book position as at the end of 31<sup>st</sup> March, 2008 is Rs.154 Crores for execution during 2008-09 including export orders to the tune of Rs.122 Crores.

**FINANCIAL RESULTS:**

	<b>2007-2008</b> <b>(Rs. in Lakhs)</b>	<b>2006-2007</b> <b>(Rs.in Lakhs)</b>
1. Gross Income	34133.31	26476.46
2. Profit before interest and Depreciation	8940.71	3410.39
3. Finance Charges	3755.25	1642.14
4. Gross Profit	5185.46	1768.25
5. Provision for Depreciation	718.42	624.14
6. Net Profit before tax	4467.04	1144.11
7. Provisions for Tax	1575.78	191.00
8. Net Profit after tax	2891.26	953.11
9. Prior period adjustments	-	(20.04)
10. Surplus in P&L Account for the year	2891.26	933.07
11. Profit/(Loss) Carried to Balance Sheet	3004.07	112.80

**DIVIDEND:**

To make the Company debt free and to meet the capital expenditure for additional / upgradation of equipments, your Directors could not recommend any appropriation towards dividend for the year ended 31<sup>st</sup> March, 2008.

**FINANCE:**

The Company has fully paid principal amount of Rs.1523.35 Lakhs together with interest of Rs.281.81 Lakhs to IFCI and principal amount of Rs.1727.11 Lakhs and interest of Rs.138.90 Lakhs to ICICI. The account with IFCI and ICICI have been closed. In addition, principal amount of Rs.1295.40 Lakhs and interest of Rs.264.46 Lakhs were paid to IDBI.

**PROSPECTS:**

The Crude Oil prices are constantly on rise. Consequently, Oil and Gas Exploration activities have also increased substantially thereby increasing the demand of your Company's products both in Domestic and International Market. The Company's products are well accepted in the International Market on account of its quality and on time delivery. This has enabled the Company to achieve a turnover of Rs.341.33 Crores during the current year 2007-08, which includes the Export turnover of Rs.254.14 crores as against the turnover of Rs.264.76 Crores during the last year 2006-07 registering a growth of 28.92%. Similarly, the exports during the current year is Rs. 254.14 Cores as against Rs.103.90 Cores of the previous year i.e., over 145% growth in the exports. The prospects for the year 2008-09 continue to be encouraging and the Company expects the turnover of around Rs.350 Crores including exports of Rs.225 Cores. The profitability will also improve due to increased sales of Drill Pipes both in Domestic and International Market. The Company's profitability has increased from previous year Rs.1144.11 Lakhs to Rs.4467.04 Lakhs in the current year registering a growth of over 290%.