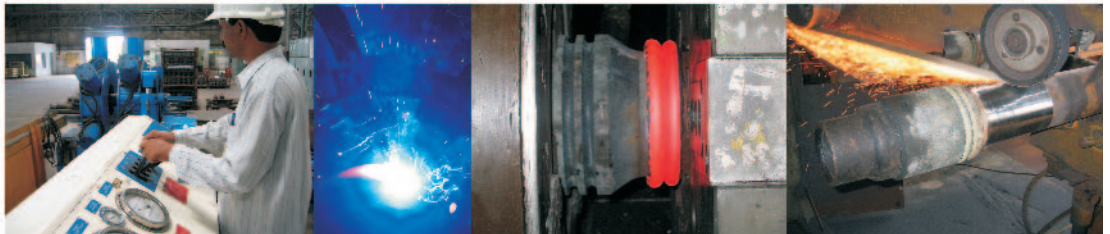




# Oil Country Tubular Limited

An ISO 9001:2008 Company



**Twenty Fourth Annual Report 2009-2010**

<b>BOARD OF DIRECTORS</b>	Shri K Suryanarayana	Chairman
	Shri Sridhar Kamineni	Managing Director
	Shri K G Joshi	Director (Technical)
	Dato' Dr. Abdul Halim Bin Harun	Director
	Dr T S Sethurathnam	Director
	Dr N S Datar	Director
	Shri K V Ravindra Reddy	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.)

**REGISTRARS &  
TRANSFER AGENTS**      XL Softech Systems Ltd.,  
3, Sagar Society  
Banjara Hills  
Hyderabad – 500 034 (A.P.)

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

## NOTICE TO MEMBERS



Notice is hereby given that Twenty Fourth Annual General Meeting of Oil Country Tubular Limited will be held on Thursday, the 27th day of May 2010 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 BUSSINESS :

- 1) To receive, consider and adopt the Audited Profit and Loss Account for the year ended 31st March, 2010 and Balance Sheet as at that date together with Directors' Report and Auditors' Report thereon.
- 2) To declare a Dividend on Equity Shares.
- 3) To appoint a Director in place of Dr.T.S.Sethurathnam who retires by rotation and being eligible offers himself for reappointment.
- 4) To appoint a Director in place of Shri K.V.Ravindra Reddy who retires by rotation and being eligible offers himself for reappointment.
- 5) 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 BUSSINESS :

- 6) To consider and thought fit, to pass with or without modification, the following resolution as an Ordinary resolution.

"Resolved that subject to the provisions of Sections 198,269,309, and read with Section-I of part-II of Schedule-XIII and applicable provisions of the Companies act, 1956, Shri Sridhar Kamineni be and is hereby appointed as Managing Director of the Company for a period of five years with effect from 1.10.2009 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."

#### Regd Office :

108, Kanchanjunga  
King Koti Road  
Hyderabad-500 001  
Date: 24.04.2010

#### 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 24th May, 2010 to 26th May, 2010(both days inclusive).
3. The Dividend, if declared at the Annual General Meeting , will be paid on or after 27th May, 2010 to those persons or their mandates:
  - a) Whose names appear as Beneficial owners as at the end of the business hours on 24th May, 2010 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 24th May, 2010.
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 24th May,2010, to the Company or the Registrar and Transfer Agents.
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.
6. An explanatory statement pursuant to Section 173(2) of the Act is attached hereto.

## EXPLANATORY STATEMENT



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

Shri Sridhar Kamineni aged 44 years is qualified Engineer and acquired special qualification MS (Engineering Management) from USA and has undergone training in OCTG manufacturing facilities in USA. He was appointed as Joint Managing Director in the Annual General Meeting held on 18.08.2005 for a period of Five years with effect from 1.10.2004 which period expired on 30.09.2009. Considering his qualifications, experience and guidance in managing the day to day affairs of the Company for a period of 17 Years, he was appointed as Managing Director of the Company by the Board of Directors in its meeting held on 20.10.2009, for a period of five years with effect from 1.10.2009 subject to the approval of the shareholders in the next Annual General Meeting. He will be paid a remuneration and perquisites as recommended by the Remuneration Committee as detailed below within the limits prescribed under Section 269, 309, 198, and Schedule XIII and other applicable provisions of the Companies Act, 1956 subject to over all ceiling fixed under Section XIII - Part II - Section II (B) of Companies Act, 1956 as amended from time to time.

From	:	01.10.2009
Period of Appointment	:	Five Years
Pay	:	3, 00,000/- Per Month
Commission	:	An amount equal to 4(Four) percent of the Net Profits of the Company in each Financial Year computed in accordance with Section 349 of the Companies Act, 1956 including salary and perquisites.

### PERQUISITES :

- 1) 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.
- 2) 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.
- 3) CLUB FEES: Club Fees subject to maximum of 2 clubs, which will not include admission and life membership fees.

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

- 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 as per the Company's Rules.

None of the directors except Sri K. Suryanarayana , Chairman who is related to Sri Sridhar Kamineni was interested in the resolution.

### Regd Office :

108, Kanchanjunga  
King Koti Road  
Hyderabad-500 001  
Date: 24.04.2010

### By Order of the Board of Directors

**C S RAO**  
COMPANY SECRETARY

**To the Members,**

The Directors have pleasure in presenting the Twenty Fourth Annual Report on the Business of the Company and the Audited Statements of Accounts for the year ended 31st March, 2010 and Auditors report thereon.

**OPERATIONS :**

The Company achieved a turnover of Rs.334.73 Crores inclusive of Rs.226 Crores of Exports as against previous year turnover of Rs.422 Crores inclusive of Rs.209 Crores of Exports. The turnover has been less than that of the previous year due to global recessionary conditions and logistic issues for 2-3 Months. The profitability has marginally improved over the previous year by varying the product mix and the lower cost of raw materials. The Order Book position as on 31st March, 2010 is Rs.82.22 Crores with an additional orders worth Rs.100 Crores in pipeline. The orders on hand are mostly for Export market.

**FINANCIAL RESULTS:**

		<b>2009-2010 (Rs. In Lakhs)</b>	<b>2008-2009 (Rs. in Lakhs)</b>
1.	Gross Income	33473.02	42209.11
2.	Profit Before Interest and Depreciation	10608.65	10074.96
3.	Finance Charges	173.38	215.81
4.	Gross Profit	10435.27	9859.15
5.	Provision for Depreciation	698.63	747.89
6.	Net Profit before tax	9736.64	9111.26
7.	Provisions For Tax	4153.07	2617.47
8.	Net Profit after tax	5583.57	6493.79
9.	Balance of Profit brought forward.	220.62	3004.07
10.	Balance available for appropriation	5804.19	9497.86
11.	Proposed Dividend on Equity Shares	885.79	664.34
12.	Tax on proposed Dividend	150.54	112.90
13.	Transfer to General Reserves	4500.00	8500.00
14.	Surplus Carried to Balance Sheet	267.86	220.62

**Dividend :**

The Board of Directors of the Company are pleased to recommend dividend of Rs.2/- for each Equity Share of Rs. 10/- each on the Equity Share Capital of the Company for the Financial Year ended 31st March, 2010 subject to approval of the Shareholders in the Annual General Meeting.



**PROSPECTS:**

The Oil and Exploration Activities, which were reduced drastically due to global meltdown and recession during the year 2009-10 has shown signs of recovery in the last 2-3 Months, as there has been significant increase in the rig count during the last 3-4 Months and the activities are increasing further, resulting in further increase in the Rig Count. Also, the inventory levels of Oil Country Tubular Goods (OCTGs.) which were very high during the year 2009 are almost depleted and the operators have initiated procurement action for the Tubulars required for operations during the current financial year (2010-11). The Company has also penetrated into the USA Market where the demand for Oil Country Tubular Goods is to the tune of Six Million Tonnes. The Company has successfully implemented its expansion plans of Casing manufacturing capacity to 150,000 MT p.a., to meet the increased demand of Tubulars in the Domestic and Global Market. The Seamless Pipe Plant setup by United Seamless Tubular Pvt. Ltd is expected to go on stream and stabilize production by July/ August, 2010 and will be a source of supply of Green pipes of required quality and at competitive price to the Company. The prospects for the Company for the year 2010-11 are bright and the Company is expected to achieve a turnover of Rs.400 to 425 Crores with improved capacity utilization and increased profitability.

**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 2010-2011 to NSE and BSE, where the Company's Shares are listed.

**DEMATERIALISATION OF SHARES:**

80.29% of the company's paid up Equity Share Capital is in dematerialized form as on March 31st, 2010 and balance 19.71 % is in physical form.

The Company's Registrars are M/s XL Softech Systems Ltd., 3 Sagar Society, Road No.2, Banjara Hills, Hyderabad-500 034 (A. P).

**DIRECTORS:**

Dr.T.S.Sethurathnam and Shri. K.V.Ravindra Reddy retire on rotation and being eligible offer themselves for reappointment. Your Directors recommend reappointment as proposed in the Notice for the Annual General Meeting.

**THE DIRECTOR'S 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, 2010 the applicable Accounting Standards have been followed along with 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 Financial year 31st March, 2010 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, 2010 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 along with 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 3 persons who were in receipt of remuneration of not less than Rs.24, 00,000 during the year ended 31st March, 2010 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, Kanchenjunga  
King Koti Road

Hyderabad-500 001  
Date: 24.04.2010

For and on behalf of the Board Directors

**K.SURYANARAYANA**  
Chairman



## **Management Discussion and Analysis report:**

### **a) Industry Structure and Developments, Opportunities and Threats, Performance, outlook, Risks and Concerns :**

Due to the Recessionary Conditions in the International Market and steep dip in the crude oil prices to a low of nearly 30 USD/ barrel from a high of 149 USD/ barrel and also the gas prices too hitting low levels, the drilling and exploration activities for oil and gas took a very big hit as they were not economical at such low crude oil and gas prices. Despite the bleak economic conditions and the logistics problems, the Company achieved a turnover of Rs.334.73 Crores in the current year (2009-10) and has been able to marginally improve the profitability due to the product mix and the lower cost of raw materials. The exports during the year 2009-10 are to the tune of Rs.226 Crores.

The Company has successfully completed the implementation of its expansion plan to increase manufacturing capacity to 150,000 MT per year. With the drilling going more deeper, the need for high grade materials is on the rise and to meet the increased demand for the high grade materials, the Company has embarked upon setting up of a second Heat Treatment Facility within its existing premises.

The oil exploration activities have shown signs of recovery during the last quarter of year 2009-10 with the increase in the crude oil prices to the range of 80 USD/ Barrel from a low of nearly 30 USD/ barrel. The pricing is also on the rise for the gas. The number of rigs being deployed is on the rise and the Operators are coming back to start their shelved drilling programs and there are good signs of procurement actions being initiated by the Operators for the Oil Country Tubular Goods, signaling the path to recovery and upward trend in the oil exploration activities world over. The Company's order book position as on March 31, 2010 is Rs.82.22 Crores, with additional orders worth Rs.100 Crores in pipeline. The orders on hand are mostly for Export market.

With increase in capacity utilization, availability of Green Pipes at competitive prices, improved logistics due to availability of Green Pipes in close vicinity, the Company expects further improvement in the turnover and its profitability.

Considering the present market conditions, the Company has targeted a turnover of Rs.400 to 425 Crores during the financial year 2010-11.

### **b) Internal Control Systems and their Adequacy :**

The Internal Control Systems 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.

## ANNEXURE I



### The Key elements of the system are as follows:

- Existence of Authority Manuals and periodical updating of the same for all Functions.
- Existence of Clearly Defined organizational Structure and Authority.
- Existence of corporate Policies for Financial Reporting and Accounting.
- Existence of Management Information System updated from time to time as may be required.
- Existence of Annual Budgets and Long Term Business Plans.
- Existence of Internal Audit System.
- 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 development, 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.

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) 2009-10	(Rs. In Lakhs) 2008-09
1	Sales/ Income from Operations	33216.22	42037.27
2	Other Income	256.80	171.84
3	Sub-total	33473.02	42209.11
4	Total Expenditure (Before Interest)	23563.00	32882.04
5	Profit before interest, Tax and Exceptional Item	9910.02	9327.07
6	Operating Margin	29.83%	22.19%
7	Profit after Tax	5583.57	6493.79
8	Return on Average Capital Employed % (before interest and Tax)	64.25	87.46
9	No of Months Receivables (Receivables/ Sales x 12)	1.47	0.78
10	Current Ratio (Current Assets/ Current Liabilities)	1.53	1.36
11	Borrowings: Equity Ratio(TL/ Equity)	0.00	0.00

### d) Human Resources Development and Industrial Relations:

The Company is maintaining good employee relations and no man-days are lost during the year. The Company continued the welfare activities for the employees, which include Medical Care, Group Insurance, Canteen Facility and Transport Facility. To enrich the skills of employees and enrich their experience, the Company arranges, Practical Training Courses by Internal and External Faculty.

For and on behalf of the Board Directors

Hyderabad  
24.04.2010

**K.SURYANARAYANA**  
Chairman