



Oil Country Tubular Ltd.

An ISO 9001:2000 Company



Twenty-Third Annual Report: 2008 - 2009

**BOARD OF DIRECTORS**

Shri K Suryanarayana	Chairman & Managing Director
Shri K Sridhar	Joint Managing Director
Dr T S Sethurathnam	
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

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 Third Annual General Meeting of Oil Country Tubular Limited will be held on Wednesday, the 27th day of May, 2009 at 10.00 A.M. 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, 2009 and Balance Sheet as at that date together with Auditors' Report thereon.
2. To declare a Dividend on Equity Shares
3. To appoint a Director in place of Dato' Dr. Abdul Halim Bin Harun 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 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:

5. To consider and if thought fit, to pass with or without modification of the following resolution, as a **Special Resolution**.

"Resolved that in partial modification of the Resolution passed at the 22nd Annual General Meeting held on 18th July, 2008 in respect of reappointment of Shri K Suryanarayana, as Managing Director and payment of remuneration to him pursuant to Articles of Association of the company and sections 198, 269, 309, 310 read with Schedule XIII and other applicable provisions, if any of the Companies Act, 1956, is hereby entitled, in addition to the remuneration specified in the agreement entered into with Shri K Suryanarayana a commission on the net profits, subject to the total remuneration including Salary, Perquisites and Commission be within the overall limit of 5% of the Net Profit of the Company calculated in accordance with the provisions of the Companies Act, 1956 for a financial year for a period of 3 years with effect from financial year 2008-09."

"RESOLVED FURTHER THAT notwithstanding anything contained herein above, where, in any financial year during the currency of his appointment, the Company has no profits or its profits are inadequate, the remuneration payable to the Managing Director as salary, perquisites and any other allowance shall be governed by the Resolution passed by the Shareholders in the Annual General Meeting held on 18.07.2008 or such other limit as may be prescribed by the Government from time to time as minimum remuneration."



6. To consider and if thought fit, to pass with or without modification of the following resolution, as **Special Resolution.**

“Resolved that in partial modification of the Resolution passed at the 22nd Annual General Meeting held on 18th July, 2008 in respect of increase in remuneration of Shri K Sridhar, as Jt. Managing Director and payment of remuneration to him pursuant to Articles of Association of the company and sections 198, 269, 309, 310 read with Schedule XIII and other applicable provisions, if any of the Companies Act, 1956, is hereby entitled, in addition to the remuneration specified in the agreement entered into with Shri K Sridhar a commission on the net profits, subject to the total remuneration including Salary, Perquisites and Commission be within the overall limit of 4% of the Net Profit of the Company calculated in accordance with the provisions of the Companies Act, 1956 for a financial year for the remaining period of his tenure with effect from financial year 2008-09.”

“RESOLVED FURTHER THAT notwithstanding anything contained herein above, where, in any financial year during the currency of his appointment, the Company has no profits or its profits are inadequate, the remuneration payable to the Jt. Managing Director as salary, perquisites and any other allowance shall be governed by the Resolution passed by the Shareholders in the Annual General Meeting held on 18.07.2008 or such other limit as may be prescribed by the Government from time to time as minimum remuneration.

7. To consider and if thought fit, to pass with or without modification of the following resolution, as **Special Resolution.**

“Resolved that in partial modification of the Resolution passed at the 22nd Annual General Meeting held on 18th July, 2008 in respect of reappointment of Shri K G Joshi, as Whole time Director and payment of remuneration to him pursuant to Articles of Association of the company and sections 198, 269, 309, 310 read with Schedule XIII and other applicable provisions, if any of the Companies Act, 1956, is hereby entitled, in addition to the remuneration specified in the agreement entered into with Shri K G Joshi a commission on the net profits, subject to the total remuneration including Salary, Perquisites and Commission be within the overall limit of 1% of the Net Profit of the Company calculated in accordance with the provisions of the Companies Act, 1956 for a financial year for a period of 3 years with effect from financial year 2008-09.”

“RESOLVED FURTHER THAT notwithstanding anything contained herein above, where, in any financial year during the currency of his appointment, the Company has no profits or its profits are inadequate, the remuneration payable to the Wholetime Director as salary, perquisites and any other allowance shall be governed by the Resolution passed by the Shareholders in the Annual General Meeting held on 18.07.2008 or such other limit as may be prescribed by the Government from time to time as minimum remuneration.

Regd Office
108, Kanchanjunga
King Koti Road
Hyderabad – 500 001
Date: 24.04.2009

By Order of the Board of Directors

C S RAO
COMPANY SECRETARY



Notes:

1. 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.
2. The Register of Members and Transfer Books of the Company will be closed from 18th May, 2009 to 25th May, 2009 (both days inclusive).
3. The Dividend, if declared at the Annual General Meeting, will be paid on or after 27th May, 2009 to those persons or their mandates:
 - (a) whose names appear as Beneficial Owners as at the end of the business hours on 18th May, 2009 in the list of Beneficial Owners to be furnished by National Securities Depository Limited and Central Depository Services (India) Ltd.
 - (b) whose names appear as member in the Register of Members of the Company after giving effect to valid share transfers in physical form lodged with the Company / its Registrar and Transfer Agents on or before 18th May, 2009.
4. Payments of Dividend through ECS
 - a) Members holding shares in electronic form may please note that bank details as furnished by the National Securities Depository Limited (NSDL) and Central Depository Services (India) Ltd (CDSL) to the Company will be used for the purpose of distribution of dividend through Electronic Clearing Services (ECS) as directed by the Securities & Exchange Board of India. In the absence of ECS facility, the bank account details, if available, will be printed on the dividend warrants. Members holding shares in electronic form must give instructions regarding bank account in which they wish to receive dividend, to their Depository Participants. The Company or the Registrar and Share Transfer Agents will not act on any direct request from these members for change/ deletion in such bank details.
 - b) Members holding shares in physical form are advised to submit particulars of their bank account, viz., name and address of the branch of the bank, 9 digit MICR code of the branch, type of account and account number latest by 23rd May, 2009, to the Company at its Registered Office.
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.

**(PURSUANT TO SECTION 173(2) OF THE COMPANIES ACT, 1956)****AGENDA ITEMS 5,6 & 7**

The Shareholders at the 22nd Annual General Meeting held on 18th July, 2008 had approved the re-appointment and remuneration payable to Shri K Suryanarayana, Managing Director and Shri K G Joshi, Director (Technical) for a period of three years and also approved the increase in remuneration to Shri K Sridhar, Jt. Managing Director for two years. The agreements were signed by the company with all the three Wholtime Directors.

The contribution of their efforts in making the company debt free and profit making company for the last few years is well recognized. Further they have contributed to bring the company a leading manufacturer and a reliable source of supply of Drill Pipes in International market. In consideration of the contribution made by the Wholtime Directors in not only making the Company debt free but also substantially improved the net worth of the Company for its future operations and in building up the brand name both in the International and Domestic Market and resultant operating results, on the recommendation of the Remuneration Committee, the Board of Directors in their meeting held on 24th April, 2009 recommended to include the payment of commission on net profits to Shri K Suryanarayana, Shri K Sridhar and Shri K G Joshi subject to remuneration including Salary, Allowances, Perquisites and commission within the overall limits of 5% to Shri K Suryanarayana, 4% to Shri K Sridhar and 1% to Shri K G Joshi calculated in accordance with the provisions of Companies Act, 1956 for the financial year w.e.f. financial year 2008-09 and onwards till the remaining period of their respective appointments.

The aforesaid revised payment of remuneration of the Wholtime Directors requiring approval of the shareholders under sections 198, 269, 309, 310 and Shedule XIII of the Companies Act, 1956. The Board of Directors therefore recommends passing of the resolutions at items 5,6 and 7.

The Copies of the original agreements and Draft Supplementary Agreements as referred above are open for inspection during the business hours of any working day upto the date of Annual General Meeting.

Except Shri K Suryanarayana, Shri K Sridhar, and Shri K G Joshi none of the other Directors are interested in the said Resolutions.

Regd Office

108, Kanchanjunga

King Koti Road

HyderabadDate:24th April, 2009**By Order of the Board of Directors****C S RAO**

COMPANY SECRETARY

**To the Members,**

The Directors have pleasure in presenting the Twenty Third Annual Report on the Business of the Company and the Audited Statements of Accounts for the year ended 31st March, 2009 and Auditors report thereon.

OPERATIONS:

The Company had a successful year of operations during the year (2008-09), registering a growth of 23% in the sales. The Company has achieved highest turnover of Rs. 422 Crores during the year inclusive of Rs. 209 Crores of Exports. The Profitability has also improved significantly. The order book position as at the end of 31st March, 2009 is Rs.157 Crores for execution during 2009-10 including export orders to the tune of Rs.78 Crores.

FINANCIAL RESULTS:

	2008-2009 (Rs. in Lakhs)	2007-2008 (Rs.in Lakhs)
1. Gross Income	42209.11	34133.31
2. Profit before interest and Depreciation	10074.96	8940.71
3. Finance Charges	215.81	3755.25
4. Gross Profit	9858.15	5185.46
5. Provision for Depreciation	747.89	718.42
6. Net Profit before tax	9111.26	4467.04
7. Provisions for Tax	2617.47	1575.78
8. Net Profit after tax	6493.79	2891.26
9. Prior period adjustments	-	-
10. Surplus in P&L Account for the year	6493.79	2891.26
11. Balance of Profit brought forward	3004.07	112.81
12. Balance available for appropriation	9497.86	3004.07
13. Proposed Dividend on Equity Shares	664.34	0.00
14. Tax on proposed Dividend	112.90	0.00
15. Transfer to General Reserves	8500.00	0.00
16. Balance carried forward to next year	220.62	3004.07

DIVIDEND:

The Board of Directors of the Company are pleased to recommend dividend of Rs.1.50 for each Equity Share of Rs.10/- each on the Equity Share Capital of the Company for the Financial Year ended 31st March, 2009 subject to approval of the shareholders.

FINANCE:

All the terms loans to the Institutions and Banks have been fully paid and your company is now debt free. All the term loan accounts with Institutions and Banks have been closed and Satisfaction of Charges filed with Registrar of Companies.

**PROSPECTS:**

Oil and Gas Exploration Activities have drastically reduced due to global meltdown and recession. The Rig Count has come down by almost 40%. Considering the present market conditions the Company has planned a turnover of Rs.325 Crores during the next financial year (2009-10). Against this planned turnover the Company already has orders to the tune of Rs.157 Crores as at the end of March, 2009 and expects further orders to the tune of Rs.100 Crores, in addition to orders worth Rs.80 Crores in Pipeline. The Company's products have been well accepted in the International and Domestic Markets. The Company will however increase the turnover when the market conditions improve and Oil and Gas Exploration Activities increase. The company has planned expansion of Casing Manufacturing capacity to 1,50,000 MT per annum which will be ready during the current year.

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 – I)

LISTING WITH STOCK EXCHANGES :

The Company confirms that it has paid the Annual Listing Fees for the year 2009 -10 to NSE and BSE, where the company's shares are listed.

DEMATERIALIZATION OF SHARES:

79.82% of the Company's paid up Equity Share Capital is in dematerialized form as on March 31st, 2009. 18,00,000 Shares works out 4.06% of total shares were rematerialized on request from shareholders during the year.

The Company's Registrars are M/s Dakshin Consultants (P) Ltd, H No: 6-3-655/2/4, Civil Supplies Bhavan Lane, Somajiguda, Hyderabad – 500082.

DIRECTORS:

Dato' Dr. Abdul Halim Bin Harun, retires on rotation and being eligible offer himself for reappointment. The Directors recommended reappointment as proposed in the Notice for the Annual General Meeting.

REMUNERATION:

Based on the computation of Net Profit in accordance with Section 309 (5) of the Company's Act, the Whole time Directors were eligible to receive remuneration of Rs.460.93 Lakhs during the financial year 2007-08. However, the amount actually paid was only Rs.139.48 Lakhs.

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, 2009 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 judgments 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, 2009 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, 2009 have been prepared on a going concern basis.

AUDITORS:

The Auditors of the Company, M/s C K S Associates, Chartered Accountants, Hyderabad retire at the ensuing Annual General meeting and are eligible for reappointment.

Auditors' observations are suitably explained in notes to the Accounts and are self-explanatory.

CORPORATE GOVERNANCE:

Your Company is committed to maintain standards of good corporate governance and has taken adequate steps to adhere to all the stipulations laid down in clause 49 of the Listing Agreement. Report on Corporate Governance alongwith the Certificate of the Auditors M/s C K S Associates confirming compliance of conditions of Corporate Governance form part of the Annual Report. (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:

The Company had 4 persons who were in receipt of remuneration of not less than Rs.24,00,000 during the year ended 31st March, 2009 or not less than Rs.2,00,000 per month during any part of the said year.

However, as per the provision of Section 219 (1) (b) (iv) of the Companies Act, 1956, the Director's Report and Accounts are being sent to all the shareholders excluding the statement of particulars of employees. Any shareholder interested in obtaining a copy of the statement may write to the Company Secretary of the company.

During the year under review, relationship with the employees is cordial.

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

Hyderabad
Date: 24.04.2009

For and on behalf of the Board
K. SURYANARAYANA
Chairman & Managing Director

**ANNEXURE I****Management Discussion and Analysis Report:****a) Industry Structure and Developments, Opportunities and Threats, Performance, Outlook Risks and Concerns:**

The Crude Oil prices in the year 2008-09 have touched the peak of USD 150 per barrel. Consequently, the Oil and Gas Exploration Activities as also the demand of your Company's products touched its peak during the year. The Company has achieved a record turnover of Rs.422.09 Crores in the current year (2008-09) as against Rs.341.33 Crores during the previous year. The exports during the year 2008-09 are to the tune of Rs. 209 Crores.

The Crude Oil prices have been falling drastically from the last quarter of the year 2008-09. The rig count has reduced by around 35%-40% clearly signaling the down trend in the Oil Exploration Activities globally. The Company's order book position as at the end of March, 2009 is Rs.157 Crores besides orders worth 80 Crores in pipeline. Considering the present market conditions, the Company has planned turnover of Rs.325 Crores during the current year 2009-10. The Company will however increase the turnover, when market conditions improve and Oil and Exploration activities increase during the year.

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

The Audit Committee is regularly reviewing the Internal Audit Reports for the Auditing carried out in all the key areas of the operations. Additionally the Audit Committee approves all the audit plans and reports for significant issues raised by the Internal and External Auditors. Regular reports on the business devolvment, future plans and projections are given to the Board of Directors. Internal Audit Reports are regularly circulated for perusal of Senior Management and appropriate action as required.