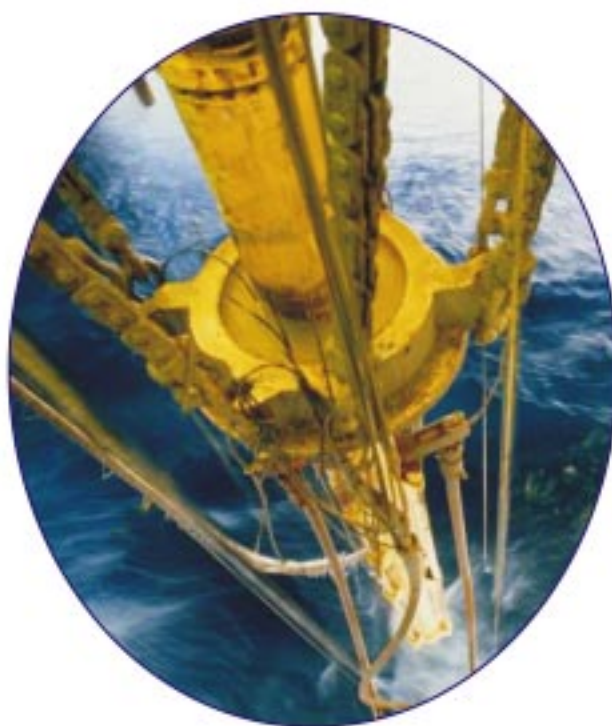




# Oil Country Tubular Ltd

An ISO 9001:2000 Company



**Twenty Second Annual Report  
2007-2008**



|                           |  |                            |
|---------------------------|--|----------------------------|
| <b>BOARD OF DIRECTORS</b> | Dr T S Sethurathnam  | Chairman                   |
|                           | Shri K Suryanarayana   | Managing Director          |
|                           | Shri K Sridhar   | Joint Managing Director    |
|                           | Dr N S Datar   |                            |
|                           | Shri K V Ravindra Reddy  |                            |
|                           | Shri K G Joshi   | Director (Technical)       |
|                           | Dato' Dr. Abdul Halim Bin Harun  | UMW India Ventures (L) Ltd |
|                           | Shri L N Janarthanan   | BOI Nominee Director       |
| <b>COMPANY SECRETARY</b>  | Shri C S Rao   |                            |
| <b>REGISTERED OFFICE</b>  | 108, Kanchanjunga<br>King Koti Road<br>Hyderabad – 500 001(A.P)  |                            |
| <b>BANKERS</b>            | Bank of India<br>State Bank of Hyderabad<br>Canara Bank  |                            |
| <b>AUDITORS</b>           | C K S Associates<br>Chartered Accountants<br># 87 Nagarjuna, Road No: 3<br>Gaganmahal Colony<br>Hyderabad - 500 029 (A.P.) |                            |
| <b>WORKS</b>              | Shreepuram<br>Narketpally Mandalam<br>Nalgonda Dist – 508 254 (A.P.)   |                            |

## NOTICE TO MEMBERS



Notice is hereby given that Twenty Second Annual General Meeting of Oil Country Tubular Limited will be held on Friday, the 18<sup>th</sup> day of July, 2008 at 10.00 A.M. at Taj Mahal Hotel, 2<sup>nd</sup> 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 Directors' Report and Audited Profit and Loss Account for the year ended 31<sup>st</sup> March, 2008 and Balance Sheet as at that date together with Auditors' Report thereon.
2. To appoint a Director in place of Dr. N S Datar, who retires by rotation, and being eligible offers himself for reappointment.
3. To consider and if thought fit, to pass with or without modifications, the following Resolution as an ORDINARY RESOLUTION:

“Resolved that, the retiring Auditors, M/s C K S Associates, Chartered Accountants, Hyderabad be and are hereby reappointed as Auditors of the Company to hold office from the conclusion of this meeting until the conclusion of the next Annual General Meeting at such remuneration as may be determined by the Board of Directors”.

### **SPECIAL BUSINESS:**

4. To consider and if though fit, to pass with or without modification, the following Resolution as a **Special Resolution.**

“ Resolved that subject to the Provisions 269,309,198, Schedule XIII and other applicable Provisions of the Companies Act, 1956, Shri K Suryanarayana, be and is hereby appointed as Managing Director of the Company for a period of three years with effect from 20.01.2008 at a remuneration and upon terms and conditions as set out in the agreement placed before this meeting and initialed by the Chairman for the purpose of identification”.

5. To consider and if though fit, to pass with or without modification, the following Resolution as an **Ordinary Resolution.**

“Resolved that subject to the Provisions 269,309,198, Schedule XIII and other applicable Provisions of the Companies Act, 1956, Shri K Sridhar, Joint Managing Director of the Company be paid remuneration and perquisites as detailed in the agreement placed before the meeting and initialed by Chairman for the purpose of identification with effect from 01.10.2007 subject to the approval of shareholders in the Annual General Meeting.” “Resolved further that the Board be and is hereby authorised 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 Shri K Sridhar, but so as not to exceed the limits specified in Schedule XIII of the Companies Act, 1956 or any amendment thereto or enactments thereof, with effect from such dates as may be decided by it”.

## NOTICE TO MEMBERS



6. To consider and if though fit, to pass with or without modification, the following Resolution as an **Ordinary Resolution.**

“Resolved that subject to the Provisions 269,309,198, Schedule XIII and other applicable Provisions of the Companies Act, 1956, Shri K G Joshi be and is hereby appointed as Director (Technical) of the Company for a period of Three Years with effect from 01.10.2007 at a remuneration and upon terms and conditions as set out in the agreement placed before this meeting and initialed by the Chairman for the purpose of identification”.

“Resolved further that the Board be and is hereby authorised 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 Shri K G Joshi, but so as not to exceed the limits specified in Schedule XIII of the Companies Act, 1956 or any amendment thereto or enactments thereof, with effect from such dates as may be decided by it”.

Regd Office  
108, Kanchanjunga  
King Koti Road  
Hyderabad – 500 001

**By Order of the Board of Directors**

**C S RAO  
COMPANY SECRETARY**

Date: 13.06.2008

### **Notes:**

1. An explanatory Statement pursuant to Section 173(2) of the Companies Act, 1956, setting out the material facts in respect of the business under item No's 4,5,6 is annexed hereto.
2. 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.
3. The Register of members and Share Transfer Books of the Company will remain closed from 17.07.2008 to 18.07.2008 (both days inclusive).
4. Members are requested to notify immediately any change of address to the Registered Office of the Company.
5. In respect of the information to be provided under clause 49 of the Listing Agreement pertaining to the Directors being appointed / reappointed, Members are requested to kindly refer the chapter on Corporate Governance in the Annual Report.

## EXPLANATORY STATEMENT



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

### **Agenda Item 4:**

Shri K Suryanarayana, aged 72 years, is a Metallurgical Engineer from Banaras Hindu University. He worked in Rourkela Steel Plant as Production Engineer (for 7 years). He was trained in Kaiser Steel Works, Fontana California, USA in the technology of Steel Manufacture.

Shri K Suryanarayana was reappointed as Managing Director for a period of 3 years from 20<sup>th</sup> January, 2008 by the Board at the meeting of board of Directors held on 24<sup>th</sup> October, 2007 on a remuneration within the limits prescribed under Section 269,309,198 and Schedule XIII and other applicable Provisions of the Companies Act, 1956, subject to overall ceiling fixed under Section XIII – Part II – Section II (B) of Companies Act, 1956 as amended from time to time.

Shri K Suryanarayana, be and is hereby reappointed as Managing Director of the Company at a remuneration and upon the terms and conditions as per details given below:

|                       |                              |
|-----------------------|------------------------------|
| Effective from        | : 20.01.2008                 |
| Period of appointment | : 3 years ie upto 19.01.2011 |
| Remuneration          | : Rs.3,00,000/- p.m.         |

### **Other benefits:**

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 a 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 terms of office of Shri K Suryanarayana as Managing 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. If in any financial year, during the term of office of Shri K Suryanarayana as Managing Director, the Company has adequate profits as computed under the applicable provisions of the Act, notwithstanding the above, Shri K Suryanarayana shall be entitled to receive remuneration in accordance with provisions of Section 198,309,349 and 350 of the Act.

“Resolved further that the Board be and is hereby authorised to do all such acts, deeds, matters and thing may be considered necessary, usual or expedient to give effect to the aforesaid resolution”.

Your Directors recommend this Resolution for your approval.

Shri K Suryanarayana, Managing Director and Shri K Sridhar, Joint Managing Director are interested in the Resolution.





### Remuneration proposed

Rs.3,00,000/- per month with effect from 20.01.2008

### Comparative remuneration profile with respect to industry, Size of the Company, Profile of the position and person (in case of expatriates the relevant details would be w.r.t the country of his origin)

The Remuneration Committee felt that the existing remuneration paid to the Managing Director is substantially lower.

The Remuneration Committee of the Board of Directors consisting of all Independent Directors after careful examination considering (a) The Profile of Shri K Suryanarayana, (b) Type of the Company (c) Performance of the Company and d) The existing remuneration in such industries/Companies, has recommended the proposed remuneration.

### Pecuniary relationship directly or indirectly with the Company, other or Relationship with the managerial personnel, if any

Other than Shri K Sridhar, no other directors are related.

### Agenda Item 5:

Shri K Sridhar is qualified Engineer and acquired Special qualification MS (Engineering Management) from USA and has undergone training in OCTG manufacturing facilities in USA. He is working in the Company since 1<sup>st</sup> April, 1992. He was appointed as Director (International Operations) for a period of 5 years with effect from 27.06.1997 and subsequently reappointed and redesignated as Joint Managing Director with effect from 1.10.2004, on a remuneration within the limits prescribed under Schedule XIII of the Companies Act, 1956.

On the recommendation of the Remuneration Committee the Board has recommended the revision of remuneration payable to Shri K Sridhar as detailed in the draft agreement w e f 1.10.2007 placed before the meeting and initialled by Chairman for the purpose of identification.

The revision of remuneration approved by the Board of Directors to Shri K Sridhar is as follows:

|           |   |   |
|-----------|---|---|
| From      | : | 01.10.2007  |
| Period    | : | 2 years   |
| Pay Scale | : | Rs.1,15,000 PM in the scale of<br>Rs.1,15,000-15000- 1,90,000 |

### PERQUISITES:

**HOUSING** : The Expenditure by Company on hiring furnished accommodation will be subject to 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.

**MEDICAL REIMBURSEMENT** : For Self and family, not exceeding one month's Salary in a year or 3 months salary in a period of 3 years.

## EXPLANATORY STATEMENT



**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.

**CLUB FEES** : Club Fees subject to maximum of 2 Clubs, which will not include admission and life membership fees.

**PERSONAL ACCIDENT INSURANCE** : Premium not exceeding Rs.2000 per annum. Apart from the above, he will also be entitled to the following.

**PROVIDENT FUND, SUPERANNUATION AND GRATUITY:** Provident Fund, Superannuation and Gratuity as per rules of the Company, subject to the ceiling as per the guidelines for managerial remuneration in force from time to time.

**CAR** : Company's car for business of the Company

**TELEPHONE** : Provision of telephone at residence will not be considered as perquisite but personal long distance calls shall be billed by the Company.

**ENTERTAINMENT/TRAVELLING** : Reimbursement of travelling, entertainment and other expenses as incurred by him for the business of the Company.

**PRIVILEGE LEAVE** : One Month's leave on full pay and allowance, for every eleven months of service. Your Directors recommended this resolution for your approval.

Shri K Sridhar and Shri K Suryanarayana are interested in the Resolution.

### Agenda item 6

Shri K G Joshi is a qualified Engineer with Honours Degree with wide and varied experience. He has held various Senior positions in the Public Sector for over 29 years and has been associated with the Company from inception. He was appointed as Director (Technical) from 27.06.1997 at the 11<sup>th</sup> Annual General Meeting held on 18.09.1997 and is continuing in the same position. His term expired on 30.09.2007 and Board of Directors on the recommendation of Remuneration Committee reappointed Shri K G Joshi as Director (Technical) w.e.f 1.10.2007 at a remuneration and terms and conditions as detailed in the draft agreement placed before the meeting duly initialled by Chairman for purpose of identification, subject to approval of the same by the shareholders in the Annual General Meeting.

The remuneration approved by the Board of Directors to Shri K G Joshi is as follows:

|                       |   |   |
|-----------------------|---|---|
| From                  | : | 01.10.2007  |
| Period of Appointment | : | 3 years   |
| Pay Scale             | : | Rs.1,00,000 PM in the scale of<br>Rs.1,00,000-15000- 1,45,000 |

### PERQUISITES:

**HOUSING** : The Expenditure by Company on hiring furnished accommodation will be subject to 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.

## EXPLANATORY STATEMENT



The expenditure incurred by the Company on gas, electricity, Water and furnishing shall be subject to a ceiling of 10% of the Salary.

**MEDICAL REIMBURSEMENT** : For Self and family, not exceeding one month's Salary in a year or 3 months salary in a period of 3 years.

**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.

**CLUB FEES** : Club Fees subject to maximum of 2 Clubs, which will not include admission and life membership fees.

**PERSONAL ACCIDENT INSURANCE** : Premium not exceeding Rs.2000 per annum.

Apart from the above, he will also be entitled to the following.

**PROVIDENT FUND, SUPERANNUATION AND GRATUITY:** Provident Fund, Superannuation and Gratuity as per rules of the Company, subject to the ceiling as per the guidelines for managerial remuneration in force from time to time.

**CAR** : Company's car for business of the Company

**TELEPHONE** : Provision of telephone at residence will not be considered as perquisite but personal long distance calls shall be billed by the Company.

**ENTERTAINMENT/TRAVELLING** : Reimbursement of travelling, entertainment and other expenses as incurred by him for the business of the Company.

**PRIVILEGE LEAVE** : One Month's leave on full pay and allowance, for every eleven months of service.

Your Director recommend this resolution for your approval.

None of the Directors other than Shri K G Joshi are interested in the Resolution.

**Regd Office**  
108, Kanchanjunga  
King Koti Road  
**Hyderabad**  
Date:13<sup>th</sup> June, 2008

**By Order of the Board of Directors**

**C S RAO**  
COMPANY SECRETARY

**To the Members,**

The Directors have pleasure in presenting the Twenty Second Annual Report on the Business of the Company and the Audited Statements of Accounts for the year ended 31<sup>st</sup> March, 2008 and Auditors report thereon.

**OPERATIONS:**

The Demand of your Company's products has increased multifold due to substantial increase in the Oil Exploration activities. The order book position as at the end of 31<sup>st</sup> March, 2008 is Rs.154 Crores for execution during 2008-09 including export orders to the tune of Rs.122 Crores.

**FINANCIAL RESULTS:**

|  | <b>2007-2008</b><br><b>(Rs. in Lakhs)</b> | <b>2006-2007</b><br><b>(Rs.in Lakhs)</b> |
|--|---|--|
| 1. Gross Income                            | 34133.31                                  | 26476.46                                 |
| 2. Profit before interest and Depreciation | 8940.71                                   | 3410.39                                  |
| 3. Finance Charges                         | 3755.25                                   | 1642.14                                  |
| 4. Gross Profit                            | 5185.46                                   | 1768.25                                  |
| 5. Provision for Depreciation              | 718.42                                    | 624.14                                   |
| 6. Net Profit before tax                   | 4467.04                                   | 1144.11                                  |
| 7. Provisions for Tax                      | 1575.78                                   | 191.00                                   |
| 8. Net Profit after tax                    | 2891.26                                   | 953.11                                   |
| 9. Prior period adjustments                | -   | (20.04)                                  |
| 10. Surplus in P&L Account for the year    | 2891.26                                   | 933.07                                   |
| 11. Profit/(Loss) Carried to Balance Sheet | 3004.07                                   | 112.80                                   |

**DIVIDEND:**

To make the Company debt free and to meet the capital expenditure for additional / upgradation of equipments, your Directors could not recommend any appropriation towards dividend for the year ended 31<sup>st</sup> March, 2008.

**FINANCE:**

The Company has fully paid principal amount of Rs.1523.35 Lakhs together with interest of Rs.281.81 Lakhs to IFCI and principal amount of Rs.1727.11 Lakhs and interest of Rs.138.90 Lakhs to ICICI. The account with IFCI and ICICI have been closed. In addition, principal amount of Rs.1295.40 Lakhs and interest of Rs.264.46 Lakhs were paid to IDBI.

**PROSPECTS:**

The Crude Oil prices are constantly on rise. Consequently, Oil and Gas Exploration activities have also increased substantially thereby increasing the demand of your Company's products both in Domestic and International Market. The Company's products are well accepted in the International Market on account of its quality and on time delivery. This has enabled the Company to achieve a turnover of Rs.341.33 Crores during the current year 2007-08, which includes the Export turnover of Rs.254.14 crores as against the turnover of Rs.264.76 Crores during the last year 2006-07 registering a growth of 28.92%. Similarly, the exports during the current year is Rs. 254.14 Cores as against Rs.103.90 Cores of the previous year i.e., over 145% growth in the exports. The prospects for the year 2008-09 continue to be encouraging and the Company expects the turnover of around Rs.350 Crores including exports of Rs.225 Cores. The profitability will also improve due to increased sales of Drill Pipes both in Domestic and International Market. The Company's profitability has increased from previous year Rs.1144.11 Lakhs to Rs.4467.04 Lakhs in the current year registering a growth of over 290%.



### **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

### **LISTING WITH STOCK EXCHANGES :**

The Company confirms that it has paid the Annual Listing Fees for the year 2008 -09 to NSE and BSE, where the company's shares are listed.

### **DEMATERIALISATION OF SHARES:**

82.40% of the Company's paid up Equity Share Capital is in dematerialized form as on March 31<sup>st</sup>, 2008. The Company's Registrars are M/s Dakshin Consultants (P) Ltd, H No: 6-3-655/2/4, Civil Supplies Bhavan Lane, Somajiguda, Hyderabad – 500 082.

### **DIRECTORS:**

Dr N S Datar, retires on rotation and being eligible offer himself for reappointment.

The Directors recommend reappointment as proposed in the Notice for the Annual General Meeting.

IFCI, ICICI and IDBI have withdrawn their Nominees viz Shri T D Kalra, Shri R Ramanujam and Shri V Srinivasa Rao respectively from the Board of the Company.

The Company puts on record its appreciation for the valuable service and guidance rendered by the Nominee Directors in development of the Company.

### **THE DIRECTORS' 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 31<sup>st</sup> March, 2008 the applicable Accounting Standards have been followed alongwith 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 end of the financial year 31<sup>st</sup> March, 2008 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 31<sup>st</sup> March, 2008 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.

### **CONSERVATION OF ENERGY, TECHNOLOGY ABSORPTION AND FOREIGN EXCHANGE OUTGO:**

Information required under Section 217(1)(e) of the Companies Act, 1956 read with Companies (Disclosure of particulars in Directors' Report) Rules 1988 is given in the Annexure forming part of this report (Annexure III).

### **PERSONNEL:**

The Company had 4 persons who were in receipt of remuneration of not less than Rs.24,00,000 during the year ended 31<sup>st</sup> March, 2008 or not less than Rs.2,00,000 per month during any part of the said year.

However, as per the provision of Section 219 (1) (b) (iv) of the Companies Act, 1956, the Director's Report and Accounts are being sent to all the shareholders excluding the statement of particulars of employees. Any shareholder interested in obtaining a copy of the statement may write to the Company Secretary of the company.

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

### **ACKNOWLEDGEMENT:**

Directors take this opportunity to express their thanks to various departments of the Central and State Government, ONGC, Oil India Limited, Multinational Companies operating in India and Abroad for Oil and Gas Exploration Activities, Financial Institutions, Bankers, Material Suppliers, Customers and Shareholders for their continued support and guidance.

The Directors wish to place on record their appreciation for the dedicated efforts put in by the employees of the Company at all levels.

Regd Office:  
108, Kanchanjunga  
King Koti Road  
Hyderabad- 500 001

Hyderabad  
Date: 13.06.2008.

For and on behalf of the Board

**DR T S SETHURATHNAM**  
Chairman



## ANNEXURE I

### Management Discussion and Analysis Report

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

The Crude Oil prices continue to rise. Consequently the Oil and Gas Exploration activities, as also the demand of your Company's products, Drill Pipes in particular continue to increase. The demand of Drill Pipes in the Global Market has significantly gone up. The Company's products are well accepted in the International Market on account of its 'quality' and 'on time delivery' with commitment to customer satisfaction. The Company has penetrated in the Global Market in a big way for supply of Drill Pipes in Middle East, Far East and Europe. The Company has achieved a turnover of Rs.341.33 Crores during the current year 2007-08 an increase of 28.76% over 2006-07 turnover of Rs.264.76 Crores. The Exports during the current year 2007-08 have also increased from Rs.96.35 Crores of the previous year to Rs.223.26 Crores i.e., over 132% growth in the exports. The prospects for the year 2008-09 continue to be encouraging and the Company expects further growth in the Turnover, Profitability and Cash Flows.

The Company has developed new products and is in the process of developing further products viz., Heavy Weight Drill Pipes, Drill Collars, Subs and other down-hole equipment.

Despite significant increase in the demand of Oil Country Tubular Goods (OCTGs.) in the Domestic and International Market your Company is not able to take full advantage for the other two products viz., Production Tubing and Casing Pipes due to non-availability of Green Pipes of required quality at competitive prices. This has resulted in under utilization of the installed capacity of the plant for Production Tubings and Casing Pipes. Currently the Company is concentrating on the Drill Pipes and has planned to double the installed capacity of Drill Pipe manufacture from 10,000 MT to 20,000 MT from internal accruals.

The demand for the Company's products is expected to continue to rise in view of significant increase in the Oil and Gas Exploration activities both in Domestic and International Market.

The exploration activities are not expected to face any threats so long as the global environment does not change in the Region. However the volatile fluctuations in the Steel prices is expected to stress the operational results of the Company.

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

The Internal Control System comprises of exercising controls at various stages and are established in order to provide reasonable assurance for –

- (i) Safeguarding Assets and their Usage.
- (ii) Maintenance of Proper Accounting Records and
- (iii) Adequacy and Reliability of the Information used for carrying on Business Operations.

The key elements of the system are as follows:

- (a) Existence of Authority Manuals and periodical updating of the same for all Functions.
- (b) Existence of Clearly Defined Organisational 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 Internal Audit Department is regularly carrying out Auditing in all the Key Areas of the Operations. Additionally The Audit Committee is reviewing all Audit Plans and Reports with significant control issues raised by Internal and External Audit. Regular Reports on the Business Development of the past and the future plans are given to the Board of Directors. Internal Audit Reports are regularly circulated for perusal of Senior Management and issuance of appropriate directives to comply with the findings.

Normal foreseeable risks of the Company's assets are adequately covered by comprehensive insurance. Risk assessments, Inspections and Safety Audits are carried out periodically.



a) **Financial and Operational Performance:**

The Highlights of Financial and Operational Performance are given below:

|   | (Rs. in Lakhs) |          |
|---|----------------|----------|
|   | 2007-08        | 2006-07  |
| 1 Sales / Income from Operations                                    | 33953.44       | 26151.43 |
| 2 Other Income  | 179.87         | 325.03   |
| 3 Sub-total (1+2)   | 34133.31       | 26476.46 |
| 4 Total Expenditure (before interest)                               | 25911.02       | 23690.20 |
| 5 Profit before interest, Tax and Exceptional Item                  | 8222.29        | 2786.25  |
| 6 Operating Margin  | 24.22%         | 10.65%   |
| 7 Profit after Tax  | 2891.26        | 933.07   |
| 8 Return on Average Capital Employed %<br>(before Interest and Tax) | 108.29         | 41.68    |
| 9 No. of Months Receivables<br>(Receivables / Sales x 12)           | 1.54           | 0.88     |
| 10 Current Ratio<br>(Current Assets / Current Liabilities)          | 1.80           | 1.36     |
| 11 Borrowings: Equity Ratio (TL/Equity)                             | 0.17           | 1.19     |

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

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

Hyderabad  
13.06.2008

For and on behalf of the Board

**DR T S SETHURATHNAM**  
**CHAIRMAN**



## ANNEXURE II

## Compliance 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 the Corporate Governance. 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, 2008 is as follows:

| Category                             | No.of Directors | %          |
|--------------------------------------|-----------------|------------|
| Executive Directors                  | 3               | 30         |
| Non Executive, Independent Directors | 4               | 40         |
| Nominee Director (IDBI, BOI, ICICI)  | 3               | 30         |
| <b>Total</b>                         | <b>10</b>       | <b>100</b> |

Bank of India has appointed Sri L N Janarathanan as Nominee Director in place of Sri R S Mani with effect from 28.06.2007.

Dato' Dr. Abdul Halim Bin Harun was appointed as Director with effect from 23.08.2007.

The Financial Institutions viz. IDBI, IFCI & ICICI have since withdrawn their Nominee Directors.



## (ii) Particulars of Directorships of other Companies

| Other Directorships                                |   |  |
|--|---|--|
| Name of the Director                               | Name of the Company   | Position   |
| 1. Dr T S Sethurathnam<br>Chairman                 | Kamineni Hospitals Ltd<br>Shriram Transport Finance Ltd<br>Bright Brothers Ltd<br>Shriram City Union Finance Ltd<br>Meenakshi Power Ltd                                   | Chairman<br>Nominee Director<br>Director<br>Nominee Director<br>Nominee Director |
| 2. Shri K Suryanarayana<br>Managing Director       | United Steel Allied Industries (P) Ltd<br>United Seamless Tubulaar (P) Ltd<br>USAI Forge (P) Ltd<br>Kamineni Infrastructure Pvt Ltd<br>Kamineni Oncology Centre Pvt. Ltd. | Director<br>Chairman<br>Director<br>Director<br>Director                         |
| 3. Shri K Sridhar<br>Joint Managing Director       | Kamineni Infrastructure Pvt Ltd<br>Guardian Leasing & Finance Ltd<br>United Steel Allied Industries (P) Ltd<br>USAI Forge (P) Ltd<br>Kamineni Land Marks (P) Ltd          | Director<br>Director<br>Director<br>Director<br>Director                         |
| 4. Dr N S Datar<br>Independent Director            | Uttam Galva Steels Ltd<br>Flat Products Equipments (I) Ltd<br>Remi Metals Gujarat Ltd   | Director<br>Director<br>Director   |
| 5. Shri K V Ravindra Reddy<br>Independent Director | Saptagiri Camphor Ltd<br>Diana Hotels Ltd<br>Raha Poly Products Ltd   | Director<br>Director<br>Director   |
| 6. Shri K G Joshi<br>Wholetime Director            | Nil   | Nil  |
| 7.* Shri V Srinivasa Rao<br>IDBI Nominee Director  | Nil   | Nil  |
| 8. Shri L N Janarthanan<br>BOI Nominee Director    | Nil   | Nil  |
| 9. Dato' Dr. Abdul Halim Bin Harun<br>Director     | United Seamless Tubulaar (P) Ltd<br>Multicoat Coating Technologies (P) Ltd  | Director<br>Chairman   |
| 10.* Shri R Ramanujam<br>ICICI Nominee Director    | Rain Industries Ltd   | Nominee Director   |

\*Since withdrawn by respective Financial Institutions



**(iii) Attendance of each Director at the Board Meetings and the last AGM During the year 2007-08**

| Director                        | No.of Board Meetings Attended | Last AGM attendance (Yes/No) |
|---------------------------------|-------------------------------|------------------------------|
| Dr. T S Sethurathnam            | 6                             | Yes                          |
| Shri K Suryanarayana            | 7                             | Yes                          |
| Shri K Sridhar                  | 7                             | Yes                          |
| Dr N S Datar                    | 5                             | Yes                          |
| Shri K V Ravindra Reddy         | 7                             | Yes                          |
| Shri K G Joshi                  | 7                             | Yes                          |
| Shri. V Srinivasa Rao           | 6                             | Yes                          |
| Shri T D Kalra                  | 2                             | Yes                          |
| Shri R Ramanujam                | 4                             | No                           |
| Shri L N Janarthanan            | 5                             | No                           |
| Dato' Dr. Abdul Halim Bin Harun | 1                             | Yes                          |

**(iv) No. of other Board Committees they are members / Chairperson**

| Share Transfer Committee and Grievance Committee | Audit Committee                          | Remuneration Committee              |
|--|--|-------------------------------------|
| Dr T S Sethurathnam<br>Chairman                  | Dr T S Sethurathnam<br>Chairman          | Dr T S Sethurathnam<br>Chairman     |
| Shri K V Ravindra Reddy<br>Director              | Shri K V Ravindra Reddy<br>Director      | Shri K V Ravindra Reddy<br>Director |
| Shri K G Joshi<br>Director                       | Dr N S Datar<br>Director                 | Dr N S Datar<br>Director            |
|  | Shri V Srinivasa Rao<br>Nominee Director |                                     |

**(v) Number of Board Meetings held, dates on which held:**

7 Board meetings were held during the financial year from 1<sup>st</sup> April 2007 to 31<sup>st</sup> March 2008. The dates on which the meetings were held are as follows 28<sup>th</sup> June, 2007, 27<sup>th</sup> July, 2007, 23<sup>rd</sup> August, 2007, 26<sup>th</sup> October, 2007, 10<sup>th</sup> December, 2007, 25<sup>th</sup> January, 2008 and 16<sup>th</sup> February, 2008.

**c) Audit Committee:**

In addition to independent (non-executive) Directors mentioned above, the committee co-opted Shri K Sridhar Jt. Managing Director, Shri K.G Joshi, Director (Technical), and a representative from Statutory Auditors as permanent invitees to the Committee. Company Secretary is member and convener of the Committee.

During the year the Committee had 4 Meetings i.e. on 28<sup>th</sup> June, 2007, 27<sup>th</sup> July, 2007, 26<sup>th</sup> October, 2007 and 25<sup>th</sup> January, 2008. The Committee's powers and role are as stipulated by the Listing Agreement.


**Attendance of each Member at the Audit Committee Meetings:**

| Director                | No.of Meetings held | No. of Meetings Attended |
|-------------------------|---------------------|--------------------------|
| Dr. T S Sethurathnam    | 4                   | 4                        |
| Dr. N S Datar           | 4                   | 3                        |
| Shri K V Ravindra Reddy | 4                   | 4                        |
| Shri V Srinivasa Rao    | 4                   | 4                        |

**d) Remuneration Committee:**

The Committee will meet as and when any remuneration is to be fixed for any Director / Managing Director.

During the year the Committee had 2 Meetings i.e. on 23<sup>rd</sup> August, 2007, and 26<sup>th</sup> October, 2007. The attendance of Members at the meeting was as under:

| Director                | Position | No.of Meetings held | No. of Meetings Attended |
|-------------------------|----------|---------------------|--------------------------|
| Dr. T S Sethurathnam    | Chairman | 2                   | 2                        |
| Dr. N S Datar           | Member   | 2                   | 2                        |
| Shri K V Ravindra Reddy | Member   | 2                   | 2                        |

Remuneration of Joint Managing Director and Director (Technical) is recommended by the Remuneration Committee meetings held on 23.08.2007 and approved by the Board subject to approval of shareholders in Annual General Meeting.

Remuneration of Managing Director is recommended by the Remuneration Committee meeting held on 26.10.2007 and approved by the Board subject to approval by share holders in the Annual General Meeting.

**Details of Director proposed for Reappointment / Appointment**

Dr. N S Datar aged 82 years who retires by rotation, and being eligible offers himself for reappointment is proposed for reappointment. Dr. N S Datar is a graduate from Banaras Hindu University and Doctorate in Ferrous metallurgy from West Germany. Held many senior positions and was the Managing Director of Rourkela Steel Plant, one of the biggest Steel plants, and a Public Sector Undertaking. He was also Director of Research and Development Centre for Iron and Steel, Steel Authority of India in the year 1982-83. He had many achievements to his credit, received number of awards and citations, published number of papers, delegate for many international Seminars and a member of many Professional bodies in India and abroad. Presently he is a consulting Engineer with rich experience.



**e) Shareholders Committee:**

The following Committee of Directors looks after the Investor Grievances:

Dr T S Sethurathnam  
Shri K V Ravindra Reddy  
Shri K G Joshi

During the year 5 Investor Grievance Committee Meetings were held on 28.06.2007, 7.07.2007, 23.08.2007, 26.10.2007, and 25.01.2008. The attendance of the Members at the meeting was as under:

| Director                | Position | No.of Meetings held | No. of Meetings Attended |
|-------------------------|----------|---------------------|--------------------------|
| Dr. T S Sethurathnam    | Chairman | 5                   | 5                        |
| Shri K V Ravindra Reddy | Member   | 5                   | 5                        |
| Shri K G Joshi          | Member   | 5                   | 5                        |

**Name and designation of Compliance Officer:**

Shri C S Rao, Company Secretary.

**Share holders' Services:**

| Sl. No. | Nature of Complaints                   | 2007-08  |          | 2006-07  |          |
|---------|--|----------|----------|----------|----------|
|         |  | Received | Answered | Received | Answered |
| 1       | Non receipt of Shares lodged for Demat | -        | -        | -        | -        |
| 2       | Non receipt of Dividend warrants       | -        | -        | -        | -        |
| 3       | Others                                 | 1        | 1        | 2        | 2        |

**f) General body meetings:**

**Location and time for the last three AGMs**

| Year      | Date       | Venue   | Time       | Special Resolution   |
|-----------|------------|---|------------|--|
| 2004-2005 | 18.08.2005 | Bharatiya Vidya Bhavan<br>5-9-11-5 Bashirbagh,<br>King Koti Road, Hyderabad | 10.00 A.M. | One (Approval for appointment of Managing Director and other terms and Conditions) |
| 2005-2006 | 06.07.2006 | Taj Mahal Hotel<br>2nd Floor, Akshaya Hall<br>4-1-999 Abids Road, Hyderabad | 10.00 A.M. | Nil  |
| 2006-2007 | 23.08.2007 | Taj Mahal Hotel, 2nd Floor, Akshaya Hall<br>4-1-999 Abids Road, Hyderabad   | 10.00 A.M. | Nil  |

No postal ballot was conducted at the above three AGMs.  
Extraordinary General Meetings – Nil

**Disclosures:****(i) Related party transactions during the year:**

| SI. No. | PARTICULARS OF THE PARTY                | RELATION SHIP                       | NATURE OF TRANSACTIONS           | AMOUNT (Rs in lakhs) |           |
|---------|---|-------------------------------------|----------------------------------|----------------------|-----------|
|         |   |                                     |                                  | 2007-2008            | 2006-2007 |
| 1       | United Steel Allied Industries Pvt.Ltd. | Two of the Directors are interested | Maintenance of Plant & Machinery | 63.63                | 63.57     |
| 2.      | Mrs. K Indra                            | Two of the Directors are related    | Rent for office premises         | 14.46                | 13.13     |
|         |   |                                     | Rent for Tractors at Factory     | 1.44                 | 1.44      |
| 3       | Mrs.B.Usha Sree                         | Two of the Directors are related    | Rent for office premises         | 14.28                | 12.95     |

**(ii) Remuneration paid or payable to Directors during the year 2007-2008**

| Name of Director                | Relationship With other Directors | Sitting fees (Rs) | Salary & Allowance (Rs) | Contribution of PF (Rs) | Perquisites (Rs) | Total (Rs)      |
|---------------------------------|-----------------------------------|-------------------|-------------------------|-------------------------|------------------|-----------------|
| Dr T S Sethurathnam             | None                              | 85000             | -                       | -                       | -                | 85000           |
| Shri K Suryanarayana            | Related to Shri K Sridhar         | -                 | 8100000                 | -                       | -                | 8100000         |
| Dr N S Datar                    | None                              | 50000             | -                       | -                       | -                | 50000           |
| Shri K V Ravindra Reddy         | None                              | 90000             | -                       | -                       | -                | 90000           |
| Shri K Sridhar                  | Related to Shri K Suryanarayana   | -                 | 2812154                 | 144000                  | 190000           | 3146154         |
| Shri K G Joshi                  | None                              | -                 | 2420308                 | 122400                  | 160000           | 2702708         |
| Shri V Srinivasa Rao            | None                              | 50000             | -                       | -                       | -                | 50000           |
| Shri T D Kalra                  | None                              | 15000             | -                       | -                       | -                | 15000           |
| Shri R Ramanujam                | None                              | 20000             | -                       | -                       | -                | 20000           |
| Mr Ricardo Antonio Capria       | None                              | -                 | -                       | -                       | -                | -               |
| Shri L N Janarthanan            | None                              | -                 | -                       | -                       | -                | -               |
| Dato' Dr. Abdul Halim Bin Harun | None                              | 5000              | -                       | -                       | -                | 5000            |
|                                 |                                   |                   |                         |                         |                  | <b>14263862</b> |

There are no non-compliance of any statutes by the company. Neither penalties nor strictures were imposed by any Stock exchange / SEBI or any other Statutory authority on any matter related to capital markets during last 3 years.





**8. Monthly High and Low quotations along with the volume of shares traded at National Stock Exchange of India Ltd., & Bombay Stock Exchange Ltd., during 2007 - 2008:**

| Month & Year | NSE        |          |                 | BSE          |          |                 |
|--------------|------------|----------|-----------------|--------------|----------|-----------------|
|              | High (Rs.) | Low(Rs.) | Volume (Nos)    | High (Rs.)   | Low(Rs.) | Volume (Nos)    |
| April 2007   | 38.60      | 27.25    | 2582409         | 37.95        | 28.10    | 2404507         |
| May 2007     | 48.70      | 33.50    | 1158069         | 48.85        | 34.00    | 1231913         |
| June 2007    | 68.60      | 46.65    | 1946348         | 69.00        | 46.65    | 2367281         |
| July 2007    | 99.15      | 61.00    | 747934          | 99.95        | 60.00    | 1419969         |
| Aug 2007     | 93.90      | 74.65    | 1520687         | 94.00        | 73.10    | 1570589         |
| Sep. 2007    | 91.50      | 79.20    | 353248          | 92.00        | 79.00    | 396264          |
| Oct. 2007    | 90.35      | 69.00    | 606520          | 89.90        | 66.00    | 438702          |
| Nov. 2007    | 97.00      | 78.00    | 530240          | 97.50        | 78.10    | 661976          |
| Dec. 2007    | 96.00      | 83.00    | 589385          | 96.80        | 83.10    | 686967          |
| Jan. 2008    | 122.55     | 83.05    | 1649306         | 122.60       | 83.30    | 1988154         |
| Feb.2008     | 102.80     | 73.25    | 304939          | 102.90       | 72.95    | 322247          |
| Mar. 2008    | 78.90      | 50.25    | 823595          | 95.10        | 79.90    | 646481          |
| <b>TOTAL</b> |            |          | <b>12812680</b> | <b>TOTAL</b> |          | <b>14135050</b> |

**9. The Company's Depository Registrar for Shares in Physical and Electronic Form:**

Dakshin Consultants (P) Ltd  
H No: 6-3-655/2/4,  
Civil Supplies Bhavan Lane  
Somajiguda  
Hyderabad – 500 082  
Telephone No: 040-30688443

**10. Share Transfer System**

The transactions of the shares held in Demat and Physical form are handled by the Company's Depository Registrar, Dakshin Consultants Pvt. Ltd.,

**The Shares transferred (in physical form) during 2007-2008.**

|  | 2007-2008   | 2006-2007   |
|--|-------------|-------------|
| Share Transferred                                | 198091      | 537679      |
| Total No. of Shares as on 31 <sup>st</sup> March | 44289530    | 44289530    |
| <b>% on Share Capital</b>                        | <b>0.44</b> | <b>1.21</b> |


**Categories of shareholders as on 31<sup>st</sup> March, 2008**

| Category                 | No. of shareholders | Voting Strength % | No. of Shares held |
|--------------------------|---------------------|-------------------|--------------------|
| Individuals              | 35968               | 96.66             | 15223114           |
| Companies                | 584                 | 1.57              | 5852600            |
| FII's                    | 3                   | 0.01              | 108400             |
| OCBs and NRI's           | 599                 | 1.61              | 10416825           |
| Promoters                | 38                  | 0.10              | 12513419           |
| Mutual Funds, Banks, Fis | 18                  | 0.05              | 175172             |
| <b>Total</b>             | <b>37210</b>        | <b>100</b>        | <b>44289530</b>    |

Investor's Correspondence may be addressed to:

Shri C S Rao

Company Secretary

Oil Country Tubular Limited,

108, Kanchanjunga, King Koti Road,

Hyderabad – 500 001

Tel: 23231496, 23231497

Fax: 040-23235617

E-mail : demat@octlindia.com

**11. Distribution of Share Holdings:**

| No. of Equity Shares held | As on 31.03.2008     |                    |                 |                    | As on 31.03.2007     |                    |                 |                    |
|---------------------------|----------------------|--------------------|-----------------|--------------------|----------------------|--------------------|-----------------|--------------------|
|                           | No. of Share holders | % of Share holders | No. of Shares   | % of Share holding | No. of Share holders | % of Share holders | No. of Shares   | % of Share holding |
| 1 – 500                   | 34473                | 92.65              | 4826957         | 10.90              | 37448                | 90.73              | 5703456         | 12.88              |
| 501-1000                  | 1568                 | 4.22               | 1282386         | 2.89               | 2211                 | 5.36               | 1856554         | 4.19               |
| 1001 – 2000               | 545                  | 1.47               | 822014          | 1.85               | 791                  | 1.92               | 1241673         | 2.80               |
| 2001 – 3000               | 180                  | 0.48               | 464770          | 1.05               | 247                  | 0.60               | 648594          | 1.46               |
| 3001 – 4000               | 74                   | 0.19               | 260018          | 0.59               | 93                   | 0.23               | 33914           | 0.77               |
| 4001 – 5000               | 103                  | 0.26               | 495402          | 1.12               | 116                  | 0.28               | 564031          | 1.27               |
| 5001 – 10000              | 96                   | 0.25               | 709894          | 1.60               | 174                  | 0.42               | 1432390         | 3.23               |
| 10001 and above           | 171                  | 0.46               | 35428089        | 80.0               | 190                  | 0.46               | 32502918        | 73.39              |
| <b>Total</b>              | <b>37210</b>         | <b>100%</b>        | <b>44289530</b> | <b>100%</b>        | <b>41270</b>         | <b>100%</b>        | <b>44289530</b> | <b>100%</b>        |



12. Dematerialisation of Shares: 3,64,94,959 Shares working out to over 82.40% of the total Shares have been dematerialized up to 31<sup>st</sup> March 2008.
13. The Company has not issued any GDRs / ADRs / Warrants or any convertible instruments.
14. Plant Locations : Shreepuram  
Narketpally Mandalam  
Nalgonda Dist – 508 254 (A.P.)
15. Address of Registered Office : 108, Kanchanjunga, King Koti Road  
Hyderabad – 500 001  
Tel No: 23231496, 23231497  
Tel Code: 040  
Fax No: 040 23235617

**For and on behalf of the Board**

**Hyderabad  
13.06.2008**

**Dr. T S SETHURATHNAM  
CHAIRMAN**



**AUDITORS CERTIFICATE ON CORPORATE GOVERNANCE**

The Members of  
Oil Country Tubular Limited

We have examined the compliance of conditions of Corporate Governance by Oil Country Tubular Ltd., for the year ended March 31, 2008 as stipulated in clause 49 of the Listing Agreement of the said Company with Stock Exchange(s).

The compliance of conditions of Corporate Governance is the responsibility of the management. Our examination was limited to procedures and implementation thereof, adopted by the Company for ensuring the compliance of the conditions of the Corporate Governance. It is neither an audit nor an expression of opinion on the financial statements of the Company.

In our opinion and to the best of our information and according to the explanations given to us, we certify that the Company has complied with the conditions of Corporate Governance as stipulated in the above-mentioned Listing Agreement.

We state that in respect of investor grievances received during the year ended 31<sup>st</sup> March, 2008, no investor grievances are pending for a period exceeding one month against the Company as per the records maintained by the Shareholders Committee.

We further state that such compliance is neither an assurance as to the future viability of the Company nor the efficiency or effectiveness with which the management has conducted the affairs of the Company.

**For C K S Associates  
Chartered Accountants**

**Hyderabad  
Date: 13.06.2008**

**P Ganpati Rao  
Partner  
M.No. 24113**



## ANNEXURE III

Disclosure of Particulars pursuant to Companies (Disclosure of particulars in the report of the Board of Directors) Rules 1998

### A. CONSERVATION OF ENERGY:

Energy conservation continues to receive priority attention at all levels. All efforts are made to conserve and optimise use of energy through continuous monitoring, improvement in maintenance and distribution systems and through improved operational techniques.

### B. TECHNOLOGY ABSORPTION

Efforts made in technology absorption as per Form B below:

#### FORM B

#### Research and Development

The major achievement by the Company due to their continuous Research and Development activities is indigenisation of toolings and improvements in the manufacturing processes and operational procedures. The Research and Development activity is given the highest priority by the Company.

#### Expenditure on R&D

|   | (Rs in Lakhs)<br>(2007-2008) | (Rs in Lakhs)<br>(2006-2007) |
|---|------------------------------|------------------------------|
| a. Capital  | 485.69                       | 553.00                       |
| b. Recurring  | 360.05                       | 250.00                       |
| c. Total  | 845.74                       | 803.00                       |
| d. Total R&D expenditure as a<br>Percentage of total turnover | 2.49%                        | 3.07%                        |

#### Technology absorption, adaptation and Innovation:

- |   |  |
|---|--|
| 1. Efforts, in brief, made towards technology Absorption, adaptation and company.   | Updation of Technology is a continuous process and adapted by innovation   |
| .2 Benefits derived as a result of the above  | The Company has been able to efforts indigenise toolings to a large extent by virtue of technology Absorption, adaptation and innovation |
| 3. In case of imported technology (imported during the last 5 years reckoned from the beginning of the financial year) the information may be furnished | Not applicable since 5 years period is over  |

### C. FOREIGN EXCHANGE EARNINGS AND OUTGO:

The Foreign exchange outgo and foreign exchange earned by the Company during the year are detailed in Note No.8 and 9 of Schedule P to the accounts.

For and on behalf of the Board

Dr. T S SETHURATHNAM  
CHAIRMAN

Hyderabad  
Date: 13.06.2008



**To**

***The Members of OIL COUNTRY TUBULAR LIMITED***

1. We have audited the attached Balance Sheet of ***OIL COUNTRY TUBULAR LIMITED*** as at March 31, 2008 and also the Profit and Loss Account and Cash Flow statement for the year ended on that date, annexed thereto. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audit.
2. We conducted our audit in accordance with auditing standards generally accepted in India. Those Standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by the management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.
3. As required by Companies ( Auditors' Report) Order, 2003, ( as amended ) issued by the Central Government in terms of section 227 (4A) of the Companies Act, 1956, we enclose in the Annexure a statement on the matters specified in paragraphs 4 and 5 of the said Order.
4. Further to our comments in the Annexure referred to above, we report that.
  - a. We have obtained all the information and explanations, which to the best of our knowledge and belief, were necessary for the purpose of our audit;
  - b. In our opinion, proper books of account, as required by law, have been kept by the Company, so far as appears from our examination of those books;
  - c. The Balance Sheet, Profit and Loss Account and Cash Flow statement dealt with by this report are in agreement with the books of account;
  - d. In our opinion, the Balance Sheet , Profit and Loss Account and Cash Flow Statement dealt with by this report comply with the accounting standards referred to in sub-section (3C) of Section 211 of the Companies Act, 1956;



Attention is invited to :

***Finance Charges ( Schedule 'O' ) includes Rs.2951.41 lakhs being Deferred interest on Term Loans relating to earlier years debited to Profit and Loss Account, as explained in Note ' 6 ' of Schedule 'Q' .***

- e. On the basis of written representations received from the directors as on March 31, 2008, and taken on record by the Board of Directors, we report that none of the directors is disqualified as on March 31, 2008 from being appointed as a Director in terms of clause (g) of sub-section (1) of Section 274 of the Companies Act, 1956.
- f. Subject to our comments mentioned in para ( d ) above, In our opinion and to the best of our information and according to the explanations given to us, the said accounts give the information required by the Companies Act, 1956, in the manner so required and give a true and fair view in conformity with the accounting principles generally accepted in India:
  1. In the case of the Balance Sheet of the state of affairs of the Company as at March 31, 2008 and
  2. In the case of the Profit and Loss account, of the Profit of the Company for the year ended on that date.
  3. in the case of Cash Flow statement, of the cash flows for the year ended on that date.

***For C K S ASSOCIATES  
Chartered Accountants***

***P. GANAPATI RAO  
Partner  
M.No. 24113***

***HYDERABAD  
June 13, 2008***



**ANNEXURE TO THE AUDITORS' REPORT:**  
**( Referred to in Paragraph 3 of our report of even date)**

- 1.1. The company has maintained proper records showing full particulars including quantitative details and situation of fixed assets.
- 1.2. All the assets have been physically verified by the management during the year and no material discrepancies were noticed on such verification.
- 1.3. During the year, the company has not disposed off a substantial part of fixed assets during the year.
- 2.1. The inventories have been physically verified during the year by the management. In our opinion, the frequency of verification is reasonable.
- 2.2. In our opinion and according to the information and explanations given to us, the procedures of physical verification of inventories followed by the management are reasonable and adequate in relation to the size of the company and the nature of its business.
- 2.3. In our opinion and according to the information and explanations given to us, the Company has maintained proper records of its inventories and no material discrepancies were noticed on such physical verification.
3. The company has neither granted nor taken any loan, secured or unsecured, to or from companies, firms or other parties covered in the register maintained under section 301 of the Companies Act 1956. Accordingly, the sub-clauses (a), (b), (c), (d), (e), (f) and (g) of clause (iii) are not applicable to the company.
4. In our opinion and according to the information and explanations given to us, there are adequate internal control procedures commensurate with the size of the company and the nature of its business with regard to purchases of inventory, fixed assets and with regard to the sale of goods and services. During the course of our audit, we have not observed any continuing failure to correct major weaknesses in internal controls.
- 5.1. According to the information and explanations given to us, we are of the opinion that the transactions that need to be entered into the register maintained under section 301 of the Companies Act, 1956 have been so entered.
- 5.2. In our opinion and according to the information and explanations given to us, the transactions made in pursuance of contracts or arrangements entered in the register maintained under section 301 of the Companies Act, 1956 have been made at prices which are reasonable having regard to prevailing market prices at the relevant time.
6. The Company has not accepted any deposits from the public to which the directives issued by Reserve Bank of India and the provisions of Sections 58A, 58 AA or any other relevant provisions of the Companies Act, 1956 and the rules framed there under apply.
7. In our opinion, the company has an internal audit system commensurate with the size and nature of its business.
8. As per the information given to us, the central Government has not prescribed maintenance of Cost Records under section 209 (1)(d) of the Companies Act, 1956.



- 9.1. The company is generally regular in depositing with appropriate authorities undisputed statutory dues including provident fund, investor education & protection fund, employees state insurance, income tax, sales tax, wealth tax, customs duty, excise duty, cess, service tax and other material statutory dues applicable to it.
- 9.2. According to the information and explanations given to us, no undisputed amounts payable in respect of income tax, wealth tax, service tax, sales tax, customs duty, excise duty, and cess were in arrears, as at March 31, 2008, for a period of more than six months from the date they became payable.
10. The Company has no accumulated losses. The company has not incurred cash losses during the financial year covered by our audit and the immediately preceding financial year.
11. In our opinion and according to the information and explanations given to us, the company has not defaulted in repayment of dues to a financial institution or bank.
12. In our opinion and according to the information and explanations given to us, the company has not granted any loans and advances, on the basis of security by way of pledge of shares, debentures and other securities.
13. In our opinion, the company is not a chit fund or a nidhi/mutual benefit fund/ society. Therefore, the provisions of clause 4(xiii) of the Companies (Auditor's Report) Order, 2003 are not applicable to the company.
14. In our opinion, the company is not dealing in or trading in shares, securities, debentures and other investments. Accordingly, the provisions of clause 4(xiv) of the Companies (Auditor's Report) Order, 2003 are not applicable to the company.
15. In our opinion and according to the information and explanations given to us, the company has not given any guarantees for loans taken by others from banks or financial institutions.
16. The company has not taken any long term loans during the year under review.
17. According to the information and explanations given to us and on an overall examination of the balance sheet of the company, we report that no funds raised on short-term basis have been used for long term investment.
18. The company has not made any preferential allotment of shares to parties and companies covered in the register maintained under section 301 of the Act, during the year under report.
19. The Company has not issued any debentures.
20. The Company has not raised any money by public issue during the year.
21. According to the information and explanations given to us, no fraud on or by the company has been noticed or reported during the course of our audit.

***For C K S ASSOCIATES  
Chartered Accountants***

***P. GANAPATI RAO  
Partner  
M.No. 24113***

***HYDERABAD  
June 13, 2008***

# BALANCE SHEET



| AUDITED BALANCE SHEET AS AT 31.03.2008                         |     |            |                 | [Rs. in Lakhs] |                 |
|--|-----|------------|-----------------|----------------|-----------------|
|  | SCH | 31.03.2008 |                 | 31.03.2007     |                 |
| <b>I SOURCES OF FUNDS</b>                                      |     |            |                 |                |                 |
| <b>1. SHARE HOLDERS' FUNDS</b>                                 |     |            |                 |                |                 |
| a) Share Capital   | A   | 4428.95    |                 | 4428.95        |                 |
| b) Reserves and surplus  | B   | 3816.53    | 8245.48         | 1743.62        | 6172.57         |
| <b>2. LOAN FUNDS</b>   |     |            |                 |                |                 |
| Secured Loans  | C   |            | 1070.49         |                | 6047.16         |
| <b>3. Deferred Tax Liability</b>                               |     |            |                 |                |                 |
|  |     |            | 864.92          |                | 0.00            |
| <b>TOTAL</b>   |     |            | <b>10180.89</b> |                | <b>12219.73</b> |
| <b>II. APPLICATION OF FUNDS</b>                                |     |            |                 |                |                 |
| <b>4. FIXED ASSETS</b>   |     |            |                 |                |                 |
| a) Gross Block   | D   | 29799.47   |                 | 29134.92       |                 |
| b) Less : Depreciation   |     | 24761.14   |                 | 23343.71       |                 |
| c) Net Block   |     |            | <b>5038.33</b>  |                | 5791.21         |
| <b>5. CURRENT ASSETS, LOANS AND ADVANCES</b>                   |     |            |                 |                |                 |
| a) Inventories   | E   | 3892.89    |                 | 5960.89        |                 |
| b) Sundry Debtors  | F   | 4363.66    |                 | 1925.61        |                 |
| c) Cash and Bank Balances                                      | G   | 1266.75    |                 | 960.34         |                 |
| d) Other Current Assets  | H   | 41.07      |                 | 176.62         |                 |
| e) Loans and Advances  | I   | 1260.00    |                 | 1200.49        |                 |
|  |     | 10824.37   |                 | 10223.95       |                 |
| <b>Less : CURRENT LIABILITIES AND PROVISIONS</b>               |     |            |                 |                |                 |
| a) Current Liabilities   | J   | 4683.98    |                 | 6459.91        |                 |
| b) Provisions  |     | 997.83     |                 | 286.93         |                 |
| <b>NET CURRENT ASSETS</b>                                      |     |            | <b>5142.56</b>  |                | 3477.11         |
| <b>6. MISCELLANEOUS EXPENDITURE</b>                            |     |            |                 |                |                 |
|  | K   |            | 0.00            |                | 2951.41         |
| <b>TOTAL</b>   |     |            | <b>10180.89</b> |                | <b>12219.73</b> |
| <b>SIGNIFICANT ACCOUNTING POLICIES &amp; NOTES TO ACCOUNTS</b> |     |            |                 |                |                 |
|  | Q   |            |                 |                |                 |

Per our report attached  
for **C.K.S. ASSOCIATES**  
Chartered Accountants

**P. Ganpati Rao**  
Partner  
M.No.24113

Place : Hyderabad  
Date : 13.06.2008

For and on behalf of the Board of Directors

**Dr.T.S.Sethurathnam**  
Chairman  
**K.Suryanarayana**  
Managing Director  
**K.Sridhar**  
Joint Managing Director

**Dato' Dr. Abdul Halim Bin Harun**  
**K.V. Ravindra Reddy**  
**Dr. N.S. Datar**  
**L. N. Janarthanan**  
**K.G. Joshi**  
Directors

**C.S. Rao**  
Company Secretary

# PROFIT AND LOSS ACCOUNT



| AUDITED PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED 31.03.2008 [Rs. in Lakhs] |          |                 |                 |            |                 |
|--|----------|-----------------|-----------------|------------|-----------------|
|  | SCH      | 31.03.2008      |                 | 31.03.2007 |                 |
| <b>INCOME</b>  |          |                 |                 |            |                 |
| a) Sales and Services  |          | <b>34815.53</b> |                 | 27210.59   |                 |
| Less : Duties and Taxes  |          | <b>862.09</b>   | <b>33953.44</b> | 1059.16    | 26151.43        |
| b) Other Income  | <b>L</b> |                 | <b>179.87</b>   |            | 325.03          |
| <b>TOTAL</b>   |          |                 | <b>34133.31</b> |            | <b>26476.46</b> |
| <b>EXPENDITURE</b>   |          |                 |                 |            |                 |
| a) Cost of Materials   | <b>M</b> |                 | <b>14152.55</b> |            | 17779.77        |
| b) Manufacturing, Administration<br>Selling & Distribution Expenses          | <b>N</b> |                 | <b>10398.79</b> |            | 5922.77         |
| c) Finance Charges   | <b>O</b> |                 | <b>3755.25</b>  |            | 1642.14         |
| d) Depreciation  |          | <b>1521.77</b>  |                 | 1393.16    |                 |
| Less : Depreciaton on Revalued Assets  |          | <b>803.35</b>   | <b>718.42</b>   | 769.01     | 624.14          |
| <b>TOTAL</b>   |          |                 | <b>29025.01</b> |            | <b>25968.82</b> |
| Adjustment of Stocks   | <b>P</b> |                 | <b>641.26</b>   |            | (636.47)        |
| <b>PROFIT FOR THE YEAR</b>   |          |                 | <b>4467.04</b>  |            | <b>1144.11</b>  |
| (Add) / Deduct Prior Period Adjustments                                      |          |                 | <b>0.00</b>     |            | 20.04           |
| Less : Provision for Current Year Tax  |          | <b>698.86</b>   |                 | 180.00     |                 |
| Provisoin for Fringe Benefit Tax   |          | <b>12.00</b>    |                 | 11.00      |                 |
| Provision for Deferred Tax   |          | <b>864.92</b>   | <b>1575.78</b>  | 0.00       | 191.00          |
| <b>NET PROFIT</b>  |          |                 | <b>2891.26</b>  |            | <b>933.07</b>   |
| Profit / (Loss) for the Previous<br>Period brought forward                   |          |                 | <b>112.81</b>   |            | (820.27)        |
| Profit Carried to Balance Sheet  |          |                 | <b>3004.07</b>  |            | <b>112.80</b>   |
| EPS (Rs.) Basic / Diluted for the year                                       |          |                 | <b>6.53</b>     |            | <b>2.11</b>     |
| <b>SIGNIFICANT ACCOUNTING<br/>POLICIES &amp; NOTES TO ACCOUNTS</b>           | <b>Q</b> |                 |                 |            |                 |

Per our report attached  
for **C.K.S. ASSOCIATES**  
Chartered Accountants

**P. Ganpati Rao**  
Partner  
M.No.24113

Place : Hyderabad  
Date : 13.06.2008

For and on behalf of the Board of Directors

**Dr.T.S.Sethurathnam**  
Chairman  
**K.Suryanarayana**  
Managing Director  
**K.Sridhar**  
Joint Managing Director

**Dato' Dr. Abdul Halim Bin Harun**  
**K.V. Ravindra Reddy**  
**Dr. N.S. Datar**  
**L. N. Janarthanan**  
**K.G. Joshi**  
**Directors**

**C.S. Rao**  
Company Secretary



|   | [Rs. in Lakhs] |                |
|---|----------------|----------------|
|   | 31.03.2008     | 31.03.2007     |
| <b>SCHEDULE A: SHARE CAPITAL</b>                      |                |                |
| <b>AUTHORISED :</b>                                   |                |                |
| 8,50,00,000 Equity Shares of Rs,10/- each             | <b>8500.00</b> | <b>8500.00</b> |
| <b>ISSUED, SUBSCRIBED AND PAID UP:</b>                | <b>4428.95</b> | 4428.95        |
| 4,42,89,530 Equity Shares of Rs.10 each fully paid up | <b>4428.95</b> | <b>4428.95</b> |
| <b>SCHEDULE B: RESERVES AND SURPLUS</b>               |                |                |
| <b>CAPITAL RESERVE</b>                                |                |                |
| Central Subsidy                                       | <b>15.00</b>   | 15.00          |
| Less : Transferred to Profit & Loss Account           | <b>15.00</b>   | 0.00           |
|   | <b>0.00</b>    | 15.00          |
| Share Forfeiture                                      | <b>0.65</b>    | 0.65           |
| <b>OTHER RESERVES</b>                                 |                |                |
| Revaluation Reserve                                   | <b>811.81</b>  | 1615.17        |
| <b>SURPLUS</b>  |                |                |
| Surplus in Profit & Loss Account                      | <b>3004.07</b> | 112.80         |
|   | <b>3816.53</b> | <b>1743.62</b> |
| <b>SCHEDULE C: SECURED LOANS</b>                      |                |                |
| <b>(A) TERM LOANS</b>                                 |                |                |
| Industrial Development Bank of India Ltd.             | <b>743.82</b>  | 855.39         |
| IFCI Ltd  | <b>0.00</b>    | 715.71         |
| ICICI Bank Ltd.                                       | <b>0.00</b>    | 767.17         |
| Funded Interest on above loans                        | <b>0.00</b>    | 2951.41        |
|   | <b>743.82</b>  | <b>5289.68</b> |
| <b>(B) WORKING CAPITAL LOANS FROM BANKS</b>           |                |                |
| Cash Credit   | <b>326.67</b>  | 757.48         |
|   | <b>1070.49</b> | <b>6047.16</b> |

## SCHEDULE :D: FIXED ASSETS

[Rs. in lakhs]

| DESCRIPTION                  | GROSS BLOCK                        |                                 |                                  |                                   | DEPRECIATION        |                 |                                  |                     | NET BLOCK           |                     |
|------------------------------|------------------------------------|---------------------------------|----------------------------------|-----------------------------------|---------------------|-----------------|----------------------------------|---------------------|---------------------|---------------------|
|                              | COST/<br>REVALUATION<br>01.04.2007 | ADDITIONS<br>DURING THE<br>YEAR | DEDUCTIONS<br>DURING THE<br>YEAR | TOTAL<br>COST AS ON<br>31.03.2008 | UP TO<br>01.04.2007 | FOR THE<br>YEAR | DEDUCTIONS<br>DURING THE<br>YEAR | UP TO<br>31.03.2008 | AS ON<br>31.03.2008 | AS ON<br>31.03.2007 |
| LAND                         | 138.66                             | 142.68                          | 0.00                             | 281.34                            | 0.00                | 0.00            | 0.00                             | 0.00                | 281.34              | 138.66              |
| BUILDINGS                    | 2343.05                            | 7.83                            | 98.48                            | 2252.40                           | 948.10              | 127.95          | 98.48                            | 977.57              | 1274.83             | 1394.95             |
| PLANT &<br>MACHINERY         | 26250.49                           | 1357.88                         | 803.30                           | 26805.07                          | 22079.13            | 1362.02         | 0.00                             | 23441.15            | 3363.92             | 417136              |
| OFFICE<br>EQUIPMENT          | 106.65                             | 15.58                           | 1.99                             | 120.24                            | 70.10               | 7.02            | 0.86                             | 76.26               | 43.98               | 36.55               |
| DATA PROCESSING<br>EQUIPMENT | 151.44                             | 5.56                            | 0.00                             | 157.00                            | 137.95              | 6.22            | 0.00                             | 144.17              | 12.83               | 13.49               |
| VEHICLES                     | 56.52                              | 28.01                           | 5.21                             | 79.32                             | 39.56               | 12.38           | 5.00                             | 46.94               | 32.38               | 16.96               |
| FURNITURE &<br>FIXTURES      | 88.11                              | 15.99                           | 0.00                             | 104.10                            | 68.87               | 6.18            | 0.00                             | 75.05               | 29.05               | 19.24               |
| <b>T O T A L</b>             | <b>29134.92</b>                    | <b>1573.53</b>                  | <b>908.98</b>                    | <b>29799.47</b>                   | <b>23343.71</b>     | <b>1521.77</b>  | <b>104.34</b>                    | <b>24761.14</b>     | <b>5038.33</b>      | <b>5791.21</b>      |
| PREVIOUS YEAR                | 27857.21                           | 1279.23                         | 1.52                             | 29134.92                          | 21950.81            | 1393.16         | 0.26                             | 23343.71            | 5791.21             |                     |

NOTE : 1. Cost includes Rs.15,913.70 lakhs being addition on revaluation of certain fixed assets. Viz., Land Rs.80.82 lakhs, Buildings Rs.638.26 lakhs and Plant and Machinery Rs.15,194.62 lakhs. Depreciation is provided on the asset values as revalued. Total depreciation provided on Fixed Assets amounts to Rs.1521.77 lakhs. Out of this Rs.718.42 lakhs being depreciation on the original cost of the assets is debited to profit and loss account and the balance depreciation of Rs.803.35 lakhs has been adjusted to Revaluation Reserve Account.





|   | [Rs. in Lakhs] |                |
|---|----------------|----------------|
|   | 31.03.2008     | 31.03.2007     |
| <b>SCHEDULE E: INVENTORIES</b><br>(As certified by the Management)  |                |                |
| Raw Materials   | 959.39         | 2272.51        |
| Stores & Spars  | 610.99         | 724.61         |
| Work in progress  | 1570.51        | 1677.10        |
| Finished Goods  | 751.57         | 1286.21        |
| Scrap   | 0.43           | 0.46           |
|   | <b>3892.89</b> | <b>5960.89</b> |
| <b>SCHEDULE F: SUNDRY DEBTORS</b><br>(Unsecured, Considered good for which the company holds no security other than Debtors' Personal Security) |                |                |
| a) Outstanding for more than six months   | 14.65          | 1378.70        |
| b) Other debts  | 4349.01        | 546.91         |
|   | <b>4363.66</b> | <b>1925.61</b> |
| <b>SCHEDULE G: CASH AND BANK BALANCES</b>   |                |                |
| Cash on Hand  | 1.18           | 1.77           |
| Balances with Scheduled Banks in:   |                |                |
| a) Current Account  | 673.94         | 495.04         |
| b) Margin Money Deposits Accounts   | 591.63         | 463.53         |
|   | <b>1266.75</b> | <b>960.34</b>  |
| <b>SCHEDULE H : OTHER CURRENT ASSETS</b>  |                |                |
| Interest Receivable   | 41.07          | 176.62         |
|   | <b>41.07</b>   | <b>176.62</b>  |
| <b>SCHEDULE I : LOANS AND ADVANCES</b><br>(Unsecured and considered good Recoverable in cash or kind or for value to be received)               |                |                |
| a) Advances   | 1135.04        | 1076.78        |
| b) Deposits   | 124.96         | 123.71         |
|   | <b>1260.00</b> | <b>1200.49</b> |

# SCHEDULES



[Rs. in Lakhs]

|  | 31.03.2008 |                 | 31.03.2007 |                 |
|--|------------|-----------------|------------|-----------------|
| <b>SCHEDULE J : CURRENT LIABILITIES AND PROVISIONS</b> |            |                 |            |                 |
| <b>A. CURRENT LIABILITIES</b>                          |            |                 |            |                 |
| Sundry Creditors                                       |            | 4258.14         |            | 6157.45         |
| Outstanding liabilities                                |            | 353.64          |            | 125.80          |
| Interest Accrued but not due                           |            | 22.93           |            | 112.95          |
| Other Liabilities                                      |            | 49.27           |            | 63.71           |
|  |            | <b>4683.98</b>  |            | <b>6459.91</b>  |
| <b>B. PROVISIONS</b>                                   |            |                 |            |                 |
| Provision for Income Tax                               |            | 966.96          |            | 268.06          |
| Provision for Fringe Benefit Tax                       |            | 30.87           |            | 18.87           |
|  |            | <b>997.83</b>   |            | <b>286.93</b>   |
| <b>SCHEDULE K : MISCELLANEOUS EXPENDITURE</b>          |            |                 |            |                 |
| (To the extent not written off or adjusted)            |            |                 |            |                 |
| Interest / Premium Deferred                            |            |                 |            |                 |
| On Term Loans / Bonds                                  | 2951.41    |                 | 3573.34    |                 |
| Less : Written off during the year                     | 2951.41    |                 | 621.93     |                 |
|  |            | <b>0.00</b>     |            | 2951.41         |
|  |            | <b>0.00</b>     |            | <b>2951.41</b>  |
| <b>SCHEDULE L: OTHER INCOME</b>                        |            |                 |            |                 |
| Interest from banks and others                         |            | 51.75           |            | 180.68          |
| (Tax Deduction at Source : Rs.6.74 Lakhs)              |            |                 |            |                 |
| Scrap Sales  |            | 112.78          |            | 144.04          |
| Central Subsidy Written Back                           |            | 15.00           |            | 0.00            |
| Miscellaneous Income                                   |            | 0.34            |            | 0.31            |
|  |            | <b>179.87</b>   |            | <b>325.03</b>   |
| <b>SCHEDULE M : COST OF MATERIAL</b>                   |            |                 |            |                 |
| Opening Stocks   | 2272.51    |                 | 1406.06    |                 |
| Add:Purchases  | 12839.43   |                 | 18646.20   |                 |
|  |            | 15111.94        |            | 20052.28        |
| Less : Closing Stock                                   |            | 959.39          |            | 2272.51         |
| Consumption of Raw Materials                           |            | <b>14152.55</b> |            | <b>17779.77</b> |

# SCHEDULES



[Rs. in Lakhs]

|   | 31.03.2008    |                 | 31.03.2007 |                 |
|---|---------------|-----------------|------------|-----------------|
| <b>SCHEDULE N: MANUFACTURING, ADMINISTRATION, SELLING AND DISTRIBUTION EXPENSES</b> |               |                 |            |                 |
| Stores, Spares and Tools consumed   |               | <b>3059.40</b>  |            | 1326.11         |
| Power and Fuel  |               | <b>1321.09</b>  |            | 1154.94         |
| Expenses on Employees :   |               |                 |            |                 |
| a) Salaries and Wages   | <b>807.92</b> |                 | 581.34     |                 |
| b) Contribution to P.F. and E.S.I.  | <b>52.64</b>  |                 | 43.17      |                 |
| c) Workmen welfare expenses   | <b>120.77</b> |                 | 79.70      |                 |
|   |               | <b>981.33</b>   |            | 704.21          |
| Rent  |               | <b>28.74</b>    |            | 26.09           |
| Rates and Taxes   |               | <b>93.22</b>    |            | 48.05           |
| Central Excise Duty   |               | <b>5.87</b>     |            | 27.58           |
| Insurance   |               | <b>37.58</b>    |            | 54.14           |
| Repairs & Maintenance   |               |                 |            |                 |
| a) Buildings  | <b>196.33</b> |                 | 76.29      |                 |
| b) Plant & Machinery  | <b>399.04</b> |                 | 180.63     |                 |
|   |               | <b>595.37</b>   |            | 256.92          |
| Packing, Forwarding and Handling  |               | <b>276.44</b>   |            | 181.69          |
| Telephone and Telex   |               | <b>19.21</b>    |            | 17.72           |
| Travelling Expenses - Directors   |               | <b>84.87</b>    |            | 40.94           |
| Travelling Expenses - Others  |               | <b>19.53</b>    |            | 79.37           |
| Directors Remuneration  |               | <b>133.32</b>   |            | 73.16           |
| Sitting Fee to Directors  |               | <b>3.15</b>     |            | 2.45            |
| Product Development Expenditure   |               | <b>360.05</b>   |            | 0.00            |
| Selling and Distribution Expenses   |               | <b>2689.36</b>  |            | 1484.46         |
| Remuneration to Auditors  |               |                 |            |                 |
| a) Audit Fee  | <b>3.50</b>   |                 | 3.00       |                 |
| b) Tax Audit Fee  | <b>0.35</b>   |                 | 0.35       |                 |
| c) Tax Representation   | <b>1.13</b>   |                 | 1.62       |                 |
| d) Certification & Others   | <b>3.41</b>   |                 | 1.51       |                 |
|   |               | <b>8.39</b>     |            | 6.48            |
| Exchange rate fluctuation   |               | <b>19.88</b>    |            | (8.14)          |
| Loss / (Profit) on sale of assests  |               | <b>(0.37)</b>   |            | 0.86            |
| Bank Charges  |               | <b>219.62</b>   |            | 209.63          |
| Other Expenses  |               | <b>442.74</b>   |            | 236.11          |
|   |               | <b>10398.79</b> |            | <b>5922.77</b>  |
| <b>SCHEDULE O : FINANCE CHARGES</b>   |               |                 |            |                 |
| Interest :  |               |                 |            |                 |
| a) On Term Loans  |               | <b>595.14</b>   |            | 696.81          |
| b) On Working Capital Loans   |               | <b>208.70</b>   |            | 323.40          |
| Deferred Interest   |               | <b>2951.41</b>  |            | 621.93          |
|   |               | <b>3755.25</b>  |            | <b>1642.14</b>  |
| <b>SCHEDULE P: ADJUSTMENT OF STOCKS</b>   |               |                 |            |                 |
| Opening Stocks of WIP & Finished Goods  |               | <b>2963.77</b>  |            | 2327.30         |
| Less : Closing Stocks of WIP & Finished Goods                                       |               | <b>2322.51</b>  |            | 2963.77         |
| Decrease /(Increase) in Stocks  |               | <b>641.26</b>   |            | <b>(636.47)</b> |

**SCHEDULE Q:****SIGNIFICANT ACCOUNTING POLICIES AND NOTES TO ACCOUNTS****1.HISTORY:**

Oil Country Tubular Limited (OCTL) is a unique integrated facility established in 1989 and is one of the leading Companies in the world, processing a wide range of Oil Country tubular Goods viz., Drill Pipes, Heavy Weight Drill Pipes, Tubing, Casing, Drill Collars and other Oil Field Accessories required for the Oil Drilling and Exploration. The facility was set up in the State of Andhra Pradesh, India with a capital outlay of Rs.500 Million.

**2. SIGNIFICANT ACCOUNTING POLICIES:****A) Basis of Preparation of Financial Statements:**

The Financial Statements are prepared on going concern assumption and under the historical cost convention, except for certain fixed assets which are revalued in accordance with generally accepted Accounting principles in India and the provisions of the Companies Act 1956.

**B) Use of Estimates:**

The preparation of financial statement requires estimates and assumption to be made that effect the report amount of assets and liabilities on the date of the financial statements and the reported amount of revenues and expenses during the reporting period. Difference between the actual results and estimates are recognised in the period in which the results are known/materialised.

**C) Fixed Assets:**

Fixed assets are stated at cost net of cenvat / value added tax and includes amounts added on revaluation, less accumulated depreciation, and impairment of loss, if any. All costs including financing costs till commencement of production, net charges on foreign exchange contracts and adjustments arising from exchange rate variations attributable to the fixed assets are capitalised.

**D) Depreciation:**

Depreciation on Buildings and Plant and Machinery is provided on straight-line method at the rates specified in schedule – XIV of the Companies Act 1956. Depreciation on Other fixed assets is provided on written down value method at the rates specified in schedule – XIV of the Companies Act 1956. Depreciation on the revalued assets is calculated on the revalued costs and the Revaluation Reserve is adjusted with the difference between the depreciation calculated on such revalued costs and the historical cost.

**E) Impairment of Asset:**

The Carrying amount of asset is reviewed at each balance sheet date to determine whether there is any indication of impairment. If any such indication exists, the recoverable amount of the asset is estimated. The recoverable amount is the greater of the asset's net selling price and value in use, which is determined based on the estimated future cash flow discounted to their present values. An impairment loss is recognised whenever the carrying amount of an asset or its cash generating unit exceeds its recoverable amount. Impairment loss is reversed if there has been change in the estimates used to determine the recoverable amount.

**F) Inventories:**

Items of inventories are valued at lower of cost or net realisable value after providing for obsolescence, if any. Cost of inventories comprises of cost of purchase, cost of conversion and other costs incurred in bringing them to their respective present location and condition. Cost of raw material is determined on weighted average method where identification is not practical. Scrap is valued at estimated realisable value.

**G) Foreign Currency Transactions:**

Foreign Currency Transactions are recorded at the exchange rates prevailing at the transaction date. Current Assets and Current Liabilities relating to Foreign Currency Transactions remaining unsettled at the Balance Sheet date are translated at the year end rates. The result gain / loss, if any, is recognised in Profit & Loss Account.



## H) Turnover:

Turnover includes sale of goods adjusted for discounts.

## I) Employee Benefits:

### 1. Gratuity:

The Company contributes towards Group Gratuity Fund (defined benefit retirement plan) administered by the Life Insurance Corporation of India, for eligible employees. Under this scheme, the settlement obligation remains with the Company, while the Life Insurance Corporation of India administers the scheme and determines the premium to be contributed by the Company. The plan provides for a lump-sum payment to the vested employees on retirement or termination of employment, based on the respective employees' salary and the years of service with the Company. Liability with regard to gratuity fund is accrued, based on actuarial valuation conducted by an independent actuary, using the projected unit credit method as at March 31, every year.

### 2. Provident Fund :

Retirement benefit in the form of Provident Fund is a defined contribution scheme and the contributions are charged off to the Profit and Loss account of the year when the contributions to the fund are due. There are no other obligations other than the contributions to be remitted to the Provident Fund Authorities.

### 3. Leave Encashment :

Provision for Leave Encashment is recognised in the books as per the actuarial valuation.

## J) Borrowing Cost:

Borrowing costs that are attributable to the acquisition or construction of qualifying assets are capitalised as part of the cost of such assets. A qualifying asset is one that takes necessarily substantial period of time to get ready for its intended use. All other borrowing costs are charged to revenue.

## K) Provision for Current and Deferred Tax:

Provision for current tax is made after taking into consideration benefits admissible under the provisions of the Income tax Act, 1961. Deferred tax resulting from "timing difference" between taxable and accounting income is accounted for using the tax rates and laws that are enacted or substantively enacted as on the balance sheet date. Deferred tax asset is not recognised in the books as matter of prudence.

## L) Research and Development:

Capital expenditure incurred has been disclosed under their natural heads of account and revenue expenditure incurred is charged off as a distinct item in the Profit and Loss account.

## M) Claims:

Claims by and against the company, including liquidated damages, are recognised on acceptance basis.

### 3. As per Accounting Standard 15 "Employee Benefits", the disclosures of Employee benefits as defined in the Accounting Standard are given below:

#### Defined Contribution Plan

Contribution to Defined Contribution Plan recognised as expenses for the year as under:

|   | (Rs. in lakhs) |         |
|---|----------------|---------|
|   | 2007-08        | 2006-07 |
| Employer's Contribution to Provident Fund | 46.00          | 38.38   |
| Employer's Contribution to ESI            | 0.87           | 0.85    |

## SCHEDULES



### Defined Benefit Plan

The employees' gratuity fund scheme managed by a Trust is a defined benefit plan. The present value of obligation is determined based on actuarial valuation using the Projected Unit Credit Method, which recognised each period of service as giving rise to additional unit of employee benefit entitlement and measures each unit to build up the final obligation. The obligation for leave encashment is recognised in the books as per LIC actuarial valuation.

#### I. Reconciliation of opening and closing balances of Defined Benefit obligation

|   | <b>Gratuity<br/>(Funded)<br/>2007-08</b> |
|---|--|
| Defined Benefit obligation at beginning of the year | 81.97                                    |
| Current Service Cost                                | 7.11                                     |
| Interest Cost                                       | 6.56                                     |
| Actuarial (gain) / loss                             | 4.24                                     |
| Benefits paid                                       | 7.61                                     |
| Defined Benefit obligation at year end              | 92.27                                    |

#### II. Reconciliation of opening and closing balances of fair value of plan assets

|  | <b>Gratuity<br/>(Funded)<br/>2007-08</b> |
|--|--|
| Fair value of plan assets at beginning of the year | 91.59                                    |
| Expected Net return on plan assets                 | 8.50                                     |
| Employer contribution                              | 8.87                                     |
| Benefits paid                                      | 7.61                                     |
| Fair value of plan assets at year end              | 101.35                                   |

#### III. Reconciliation of fair value of assets and obligations.

|                                    | <b>Gratuity<br/>(Funded)<br/>2007-08</b> | <b>Leave<br/>Encashment<br/>2007-08</b> |
|------------------------------------|--|---|
| Fair value of plan assets          | 101.35                                   | —                                       |
| Present value of obligation        | 92.27                                    | —                                       |
| Amount recognised in Balance sheet | 9.08                                     | 46.98                                   |

#### IV. Expenses recognised during the year

|                                 | <b>Gratuity<br/>(Funded)<br/>2007-08</b> |
|---------------------------------|--|
| Current Service Cost            | 7.11                                     |
| Interest Cost                   | 6.56                                     |
| Expected return on plan assets. | 8.50                                     |
| Actuarial (Gain/ Loss)          | 4.24                                     |
| <b>Net Cost</b>                 | <b>9.41</b>                              |

#### V. Investment Details:

|        | <b>% Invested<br/>As at 31<sup>st</sup><br/>March 2008</b> |
|--------|--|
| L.I.C. | 100.00   |



**VI. Actuarial assumptions**

|  | <b>Gratuity<br/>(Funded)<br/>2007-08</b> |
|--|--|
| Mortality Table (LIC)                              |  |
| Discount rate (per annum)                          | <b>8%</b>                                |
| Expected rate of return on plan assets (per annum) | <b>8%</b>                                |
| Rate of escalation in salary (per annum)           | <b>4%</b>                                |

The estimates of rate of escalation in salary considered in actuarial valuation, take into account inflation, seniority, promotion and other relevant factors including supply and demand in the employment market. The above information is certified by the actuary.

The expected rate of return on plan assets is determined considering several applicable factors, mainly the composition of plan assets held, assessed risks, historical results of return on plan assets and the Company's policy for plan assets management.

|  | <b>[Rs. in Lakhs]</b>       |                     |
|--|-----------------------------|---------------------|
|  | <b>As at<br/>31.03.2008</b> | As at<br>31.03.2007 |
| <b>4. Contingent liabilities not provided for</b>              |                             |                     |
| a) Bank guarantees   | <b>2003.40</b>              | 3092.58             |
| b) Letters of credit   | <b>3144.44</b>              | 3966.15             |
| c) Bills discounted  | <b>501.66</b>               | 2176.80             |
| <b>5. Claims against the company not acknowledged as debts</b> |                             |                     |
| Income Tax   | <b>386.41</b>               | 355.47              |

(The revenue has appealed before Hon'ble High Court of Andhra Pradesh against the order of Hon'ble Andhra Pradesh Income Tax appellate Tribunal, Hyderabad which was in favour of the Company)

- 6. Miscellaneous Expenditure - Schedule K** Rs. NIL (previous year Rs.2951.41 lakhs) represents Interest on Term Loans not debited to Profit & Loss Account in earlier years. These amounts are deferred by Financial Institutions for repayments up to 2012-13 and the Company has exercised the option of prepayment and repaid the entire due of Rs.2951.41 lakhs, during the year and debited to Profit & Loss Account, the Profit for the current year would have been higher by Rs.2951.41 lakhs (Previous year Rs.621.93 lakhs).
- 7. Term Loans and interest accrued thereon** are secured by a first charge on all the immovable properties and on all movable assets, both present and future, subject to prior charge on specified movables created in favour of Bankers by way of security for working capital borrowings. The charges created shall rank pari passu among the lenders and are guaranteed by the Managing Director, Joint Managing Director and M/S United Steel Allied Industries Pvt. Ltd. Term Loans include Rs. 148.76 lakhs (previous year Rs.778.69 lakhs) payable within one year.



8. Working Capital Loans from banks and interest accrued on these loans are secured by hypothecation of present and future raw materials, work in progress, finished goods, stores and spares and book debts of the company and a second charge on the immovable properties and are guaranteed by the Managing Director, Joint Managing Director and M/s. United Steel Allied Industries Pvt. Ltd.
9. The Company has provided for Deferred Tax in accordance with Accounting Standard on 'Accounting for Taxes on Income' (AS-22) issued by the Institute of Chartered Accountants of India. The details of deferred tax assets and liabilities of the Company as on the date of Balance Sheet are as follows:

|   | <b>As on 31.03.2008</b> |
|---|-------------------------|
| Deferred Tax Liability  |                         |
| - on Fixed assets   | 26,04,51,397            |
| Deferred Tax Asset  |                         |
| - on Gratuity   | 59,89,157               |
| Net Deferred Tax Liability                                    | 25,44,62,240            |
| Net Deferred Tax charge to Profit & Loss Account for the year | <b>8,64,91,715</b>      |

|   | <b>(Rs. in Lakhs)</b> |         |
|---|-----------------------|---------|
|   | <b>2007-08</b>        | 2006-07 |
| <b>10. a. Managerial Remuneration</b>     |                       |         |
| Salary paid/payable                       | <b>133.32</b>         | 73.16   |
| Contribution to provident and other funds | <b>2.66</b>           | 2.38    |
| Perquisites                               |                       |         |
|   | <b>3.50</b>           | 3.10    |
|   | <b>139.48</b>         | 78.64   |

|   | <b>(Rs.in lakhs)</b> |
|---|----------------------|
| <b>b. Computation of Net Profit in Accordance with Section 309 (5)</b>        |                      |
| Profit before tax as per Profit & Loss Account                                | <b>4467.04</b>       |
| Add: Depreciation charged in the accounts                                     | <b>718.42</b>        |
| Directors emoluments (Directors Remuneration & Sitting fees)                  | <b>142.63</b>        |
| Less: Depreciation charged in the accounts                                    | <b>718.42</b>        |
| Profit on sale of fixed assets  | <b>0.37</b>          |
|   | <b>718.79</b>        |
|   | <b>4609.30</b>       |
| Maximum Remuneration to Whole Time Directors @10% of Net Profit for the Year: | <b>460.93</b>        |



**11. Earning per Share:**

|  | <b>2007-08</b>      | 2006-07     |
|--|---------------------|-------------|
|  | <b>Rs.</b>          | Rs.         |
| Total No. of Shares                      | <b>4,42,89,530</b>  | 4,42,89,530 |
| Profit after Taxes and exceptional items | <b>28,91,26,373</b> | 9,33,07,008 |
| Earning per share                        | <b>6.53</b>         | 2.11        |

**12. Segment Reporting:**

The Company is predominantly engaged in the manufacture and sale of Oil Country Tubular Goods where the risks and returns associated with the product are uniform. Hence, the Company has identified the geographic segments as its primary segment for reporting. The geographic segments of the Company are America, Europe, India and Other Asian Countries.

**(Rs.in Lakhs)**

| Particulars             | Geographic Segment |         |         |                       |          |
|-------------------------|--------------------|---------|---------|-----------------------|----------|
|                         | America            | Europe  | India   | Other Asian Countries | Total    |
| Revenue                 | 3858.66            | 4628.42 | 8539.13 | 16927.23              | 33953.44 |
| Operating Expenses      | 3371.44            | 4044.01 | 7460.93 | 14789.89              | 29666.27 |
| Unallocated Expenses    |                    |         |         |                       |          |
| Operating Income        |                    |         | 179.87  |                       | 179.87   |
| Non-operating Income    |                    |         |         |                       | 0.00     |
| Profit before Tax       | 487.22             | 584.41  | 1255.07 | 2137.34               | 4467.04  |
| Tax                     | 179.08             | 214.80  | 393.30  | 785.60                | 1575.78  |
| Net Profit              | 308.14             | 369.61  | 861.77  | 1351.74               | 2891.26  |
| Fixed Assets            |                    |         |         |                       | 5038.33  |
| Current Assets          |                    |         |         |                       | 10824.37 |
| Total Assets            |                    |         |         |                       | 15862.70 |
| Segment Liabilities     |                    |         |         |                       | 0.00     |
| Unallocable Liabilities |                    |         |         |                       | 15862.70 |
| Total Liabilities       |                    |         |         |                       | 15862.70 |

**13. Prior Period Adjustments include the following:**

|                               | <b>(Rs.in Lakhs)</b>      |               |
|-------------------------------|---------------------------|---------------|
|                               | <b>(CREDITS) / DEBITS</b> |               |
|                               | Current Year              | Previous Year |
| Raw Material                  | —                         | 14.51         |
| Clearing & Forwarding Charges | —                         | 5.53          |
|                               | —                         | 20.04         |

## SCHEDULES



14. (A) In accordance with the Accounting Standard No.18, the details of related party transactions are as follows:

(Rs.in Lakhs)

| SL. NO. | PARTICULARS OF THE PARTY                 | RELATIONSHIP                        | NATURE OF TRANSACTIONS                                    | 31.03.08      | 31.03.07      |
|---------|--|-------------------------------------|---|---------------|---------------|
| A       | United Steel Allied Industries Pvt. Ltd. | Two of the Directors are interested | Maintenance of Plant & Machinery                          | 63.63         | 63.57         |
| B       | Mrs. K. Indira                           | Two of the Directors are related    | Rent for office premises<br>Rent for Tractors' at Factory | 14.46<br>1.44 | 13.13<br>1.44 |
| C       | Mrs. B. UshaSree                         | Two of the Directors are related    | Rent for office premises                                  | 14.28         | 12.95         |

- (B) Remuneration to Directors is as follows:

(Rs.in Lakhs)

| SL. NO. | PARTICULARS OF THE PARTY | RELATIONSHIP   | NATURE OF TRANSACTIONS            | 31.03.08 | 31.03.07 |
|---------|--------------------------|--|-----------------------------------|----------|----------|
| A       | Sri K.Suryanarayana      | Managing Director - Related to Sri K.Sridhar – Jt. Managing Director | Remuneration as Managing Director | 81.00    | 36.00    |
| B       | Sri K.G.Joshi            | Director   | Remuneration as Director          | 27.02    | 16.88    |
| C       | Sri K.Sridhar            | Joint Managing Director - Related to Managing Director               | Remuneration as Director          | 31.46    | 20.28    |

15. There are no due to any creditors constituting "Suppliers" within the meaning of Section 2 (n) of the Micro, Small and Medium Enterprises Development Act, 2006.

### 16. QUANTITATIVE INFORMATION REGARDING CAPACITIES AND PRODUCTION:

| SL. NO. | CLASS OF GOODS                                      | UNIT | ANNUAL LCENCED* CAPACITY QTY. | ANNUAL INSTALLED CAPACITY QTY. | PRODUCTION DURING THE YEAR QTY. |
|---------|---|------|-------------------------------|--------------------------------|---------------------------------|
| A       | Casing Pipes Upto 20"OD                             | M.T. | 50000<br>(50000)              | 50000<br>(50000)               | 3449.41<br>(11516.03)           |
| B       | Production Tubing (Coated / Uncoated) upto 4-1/2"OD | M.T. | 15000<br>(15000)              | 15000<br>(15000)               | 1482.63<br>(2373.52)            |
| C       | Drill Pipes (Coated/ Uncoated) upto 5-1/2"OD        | M.T. | 10000<br>(10000)              | 10000<br>(10000)               | 11214.21<br>(8663.24)           |
|         | TOTAL .....   | M.T. | 75000<br>(75000)              | 75000<br>(75000)               | 16146.25<br>(22552.79)          |

(Previous year figures are given in brackets)

- Delicensed with effect from 25.07.1991

# SCHEDULES



## TURNOVER AND STOCKS:

| SL. NO. | CLASS OF GOODS                   | OPENING STOCK AS AT 01.04.2007 |                     | CLOSING STOCK AS AT 31.03.2008 |                     | TURNOVER AS AT 31.03.2008 |                        |
|---------|----------------------------------|--------------------------------|---------------------|--------------------------------|---------------------|---------------------------|------------------------|
|         |                                  | QTY. IN M.T.                   | VALUE Rs. IN LAKHS  | QTY. IN M.T.                   | VALUE Rs. IN LAKHS  | QTY. IN M.T.              | VALUE Rs. IN LAKHS     |
| A       | Casing Pipes                     | 977.50<br>(36.55)              | 575.30<br>(23.14)   | 384.25<br>(977.50)             | 187.89<br>(575.30)  | 4042.66<br>(10109.58)     | 3992.52<br>(8094.18)   |
| B       | Production Tubing                | —<br>(74.53)                   | —<br>(39.62)        | 220.34<br>(-)                  | 115.87<br>(-)       | 1262.29<br>(2151.56)      | 1394.13<br>(1684.32)   |
| C       | Drill Pipes                      | 566.26<br>(124.35)             | 710.91<br>(349.55)  | 993.43<br>(566.26)             | 447.81<br>(710.91)  | 10787.04<br>(8221.33)     | 26835.14<br>(16561.15) |
| D       | Reconditioning Jobs and Services | -<br>(-)                       | -<br>(-)            | -<br>(-)                       | -<br>(-)            | -<br>(-)                  | 2593.74<br>(870.94)    |
|         | TOTAL.....                       | 1543.76<br>(235.43)            | 1286.21<br>(412.61) | 1598.02<br>(1543.76)           | 751.57<br>(1286.21) | 16091.99<br>(20482.47)    | 34815.53<br>(27210.59) |

TDS on Reconditioning Jobs and Services Rs.0.06 lakhs.  
(Previous year figures are given in brackets)

|   | 31.03.2008         |                 | 31.03.2007    |                 |
|---|--------------------|-----------------|---------------|-----------------|
|   |                    | Rs .in Lakhs    |               | Rs .in Lakhs    |
| <b>17. CIF VALUE OF IMPORTS</b>                   |                    |                 |               |                 |
| Raw Materials                                     |                    | 4881.89         |               | 4237.68         |
| Stores, Spares and Tools                          |                    | 595.85          |               | 313.28          |
| <b>18. RAW MATERIAL CONSUMPTION</b>               | <b>Qty in M.T.</b> |                 | Qty in M.T.   |                 |
| Casing Pipes                                      | <b>3732.178</b>    | <b>2348.13</b>  | 11022.760     | 6394.99         |
| Production Tubing                                 | <b>1465.548</b>    | <b>758.74</b>   | 2652.530      | 1059.72         |
| Drill Pipes                                       | <b>8036.826</b>    | <b>11045.68</b> | 9307.220      | 10325.06        |
| <b>RAW MATERIAL CONSUMPTION</b>                   | <b>Percent</b>     |                 | Percent       |                 |
| Imported  | <b>40.07</b>       | <b>5671.49</b>  | 24.37         | 4333.03         |
| Indigenous  | <b>59.93</b>       | <b>8481.06</b>  | 75.63         | 13446.74        |
|   | <b>100.00</b>      | <b>14152.55</b> | <b>100.00</b> | <b>17779.77</b> |
| <b>19. STORES, SPARES &amp; TOOLS CONSUMPTION</b> | <b>Percent</b>     |                 |               |                 |
| Imported  | <b>22.30</b>       | <b>682.31</b>   | 26.25         | 348.04          |
| Indigenous  | <b>77.70</b>       | <b>2377.09</b>  | 73.25         | 978.07          |
|   | <b>100.00</b>      | <b>3059.40</b>  | <b>100.00</b> | <b>1326.11</b>  |
| <b>20. EXPENDITURE IN FOREIGN CURRENCY</b>        |                    |                 |               |                 |
| Travelling  |                    | <b>35.81</b>    |               | 52.30           |
| Others  |                    | <b>219.86</b>   |               | 98.24           |
|   |                    | <b>255.67</b>   |               | <b>150.54</b>   |
| <b>21. EARNINGS IN FOREIGN CURRENCY</b>           |                    |                 |               |                 |
| FOB value of Exports                              |                    | <b>25414.31</b> |               | 10389.68        |
| Domestic Sales                                    |                    | <b>7070.52</b>  |               | 12332.74        |

**22. Previous year figures have been regrouped wherever necessary.**

Per our report attached  
for **C.K.S. ASSOCIATES**  
Chartered Accountants

**P. Ganpati Rao**  
Partner  
M.No. 24113

For and on behalf of the Board of Directors

**Dr.T.S.Sethurathnam**  
Chairman  
**K.Suryanarayana**  
Managing Director  
**K.Sridhar**  
Joint Managing Director

**Dato' Dr. Abdul Halim Bin Harun**  
**K.V. Ravindra Reddy**  
**Dr. N.S. Datar**  
**L. N. Janarthanan**  
**K.G. Joshi**  
Directors

Place : Hyderabad  
Date : 13.06.2008

**C.S. Rao**  
Company Secretary

# CASH FLOW STATEMENT



[Rs. in Lakhs]

|   | Year Ended<br>31.03.2008 | Year Ended<br>31.03.2007 |
|---|--------------------------|--------------------------|
| <b>A. CASH FLOW FROM OPERATING ACTIVITIES</b>                               |                          |                          |
| Net Profit before Tax and<br>Extraordinary Items                            | 4467.04                  | 1144.11                  |
| Adjustments for :   |                          |                          |
| Depreciation  | 718.42                   | 624.14                   |
| Miscellaneous Expenditure Written Off                                       | 2951.41                  | 621.93                   |
| Interest from Banks and Others  | (51.75)                  | (180.68)                 |
| Central Subsidy Trasfered to P&L  | (15.00)                  | 0.00                     |
| (Profit)/Loss on Sale of Assets   | (0.37)                   | 0.86                     |
| Interest on Working Capital Loans   | 208.70                   | 323.40                   |
| Exchange rate fluctuation   | 19.88                    | (8.14)                   |
| Operating Profit before Working Capital Charges                             | 8298.33                  | 2525.62                  |
| Adjustments for :   |                          |                          |
| (Increase)/Decrease in Inventories  | 2068.00                  | (1563.70)                |
| (Increase)/Decrease in Sundry Debtors                                       | (2438.05)                | 137.05                   |
| (Increase)/Decrease in Other Current Assets                                 | 135.55                   | 0.00                     |
| (Increase)/Decrease in Loans and Advances                                   | (59.51)                  | (705.43)                 |
| Increase/(Decrease) in Current Liabilities                                  | (1685.91)                | 2740.53                  |
| Increase/(Decrease) in Cash Credit Loans                                    | (430.80)                 | (199.80)                 |
| Increase/(Decrease) in Other Loans  | 0.00                     | 0.00                     |
| Increase/(Decrease) in interest accrued                                     | (90.02)                  | (21.20)                  |
| Cash Generated from Operations  | 5797.59                  | 2913.07                  |
| Adjustments for :   |                          |                          |
| Interest on Working Capital Loans   | (208.70)                 | (323.40)                 |
| Prior Period Adjustments  | 0.00                     | (20.04)                  |
| Direct Taxes Paid   | 0.03                     | 0.06                     |
| <b>Total : (A)</b>  | <b>5588.92</b>           | <b>2569.69</b>           |
| <b>B. CASH FLOW FROM INVESTING ACTIVITIES</b>                               |                          |                          |
| Purchase of Fixed Assets  | (770.23)                 | (1279.23)                |
| Sale of Fixed Assets  | 1.71                     | 0.40                     |
| Interest Received   | 51.75                    | 180.68                   |
| <b>Total : (B)</b>  | <b>(716.77)</b>          | <b>(1098.15)</b>         |
| <b>C. CASH FLOW FROM FINANCING ACTIVITIES</b>                               |                          |                          |
| Increase/(Decrease) in Share Capital  | 0.00                     | 0.00                     |
| Increase/(Decrease) in Term Loans   | (4545.86)                | (1132.27)                |
| <b>Total : (C)</b>  | <b>(4545.86)</b>         | <b>(1132.27)</b>         |
| Net Increase/(Decrease) in Cash and<br>Cash Equivalents ( Total A + B + C ) | 326.29                   | 339.27                   |
| Exchange rate fluctuation   | (19.88)                  | 8.14                     |
| Opening Balance of Cash and Cash Equivalents                                | 960.34                   | 612.93                   |
| Closing Balance of Cash and Cash Equivalents                                | <b>1266.75</b>           | <b>960.34</b>            |

**For C K S ASSOCIATES**  
Chartered Accountants

**P.Ganapati Rao**  
Partner  
M.No.24113

Place : Hyderabad  
Date : 13th June, 2008

For and On Behalf of the Board

**K.Suryanarayana**  
Managing Director



## BALANCE SHEET ABSTRACT AND COMPANY'S GENERAL BUSINESS PROFILE

|     |   |  |                         |  |
|-----|---|--|-------------------------|--|
| 1   | Registration No   | <input type="text"/> <input type="text"/> <input type="text"/> <input type="text"/> <input type="text"/> <input type="text"/> 5 3 2 9  | State Code              | <input type="text"/> 0 <input type="text"/> 1  |
|     | Balance Sheet Date  | <input type="text"/> 3 <input type="text"/> 1 <input type="text"/> 0 <input type="text"/> 3 <input type="text"/> 2 <input type="text"/> 0 <input type="text"/> 0 <input type="text"/> 8  |                         |  |
| II  | Capital raised during the year (Amounting Rs. Thousands)                              |  |                         |  |
|     | Public issue  | <input type="text"/> - <input type="text"/> - <input type="text"/> - <input type="text"/> - <input type="text"/> - <input type="text"/> - <input type="text"/> - <input type="text"/> - <input type="text"/> -   | Rights issue            | <input type="text"/> - <input type="text"/> - <input type="text"/> - <input type="text"/> - <input type="text"/> - <input type="text"/> - <input type="text"/> - <input type="text"/> - <input type="text"/> - |
|     | Bonus issue   | <input type="text"/> - <input type="text"/> - <input type="text"/> - <input type="text"/> - <input type="text"/> - <input type="text"/> - <input type="text"/> - <input type="text"/> - <input type="text"/> -   | Private Placement       | <input type="text"/> - <input type="text"/> - <input type="text"/> - <input type="text"/> - <input type="text"/> - <input type="text"/> - <input type="text"/> - <input type="text"/> - <input type="text"/> - |
| III | Position of Mobilisation and Deployment of Funds (Amounts in Rs. Thousands)           |  |                         |  |
|     | Total Liabilities   | <input type="text"/> <input type="text"/> <input type="text"/> 1 0 1 8 0 8 9   | Total Assets            | <input type="text"/> <input type="text"/> <input type="text"/> 1 0 1 8 0 8 9   |
|     | Sources of Funds  |  |                         |  |
|     | Paid - up Capital   | <input type="text"/> <input type="text"/> <input type="text"/> 4 4 2 8 9 5   | Reserves & Surplus      | <input type="text"/> <input type="text"/> <input type="text"/> 3 8 1 6 5 3   |
|     | Secured Loans   | <input type="text"/> <input type="text"/> <input type="text"/> 1 0 7 0 4 9   | Unsecured Loans         | <input type="text"/> - <input type="text"/> - <input type="text"/> - <input type="text"/> - 8 6 4 9 2  |
|     | Application of Funds  |  |                         |  |
|     | Net fixed Assets  | <input type="text"/> <input type="text"/> <input type="text"/> 5 0 3 8 3 3   | Investments             | <input type="text"/> - <input type="text"/> - <input type="text"/> - <input type="text"/> - <input type="text"/> - <input type="text"/> - <input type="text"/> - <input type="text"/> -                        |
|     | Net Current Assets  | <input type="text"/> <input type="text"/> <input type="text"/> 5 1 4 2 5 6   | Misc. Expenditure       | <input type="text"/> - <input type="text"/> - <input type="text"/> - <input type="text"/> - <input type="text"/> - <input type="text"/> - <input type="text"/> - <input type="text"/> -                        |
|     | Accumulated Losses  | <input type="text"/> - <input type="text"/> - <input type="text"/> - <input type="text"/> - <input type="text"/> - <input type="text"/> - <input type="text"/> - <input type="text"/> - <input type="text"/> -   |                         |  |
| IV  | Performance of Company (Amount in Rs. Thousands)                                      |  |                         |  |
|     | Turnover  | <input type="text"/> <input type="text"/> <input type="text"/> 3 3 9 5 3 4 4   | Total Expenditure       | <input type="text"/> <input type="text"/> <input type="text"/> 2 9 4 8 6 4 0   |
|     | + - Profit before Tax   | <input type="text"/> + <input type="text"/> <input type="text"/> <input type="text"/> 4 4 6 7 0 4 <input type="text"/> + <input type="text"/> -  | Profit / Loss after tax | <input type="text"/> <input type="text"/> <input type="text"/> 2 8 9 1 2 6   |
|     | (Please tick Appropriate box + for Profit, - for loss)                                |  |                         |  |
|     | Earning per Share in Rs.  | <input type="text"/> <input type="text"/> <input type="text"/> 6 . 5 3   | Dividend %              | <input type="text"/> - <input type="text"/> -  |
| V   | Generic Names of Three Principal Products/Services of Company (as per monetary terms) |  |                         |  |
|     | Item Code No. (ITC Code)  | <input type="text"/> 7 <input type="text"/> 3 <input type="text"/> 0 <input type="text"/> 4 <input type="text"/> 3 <input type="text"/> 1 <input type="text"/> 9 <input type="text"/> 9 <input type="text"/> 0   |                         |  |
|     | Product Description   | <input type="text"/> C <input type="text"/> A <input type="text"/> S <input type="text"/> I <input type="text"/> N <input type="text"/> G <input type="text"/> <input type="text"/> P <input type="text"/> I <input type="text"/> P <input type="text"/> E <input type="text"/> S  |                         |  |
|     |   | <input type="text"/> P <input type="text"/> R <input type="text"/> O <input type="text"/> D <input type="text"/> U <input type="text"/> C <input type="text"/> T <input type="text"/> I <input type="text"/> O <input type="text"/> N <input type="text"/> <input type="text"/> T <input type="text"/> U <input type="text"/> B <input type="text"/> I <input type="text"/> N <input type="text"/> G |                         |  |
|     |   | <input type="text"/> D <input type="text"/> R <input type="text"/> I <input type="text"/> L <input type="text"/> L <input type="text"/> <input type="text"/> P <input type="text"/> I <input type="text"/> P <input type="text"/> E <input type="text"/> S   |                         |  |



# OIL COUNTRY TUBULAR Ltd.

Registered Office: 108, Kanchanjunga Complex, King Koti Road, Hyderabad-500001

## PROXY FORM

I/We.....of.....being a member of the above named Company, hereby appoint the following as my/our Proxy to attend and vote for me/us and on my/our behalf at the Twenty Second Annual General Meeting of the Company, at Tajmahal Hotel, Akshaya Hall, Abids, Hyderabad – 500 001 to be held on Friday, the 18<sup>th</sup> July, 2008 at 10.00 a.m. and at any adjournment thereof:

1. Mr/Ms .....(Signature), or falling him
2. Mr/Ms .....(Signature), or falling him
3. Mr./Ms .....(Signature)

Number of Shares held ..... Signed this .....day of .....2008

Reference Folio No./ DP ID & Client ID ..... Signature(s) of Member(s)

- (1).....
- (2). .....
- (3) .....

Affix  
Revenue  
Stamp

**NOTES:** Please see overleaf

# OIL COUNTRY TUBULAR Ltd.

Registered Office: 108, Kanchanjunga Complex, King Koti Road, Hyderabad-500001

## ATTENDANCE SLIP

(To be handed over at the entrance of the meeting hall)

Full name of the member attending .....

Member's Folio No / Client ID :.....No. of Shares held .....

Name of Proxy.....

(To be filled in, if the Proxy attends instead of the Member)

I hereby record my presence at the 22<sup>nd</sup> Annual General Meeting of the Oil Country Tubular Limited, at Taj Mahal Hotel, 2<sup>nd</sup> Floor, Akshaya Hall, 4-1-999, Abids Road, Hyderabad – 500 001 on Friday, 18<sup>th</sup> July, 2008 at 10.00 a.m.

.....  
**Member's/Proxy's Signature**



**Note:**

1. Members are requested to bring their copies of the Annual Report to the meeting, since further copies will not be available.
2. The Proxy, to be effective should be deposited at the Registered Office of the Company not less than FORTY-EIGHT HOURS before the commencement of the Meeting.
3. A Proxy need not be a member of the Company.
4. In the case of joint holders, the vote of the senior who tenders a vote, whether in person or by Proxy, shall be accepted to the exclusion of the vote of the other joint holders. Seniority shall be determined by the order in which the names stand in the Register of Members.
5. This form of proxy confers authority to demand or join in demanding a poll.
6. The submission by a member of this form of proxy will not preclude such member from attending in person and voting at the meeting.