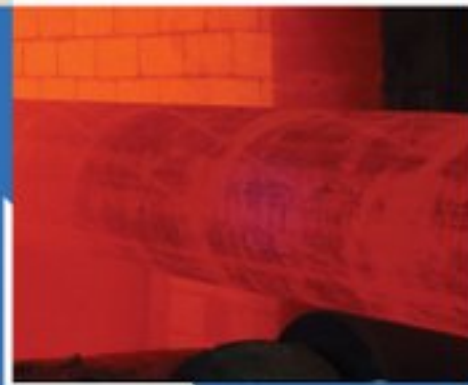




Oil Country Tubular Ltd.
INDIA



Twenty Eighth Annual Report 2013-2014



BOARD OF DIRECTORS	Mr. K Suryanarayana Mr. Sridhar Kamineni Mr. K G Joshi Dr. T S Sethurathnam Mr. K V Ravindra Reddy Mr. A P Vitthal Datuk Syed Hisham Bin Syed Wazir	Chairman Managing Director Director Director Director Director Director
COMPANY SECRETARY	Mr. C S Rao	
REGISTERED OFFICE	"Kamineni", 3 rd 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@gmail.com	

NOTICE TO MEMBERS



Notice is hereby given that Twenty Eighth Annual General Meeting of Oil Country Tubular Limited will be held on Thursday, the 5th day of June 2014 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, 2014 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 consider and if thought fit, to pass with or without modifications, the following Resolution as an ORDINARY RESOLUTION:

"Resolved that pursuant to the provisions of sections 139 (2) and 142(1) of the Companies Act 2013 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 for a term of Three (3) years subject to ratification by members at every Annual General Meeting from the conclusion of this meeting until the conclusion of the Thirty First Annual General Meeting at such remuneration as may be determined by the Board of Directors of the Company from time to time."

SPECIAL BUSINESS:

- 4) To consider and if thought fit, to pass with or without modification, the following Resolution as Special Resolution.

"Resolved that pursuant to the Provisions of sections 196, 197 and 198, and other applicable provisions, if any, of the Companies Act, 2013, read with Schedule V of the said Act, including any statutory modification(s) or re-enactment thereof, for the time being in force, Mr. K. Suryanarayana be and is hereby reappointed as Executive Chairman of the Company for a period of three years with effect from 20.01.2014 at a remuneration and upon terms and conditions as set out in the agreement placed before the meeting and initialed by the Chairman for the purpose of identification."

"Resolved further the Board be and is hereby authorized 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 Mr. K Suryanarayana but so as not to exceed the limits specified in Schedule V of the Companies Act, 2013, or any amendment there to or enactments thereof, with effect from such date as may be decided by it."

- 5) To consider and if thought fit, to pass with or without modification, the following Resolution as Special Resolution.

"Resolved that pursuant to the Provisions of sections 196, 197 and 198, and other applicable provisions, if any, of the Companies Act, 2013, read with Schedule V of the said Act, including any statutory modification(s) or re-enactment thereof, for the time being in force, Mr. K G Joshi be and is hereby reappointed as Director of the Company for a period of three years with effect from 01.10.2013 at a remuneration and upon terms and conditions as set out in the agreement placed before the meeting and initialed by the Chairman for the purpose of identification."

"Resolved further the Board be and is hereby authorized 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 Mr. K G Joshi but so as not to exceed the limits specified in Schedule V of the Companies Act, 2013 or any amendment there to or enactments thereof, with effect from such date as may be decided by it."

- 6) To appoint a Director in place of Dr. T.S. Sethurathnam who retires by rotation and offers himself for reappointment and if thought fit, to pass with or without modification, the following Resolution as an Ordinary Resolution.

"Resolved that Dr. T.S. Sethurathnam, be and is hereby appointed as an Independent Director for a tenure of five (5) years in pursuant to the provisions of sections 149(4), 149(6) and 152 of the Companies Act 2013."

- 7) To appoint a Director in place of Mr. K.V. Ravindra Reddy who retires by rotation and offers himself for reappointment and if thought fit, to pass with or without modification, the following Resolution as an Ordinary Resolution.

"Resolved that Mr. K. V. Ravindra Reddy, be and is hereby appointed as an Independent Director for a tenure of five (5) years in pursuant to the provisions of sections 149(4), 149(6) and 152 of the Companies Act 2013."

Regd. Office :

"Kamineni", 3rd Floor,
King Koti,
Hyderabad - 500 001 (A.P.)
Date: 24.04.2014

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 2nd June to 5th June, 2014 (both days inclusive)
- 3) The Dividend, if declared at the Annual General Meeting, will be paid on or after 5th June, 2014 to those persons or their mandates.
 - a) Whose names appear as Beneficial Owners as at the end of the business hours on 30th May, 2014 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 31st May, 2014.
- 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 31st May, 2014 to the Company or the Registrar and Transfer Agents.
- 5) Unclaimed dividend for the year(s) 2008-09, 2009-10, 2010-11, 2011-12 and 2012-13 are held in separate Bank accounts and shareholders who have not received the dividend / encashed the warrants are advised to write to the Company with complete details.
- 6) Non-Resident Indian Shareholders are requested to inform the registrars, M/s.XL Softech Systems Limited immediately:
 - a) The change in the Residential status on return to India for permanent settlement.
 - b) The particulars of the Bank Account maintained in India with complete name, branch, account type, account number and address of the Bank, if not furnished earlier.
- 7) Corporate Members intending to send their authorized representatives are requested to send a duly certified copy of the Board resolution authorizing their representatives to attend and vote at the Annual General Meeting.
- 8) Pursuant to the Clause 49 of the Listing Agreement, additional information on Directors seeking appointment/ reappointment at the annual general meeting is provided in the Annual Report.
- 9) The Ministry of Corporate Affairs ("Ministry"), Government of India, has taken a "Green Initiative in Corporate Governance" by allowing paperless compliances by companies through electronic mode. As per the Circular No. 17/2011 dated 21.04.2011 and Circular No.18/2011 dated 29.04.2011 issued by the Ministry of Corporate Affairs, companies can now send various notices /documents (including notice calling Annual General Meeting, Audited Financial Statements, Directors' Report, Auditors' Report etc) to their shareholders through electronic mode, to the registered email addresses of the shareholders.
- 10) 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@gmail.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.

Notices/documents including the Annual Report are now being sent by electronic mode to the shareholders whose e-mail address has been registered with the Company. Members who would like to receive such notices/ documents in electronic mode in lieu of physical copy and who have not registered their e-mail addresses so far or who would like to update their e-mail addresses already registered, are requested to register/update their e-mail addresses :

- in respect of electronic shareholding - through their respective Depository Participants;
- in respect of physical shareholding - by sending a request to the Company's Share Transfer Agent at xlfield@gmail.com , mentioning therein the Company's name i.e., OCTL, their folio number and e-mail address.

Regd. Office :

"Kamineni", 3rd Floor,
King Koti,
Hyderabad - 500 001 (A.P.)
Date: 24.04.2014

By Order of the Board of Directors

C S RAO
COMPANY SECRETARY

EXPLANATORY STATEMENT



Pursuant to Section 102 of the Companies Act, 2013

- 4) Mr. K Suryanarayana, aged 77 years is a Metallurgical Engineer from Banaras Hindu University. He worked in Rourkela Steel Plant as Production Engineer. He was trained in Kaiser Steel Works, Fontana California, USA in the Technology of Steel Making.

Mr. K Suryanarayana was appointed as Executive Chairman for a period of 3 years from 20th January, 2011 by the Board at the meeting held on 21st October, 2010 and approved by the Shareholders in the Annual General Meeting held on 28th May, 2011. His term expired on 19th January, 2014.

The Remuneration Committee has recommended the Appointment of Mr.K.Suryanarayana as Executive Chairman at the existing level, 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 are detailed below within the limits prescribed under section 196, 197,198 and schedule V and other applicable provisions of the Companies Act, 2013 subject to overall ceiling fixed under Schedule V - Part II, Section I & II of Companies Act, 2013 amended from time to time.

Salary: ₹ 3,00,000/- Per Month

Commission : An amount equal to 5 (Five) percent of the Net Profit of the Company in each Financial Year computed in accordance with Section 198 of the Companies Act, 2013 including salary and perquisites.

PERQUISITES:

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 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 tenure of office of Mr. K Suryanarayana as Executive Chairman, 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.

Your Directors recommend the Resolution for approval.

None of the Directors except Mr.Sridhar Kamineni, Managing Director who is related to Mr. K Suryanarayana are interested in the resolution.

- 5) Mr. K G Joshi aged 76 years is a qualified Engineer with Honours Degree with wide and varied experience. He worked in various senior positions in the Public Sector for over 32 years. He has been associated with the Company from inception. He was appointed as Director (Technical) from 27th June, 1997 and continuing in the same position till now. He was last appointed as a Director in the 25th Annual General Meeting held on 28th May, 2011 for a period of 3 years w.e.f. 01st October, 2010 which term expired on 30th September, 2013.

The Remuneration Committee has recommended to the Board to approve Reappointment and Remuneration of Mr. K G Joshi, Director for a period of 3 years with effect from 1st October, 2013 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 196, 197,198 and schedule V and other applicable provisions of the Companies Act, 2013 subject to overall ceiling fixed under Schedule V - Part II, Section I & II of Companies Act, 2013 amended from time to time.

Salary: ₹ 2, 50,000/- Per Month

COMMISSION : The amount equal to 1(one) percent of the Net Profit of the Company in each Financial Year computed in accordance with Section 198 of the Companies Act, 2013 including Salary and Perquisites.

EXPLANATORY STATEMENT



In addition he will be entitled to PERQUISITES:

- 1) **HOUSING:** The Expenditure by Company on hiring furnished accommodation will be subject to a 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.
- 2) **MEDICAL REIMBURSEMENT:** For Self and family, not exceeding one month's Salary in a year or 3 month's salary in a period of 3 years.
- 3) **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.
- 4) **CLUB FEES:** Club Fees subject to maximum of 2 Clubs, which will not include admission and life membership fees.
- 5) **PERSONAL ACCIDENT INSURANCE:** Premium not exceeding ₹ 2000/- per annum. Apart from the above, he will also be entitled to the following:
 - a) **PROVIDENT FUND, SUPERANNUATION AND GRATUITY:** Provident Fund, Superannuation and Gratuity as per rules of the Company, subject to the ceiling.
 - 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.
 - f) If in any Financial Year, during the tenure of office of Mr. K G Joshi as 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.

Your Directors recommend the Resolution for approval. None of the Directors are interested in the resolution.

- 6) **Dr. T. S. Sethurathnam** aged 85 years is a veteran from Indian Audit and Accounts Service of Government of India. He was associated with the Kandla port at the time of its construction as Financial Auditor before he joined the MPSEB. After retirement he served in Power Finance Corporation, Chairman of Bombay Suburban Electric Supply Company. He also served as Consultant to Houston Industries Ltd., US based electric supply and gas Company for its Indian Operations. He was Former Chairman of Madhya Pradesh Electricity Board. He is also a Director / Nominee Director in various Companies and has proven managerial and administrative capabilities. He is a Director on the Board of Directors of the Company for over 22 years.

In the opinion of the Board, Dr. T. S. Sethurathnam proposed to be appointed as an Independent Director fulfils the conditions specified in the section 149(6) and other applicable provisions of the Companies Act, 2013 and the rules made there under and that the proposed director is independent of the management.

- 7) **Mr. K V Ravindra Reddy** aged 71 years is an expert in Corporate Legal affairs. He retired as Chief General Manager (Legal) in Andhra Pradesh Industrial Development Corporation and has rich experience in Corporate Business, Administration and Management. He is a Director on the Board of Directors of the Company for over 22 years.

In the opinion of the Board, Mr. K. V. Ravindra Reddy proposed to be appointed as an Independent Director fulfils the conditions specified in the section 149(6) and other applicable provisions of the Companies Act, 2013 and the rules made thereunder and that the proposed director is independent of the management.

DIRECTORS' REPORT



To the Members,

The Directors have pleasure in presenting before you the Twenty Eighth Annual Report of the Company together with the Audited Statements of Accounts for the year ended 31st March, 2014.

FINANCIAL RESULTS:

(₹ in Lakhs)

S. No	Particulars	2013-14	2012-13
1	Gross Income	35954.16	50460.24
2	Profit Before Interest and Depreciation	5488.14	9664.34
3	Finance Charges	1630.92	1742.56
4	Gross Profit	3857.22	7921.78
5	Provision for Depreciation	2005.81	1719.37
6	Net Profit Before Tax	1851.41	6202.41
7	Provision for Tax	809.68	2608.76
8	Net Profit After Tax	1041.73	3593.65
9	Balance of Profit brought forward	247.93	383.77
10	Balance available for appropriation	1289.66	3977.42
11	Proposed Dividend on Equity Shares	885.79	885.79
12	Tax on proposed Dividend	150.54	143.70
13	Transfer to General Reserve	100.00	2700.00
14	Surplus carried to Balance Sheet	153.33	247.93

OPERATIONS:

The Company achieved a turnover of ₹ 359.54 Crores during the current year, as against ₹ 504.60 Crores during the previous year. The Exports during the year has been ₹ 285.07 Crores as against ₹ 454.51 Crores during the previous year 2012-13. The Order Book position as on 31st March, 2014 stood at ₹ 127.78 Crores, which includes ₹ 72.28 Crores of Export Orders.

The slowing down of the economy has severely impacted the sales during the current year. Further, the United States International Trade Commission initiated Antidumping and Countervailing investigations on certain Oil Country Tubular Goods (OCTG) on July 02, 2013 on import of OCTG from India, South Korea, Philippines, Saudi Arabia, Taiwan, Thailand, Turkey, Ukraine and Vietnam based on the petitions filed by the US Producers. The final determination of Antidumping and Countervailing duties is expected around August 2014. The US Customers, under the circumstances, slowed down the procurement of the OCTG, affecting the sales to the US market.

The increase in the cost of power, fuel and the consumables had adversely impacted the profitability and stressed the margins.

DIVIDEND:

Your Directors are pleased to recommend a dividend of ₹ 2/- per Equity Share of ₹ 10/- each, i.e., 20% for the financial year 2013-14 subject to approval of the Shareholders in the Annual General Meeting.

PROSPECTS:

The slowdown in the Drilling and Exploration activities due to slowing down of the economy are expected to continue during the year 2014-15. The Company will strive to achieve around 10% growth in sales during the year 2014-15. The selling price of OCTG products is expected to continue to remain under pressure due to excess inventory available in the market. The increased power, fuel and consumables cost will have an impact on the margins. The Company has no other option but to purchase Power from the open access at a higher price due to shortage of Power generation in the State.

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 2014-2015 to NSE and BSE where the Company's Shares are listed.

DEMATERIALISATION OF SHARES:

90.65% of the company's paid up Equity Share Capital is in dematerialized form as on 31st March, 2014 and balance **9.35%** 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:

Dr. T. S. Sethurathnam will retire by rotation at the ensuing annual general meeting and, being eligible, offer himself for reappointment.

Mr. K. V. Ravindra Reddy will retire by rotation at the ensuing annual general meeting and, being eligible offer, himself for reappointment.

Your Directors state that Dr. T. S. Sethurathnam and Mr. K. V. Ravindra Reddy who are proposed to be appointed as Independent Directors possess appropriate balance of skills, expertise and knowledge and are qualified for appointment as Independent Directors.

Your Directors recommend the appointment of Dr. T. S. Sethurathnam and Mr. K. V. Ravindra Reddy as Independent Directors, as proposed in the notice for the Annual General Meeting.

DIRECTOR'S RESPONSIBILITY STATEMENT:

As required under section 217 (2AA) of the companies act, 1956 Directors of your Company hereby state and confirm that:

1. the applicable Accounting Standards have been followed in preparation of annual accounts;
2. the accounting policies selected were applied consistently and the judgments and estimates made are reasonable and prudent so as to give a true and fair view of the State of affairs of the Company as at 31st March, 2014 and of the profit for the year ended on that date;
3. proper and sufficient care has been taken for maintenance of adequate accounting records in accordance with the provisions of the Act for safeguarding the assets of the Company and for preventing and detecting fraud and other irregularities;
4. the Annual Accounts for the year ended 31st March, 2014 have been prepared on a going concern basis;

AUDIT OBSERVATIONS:

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

AUDITORS:

The Auditors, M/s C K S Associates, Chartered Accountants, Hyderabad retire at the ensuing Annual General Meeting and, being eligible, offer themselves for reappointment.

CORPORATE GOVERNANCE AND SHAREHOLDERS' INFORMATION:

Your Company has taken adequate steps to adhere to all the stipulations laid down in Clause 49 of the Listing Agreement. A report on Corporate Governance is included as a part of this Annual Report (Annexure II).

Certificate from the Statutory Auditors of the company M/s C K S Associates, Chartered Accountants confirming the compliance with the conditions of Corporate Governance as stipulated under Clause 49 of the Listing Agreement is attached to this report.

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 III) to this report.

HUMAN RESOURCES:

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 the Companies Act, 1956 and Companies (Particulars of Employees) Rules, 1975.

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

VIGIL MECHANISM:

In pursuant to the provisions of section 177(9) & (10) of the Companies Act, 2013, a vigil mechanism for directors and employees to report genuine concerns has been established.

CORPORATE SOCIAL RESPONSIBILITY:

In pursuant to the provisions of section 135 and schedule VII of the Companies Act, 2013, CSR Committee of the Board of Directors was formed to recommend (a) the policy on Corporate Social Responsibility (CSR) and (b) implementation of the CSR Projects or **Programs** to be undertaken by the Company as per CSR Policy for consideration and approval by the Board of Directors.

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, 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.)

For and on behalf of the Board of Directors

K. SURYANARAYANA
Chairman

Date: 24.04.2014

MANAGEMENT DISCUSSIONS AND ANALYSIS REPORT:**a) Structure and Developments, Opportunities and Threats, Performance, outlook, Risks and Concerns:**

The slowing down of the economy globally and the current market conditions had a downward effect on the Oil Exploration and Drilling Activities during the year 2013-14 affecting the sales. The sales during the current year 2013-14 is at ₹ 359.54 Crores as against ₹ 504.60 Crores of the previous year 2012-13. The sales were also affected on account of Antidumping and Countervailing Investigations initiated by the Government of United States of America on imports from India, South Korea, Philippines, Saudi Arabia, Taiwan, Thailand, Turkey, Ukraine and Vietnam.

Despite the adverse market conditions and the slowing down of the economy, the Company was able to achieve turnover of ₹ 359.54 Crores including ₹ 285.07 Crores of exports. The Company's Order Book position as on 31st March, 2014 stood at ₹ 127.78 Crores.

The present adverse market conditions are expected to continue during the next year 2014-15. The profitability for the next year 2014-15 is expected to be under pressure due to increase in costs of power, fuel and consumables. The Company expects to achieve around 10% growth in sales during the year 2014-15 and is exploring new markets for its Products.

b) Internal Control Systems and their Adequacy :

Management has put in place effective Internal Control Systems to provide reasonable assurance for:

- Safeguarding Assets and their usage.
- Maintenance of Proper Accounting Records and
- Adequacy and Reliability of the information used for carrying on Business Operations.

Key elements of the Internal Control Systems are as follows:

- (i) Existence of Authority Manuals and periodical updating of the same for all Functions.
- (ii) Existence of clearly defined organizational structure and authority.
- (iii) Existence of corporate policies for Financial Reporting and Accounting.
- (iv) Existence of Management information system updated from time to time as may be required.
- (v) Existence of Annual Budgets and Long Term Business Plans.
- (vi) Existence of Internal Audit System.
- (vii) 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.