



**28th
Annual Report
2009-2010**

**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

SHRI K.D. AGGARWAL

Independent & Non Executive Director
Post Graduation in Economics
Retired as Manager from Reserve Bank of India.

SHRI. UMA SHANKAR PANDEY

Independent & Non Executive Director
Retired as G.M Commercial, Indian Airlines Ltd.

STATUTORY AUDITORS

AGRAWAL DHRUV & COMPANY

Chartered Accountants

REGISTERED OFFICE

B-94, Shashi Garden
Patparganj, Delhi-110092

FACTORY

C-41 SECTOR -81
NOIDA (U.P.)
Distt. GAUTAM BUDH NAGAR
0120-2462672, 73, 75

- 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 Eighth Annual General Meeting of the Members of United Drilling Tools Limited will be held on Friday, the 24th September, 2010 at 11.30 A.M. at New Friends Club, New Friends Colony, Near Telephone Exchange, Mathura Road, New Delhi – 110065 to transact the following business :-

ORDINARY BUSINESS

1. To receive, consider and adopt the Audited Balance Sheet as at March 31, 2010 and the Profit and loss Account for the year ended on that date 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 Aggarwal Dhruv & Co., Chartered Accountants, 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), if any, the following resolution as an ordinary resolution :

"RESOLVED THAT in accordance with the provisions of section 257 and all other applicable provisions, if any, of the Companies Act 1956 or any statutory modification(s) or re-enactment thereof, Shri U.S. Pandey, who was appointed as an additional director pursuant to the provisions of section 260 of the Companies Act 1956 be and is hereby appointed as a Director of the Company liable to retire by rotation.

Regd. Office
B-94, Shashi Garden
Patparganj, Delhi-110092

Dated :17.08.2010

By Order of the Board of Directors

(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 20.09.2010 to 24.09.2010 (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 along with 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 immediately
 - (b) To bring their copy of the Annual Report
 - (c) To deposit their duly completed attendance slip at the entrance of the meeting before going into the hall of meeting.

Regd. Office
B-94, Shashi Garden
Patpar Ganj, Delhi-110092

By Order of the Board of Directors

Dated : 17.08.2010

(PRAMOD KUMAR GUPTA)
CHAIRMAN CUM MANAGING DIRECTOR

EXPLANATORY STATEMENT

Pursuant to the provision of Section 173(2) of the Companies Act, 1956, the following explanatory Statement set out the material facts relating to Business mentioned under item No. 4 of the accompanying notice.

ITEM NO 4

The Board of Directors has appointed in pursuant in Section 260 of the Companies Act, 1956 and all other applicable provisions, if any, Shri U.S. Pandey as an Additional Director of the Company with effect from 30th October 2009.

In terms of provision of Section 260 of the Act, Shri U.S. Pandey would hold office upto the date of this Annual General Meeting.

The Company has received a notice along with requisite fee from a member under Section 257 of the Act proposing the candidature of Shri U.S. Pandey as a Director of the Company.

Mr. U.S. Pandey has served Indian Air Lines in the capacity of General Manager for approx twenty (20) years. He has vast experience in the field of management and business administration.

Keeping in view the vast and diversified experience of Mr. U.S. Pandey in the field of management and business administration, the board recommends his name for appointment as director of the company. Moreover, the Board of Directors feels that it would be in the overall interest of the Company to continue to avail the specialized services of Shri U.S. Pandey and it is therefore proposed to appoint him as Director of the Company, whose period of office shall be liable to retire by rotation.

The Board of Directors recommends the resolution for approval of members. None of the Directors except Shri U.S. Pandey, himself is interested in this resolution.



UNITED DRILLING TOOLS LTD

DIRECTORS' REPORT

TO THE MEMBERS

Your Directors present the Twenty Eighth Annual report of the Company together with the Audited Statements of the Accounts for the year ended 31st March, 2010.

1. FINANCIAL HIGHLIGHTS:	2009-2010 (Rs. in Lacs)	2008-2009 (Rs. in Lacs)
Sales and Other Income	2815.85	2004.75
Gross Profit (Loss)	390.26	246.92
Profit Before Depreciation & Tax	122.89	42.50
Depreciation	28.43	14.45
Taxation	18.30	6.43
Proposed Dividend	NIL	NIL
Profit/Loss during the Year	76.17	21.62

2. OPERATION

Your company has earned reasonable profits in this year also. In spite of difficulties in having adequate working capital, the company though has increased its sales turnover and profit as compared to last year. Further, company has continued to make good strides in export market and has acquired good orders from various countries in Middle East and South East Asia. The company's products are still being manufactured with API monogram and has ISO 9001-2000 certification. The company is working in resolving its difficulties on inadequate working capital and hope to overcome during this year.

3. MERGER

In order to further expand Company's business and its turnover, your Company is planning Merger with another Company who have been in the business of manufacturing and supplying tubing and wireline retrievable gas lift valves components and wire-line winches to ONGC, Oil India and other Companies including your Company. They have been developing new high technology products such as wire-line retrievable gas lift valves and side pocket mandrels. The annual world market for these products is approx. 340 million dollars and the Indian market is of approx. 50 crore rupees. There are only 3-4 companies in the world who are manufacturing and supplying these items and 80% of the market is controlled by them.

By manufacturing and marketing these items in India, our cost will be 32 to 40% less than the overseas companies. Therefore, we can easily get 5 to 10% of the market share in next 4-5 years which will improve company's sales and profitability substantially.

4. DIVIDEND

Your Directors are unable to recommend any dividend due to paucity of Cash flow although reserve and surplus increased to Rs.245.59 from Rs 170.25 during the previous year. Your Directors expects better performance in the years to come.

5. DIRECTORS

- (a) Shri V.B. Mishra, Director, to be retired by rotation and, being eligible for reappointment offers himself for reappointment at the ensuing Annual General Meeting.
- (b) Shri Uma Shankar Pandey, appointed as a additional director w.e.f. 30th October, 2009 and being eligible for reappointment as a Director of the company u/s 257 of the Companies Act 1956.

6. 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.



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7. 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 this report.

8. AUDITORS

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

9. STATUTORY AUDITOR'S REPORT

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

10. 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.

11. CORPORATE GOVERNANCE

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

12. 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 Assignments Ltd. as its agent for demat the equity shares.

13. 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.

14. 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.

15. ECOLOGY & SAFETY CERTIFICATE

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

16. 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.

17. DIRECTOR'S RESPONSIBILITY STATEMENT

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

- (a) In the preparation of annual accounts for the financial year ended 31st March 2010 the applicable accounting standards have been followed along with proper explanations relating to material departures
- (b) 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 2010 and of the profit of the company for the said period



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- (c) 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
- (d) The directors have prepared the accounts for financial year ended 31st March, 2010 on a going concern basis.

18. 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.

19. RESEARCH AND DEVELOPMENT

- (a) **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.
- (b) **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.
- (c) **Future plan of action :** New R&D is being established for developing & improving existing as well as new products.
- (d) **Expenditure on R&D :** Expenditure on R&D have been charged under primary heads of account.

20. TECHNOLOGY ABSORPTION, ADAPTION & INNOVATION

We are continuously adapting new technology relating to manufacturing of oil drilling equipments and tools attending seminars, conferences and interactions with foreign suppliers and collaborators. This helps us in absorbing, adapting and innovating new technology.

21. FOREIGN EXCHANGE EARNING & OUTGO

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

Earnings : Refer Schedule 'Q' (Earning in Foreign Currency)

Outgo : Total foreign exchange outgo including cost of Imported material in 2009-2010 - Rs. 62070216.00

Previous Year - Rs. 53615873.83

22. ACKNOWLEDGEMENT

Your directors wish to place on record their appreciation for the continued support of the customers, 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 members 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.

Regd. Office
B-94, Shashi Garden
Patparganj, Delhi-110092

By Order of the Board of Directors

Dated : 17.08.2010

(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, Remuneration Committee and Share transfer 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 systems 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, trust 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 four Directors with one Chairman-cum-Managing Director and three independent Non Executive Directors and one Additional Director. 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.

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
K.D. Aggarwal	Director	Independent & Non Executive
U.S. Pandey	Additional Director	Independent & Non Executive

During the year, the Board meet 6 (Six) times as against the minimum requirement of four meetings on the following dates namely 18.04.2009, 25.07.2009, 20.08.2009, 25.09.2009, 30.10.2009, 23.01.2010,

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



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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 in consultation with the chairman 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

REMUNERATION COMMITTEE

The remuneration committee comprise of four directors namely Mr. V.B. Mishra (Chairman), Mr. S.S.K. Bhagat, Mr. P.K. Gupta and Mr. K.D. Aggarwal 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.

SHARE TRANSFER COMMITTEE

- (1) Approving the transfer and transmission of securities
- (2) Issuance of duplicate share certificates
- (3) The committee presently comprise of Mr. Pramod Gupta (Chairman) and Mr. V.B. Mishra.

SHAREHOLDER'S/INVESTOR'S GRIEVANCE COMMITTEE

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

ANNEXURE TO DIRECTOR'S REPORT

Balraj Sharma & Associates
Practicing Company Secretaries

Company CIN: L29199DL1985PLC015796

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

Nominal Capital : Rs. 15,00,00,000/-*
Paid up Capital : Rs. 1,91,68,225/-



UNITED DRILLING TOOLS LTD

FORM

[RULE 3]

COMPLIANCE CERTIFICATE

CIN : L29199DL1985PLC015796
Nominal Capital: Rs 15,00,00,000/-
Paid up Capital: Rs. 1,91,68,225/-

To
The Member
M/S UNITED DRILLING TOOLS LTD.
B-94, Shashi Garden, Patparganj
New Delhi-110092

We have examined the registers, records, books and papers of UNITED DRILLING TOOLS LIMITED, having Registered Office at B-94, Shashi Garden, Patparganj, New Delhi-110092 as required to be maintained under the Companies Act, 1956, (the Act) and the rules made thereunder and also the provisions contained in the Memorandum and Articles of Association of the Company for the financial year ended on 31st March, 2010.

In our opinion and to the best of our information and according to the examinations carried out by us and explanations furnished to us by the company, its officers and agents, 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 made 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 on the dates as mentioned in the said annexure.
- (3) The company, being public limited company, has the minimum prescribed paid up capital.
- (4) The Board of Directors duly met 6 (Six) times on 18.04.2009, 25.07.2009, 20.08.2009, 25.09.2009, 30.10.2009 and 23.01.2010, in respect of which meetings proper notices were given and the proceedings were properly recorded in the Minutes book maintained for the purpose.
- (5) The company closed its Registers of Members from 20.09.2009 to 25.09.2009 (both day inclusive) 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, 2009 was held on 25.09.2009 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 duly complied with the provisions of Section 297 of the Act in respect of contracts specified in that Section.
- (10) The company has made necessary entries in the register maintained under Section 301 of the Act.
- (11) As there were no instances falling within purview of Section 314 of the Act, the company has not obtained any approvals from the Board of Directors, members or Central Government, as the case may be.
- (12) The company has not issued any duplicate share certificates during the financial year.
- (13) The company has :
 - (i) not made any allotment of securities during the financial year but delivered all the certificates on lodgement thereof for transfer and transmission of securities during the financial year in accordance with provisions of the Act.
 - (ii) not deposited any amount in a separate Bank Account as no dividend was declared during the financial year.
 - (iii) not posted dividend warrants to any member of the company as no dividend was declared during the financial year.
 - (iv) not transferred the amounts in unpaid dividend account, application money due for refund, matured deposits,