

23rd ANNUAL REPORT 2004-05



United Drilling Tools Ltd.



UNITED DRILLING TOOLS LTD.

BOARD OF DIRECTORS

SHRI PRAMOD KUMAR GUPTA

Chairman cum Managing Director
M.S.I.E., P.E. (USA)

SHRI S.S.K. BHAGAT

Independent & Non Executive Director
Civil Engineering Graduate
Retired Chief Engineer, NDMC, New Delhi

SHRI V.B. MISHRA

Independent & Non Executive Director
Graduate
Ex. P.A. to Dy. Chairman, Rajya Sabha

STATUTORY AUDITORS

AGRAWAL DHURUV & COMPANY

Chartered Accountants

REGISTERED OFFICE

B-94, Shashi Garden
Patparganj, Delhi-110091

FACTORY

Plot No. 1-D
Block-B, Sector-10
Noida (U.P.)
Gautam Bugh Nagar

- Note :**
1. Your Company is listed with CDSL for dematerialisation and Company ISIN No. is INE961D01019.
 2. Shareholders are requested to bring their copy of the Annual Report with them to the Annual General Meeting.
 3. No gifts or coupons would be given to the shareholders for attending the Annual General Meeting.



UNITED DRILLING TOOLS LTD.

NOTICE

NOTICE is hereby given that the Twenty Third Annual General Meeting of the Members of United Drilling Tools Limited will be held on Thursday, the 29th September, 2005 at 11.30 A.M. at Bawa Palace, U-38, Shakarpur, Mother Dairy Road, Delhi-92 to transact the following business :-

AS ORDINARY BUSINESS

1. To receive, consider and adopt the Audited Balance Sheet as at March 31, 2005 and the Profit and loss Account for the year ended on March, 31, 2005 and the report of the Board of Directors and Auditors thereon.
2. To consider and appoint a Director in place of Shri V.B. Mishra, who is liable to retire by rotation and being eligible, offers himself for re-appointment.
3. To consider and appoint M/s Agrawal Dhruv & Co., Chartered Accountants, as Auditors to hold office from conclusion of this Annual General Meeting until the conclusion of next Annual General Meeting and to fix their remuneration.

SPECIAL BUSINESS

4. To consider and if thought fit, to pass, with or without modification(s), the following resolution as "special resolution" :-

"Resolved that pursuant to section 292 and 293 (1)(a) and all other applicable provisions, if any, of the Companies Act, 1956 and subject to the approval if any, as required from or all appropriate authorities, consent of the company be and is hereby accorded, for the purpose of giving effect to any of the act as prescribed by Articles, to authorize the Board of Directors to sell, lease, mortgage, exchange, grant licence and other rights over, improve, manage, develop and turn to account and any other manner deal with or dispose off undertaking, investments, properties, assets, product line along with its technology, equipments, personnel and assets of the company and any part thereof for such consideration as may be thought fit and in particular for any share, stock, debentures or other securities of any other company having objects altogether or in part similar to those of the company and sell, lease or otherwise dispose off the whole, or substantially the whole, of the undertaking of the company, or where the company owns more than one undertaking, of the whole, or substantially the whole, of any such undertaking."

"Resolved further that the consent of the company be and is hereby also granted in terms of section 293 (1)(a) and all other applicable provisions of the Companies Act, 1956 to the board to create mortgage and/or charge on all or any of the company's immovable and/or movable assets, both present and future, such charge to rank pari-passu to all the mortgages/charges created/to be created by the company for all existing and future borrowings and facilities whatsoever."

"Resolved further that for the purpose of giving effect the board, be and is hereby authorised on behalf of the company to do all such acts, deeds, matters and things as it may in its discretion deem necessary, proper or desirable for such purpose in its absolute discretion, deem fit or proper".

5. To consider and if thought fit to pass with or without modification(s) the following resolution as an ordinary resolution :

"Resolved that the consent of the company be and is hereby accorded under the provision of Section 293(1)(d) of the Companies Act, 1956, to the Board of Directors of the company for borrowing money from time to time even though the money to be borrowed together with money already borrowed by the company (apart from the temporary loans obtained from company's bankers in the ordinary course of business) exceeds the aggregate of the paid up capital of the company and its free reserves that is to say reserves not set apart for any specific purpose provided, however that the total amount of such borrowing shall not exceed the sum of Rs.30 crores (Rupees Thirty Crores only).

Further Resolved that the consent of the company be and hereby accorded to the Board of Directors of the company for mortgaging/charge in favour of prospective lender, bank and other financial institutions all the immovable and movable properties of the company both present and future and whole of the undertaking of the company or such of them as may be agreed to between the board and lender to secure their respective loans together with interest, commitment, charges, costs and other charges and expenses payable by the Company to them in terms of the loan agreement executed/to be executed between the company and the prospective lender, banks and other financial institutions and on the terms and conditions contained in their letter of intent/offer.

Regd. Office
B-94, Shashi Garden
Patparganj, Delhi-110091

For & on behalf of the Board

Dated : 17.08.2005

(PRAMOD KUMAR GUPTA)
CHAIRMAN CUM MANAGING DIRECTOR



UNITED DRILLING TOOLS LTD.

NOTES

1. A MEMBER ENTITLED TO ATTEND AND VOTE AT THE MEETING OF THE COMPANY IS ENTITLED TO APPOINT ANY PERSON AS HIS/HER PROXY TO ATTEND AND VOTE INSTEAD OF HIMSELF/HERSELF AND THE PROXY NEED NOT BE A MEMBER OF THE COMPANY.
2. The Proxy form in order to be effective, must be deposited at the registered office of the company, at least 48 hours before the commencement of the aforesaid meeting.
3. The register of members and share transfer books of the company shall remain closed from 25.09.2005 to 29.09.2005 (both days inclusive).
4. The members desirous of obtaining any information concerning the accounts and the operation of the company are requested to send their queries to the company at least seven days before the date of the Meeting, so that the information required by the members can be made available at the meeting.
5. Members are requested to bring their copy of the Annual Report alongwith them at the Annual General Meeting. No copies of the Report will be distributed at the meeting.
6. Members are required
 - (a) To kindly notify the change of address, if any, to the company
 - (b) To bring their copy of the Annual Report.
 - (c) To deposit their duly completed attendance slip at the meeting before going into the hall of meeting,

Regd. Office

B-94, Shashi Garden
Patpar Ganj, Delhi-110091
Dated : 17.08.2005

For & on behalf of the Board

(PRAMOD KUMAR GUPTA)
(CHAIRMAN CUM MANAGING DIRECTOR)

EXPLANATORY STATEMENT

Item No. 4

Pursuant to the provision of section 173(2) of the Companies Act, 1956.

In conformity with the provisions of section 173(2) of the Companies Act, 1956, the following explanatory statement set out all material facts relating to the Special Business mentioned at Item No. 4, of the accompanying notice dated 17.08.2005 and should be taken as forming part of the notice.

It was informed to the Members that the company started the business as a manufacturer of various products for Oil Industry as per its main object.

At present, your company is facing financial crunch. In order to overcome this situation, i.e., to ease cash flow, your directors had proposed to consolidate some of product lines and recommended to sell, lease, create mortgage or charge on all or any of the company's immovable and/or movable assets and any other assets of the company, both present and future agreement(s), as and when required, in the best interest of the company, if deemed fit and therefore authorized to sell or enter into any agreement for transfer of its own demanded product line to some other intended body corporate for taking appropriate action as deemed necessary as per the provisions and compliance of the Act. Hence, seeks your approval, by special resolution, for giving authority to the Board for doing the same.

Your Directors had strongly recommended the resolution for you approval.

None of the directors is concerned with or interested in this resolution except as a shareholder of the company.

EXPLANATORY STATEMENT

Item No. 5

It is to inform to the members that the company's borrowing need base increased and would need borrowing from varied sources. Hence the present limit of 15 crores are proposed to be enhanced to Rs. 30 crores.

None of the directors are interested in the aforesaid resolution.

Regd. Office

B-94, Shashi Garden
Patpar Ganj, Delhi-110091
Dated : 17.08.2005

For & on behalf of the Board

(PRAMOD KUMAR GUPTA)
(CHAIRMAN CUM MANAGING DIRECTOR)



UNITED DRILLING TOOLS LTD.

DIRECTOR'S REPORT TO THE MEMBERS

Your Directors present the Twenty third Annual report of the Company together with the Audited Statements of the Account for the year ended 31st March, 2005.

1. FINANCIAL HIGHLIGHTS :

	2004-2005 (Rs. in Lacs)	2003-2004 (Rs. in Lacs)
Sales and other Income	399.10	126.23
Gross Profit (Loss)	58.88	46.73
Profit before Depreciation	9.56	1.20
Depreciation	8.74	9.97
Proposed Dividend	NIL	NIL
Profit/Loss during the year	0.82	(8.77)
Profit/Loss	-	-
Brought forward from previous year	(163.47)	(154.29)

2. OPERATION

The Company has earned some profit of Rs. 0.82 lacs during the current financial year. Your company was unable to make adequate profit due to lack of sufficient working capital. Your Company is getting enquiries and orders about its products from all over the world. Its products are being accepted worldwide. The Company's products now have API monogram and are ISO-9001 certified indicating world class quality and expect to turn around in the year to come.

3. DIRECTORS

Shri. V. B. Mishra Director, to be retired by rotation and, being eligible for reappointment offers himself for reappointment at the ensuing Annual Genral Meeting.

4. PARTICIPATION OF EMPLOYEES

In accordance with the provisions of section 217(2A) of the Companies Act, 1956 read with Companies (particulars of employees) rules, 1975 as Amended by the Companies (Amendment) Act, 1988, the statement is not being annexed as the same is not applicable since no employee drew the stipulated amount of salary as provided in the rules.

5. CONSERVATION OF ENERGY, TECHNOLOGY ABSORPTION AND FOREIGN EXCHANGE EARNINGS AND OUTGO.

As required by the Companies (Disclosure of the Particulars in the report of Board of Directors) Rules, 1988, particulars relating to conservation of energy, Technology absorption, Foreign exchange earnings and outgo are given in the ANNEXURE-I which forms part of this report.

6. AUDITORS

M/s Agrawal Dhruv & Company, Chartered Accountants, Noida, the retiring auditor of the company, being eligible offer themselves for re-appointment.

7. STATUTORY AUDITOR'S REPORT:

The notes referred in auditor's report are self explanatory and therefore do not call for any further comments.

8. COMPLIANCE CERTIFICATE

The Directors have gone through the observation made by practicing company secretary through their compliance certificate under section 383A(1) of the Companies Act, 1956 and are in agreement with the same.

9. CORPORATE GOVERNANCE

In the terms of the management discussion and analysis report is annexed and form part of the annual report.

10. DEMATERIALISATION OF EQUITY SHARES

Your company is listed with CDSL for dematerialization and Company's ISIN Number is INE961D01019. The company has already appointed M/s Alankit Assignment Ltd. as its agent for demat the equity shares.

11. HUMAN RESOURCES DEVELOPMENT

The company continues to enjoy cordial and warm relations with the employees and executives at all levels, special training programme, workshop, seminar etc. were continued during the year with a focus towards infusion of technical skills and quality consciousness in order to improve productivity, efficiency and quality and latest technology.

12. INDUSTRIAL RELATIONS

The industrial relation among all the employees within the organization was cordial. The employee maintained highest level of discipline, decency for the growth of the organization.

13. ECOLOGY & SAFETY CERTIFICATE

Company has taken adequate provisions for ecology and safety of plant, building and manpower's welfare activities.

14. FIXED DEPOSITS

Your company has not accepted any deposits within the meaning of section 58A of the Companies Act 1956 and the rule made thereunder.



UNITED DRILLING TOOLS LTD.

15. DIRECTOR'S RESPONSIBILITY STATEMENT

Pursuant to the requirement under Sec 217 (2AA) of the Companies Act, 1956 it is hereby confirmed that

- in the preparation of annual accounts for the financial year ended 31st March 2005 the applicable accounting standards have been followed along with proper explanations relating to material departures
- the directors have selected appropriate accounting policies and applied them consistently and made judgments and estimates that were reasonable and prudent so as to give a true and fair view of the state of affairs of the company as at 31st March 2005 and of the profit of the company for the said period
- Proper and sufficient care has been taken for the 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, and
- The directors have prepared the accounts for financial year ended 31st March, 2005 on a going concern basis.

ANNEXURE 1 TO DIRECTOR'S REPORT

1. CONSERVATION OF ENERGY

Your company does not fall under the list of industries which are required to furnish information in respect of conservation of energy, still the company has taken due measures to control the wastages of energy and lights power.

2. RESEARCH AND DEVELOPMENT

- Specific area on which R&D is carried out by the company :** The company carried out R&D for the purpose of new product development, Import Substitution as well as for development and evaluation of alternate processes and raw materials.
- Benefit derived as a result of the above R&D :** R&D provides valuable support to the Business through innovation of New products and processes, many of which have been transferred to the plant, R&D results in improvement of quality and reduction in cost.
- Future plan of action:** New R&D is being established for Developing & improving existing as well as new products.
- Expenditure on R&D:** Expenditure on R&D have been charged under primary heads of account.

3. TECHNOLOGY ABSORPTION, ADAPTION & INNOVATION

(A) TECHNOLOGY IMPORTED

	<u>Year of Import</u>	<u>Absorption</u>
(i) Manufacture of Down Hole Tools	1986	Full
(ii) Manufacture of Gas lift equipments	1988	Full
(iii) Manufacture of Handling Tools	1989	Full
(iv) Manufacture of wiring winches	1996	Full
(v) Manufacture of different type of connectors	1998	90%

- BENEFIT DERIVED THROUGH IMPORTED TECHNOLOGY :** It results in improvements in quality developing import substitutes and new products.

4. FOREIGN EXCHANGE EARNING & OUTGO

Foreign exchange earning and outgo during this year is as under :-

Outgo : Total foreign exchange outgo including cost of Imported materials in 2004-2005	-	Rs. 1,35,06,070.67
Previous Year	-	Rs. 20,45,788.07

10. ACKNOWLEDGEMENT

Your directors wish to place on record their appreciation for the continued support of the customer, Financial institutions and suppliers. Your directors also wish to record the appreciation for the valuable contribution made by employees at all levels and the continued support of your collaborators. On behalf of the Board of Directors, I would like to convey to our hon'ble Member, our thanks for their invaluable support and confidence they have reposed in the management of the company and hope they will continue to give their support in full spirit in the years to come.

For & on behalf of the Board

Regd. Office
B-94, Shashi Garden
Patpar Ganj, Delhi-110 091
Dated. 17.08.2005

(PRAMOD KUMAR GUPTA)
CHAIRMAN CUM MANAGING DIRECTOR)



UNITED DRILLING TOOLS LTD.

MANAGEMENT DISCUSSION & ANALYSIS REPORT

INDUSTRY STRUCTURE & DEVELOPMENT

The company is already supplying and manufacturing various kinds of oil drilling tools, equipments and accessories to Oil & Natural Gas Corporation Ltd. and Oil India Ltd. The Board of Directors are very much confident about the success of the existing as well as new projects.

OPPORTUNITIES & THREATS

As oil market is totally in a swing mood creating vast opportunity for the industry as a whole, the company has taken various steps to capture larger share in the market. The management is optimistic as to the future outlook of the company in the medium to long term prospective.

RISKS & CONCERNS

The company has taken adequate preventive and precautionary measures to overcome all negative factors responsible for low trend to ensure steady growth.

INTERNAL CONTROL SYSTEM & ITS ADEQUACY

As per of its major thrust to implement corporate governance in the organization, the company has already constituted Committee like Audit Committee, Investors' Grievance Committee and Remuneration Committee. The company hopes that with more transparency, the company will be enhanced to maintain a fair growth during the next fiscal year. Internal control system have been tightened with Internal Audit Committee, besides holding regular meeting with Departmental Heads to monitor progress or problems and sorting out them.

DISCUSSION ON FINANCIAL PERFORMANCE

As already detailed in the financial highlights the revenue generation of the company was higher as compared to earlier year, because of the various good factors.

MATERIAL DEVELOPMENT IN HUMAN RESOURCES/INDUSTRIAL RELATION

With the implementation of corporate governance, the company has implemented various measures to provide more scope for development of human resources, thereby allowing the employees better opportunities to achieve higher performance and efficiency in their respective assignments and employment.

COMPANY'S PHILOSOPHY

United Drilling Tools Ltd. believes in fairness, full disclosure in reporting systems, total transparency in the corporate culture, fiduciary and trusted relationship and maximization of shareholder value in the long run at the pillars on which the structure of the corporate governance stand. The corporate governance hinges on accounting, responsibility, effective monitoring, quality of information, integrity, trusty and confidence and not merely following the enacted legislation alone.

United Drilling Tools Ltd. believes that a well-constituted and competent board of the company and alone efficiency adopt corporate governance framework of, "prospective plans, policy, process, productivity, performance and people." The board must effectively monitor the corporate resources comprising of "men, money, material, marketing, and management & motivation.

BOARD OF DIRECTORS

The Board of Directors of the company comprising of three Directors with one Chairman-cum-Managing Director and two independent non executive directors. No directors is a member of more than ten committees or chairman of the more than five committee across in all companies in which they are directors.



UNITED DRILLING TOOLS LTD.

The composition and category of directors as follows :

DIRECTORS	DESIGNATION	CATEGORY
P.K. Gupta	Chairman-cum-Managing Director	Executive
S.S.K. Bhagat	Director	Independent & Non Executive
V.B. Mishra	Director	Independent & Non Executive

During the year, the Board meet six time as against the minimum requirement of four meetings on the following dates namely 28.04.2004, 28.07.2004, 18.08.2004, 29.09.2004, 27.10.2004, 28.01.2005.

RESPONSIBILITIES

The Board's fundamental concentration is on strategic issues and approval, policy and control, and delegation of powers. The Board has specified a schedule of major matters that are reserved for its consideration and decision. Besides review of corporate performance and reporting to shareholders. The respective roles of Board and management are clearly demarcated. The management is required to (A) provide necessary inputs and basis to support the board in its decision making process in respect of the company's strategic, policies, targets and code of conduct, (B) manage day-to-day affairs of the company to best achieve target and goals approved by the Board, (C) implement all policies and the code of conducts, as approved by the Board, (D) provide timely, accurate, substantive and all material information, information, including all financial matters and exception if any, to the Board and/or its committee, (E) be responsible for ensuring internal control systems. The Board requires the organization to endeavour to conduct business and develop relationship in a responsible dignified and honest way and a formal code of conduct for employees in the policy framework.

BOARD MEETINGS

Board meetings are normally held at company's registered office, and are typically scheduled about a week in advance. The Board meets quarterly to inter-alia, review all relevant matters, agenda for meetings are prepared by the executive director and papers are circulated to all directors in advance. Directors have access to the executive director's support and all information of the company and are free to suggest inclusion of any matter in the agenda. Senior officers are called to provide clarifications or presentations whenever required. To enable full attention to all relevant affairs, the board delegates specified matters to its committees, which reports to the board.

COMMITTEE OF DIRECTORS

Audit Committee

The audit committee of the company comprise three directors Mr. Pramod Kumar Gupta, (Chairman), Mr. S.S.K. Bhagat, Director, Mr. V.B. Mishra, Director were the members of the committee.

As per the terms of reference specified by the Board, the audit committee in addition to acting in accordance with the provisions of Section 292A of the Companies Act, 1956 shall also oversee the following functions :

- (1) Company's financial reporting process and disclosure of its financial information to ensure that the financial statement reflect the true and fair view of the state of affairs of the company.
- (2) Recommending the appointment and removal of statutory auditors and internal auditors
- (3) Reviewing with the management, statutory internal auditors, the adequacy of internal control system.
- (4) Discussing with internal auditors, any significant findings and follow up thereon.
- (5) Reviewing with the management the quarterly unaudited financial statements and annual financial statements before submission to the Board.
- (6) Financial and accounting practices and policies.
- (7) Reviewing the company's financial and waste management policies



UNITED DRILLING TOOLS LTD.

REMUNERATION COMMITTEE

The remuneration committee comprise of three directors namely Mr. V.B. Mishra (Chairman), Mr. S.S.K. Bhagat and Mr. P.K. Gupta, were the members of the committee. The committee oversees the following functions :

- The method, criteria and quantum of compensation for directors
- Recruitment of the key management employees and their compensation

The company's remuneration policy has been to reward employees based on their level of responsibility, performance and potential.

SHAREHOLDER'S/INVESTOR'S GRIEVANCE COMMITTEE

(1) The shareholder's/investor's grievance committee oversees the following functions :

- Approving the transfer and transmission of securities
- Issuance of duplicate share certificates
- Redressing grievances received from the investors
- Suggesting measures to improve investor's satisfaction

(2) The committee presently comprise of Mr. Pramod Gupta (Chairman) and Mr. V.B. Mishra.

CODE OF CONDUCT

The company is in process of laying down the code of conduct for all the Board members and senior management of the company.

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UNITED DRILLING TOOLS LTD.

Annexure to Director's Report
Balraj Sharma & Associates
Practicing Company Secretaries

206, Munish Plaza 20
Ansari Road, Opp. Fire Station
Daryaganj, New Delhi-110002
Phone : 23280420, 23254488
23274488, 9810065041 (M)
Email : balrajsharmafcs@yahoo.co.in

Registration No. of the Company : 55-015796

Nominal Capital : Rs. 5,00,00,000/-

SECRETARIAL COMPLIANCE CERTIFICATE

(In pursuance of the Proviso to Section 383A of the Companies Act, 1956)

TO
The Member
M/S UNITED DRILLING TOOLS LTD.
B - 94, Shashi Garden, Patparganj
New Delhi - 110091

We have examined the register, records, books and paper of UNITED DRILLING TOOLS LIMITED, having Registered Office at B- 94, Shashi Garden, Patparganj, New Delhi - 110091 as required to be maintained under the Companies Act, 1956, (the Act) and the rules made thereunder and also the provision contained in the Memorandum and Article of Association of the Company for financial year ended on 31st March, 2005.

In our opinion and to the best of our information and according to the examinations carried out by us and explanation furnished to us by the company, its officers and agent, we certify that in respect of the aforesaid financial year.

- (1) Company has kept and maintained all registers as stated in Annexure "A" to this certificate, as per the provisions and the rules thereunder and all entries therein have been duly recorded.
- (2) The company has duly filed the forms and returns as stated in Annexure "B" to this certificate, with the Registrar of Companies, Regional Director, Central Government, Company Law Board or other authorities within the time prescribed under the Act and the rules made thereunder.
- (3) The company, being public limited company, has the minimum prescribed paid up capital.
- (4) The Board of Directors met 6 (six) times on 28.04.2004, 28.07.2004, 18.08.2004, 29-09-2004, 27.10.2004 and 28.01.2005 in respect of which meetings proper notices were given and proceedings were properly recorded in the Minutes book maintained for the purpose.
- (5) The company closed its Registers of Members from 25.09.2004 to 29.09.2004 for holding AGM and necessary compliance of Section 154 of the Act has been made.
- (6) The Annual General Meeting for the financial year ended on 31st March, 2004 was held on 29-09-2004 after giving due notice to the members of the company and resolution passed thereat were duly recorded in the minutes book maintained for the purpose.
- (7) No Extra Ordinary General Meeting was held during the financial year.
- (8) The company has not advanced any loan to its directors or persons or firms or companies referred to in section 295 of the Act.
- (9) The company has not entered into any contracts falling within the purview of Section 297 of the Act.