



Oil Country Tubular Ltd.
INDIA

ISO 9001:2008 COMPANY



Twenty Seventh Annual Report 2012-2013

BOARD OF DIRECTORS	Mr. K Suryanarayana	Chairman
	Mr. Sridhar Kamineni	Managing Director
	Mr. K G Joshi	Director (Technical)
	Dr. T S Sethurathnam	Director
	Mr. K V Ravindra Reddy	Director
	Mr. AP Vitthal	Director
	Datuk Syed Hisham Bin Syed Wazir	Director

COMPANY SECRETARY Mr.C S Rao

REGISTERED OFFICE "Kamineni", 3rd Floor
King Koti
Hyderabad - 500 001(A.P)
Phone No: 040 - 24785555
Website : www.octlindia.com
Email : demat@octlindia.com

BANKERS Allahabad Bank
Bank of Bahrain & Kuwait B.S.C.
Indian Overseas Bank
State Bank of Hyderabad

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

WORKS Sreepuram
Narketpally Mandalam
Nalgonda Dist - 508 254 (A.P.)

**REGISTRARS & SHARE
TRANSFER AGENTS** XL Softech Systems Limited
3, Sagar Society, Road No. 2,
Banjara Hills
Hyderabad - 500 034
Phone No: 040 - 23545913
Email: xlfield@rediffmail.com

NOTICE TO MEMBERS



Notice is hereby given that Twenty Seventh Annual General Meeting of Oil Country Tubular Limited will be held on Thursday, the 30th day of May 2013 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 Audited Profit and Loss Account for the year ended 31st March, 2013 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 Datuk Syed Hisham Bin Syed Wazir who retires by rotation and being eligible offers himself for reappointment.
- 4) To appoint a Director in place of Mr. A P Vitthal 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".

Regd. Office :

"Kamineni", 3rd Floor
King Koti
Hyderabad - 500 001(A.P)
Date: 25.04.2013

By Order of the Board of Directors

C S Rao
Company Secretary

NOTICE TO MEMBERS



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 27th May, 2013 to 30th May, 2013 (both days inclusive).
- 3) The Dividend, if declared at the Annual General Meeting, will be paid on or after 30th May, 2013 to those persons or their mandates.
 - a) Whose names appear as Beneficial Owners as at the end of the business hours on 25th May, 2013 in the list of Beneficial Owners to be furnished by National Securities Depository Limited and Central Depository Services (India) Limited.
 - 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 25th May, 2013.
- 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) Limited (CDSIL) 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 Bank Branch, 9 Digit MICR Code of the Branch, type of Account and Account Number latest by 25th May, 2013 to the Company or the Registrar and Transfer Agents.**
- 5) **In terms of Circular No. 17/2011 dated 21.04.2011 and Circular No.18/2011 dated 29.04.2011 issued by the Ministry of Corporate Affairs, under Green initiative in the Corporate Governance all the members are requested to intimate their e-mail address to the Company's Registrar and Transfer Agents whose e-mail id is xlfield@rediffmail.com mentioning the Company's name i.e., OCTL, so as to enable the company to send the Annual Report and Accounts, Notices and other documents through Electronic Mode to their e-mail address in future.**
- 6) 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.

Regd. Office :

"Kamineni", 3rd Floor
King Koti
Hyderabad - 500 001(A.P)
Date: 25.04.2013

By Order of the Board of Directors

C S Rao
Company Secretary

To the Members,

The Directors have pleasure in presenting the Twenty Seventh Annual Report on the Business of the Company and the Audited Statements of Accounts for the year ended 31st March, 2013 and Auditors report thereon.

OPERATIONS:

The Company has achieved a turnover of ₹. 504.60 Crores during the current year, as against ₹. 480 Crores during the previous year. The Exports during the year has been ₹. 454.51 Crores as against ₹. 416.22 Crores during the previous year 2011-12. The Order Book position as on 31st March, 2013 stood at ₹. 135.54 Crores, which includes Export Orders of ₹. 102.41 Crores.

The Exploration Activities had slowed down during the second half of the Year 2012-13 and the Market did not pickup as expected. The prices came under pressure due to the slowing down of the economy and the cautious purchasing of the distributors. The substantial increase in the cost of Power and Fuel had an impact on the profitability of the Company. The uncertainty in the Power availability effected the operations of the Company thereby affecting the top line and the margins. The Company had to purchase the Power from the Open Access to continue the Operations at a higher cost.

In September 2012, the Company commissioned 0.8 MW Wind Turbine Generator located in Roddam Mandal in Ananthapur District under Renewable Energy Certificate mechanism, as part of the Green initiative in reducing the Carbon emissions and towards meeting the Renewable Power Purchase Obligations for consuming Power through Open Access.

FINANCIAL RESULTS:

S.No.	Particulars	2012-2013 (₹. In Lakhs)	2011-2012 (₹. In Lakhs)
1	Gross Income	50460.24	47999.67
2	Profit Before Interest and Depreciation	9664.34	7838.55
3	Finance Charges	1742.56	1148.50
4	Gross Profit	7921.78	6690.05
5	Provision for Depreciation	1719.37	1038.62
6	Net Profit before tax	6202.41	5651.43
7	Provisions For Tax	2608.76	1823.93
8	Net Profit after tax	3593.65	3827.50
9	Balance of Profit brought forward	383.77	285.76
10	Balance available for appropriation	3977.42	4113.26
11	Proposed Dividend on Equity Shares	885.79	885.79
12	Tax on proposed Dividend	143.70	143.70
13	Transfer to General Reserves	2700.00	2700.00
14	Surplus carried to Balance Sheet	247.93	383.77

Dividend:

The Board of Directors of the Company are pleased to recommend dividend of ₹.2/- for each Equity Share of ₹.10/- each on the Equity Share Capital of the Company for the Financial Year ended 31st March, 2013 subject to approval of the Shareholders in the Annual General Meeting.

PROSPECTS:

The slow down in the Drilling Operations are expected to continue during the next year and the selling prices of the OCTG Products remain under pressure due to demand being on the lower side and supply on the higher side. Rig counts are at a low point and the energy prices are down. The current market conditions are not favorable and the turnover during the year 2013-14 is expected to be around ₹. 500 Crores. The profitability during the next year is likely to remain under stress due to the higher power and fuel costs and the pressure on the pricing due to the on ground inventories and lower demand fueled with economic uncertainty.

The Power situation in the State continues to be acute. There are Power holidays for nearly 12 days a month and peak load restrictions, thereby adversely affecting the manufacturing.

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 2013-2014 to NSE and BSE, where the Company's Shares are listed.

DEMATERIALISATION OF SHARES:

90.36 % of the company's paid up Equity Share Capital is in dematerialized form as on March 31st, 2013 and balance **9.64 %** 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.

DIRECTORS:

Datuk Syed Hisham Bin Syed Wazir retires on rotation and being eligible offer himself for re - appointment.

Mr. A P Vitthal retires on rotation and being eligible offer himself for re - appointment.

The Directors recommend appointment / 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, 2013 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, 2013 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, 2013 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:

There are no employees as on date on the rolls of the Company who are in receipt of Remuneration which requires disclosures under Section 217 (2A) of Companies Act, 1956 and Companies (Particulars of Employees) Rules, 1975.

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 :

"Kamineni", 3rd Floor
King Koti
Hyderabad - 500 001(A.P)
Date: 25.04.2013

For and on behalf of the Board of Directors

K. SURYANARAYANA
Chairman

Management Discussions and Analysis report:**a) Industry Structure and Developments, Opportunities and Threats, Performance, outlook, Risks and Concerns :**

The slowing down of the economy and the existing market conditions had a downward effect on the Oil Exploration and Drilling Activities during the year 2012-13. However, the Company could record its highest turnover of ₹.504.60 Crores during the current year 2012-13 as against ₹. 480 Crores during the previous year 2011-12.

Despite the slowdown, the Company was able to achieve Exports to the extent of ₹. 454.51 Crores during the current year 2012-13.

The Company's Order Book position as on 31st March, 2013 stood at ₹. 135.54 Crores, which includes Export orders to the extent of ₹. 102.41 Crores.

The profitability is expected to be under stress due to the abnormal increase in the prices of Power, Fuel and other Inputs, in addition to the downward trend in the selling prices and the cautious approach of the Distributors and the end users.

Though the present market conditions are tough, the Company is confident to achieve sales of around ₹. 500 Crores during the year 2013-14.

b) Internal Control Systems and their Adequacy :

Management has put in place effective Internal Control Systems 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.

Key elements of the Internal Control Systems are as follows:

- a) Existence of Authority Manuals and periodical updating of the same for all Functions.
- b) Existence of clearly defined organizational 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 Company has appointed an Independent Auditor to ensure compliance and effectiveness of the Internal Control Systems in place.

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 for 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:

S.No.	Particulars	(₹. In Lakhs) 2012 -13	(₹. In Lakhs) 2011 -12
1	Sales / Income from Operations	50283.78	47948.45
2	Other Income	176.46	51.22
3	Sub - total	50460.24	47999.67
4	Total Expenditure (Before Interest)	42515.27	41199.74
5	Profit before interest, Tax and Exceptional Item	7944.97	6799.93
6	Operating Margin	15.80%	14.18%
7	Profit after Tax	3593.65	3827.50
8	Return on Average Capital Employed % (before interest and Tax)	24.49	21.36
9	No of Months Receivables (Receivables / Sales x 12)	1.30	1.85
10	Current Ratio (Current Assets / Current Liabilities)	1.03	1.01
11	Borrowings : Equity Ratio (TL / Equity)	4.33	2.53

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. 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 of Directors

HYDERABAD
25.04.2013

K.SURYANARAYANA
Chairman

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 Corporate Governance. These policies, practices are required periodically to ensure its effective compliance. 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, 2013 is as follows

Category	No.of Directors	%
Executive Directors	3	42.86
Non Executive, Independent Directors	4	57.14
Total	7	100.00