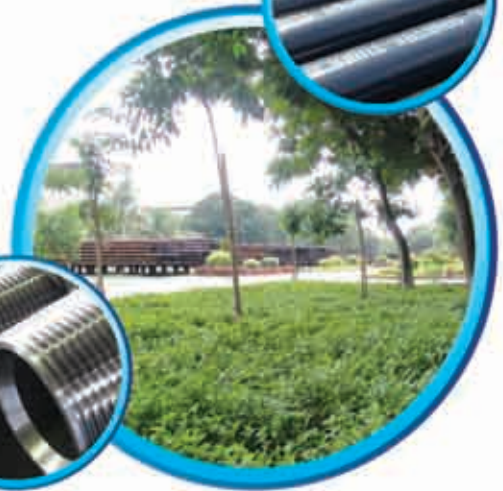




Oil Country Tubular Ltd.

INDIA



Twenty Fifth Annual Report 2010-2011



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

COMPANY SECRETARY Mr.C S Rao

REGISTERED OFFICE 108, Kanchanjunga
King Koti Road
Hyderabad - 500 001(A.P)
Phone No. 040 - 23231496 / 23231497

BANKERS Bank of India
State Bank of Hyderabad
Canara Bank
Allahabad Bank

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

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

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

NOTICE TO MEMBERS



Notice is hereby given that Twenty Fifth Annual General Meeting of Oil Country Tubular Limited will be held on Saturday, the 28th day of May 2011 at 10.00 A.M. at Taj Mahal Hotel, 2nd Floor, Akshaya Hall, 4-1-999, Abids Road, Hyderabad - 500 001 to transact the following business.

ORDINARY BUSINESS:

- 1) To receive, consider and adopt the Audited Profit and Loss Account for the year ended 31st March, 2011 and Balance Sheet as at that date together with Directors' Report and Auditors' Report thereon.
- 2) To declare a Dividend on Equity Shares.
- 3) To appoint a Director in place of Dr.N.S.Datar who retires by rotation and being eligible offers himself for reappointment.
- 4) 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:

- 5) To consider and if thought fit, to pass with or without modification, the following Resolution as Special Resolution.
"Resolved that subject to the Provision 269,309,198, read with sub clause (c) of Part - I Section I and II of Part - II of Schedule XIII and other applicable Provisions of the Companies Act, 1956, Mr. K. Suryanarayana be and is hereby appointed as Executive Chairman of the Company for a period of three years with effect from 20.01.2011 at a remuneration and upon terms and conditions as set out in the agreement placed before the meeting and initialed by the Chairman for the purpose of identification."

"Resolved further the Board be and is hereby authorized to alter and vary the terms and conditions of the said agreement in such a manner as may be agreed to by the Board and Mr. K Suryanarayana but so as not to exceed the limits specified in schedule XIII of the Companies Act, 1956, or any amendment there to or enactments thereof, with effect from such date as may be decided by it."

- 6) To consider and if thought fit, to pass with or without modification, the following Resolution as Special Resolution.
"Resolved that subject to the Provision 269,309,198, read with Sub Clause (c) of Part - I Section I and II of Part - II of Schedule XIII and other applicable provision of the Companies Act, 1956, Mr. K G Joshi be and is hereby appointed as Director(Technical) of the Company for a period of three years with effect from 01.10.2010 at a remuneration and upon terms and conditions as set out in the agreement placed before the meeting and initialed by the Chairman for the purpose of identification."

"Resolved further the Board be and is hereby authorized to alter and vary the terms and conditions of the said agreement in such a manner as may be agreed to by the Board and Mr. K G Joshi but so as not to exceed the limits specified in schedule XIII of the Companies Act, 1956, or any amendment there to or enactments thereof, with effect from such date as may be decided by it."

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

"Resolved that Mr. Syed Hisham Bin Syed Wazir, who was appointed as Additional Director of the Company by the Board of Directors and who ceases to hold office at conclusion of this Annual General Meeting and in respect of which the Company has received a notice in writing alongwith a deposit of Rs.500/- (Rupees Five Hundred Only) under Section 257 of Companies Act, 1956 from a member proposing his candidature for the office of the Director be and is hereby appointed as Director of the Company whose period of office shall be liable to be determined by retirement of Directors by rotation."

Regd. Office :

108, Kanchanjunga
King Koti Road
Hyderabad-500 001
Date: 28.04.2011

By Order of the Board of Directors

C S RAO
COMPANY SECRETARY



Notes:

- 1) A member entitled to attend and vote is entitled to appoint one or more proxies to attend and vote instead of himself. A Proxy need not be a member of the Company. Instrument of proxies in order to be effective must be received by the Company not less than 48 hours before the time for holding the meeting.
- 2) The Register of Members and Transfer Books of the Company will be closed from 23rd May, 2011 to 28th May, 2011 (both days inclusive).
- 3) The Dividend, if declared at the Annual General Meeting, will be paid on or after 28th May, 2011 to those persons or their mandates.
 - a) Whose names appear as Beneficial Owners as at the end of the business hours on 21st May, 2011 in the list of Beneficial Owners to be furnished by National Securities Depository Limited and Central Depository Services (India) Limited.
 - b) Whose names appear as member in the Register of Members of the Company after giving effect to valid share transfers in physical form lodged with the Company / its Registrar and Transfer Agents on or before 23rd May, 2011.
- 4) Payments of Dividend through ECS.
 - a) Members holding shares in electronic form may please note that bank details as furnished by the National Securities Depository Limited (NSDL) and Central Depository Services (India) Limited (CDSIL) to the Company will be used for the purpose of distribution of dividend through Electronic Clearing Services (ECS) as directed by the Securities & Exchange Board of India. In the absence of ECS facility, the bank account details, if available, will be printed on the dividend warrants. Members holding shares in electronic form must give instructions regarding bank account in which they wish to receive dividend, to their Depository Participants. The Company or the Registrar and Share Transfer Agents will not act on any direct request from these members for change / deletion in such bank details.
 - b) Members holding shares in Physical form are advised to submit particulars of their bank account, viz., Name and Address of the Bank Branch, 9 Digit MICR Code of the Branch, type of Account and Account Number latest by 23rd May, 2011 to the Company or the Registrar and Transfer Agents.
- 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.
- 6) An explanatory statement pursuant to Section 173(2) of the Act is attached hereto.

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

- 5) Mr. K Suryanarayana, aged 74 years is a Metallurgical Engineer from Banaras Hindu University. He worked in Rourkela Steel Plant as Production Engineer. He was trained in Kaiser Steel Works, Fontana California, USA in the Technology of Steel Making.

Mr. K Suryanarayana was appointed as Chairman and Managing Director for a period of 3 years from 20th January, 2008 by the Board at the meeting held on 26th October, 2007 and approved by the Shareholders in the Annual General Meeting held on 18th July, 2008. Consequent to the appointment of Mr. Sridhar Kamineni as Managing Director of the Company with effect from 1st October, 2009 the designation of Mr. K Suryanarayana is changed as Executive Chairman with effect from 1st October, 2009. His term expired on 19.01.2011.

The Remuneration Committee has recommended the Appointment of Mr.K.Suryanarayana as Executive Chairman at the existing level, subject to the approval of the Shareholders in the next Annual General Meeting. He will be paid a remuneration and perquisites as recommended by the Remuneration Committee are detailed below within the limits prescribed under section 269,309,198 under schedule XIII and other applicable provisions of the Companies Act, 1956 subject to overall ceiling fixed under Section XIII - Part II, Section I & II of Companies Act, 1956 amended from time to time.

| | | |
|-------------------|---|--|
| Salary | : | Rs.3,00,000/- Per Month |
| Commission | : | An amount equal to 5 (Five) percent of the Net Profit of the Company in each Financial Year computed in accordance with Section 349 of the Companies Act, 1956 including salary and perquisites. |

PERQUISITES:

Contribution to Provident Fund, Superannuation fund or annuity fund to the extent these either singly or put together are not taxable under the Income Tax Act, 1961. Gratuity payable at a rate not exceeding half month's salary for each completed year of service, and Encashment of leave at the end of the tenure.

If in any Financial Year, during the tenure of office of Mr. K Suryanarayana as Executive Chairman, the Company has inadequate Profits as computed under the applicable provisions of the Act, he shall be entitled to receive the aforementioned remuneration as the minimum remuneration as provided under the Act.

Your Directors recommend the Resolution for approval.

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

- 6) Mr. K G Joshi is a qualified Engineer with Honours Degree with wide and varied experience. He worked in various senior positions in the Public Sector for over 29 years. He has been associated with the Company from inception. He was appointed as Director (Technical) from 27.06.1997 and continuing in the same position till now. He was last appointed as a Director in the 22nd Annual General Meeting held on 18.07.2008 for a period of 3 years w.e.f. 01.10.2007 which term expired on 30.09.2010.

The Remuneration Committee has recommended to the Board to approve Reappointment and Remuneration of Mr. K G Joshi, Director for a period of 3 years with effect from 1.10.2010 subject to the approval of the shareholders in the next Annual General Meeting. He will be paid a remuneration and perquisites as recommended by the Remuneration Committee as detailed below within the limits prescribed under Section 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 I & II of the Companies Act, 1956 amended from time to time.

| | | |
|-------------------|---|---|
| Salary | : | Rs. 1, 50,000/- in the Pay scale of Rs.1, 50,000/- Rs. 25,000/- - Rs. 2, 00,000/- |
| COMMISSION | : | The amount equal to 1(one) percent of the Net Profit of the Company in each Financial Year computed in accordance with Section 349 of the Companies Act, 1956 including Salary and Perquisites. |

EXPLANATORY STATEMENT



In addition he will be entitled to

PERQUISITES :

- i) **HOUSING** : The Expenditure by Company on hiring furnished accommodation will be subject to a ceiling of 50% of the Salary.

In case no accommodation is provided by the Company, he 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.

- ii) **MEDICAL REIMBURSEMENT**: For Self and family, not exceeding one month Salary in a year or 3 months salary in a period of 3 years.
- iii) **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.
- iv) **CLUB FEES**: Club Fees subject to maximum of 2 Clubs, which will not include admission and life membership fees.
- v) **PERSONAL ACCIDENT INSURANCE**: Premium not exceeding Rs.2000/- per annum.

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

- a) **PROVIDENT FUND, SUPERANNUATION AND GRATUITY**: Provident Fund, Superannuation and Gratuity as per rules of the Company, subject to the ceiling as per the guidelines for managerial remuneration in force from time to time.
- b) **CAR**: Company's Car for business of the Company.
- c) **TELEPHONE**: Provision of telephone at residence will not be considered as perquisite but personal long distance calls shall be billed by the Company.
- d) **ENTERTAINMENT / TRAVELLING**: Reimbursement of travelling, entertainment and other expenses as incurred by him for the business of the Company.
- e) **PRIVILEGE LEAVE**: One Month's leave on full pay and allowance, for every eleven months of service.

If in any Financial Year, during the tenure of office of Mr. K G.Joshi as Director, the Company has inadequate Profits as computed under the applicable provisions of the Act, he shall be entitled to receive the aforementioned remuneration as the minimum remuneration as provided under the Act.

Your Directors recommend the Resolution for approval.

None of the Directors is interested in the resolution.

- 7) Datuk Syed Hisham Bin Syed Wazir is qualified Mechanical Engineer from Plymouth University, U.K. and MBA from Ohio State University, USA. Presently he is President and Chief Executive Officer of UMW Holdings Berhad Group, Malaysia. UMW Group has Oil and Gas Division dealing with Oil and Gas Exploration and Exploitation activities.

Datuk Syed Hisham Bin Syed Wazir was appointed as Additional Director of the Company pursuant to Section 260 of the Companies Act, 1956 at the meeting of Board of Directors of the company held on 21.10.2010. In terms of applicable provisions of the Companies Act, 1956 and Articles of Associations of the Company, his term of office as Additional Director expires at the conclusion of this meeting. The Company has received a notice from a member proposing his candidature for the office of Director and also deposited Rs.500/- (Rupees Five Hundred only).

The Resolution is recommend for your approval.

None of the Directors is interested in the resolution.

Regd. Office :

108, Kanchanjunga
King Koti Road
Hyderabad-500 001
Date: 28.04.2011

By Order of the Board of Directors

C. S. Rao
COMPANY SECRETARY

**To the Members,**

The Directors have pleasure in presenting the Twenty Fifth Annual Report on the Business of the Company and the Audited Statements of Accounts for the year ended 31st March, 2011 and Auditors report thereon.

OPERATIONS :

The Company achieved a turnover of Rs.328.15 Crores inclusive of Rs.222.18 Crores of Exports as against previous year turnover of Rs.334.73 Crores inclusive of Rs.226 Crores of Exports. The turnover has been less than that of the previous year due to subdued Oil exploration activities in the first half of 2010. The order Book position as on 31st March, 2011 is Rs.250 Crores out of which Export orders are to the tune of Rs. 80 Crores.

FINANCIAL RESULTS:

| S.No | | 2010-2011 (Rs. In Lakhs) | 2009-2010 (Rs. In Lakhs) |
|------|---|-----------------------------|-----------------------------|
| 1 | Gross Income | 32815.32 | 33473.02 |
| 2 | Profit Before Interest and Depreciation | 6253.79 | 10608.66 |
| 3 | Finance Charges | 830.71 | 173.38 |
| 4 | Gross Profit | 5423.08 | 10435.27 |
| 5 | Provision for Depreciation | 846.22 | 698.63 |
| 6 | Net Profit before tax | 4576.86 | 9736.64 |
| 7 | Provisions For Tax | 1529.47 | 4153.07 |
| 8 | Net Profit after tax | 3047.39 | 5583.57 |
| 9 | Balance of Profit brought forward. | 267.86 | 220.62 |
| 10 | Balance available for appropriation | 3315.25 | 5804.19 |
| 11 | Proposed Dividend on Equity Shares | 885.79 | 885.79 |
| 12 | Tax on proposed Dividend | 143.70 | 150.54 |
| 13 | Transfer to General Reserves | 2000.00 | 4500.00 |
| 14 | Surplus carried to Balance Sheet | 285.76 | 267.86 |

Dividend:

The Board of Directors of the Company are pleased to recommend dividend of Rs.2/- for each Equity Share of Rs. 10/- each on the Equity Share Capital of the Company for the Financial Year ended 31st March,2011 subject to approval of the Shareholders in the Annual General Meeting.

PROSPECTS:

The Oil and Gas Exploration activities continued to remain subdued during the first half of the year 2010-11. During the second half of the year, the Oil and Gas exploration activities have shown signs of increase, especially in the North America market. The number of active Rigs has gone to the levels of 1700 in North America in addition to 1147 Rigs in the International Market. However, with the availability of stocks on ground there was not much purchasing done by the Drilling Contractors and Distributors. There was initially redeployment of the available material to carry the oil exploration and drilling activities which directly had an impact on the sales during the year 2010-11.



With the number of rigs deployment increasing and depletion of the available stock materials, the active purchasing of the products showed signs of improvement in the last quarter of the year. This was much supported by the high Crude Oil prices of 115 USD / barrel, though the Natural Gas prices still remain to be below 5 USD / mmbtu. The political situation in the Middle East had a bearing on the price of the crude oil. With the price of 115 USD/barrel, the drilling activities are expected to be on the rise. The Company expects to increase the turnover to Rs. 400 Crores during the year 2011-12. The profitability is expected to marginally improve over the previous year as majority of the sales would be Casing.

MANAGEMENT DISCUSSION AND ANALYSIS REPORT:

As required by Clause 49 of the Listing Agreements with Stock Exchanges, the Management discussion and Analysis Report is enclosed as a part of this report (Annexure-1).

LISTING WITH STOCK EXCHANGES:

The Company confirms that it has paid the Annual Listing Fees for the year 2011-2012 to NSE and BSE, where the Company's Shares are listed.

DEMATERIALISATION OF SHARES:

85.87 % of the company's paid up Equity Share Capital is in dematerialized form as on March 31st, 2011. and balance 14.13 % is in physical form.

The Company's Registrars are M/s XL Softech Systems Ltd., 3 Sagar Society, Road No.2, Banjara Hills, Hyderabad - 500 034.

DIRECTORS:

Dr. N S Datar retire on rotation and being eligible offer himself for re-appointment.

During the year Dato Dr. Abdul Halim Bin Harun has resigned as Director from the Board with effect from 21.10.2010. The Board placed on record its appreciation for the valuable services rendered by Dato Dr. Abdul Halim Bin Harun during his tenure as Director on the Board of your Company.

Datuk Syed Hisham Bin Syed Wazir, Additional Director, appointed by the Board ceases to be a director at this Annual General Meeting. A notice was received from a shareholder for his appointment as director along with a deposit of Rs.500/- as required U/s 257 of the Companies act, 1956.

The Directors recommend appointment / reappointment as proposed in the notice for the Annual General Meeting.

THE DIRECTOR'S RESPONSIBILITY STATEMENT (UNDER SECTION 217 (2AA) OF COMPANIES ACT, 1956)

To the best of their knowledge and belief and according to the information and explanations obtained by them, your Directors make the following Statement in terms of Section 217 (2AA) of the Companies Act, 1956.

1. That in the preparation of the Annual Accounts for the year ended 31st March, 2011 the applicable Accounting Standards have been followed along with proper explanation relating to material departures, if any.
2. That such accounting policies as mentioned in Notes on Accounts have been selected and applied consistently and judgments and estimates that are reasonable and prudent made so as to give a true and fair view of the State of affairs of the Company at the Financial year 31st March, 2011 and of the profit of the Company for that year.



3. That proper and sufficient care has been taken for maintenance of adequate accounting records in accordance with the provisions of the Companies Act, 1956 for safeguarding the assets of the Company and for preventing and detecting fraud and other irregularities.
4. That the Annual Accounts for the year ended 31st March, 2011 has been prepared on a going concern basis.

AUDITORS:

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

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

CORPORATE GOVERNANCE :

Your Company is committed to maintain standards of good corporate governance and has taken adequate steps to adhere to all the stipulations laid down in Clause 49 of the Listing Agreement. Report on Corporate Governance along with the Certificate of the Auditors M/s C K S Associates confirming compliance of conditions of Corporate Governance form part of the Annual Report. (Annexure-II)

CONSERVATION OF ENERGY, TECHNOLOGY ABSORPTION AND FOREIGN EXCHANGE OUTGO :

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

PERSONNEL:

The Company had 3 persons who were in receipt of remuneration of not less than Rs.24,00,000 during the year ended 31st March, 2011 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
Date: 28.04.2011

For and on behalf of the Board Directors

K.SURYNARAYANA
Chairman



Management Discussions and Analysis report :

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

The Oil and Gas exploration activities in the first half of the year 2010-11 were subdued and the stocks on ground were still available which had an impact on the sales of the Company. Even under these conditions, the Company was able to achieve a turnover of Rs. 328.15 Crores as against Rs.334.73 Crores during the previous year 2009-10. The Exports during the year 2010-11 are to the tune of Rs. 222.18. Crores as against Rs. 226 Crores of the previous year.

During the year, the Company was able to penetrate the North America market. To meet the demands of high grade material, the Company embarked upon setting up a new Heat Treatment Facility within its existing premises. The Plant Building has been completed and all the equipment's have been ordered and are expected to be received during the third quarter of the year. The new Heat Treatment Facility is expected to be commissioned by December, 2011, which will enable the Company to increase its supplies of high grade materials in the international market. Effectively, the benefits of the new Heat Treatment facility would be visible during the financial year 2012-13.

The Company's order book position as on 31st March, 2011 is Rs.250 Crores out of which Export Orders are to the tune of Rs.80 Crores.

Considering the market conditions the Company has targeted a turnover of Rs.400 Crores during the financial year 2011-12.

b) Internal Control Systems and their Adequacy :

The Internal Control Systems 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 organizational structure and authority.
- c) Existence of corporate policies for Financial Reporting and Accounting.
- d) Existence of Management information system updated from time to time as may be required.
- e) Existence of Annual Budgets and Long Term Business Plans.
- f) Existence of Internal Audit System.
- g) Periodical review of opportunities and risk factors depending on the Global / Domestic Scenario and to undertake measures as may be necessary.

In view of the expected increase in the Company's turnover and activities, year over year, the Company has appointed an independent Internal Auditors.



The Audit Committee is regularly reviewing the Internal Audit Reports for the auditing carried out in all the key areas of the operations. Additionally the Audit Committee approves all the audit plans and reports for significant issues raised by the Internal and External Auditors. Regular reports on the business development, future plans and projections are given to the Board of Directors. Internal Audit Reports are regularly circulated for perusal of Senior Management and appropriate action as required.

Normal foreseeable risks of the Company's assets are adequately covered by comprehensive insurance. Risk assessments, inspections and safety audits are carried out periodically.

C) Financial and Operational Performance :

The Highlights of Financial Operational Performance are given below:

| | | (Rs. In Lakhs) 2010-11 | (Rs. In Lakhs) 2009-10 |
|----|---|---------------------------|---------------------------|
| 1 | Sales/ Income from Operations | 32647.37 | 33216.22 |
| 2 | Other Income | 167.95 | 256.80 |
| 3 | Sub-total | 32815.32 | 33473.02 |
| 4 | Total Expenditure (Before Interest) | 27407.75 | 23563.00 |
| 5 | Profit before interest, Tax and Exceptional Item | 5407.57 | 9910.02 |
| 6 | Operating Margin | 16.56% | 29.83% |
| 7 | Profit after Tax | 3047.39 | 5583.57 |
| 8 | Return on Average Capital Employed % (before interest and Tax) | 22.69 | 64.25 |
| 9 | No of Months Receivables (Receivables/ Sales x 12) | 0.60 | 1.47 |
| 10 | Current Ratio (Current Assets/ Current Liabilities) | 2.37 | 1.53 |
| 11 | Borrowings: Equity Ratio(TL/ Equity) | 2.31 | 0.00 |

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. To enrich the skills of employees and enrich their experience, the Company arranges, Practical Training Courses by Internal and External Faculty.

For and on behalf of the Board Directors

Place : Hyderabad
Date : 28.04.2011

K.SURYANARAYANA
Chairman

**Report on Corporate Governance**

In terms of Compliance to Clause No. 49 of the Listing Agreement on Corporate Governance, your Company is complying with the guidelines. The report for current year is as follows:

a) Company's Philosophy:

The Company's policies, practices and philosophy adopted since inception, are in line with 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, 2011 is as follows:

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



(ii) Particulars of Directorships of other Companies

| OTHER DIRECTORSHIPS | | |
|--|---|--|
| Name of the Director | Name of the Company | Position |
| 1. Mr. K Suryanarayana Chairman | United Steel Allied Industries (P) Ltd United Seamless Tubulaar (P) Ltd USAI Forge (P) Ltd Kamineni Steel and Power India (P) Ltd Kamineni Oncology Centre (P) Ltd Kamineni Infrastructure Pvt Ltd Kamineni Hospitals (P) Ltd | Director Chairman & M.D Director Director Director Director Director |
| 2. Mr. Sridhar Kamineni Managing Director | United Steel Allied Industries (P) Ltd Kamineni Marketing Services (P) Ltd USAI Forge (P) Ltd Kamineni Infrastructure Pvt Ltd Kamineni Land Marks (P) Ltd Kamineni Steel and Power India(P) Ltd USAI Steels Pvt., Ltd United Seamless Tubulaar (P) Ltd | Director Director Director Director Director Director Director Director |
| 3. Mr.K G Joshi Whole time Director | Nil | Nil |
| 4. Dr.T.S.Sethurathnam Independent Director | Bright Brothers Ltd Meenakshi Power Ltd | Director Director |
| 5. Dr N S Datar Independent Director | Uttam Galva Steels Ltd Mittal Corporation Ltd Shiva Cement Ltd | Director Director Director |
| 6. Mr.K V Ravindra Reddy Independent Director | Saptagiri Camphor Ltd Diana Hotels Ltd | Director Director |
| 7. Datuk Syed Hisham Bin Syed Wazir Independent Director | United Seamless Tubular (P) Ltd Sathya Auto Private Limited Castwel Auto Parts Private Limited UMW Dongshin Motech Pvt Ltd Jaybee Drilling Private Limited | Director Chairman Chairman Chairman Chairman |



(iii) Attendance of each Director at the Board Meetings and the last AGM During the year 2010-11

| Director | No.of Board Meetings Attended | Last AGM attendance (Yes/No) |
|----------------------------------|-------------------------------|------------------------------|
| Mr. K Suryanarayana | 5 | Yes |
| Mr. Sridhar Kamineni | 5 | Yes |
| Mr. K G Joshi | 5 | Yes |
| Dr. T S Sethurathnam | 5 | Yes |
| Dr N S Datar | 5 | Yes |
| Mr. K V Ravindra Reddy | 4 | Yes |
| Dato' Dr. Abdul Halim Bin Harun | 3 | Yes |
| Datuk Syed Hisham Bin Syed Wazir | - | - |

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

| Share Transfer Committee and Grievance Committee | Audit Committee | Remuneration Committee |
|--|-------------------------------------|-------------------------------------|
| Dr T S Sethurathnam Chairman | Dr T S Sethurathnam Chairman | Dr T S Sethurathnam Chairman |
| Mr. K G Joshi Director | Dr. N S. Datar Director | Dr. N S. Datar Director |
| Mr. K V Ravindra Reddy Director | Shri K V Ravindra Reddy Director | Shri K V Ravindra Reddy Director |

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

5 Board meetings were held during the financial year from 1st April 2010 to 31st March 2011. The dates on which the meetings were held are as follows 24th April, 2010, 27th May.2010, 22nd July.2010, 21st October, 2010 and 20th January, 2011.

c) Audit Committee:

The Audit Committee of the Company consists of 3 Independent Directors and 1 Executive Director as Special Invitee. The Chairman of the Audit Committee is financially literate and majority of them having accounting or related financial management experience. Representative of Statutory Auditor is permanent invitee. Company Secretary acts as Secretary to the Committee.

During the year the Committee had 4 Meetings i.e. on 24th April, 2010, 22nd July, 2010, 21st Oct, 2010 and 20th January, 2011. The Committee's powers and role are as stipulated by the Listing Agreement.

ANNEXURE II



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 | 4 |
| Mr. K V Ravindra Reddy | 4 | 3 |

The Chairman of the Audit Committee was present at the last Annual General Meeting.

(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 one Meeting i.e. on 21st October, 2010.

Attendance of each Member at the Remuneration Committee Meetings:

| Director | No.of Meetings held | No. of Meetings Attended |
|------------------------|---------------------|--------------------------|
| Dr. T S Sethurathnam | 1 | 1 |
| Dr. N S Datar | 1 | 1 |
| Mr. K V Ravindra Reddy | 1 | 1 |

(e) Shareholders Committee:

The following Committee of Directors looks after the Investor Grievances :

Dr T S Sethurathnam
Mr. K G Joshi
Mr. K V Ravindra Reddy

During the year 4 Investor Grievance Committee Meetings were held on 24th April, 2010, 22nd July, 2010, 21st October,2010, 20th January,2011. 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 | 4 | 4 |
| Mr. K G Joshi | Member | 4 | 4 |
| Mr. K V Ravindra Reddy | Member | 4 | 3 |

Name and designation of Compliance Officer :

Mr. C S Rao, Company Secretary.

ANNEXURE II**Share holders' Services :**

| Sl. No. | Nature of Complaints | 2010-2011 | | 2009-2010 | |
|---------|--|-----------|----|-----------|-----|
| | | | | | |
| 1 | Non receipt of Shares lodged for Demat | - | - | - | - |
| 2 | Non receipt of Dividend warrants | 49 | 49 | 131 | 131 |
| 3 | Others | 8 | 8 | 28 | 28 |

f) General body meetings:**Location and time for the last three AGMs**

| Year | Date | Venue | Time | Special Resolution |
|-------------|------------|---|------------|--|
| 2007 - 2008 | 18.07.2008 | Taj Mahal Hotel 2nd Floor Akshaya Hall 4-1-999 Abids Road, Hyderabad - 500 001 | 10.00 A.M. | Nil |
| 2008-2009 | 27.05.2009 | Taj Mahal Hotel 2nd Floor Akshaya Hall 4-1-999 Abids Road, Hyderabad - 500 001 | 10.00 A.M. | Payment of Commission to Executive Directors of the Company |
| 2009-2010 | 27.05.2010 | Taj Mahal Hotel 2nd Floor Akshaya Hall 4-1-999 Abids Road, Hyderabad - 500 001 | 10.00 A.M. | Nil |

No Postal Ballot was conducted during the Year.

Extraordinary General Meetings - Nil

ANNEXURE II



Disclosures:

(i) Related party transactions during the year:

(Rs in lakhs)

| SL. No. | PARTICULARS OF THE PARTY | RELATIONSHIP | NATURE OF TRANSACTIONS | AMOUNT | |
|---------|--|-------------------------------------|--|---------|---------|
| | | | | 2010-11 | 2009-10 |
| 1 | United Steel Allied Industries Pvt. Ltd. | Two of the Directors are interested | Maintenance of Plant & Machinery | 74.92 | 74.92 |
| | | | Loading & Unloading of Pipes | 454.73 | 241.92 |
| | | | Civil, Errection and Fabrication Works | 5421.35 | 0.00 |
| 2 | Mrs. K. Indira | Two of the Directors are related | Rent for office premises | 39.88 | 32.87 |
| | | | Rent for Tractor at Factory | 1.98 | 1.44 |
| 3 | Mrs. B. UshaSree | Two of the Directors are related | Rent for office premises | 34.27 | 28.25 |
| 4 | V Max Studio & Advertising | One Director is Interested | Advertising & Publishing | 56.43 | 47.83 |
| 5 | USAI Forge Pvt., Ltd. | Two of the Directors are interested | Material Purchase | 2930.51 | 3081.18 |
| 6 | United Seamless Tubulaar Pvt., Ltd | Two of the Directors are interested | Processing jobs on Casing Pipes | 759.85 | 0.00 |
| 7 | United Seamless Tubulaar Pvt., Ltd | Two of the Directors are interested | Raw Material Purchase | 4123.22 | 0.00 |

(ii) Remuneration paid or payable to Directors during the year 2010-2011

(Rs in lakhs)

| Name of the Director | Relationship With other Directors | Sitting fees (Rs) | Salary & Allowance (Rs) | Contribution of PF (Rs) | Perquisites (Rs) | Commission (Rs) | Total (Rs) |
|---------------------------------|-----------------------------------|-------------------|-------------------------|-------------------------|------------------|-----------------|---------------|
| Mr. K Suryanarayana | Related to Mr. Sridhar Kamineni | - | 39.11 | - | 6.00 | 209.40 | 254.51 |
| Mr. Sridhar Kamineni | Related to Mr. K Suryanarayana | - | 39.11 | 4.32 | 6.00 | 154.18 | 203.61 |
| Mr. K G Joshi | None | - | 28.44 | 2.02 | 3.00 | 17.45 | 50.91 |
| Dr. T S Sethurathnam | None | 1.45 | - | - | - | - | 1.45 |
| Dr. N S Datar | None | 1.25 | - | - | - | - | 1.25 |
| Mr. K V Ravindra Reddy | None | 1.15 | - | - | - | - | 1.15 |
| Dato' Dr. Abdul Halim Bin Harun | None | 0.60 | - | - | - | - | 0.60 |
| Grand Total | | | | | | | 513.48 |



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.

g) Means of Communication:

Quarterly Results are published in Newspapers i.e., Financial Express, Economic Times (Hyderabad & Mumbai), Andhra Prabha (Regional newspaper). Displayed on Securities & Exchange Board of India website. No presentation made to institutional investors or to the analysts.

h) General Shareholder's information

1. AGM date, time and venue : Saturday, 28TH May, 2011
AT 10.00 A.M.
Tajmahal Hotel
2nd Floor, Akshaya Hall
4-1-999, Abids Road
Hyderabad - 500 001

2. Financial Calendar :
1st Quarter : 1st April to 30th June
2nd Quarter : 1st July to 30th September
3rd Quarter : 1st October to 31st December
4th and Final Quarter : 1st January to 31st March

3. Date of Book Closure : 23/05/2011 to 28/05/2011
(Both days inclusive)

4. Dividend Payment date : on or after 28th May, 2011

5. Listing on Stock Exchanges : The Company's Shares are currently listed at following Stock Exchanges :

| | |
|---|--|
| (i) Bombay Stock Exchange Ltd, BSE's Corporate Relationship Dept Exchange Plaza 1 ST Floor, New Trading Ring Routunga Building, P J Towers Dalal Street, Mumbai - 400 001 | (ii) National Stock Exchange of India Ltd 5th Floor, Plot No: C/1 G-Block, Bandra Kurla Complex Bandra East, Mumbai - 400 051 |
|---|--|

6. Stock Exchange Security Code
(i) 500313 - BSE : (ii) OILCOUNTUB - NSE

7. Listing fees : Paid to Bombay Stock Exchange Ltd and National Stock Exchange of India Ltd up to (including) 2011-2012.

ANNEXURE II
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 2010 - 2011:

| Month & Year | NSE | | | BSE | | |
|-----------------|------------|----------|-----------------|------------|----------|----------------|
| | High (Rs.) | Low(Rs.) | Volume (Nos) | High (Rs.) | Low(Rs.) | Volume (Nos) |
| April, 2010 | 122.00 | 101.60 | 1485121 | 122.30 | 102.00 | 1055925 |
| May, 2010 | 114.00 | 96.20 | 412655 | 114.35 | 97.30 | 248573 |
| June, 2010 | 110.40 | 98.25 | 733744 | 110.70 | 97.50 | 440046 |
| July, 2010 | 122.45 | 103.80 | 1333337 | 122.40 | 105.10 | 854233 |
| August, 2010 | 116.25 | 105.75 | 1071851 | 114.70 | 105.50 | 322557 |
| September, 2010 | 126.30 | 105.75 | 1788907 | 125.95 | 105.55 | 1021702 |
| October, 2010 | 117.40 | 98.25 | 667970 | 115.90 | 98.15 | 460751 |
| November, 2010 | 104.40 | 78.60 | 496524 | 106.00 | 78.90 | 148180 |
| December, 2010 | 104.95 | 70.00 | 6069546 | 105.00 | 60.20 | 1766082 |
| January, 2011 | 98.85 | 69.00 | 995445 | 99.30 | 69.90 | 376808 |
| February, 2011 | 76.80 | 66.20 | 426320 | 77.00 | 65.10 | 200009 |
| March, 2011 | 78.80 | 65.80 | 702754 | 78.70 | 65.00 | 394834 |
| TOTAL | | | 16184174 | | | 7289700 |

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

XL Softech Systems Ltd
 3 Sagar Society
 Road No.2
 Banjara Hills
 Hyderabad-500 034
 PH No: 040 - 23545913 / 23545914.

10. Share Transfer System

The transactions of the shares held in Demat and Physical form are handled by the Company's Depository Registrar, XL Softech Systems. Ltd.,

The Shares transferred (in physical form) during 2010-2011.

| | 2010-2011 | 2009-2010 |
|--------------------------------------|-------------|-------------|
| Share Transferred | 100400 | 51544 |
| Total No. of Shares as on 31st March | 44289530 | 44289530 |
| % on Share Capital | 0.23 | 0.11 |


Categories of shareholders as on 31st March, 2011

| Category | No. of Share Holders | % of Total Share Holders | No. of Shares Held | % of Total Share Holding |
|--------------------------|----------------------|--------------------------|--------------------|--------------------------|
| Individuals | 34443 | 96.64 | 12194473 | 27.53 |
| Companies | 548 | 1.54 | 2588530 | 5.85 |
| FIIS | 1 | 0.01 | 5400 | 0.01 |
| OCBs and NRIs | 611 | 1.71 | 10317196 | 23.30 |
| Promoters | 19 | 0.05 | 19121701 | 43.17 |
| Mutual Funds, Banks, FIs | 19 | 0.05 | 62230 | 0.14 |
| Total | 35641 | 100.00 | 44289530 | 100.00 |

Investor's Correspondence may be addressed to:

XL Softech Systems Ltd
 3 Sagar Society
 Road No.2
 Banjara Hills
 Hyderabad-500 034
 PH No: 040 - 23545913/23545914.

11. Distribution of Share Holdings :

| No. of Equity Shares held | As on 31.03.2011 | | | | As on 31.03.2010 | | | |
|---------------------------|----------------------|---------------------|-----------------|---------------------|----------------------|---------------------|-----------------|---------------------|
| | 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 | 33210 | 93.17 | 4490633 | 10.14 | 35057 | 92.76 | 4709716 | 10.63 |
| 501 - 1000 | 1437 | 4.03 | 1170820 | 2.64 | 1543 | 4.19 | 1244075 | 2.81 |
| 1001 - 2000 | 504 | 1.41 | 765009 | 1.73 | 685 | 1.45 | 791740 | 1.79 |
| 2001 - 3000 | 156 | 0.44 | 394870 | 0.89 | 166 | 0.46 | 426996 | 0.96 |
| 3001 - 4000 | 74 | 0.21 | 264200 | 0.60 | 83 | 0.19 | 255640 | 0.58 |
| 4001 - 5000 | 65 | 0.18 | 309512 | 0.70 | 76 | 0.22 | 396168 | 0.89 |
| 5001 - 10000 | 79 | 0.22 | 592401 | 1.34 | 93 | 0.24 | 642320 | 1.45 |
| 10001 and above | 116 | 0.33 | 36302085 | 81.97 | 144 | 0.49 | 35822875 | 80.89 |
| Total | 35641 | 100.00 | 44289530 | 100.00 | 37847 | 100.00 | 44289530 | 100.00 |

ANNEXURE II



12. Dematerialization of Shares: 38033583 Shares working out to 85.87 of the total Shares have been dematerialized up to 31st March 2011 and balance 6255947 shares working out to 14.13 are in physical form.
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: 040-23231496, 23231497
Fax No: 040 23235617
16. CEO / CFO Certification : As required by Clause 49 of the Listing Agreement, the CEO / CFO Certification is provided in the Annual Report.

17. Details of Directors proposed for Reappointment / Appointment:

- a) Mr.K.Suryanarayana aged 74 years, is Technocrat, a Metallurgist from Banaras Hindu University. He has over 50 years of experience. He had previously worked with Rourkela Steel Plant and was later deputed to Kaiser Steel Plant in California, USA for a period of one year. On return, he worked at various Managerial Cadres in Rourkela Steel Plant with distinguished Professionalism.

He left Rourkela Steel Plant in 1965 and had established a partnership firm in 1966 and later it was converted into private limited company which was engaged in the building up of heavy industrial projects in different sectors viz., Power, Steel, Aluminum, Nuclear Fuel etc. This company had undertaken heavy structural engineering works and technological pipelines for various Public Sector Projects and has successfully executed the works. This Company has promoted Oil Country Tubular Ltd in the year 1985.

Mr.K.Suryanarayana has been the Managing Director of the company since inception and has been successfully leading the company, making the company's presence felt in the Oil and Gas Industry, in the domestic as well as in the International Market. Presently he is Executive Chairman of the Company.

- b) Mr.K G Joshi aged 73 years, 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 and is continuing in the same position.
- c) Dr. N S Datar aged 86 years, 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, and published number of papers. Presently he is a consulting Engineer with rich experience. He is a Director on the Board of the Company for over 25 years.
- d) Datuk Syed Hisham Bin Syed Wazir who was appointed as Additional Director of the company is a qualified Mechanical Engineer from Plymouth University, U.K. and MBA from Ohio State University, USA. He is a Fellow Member of the Institute of Motor Industry, U.K., Member of Beta Gamma Sigma of OHIO State University, as well as a Member of the OHIO State University Alumni Society in Malaysia. Presently he is President and Chief Executive Officer of UMW Holdings, Berhad Group, Malaysia. UMW Group has Oil and Gas Division dealing with Oil and Gas Exploration and Exploitation activities.

For and on behalf of the Board Directors

Place : Hyderabad
Date : 28.04.2011

K.SURYANARAYANA
Chairman

**CEO AND CFO CERTIFICATION**

We, Sridhar Kamineni Managing Director and C.S. Rao Chief Financial Officer & Company Secretary responsible for the finance function certify that :

- a) We have reviewed the financial statements and cash flow statement for the year ended March 31, 2011 and to the best of our Knowledge and belief :
 - i) These Statements do not contain any materially untrue statement or omit any material fact or contain statements that might be misleading.
 - ii) These Statements together present a true and fair view of the company's affairs and are in compliance with existing accounting standards, applicable laws and regulations.
- b) To the best of our Knowledge and belief, no transactions entered into by the Company during the year ended March 31, 2011 are fraudulent, illegal or violative of the Company's code of conduct.
- c) We accept responsibility for establishing and maintaining internal controls for financial reporting and we have evaluated the effectiveness of internal control systems of the company pertaining to financial reporting. Deficiencies in the design or operation of such internal controls, if any, of which we are aware have been disclosed to the auditors and the Audit Committee and steps have been taken to rectify these deficiencies.
- d)
 - i) There has not been any significant change in internal control over financial reporting during the year under reference.
 - ii) There has not been any significant change in accounting policies during the year requiring disclosure in the notes to the financial statements.
 - iii) We are not aware of any instance during the year of significant fraud with involvement therein of the management or any employee having a significant role in the Company's internal control system over financial reporting.

Sridhar Kamineni
Managing Director

C S Rao
Chief Financial Officer
& Company Secretary

Place : Hyderabad
Date : 28.04.2011



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, 2011 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 31st March, 2011, 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
Regn. No. 007390S

P Ganapati Rao
Partner
M.No. 24113

Place : Hyderabad
Date : 28.04.2011

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.

Particulars of power and Fuel Consumption for the year 2010-2011

| PARTICULARS | Current Year (2010-2011) | Previous Year (2009-2010) |
|---|-------------------------------------|--------------------------------------|
| Electricity Purchased | | |
| Units (KWH in Lakhs) | 96.19 | 101.82 |
| Total Amount (Rs. In Lakhs) | 431.24 | 371.65 |
| Rate per Unit (Rs.) | 4.48 | 3.65 |
| Fuel Consumption | | |
| a) LPG | | |
| Quantity in MTs | 2763.05 | 1940.76 |
| Total Amount (Rs. In Lakhs) | 1286.06 | 717.91 |
| Average Rate Per MT (Rs.) | 46545.00 | 36991.00 |
| b) Diesel | | |
| Quantity in KLs | 396 | 460 |
| Total Amount (Rs. In Lakhs) | 160.62 | 156.75 |
| Average Rate Per KL (Rs.) | 40561.00 | 34076.00 |
| Other / Internal Generation | Nil | Nil |
| CONSUMPTION PER UNIT OF PRODUCTION | | |
| a) Electricity (KWH)UNITS | 254.21 | 558.20 |
| b) LPG (KG) | 73.02 | 106.40 |
| c) Diesel (Ltr.) | 10.47 | 25.22 |

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) (2010-2011) | (Rs. in Lakhs) (2009-2010) |
|--|---------------------------------------|---------------------------------------|
| a. Capital | Nil | 2658.93 |
| b. Recurring | 56.50 | 78.90 |
| c. Total | 56.50 | 2737.83 |
| d. Total R&D expenditure as a percentage of total turnover | 0.17% | 8.24% |



Technology absorption, adaptation and Innovation:

- Efforts, in brief, made towards technology absorption, adaptation and innovation. : Updation of Technology is a continuous process, absorbed implemented and adapted by the Company for innovation. Efforts are continuously made to develop new products required in the Oil and Gas Industry.
- Benefits derived as a result of the above efforts : The company has been able to successfully indigenise the toolings to a large extent and successfully developed new products by virtue of technology Absorption, adaptation and innovation.
- 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.17 and 18 of Schedule P to the accounts.

For and on behalf of the Board Directors

Place : Hyderabad
Date : 28.04.2011

K. SURYANARAYANA
Chairman

AUDITOR'S REPORT



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, 2011 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;
 - e. On the basis of written representations received from the directors as on March 31, 2011, and taken on record by the Board of Directors, we report that none of the directors is disqualified as on March 31, 2011 from being appointed as a Director in terms of clause (g) of sub-section (1) of Section 274 of the Companies Act, 1956.
 - f. 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:
 - i. in the case of the Balance Sheet of the state of affairs of the Company as at March 31, 2011 and
 - ii. in the case of the Profit and Loss account, of the Profit of the Company for the year ended on that date.
 - iii. 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
Regn. No. 007390S

P Ganapati Rao
Partner, M.No. 24113

Place : Hyderabad
Date : 28.04.2011

**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, 2011, 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. To the best of our knowledge and belief and according to the informations and explanations given to us, in our opinion, the Term Loans raised during the year were used for the purposes for which they were raised other than temporary deployment pending application.
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
(FRN 007390 S)

Place : Hyderabad
Date : 28.04.2011

P. GANAPATI RAO
Partner
M.No. 24113

BALANCE SHEET



BALANCE SHEET AS AT 31.03.2011

[Rs. in Lakhs]

| | SCH | 31.03.2011 | | 31.03.2010 | |
|--|----------|-----------------|-----------------|------------|-----------------|
| I SOURCES OF FUNDS | | | | | |
| 1. SHARE HOLDERS' FUNDS | | | | | |
| a) Share Capital | A | 4428.95 | | 4428.95 | |
| b) Reserves and surplus | B | 15367.23 | | 13349.33 | |
| | | | 19796.18 | | 17778.28 |
| 2. LOAN FUNDS | | | | | |
| Secured Loans | C | | 14122.85 | | 695.32 |
| 3. Deferred Tax Liability | | | 2118.40 | | 2264.79 |
| TOTAL | | | 36037.43 | | 20738.39 |
| II. APPLICATION OF FUNDS | D | | | | |
| 4. FIXED ASSETS | | | | | |
| a) Gross Block | | 36617.94 | | 35722.45 | |
| b) Less : Depreciation | | 27748.42 | | 26909.27 | |
| c) Net Block | | | 8869.52 | | 8813.18 |
| d) Capital Works in Progress | | | 9142.31 | | 1.75 |
| 5. INVESTMENTS | E | | 3220.40 | | 3220.40 |
| 6. CURRENT ASSETS, LOANS AND ADVANCES | | | | | |
| a) Inventories | F | 12802.74 | | 9564.05 | |
| b) Sundry Debtors | G | 1641.74 | | 4072.23 | |
| c) Cash and Bank Balances | H | 4671.93 | | 1080.89 | |
| d) Other Current Assets | I | 17.49 | | 122.99 | |
| e) Loans and Advances | J | 5244.78 | | 8281.05 | |
| | | 24378.68 | | 23121.21 | |
| Less : CURRENT LIABILITIES AND PROVISIONS | K | | | | |
| a) Current Liabilities | | 4328.64 | | 7012.22 | |
| b) Provisions | | 5244.84 | | 7405.93 | |
| NET CURRENT ASSETS | | | 14805.20 | | 8703.06 |
| TOTAL | | | 36037.43 | | 20738.39 |
| SIGNIFICANT ACCOUNTING POLICIES & NOTES TO ACCOUNTS | Q | | | | |

Per our report attached
for **C K S ASSOCIATES**
Chartered Accountants
(FRN 007390 S)

P. Ganapati Rao
Partner
M.No. 24113

Place : Hyderabad
Date : 28th April, 2011

For and on behalf of the Board of Directors

K.Suryanarayana
Chairman

Sridhar Kamineni
Managing Director

K.G. Joshi
Dr.T.S.Sethurathnam
Dr. N.S. Datar
K.V. Ravindra Reddy
Datuk Syed Hisham Bin Syed Wazir
Directors

C.S. Rao
Company Secretary

PROFIT AND LOSS ACCOUNT



| PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED 31.03.2011 | | [Rs. in Lakhs] | |
|---|----------|-----------------|-----------------|
| | SCH | 31.03.2011 | 31.03.2010 |
| INCOME | | | |
| a) Sales and Services | | 32937.10 | 33706.73 |
| Less : Duties and Taxes | | 289.73 | 490.51 |
| | | 32647.37 | 33216.22 |
| b) Other Income | L | 167.95 | 256.80 |
| TOTAL | | 32815.32 | 33473.02 |
| EXPENDITURE | | | |
| a) Cost of Materials | M | 15817.18 | 16845.56 |
| b) Manufacturing, Administration Selling & Distribution Expenses | N | 10698.36 | 7998.58 |
| c) Finance Charges | O | 830.71 | 173.38 |
| d) Depreciation | | 846.22 | 698.63 |
| TOTAL | | 28192.47 | 25716.15 |
| Adjustments for Stocks | P | 45.99 | (1979.77) |
| PROFIT FOR THE YEAR | | 4576.86 | 9736.64 |
| Less : Provision for Current Year Tax | | 1650.00 | 2565.35 |
| Provision for Deferred Tax | | (146.39) | 1587.72 |
| Prior Period Taxation | | 25.86 | 0.00 |
| PROFIT AFTER TAX | | 3047.39 | 5583.57 |
| Surplus from the Previous Year brought forward | | 267.86 | 220.62 |
| | | 3315.25 | 5804.19 |
| AVAILABLE FOR APPROPRIATION | | | |
| Proposed Dividend | | 885.79 | 885.79 |
| Tax on Proposed Dividend | | 143.70 | 150.54 |
| Transfer to General Reserve | | 2000.00 | 4500.00 |
| Surplus Carried to Balance Sheet | | 285.76 | 267.86 |
| EPS (Rs.) Basic / Diluted for the year | | 6.88 | 12.61 |
| SIGNIFICANT ACCOUNTING POLICIES & NOTES TO ACCOUNTS | Q | | |

Per our report attached
for **C K S ASSOCIATES**
Chartered Accountants
(FRN 007390 S)

P. Ganapati Rao
Partner
M.No. 24113

Place : Hyderabad
Date : 28th April, 2011

For and on behalf of the Board of Directors

K.Suryanarayana
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Dr. N.S. Datar
K.V. Ravindra Reddy
Datuk Syed Hisham Bin Syed Wazir
Directors

C.S. Rao
Company Secretary

SCHEDULES



| [Rs. in Lakhs] | | |
|---|-----------------|-----------------|
| | 31.03.2011 | 31.03.2010 |
| SCHEDULE A : SHARE CAPITAL | | |
| AUTHORISED : | | |
| 8,50,00,000 Equity Share of Rs.10/- each | 8500.00 | 8500.00 |
| ISSUED, SUBSCRIBED AND PAID UP: | | |
| 4,42,89,530 Equity Shares of Rs.10 each fully paid up in Cash | 4428.95 | 4428.95 |
| | 4428.95 | 4428.95 |
| SCHEDULE B: RESERVES AND SURPLUS | | |
| Revaluation Reserve | 80.82 | 80.82 |
| Capital Reserve (Share Forfeiture) | 0.65 | 0.65 |
| General Reserve | 15000.00 | 13000.00 |
| Surplus | 285.76 | 267.86 |
| | 15367.23 | 13349.33 |
| SCHEDULE C: SECURED LOANS | | |
| Term Loans | 10245.77 | 0.00 |
| Working Capital | 3877.08 | 695.32 |
| | 14122.85 | 695.32 |
| | | |

SCHEDULE D: FIXED ASSETS

[Rs. in lakhs]

| DESCRIPTION | GROSS BLOCK | | | | DEPRECIATION | | | | NET BLOCK | |
|------------------------------|--------------------|---------------------------------|----------------------------------|-----------------------------------|---------------------|-----------------|----------------------------------|---------------------|---------------------|---------------------|
| | COST 01.04.2010 | ADDITIONS DURING THE YEAR | DEDUCTIONS DURING THE YEAR | TOTAL COST AS ON 31.03.2011 | UP TO 01.04.2010 | FOR THE YEAR | DEDUCTIONS DURING THE YEAR | UP TO 31.03.2011 | AS ON 31.03.2011 | AS ON 31.03.2010 |
| LAND | 352.59 | 0.00 | 0.00 | 352.59 | 0.00 | 0.00 | 0.00 | 0.00 | 352.59 | 352.59 |
| BUILDINGS | 3370.88 | 6.54 | 0.00 | 3377.42 | 1111.15 | 93.46 | 0.00 | 1204.61 | 2172.81 | 2259.73 |
| PLANT & MACHINERY | 31460.15 | 853.29 | 10.67 | 32302.77 | 25411.44 | 714.56 | 7.07 | 26118.93 | 6183.84 | 6048.71 |
| OFFICE EQUIPMENT | 161.70 | 17.04 | 0.00 | 178.74 | 92.59 | 11.31 | 0.00 | 103.90 | 74.84 | 69.11 |
| DATA PROCESSING EQUIPMENT | 191.34 | 13.17 | 0.00 | 204.51 | 165.30 | 13.68 | 0.00 | 178.98 | 25.53 | 26.04 |
| FURNITURE & FIXTURES | 128.48 | 16.12 | 0.00 | 144.60 | 95.93 | 6.99 | 0.00 | 102.92 | 41.68 | 32.55 |
| VEHICLES | 57.31 | 0.00 | 0.00 | 57.31 | 32.86 | 6.22 | 0.00 | 39.08 | 18.23 | 24.45 |
| T O T A L | 35722.45 | 906.16 | 10.67 | 36617.94 | 26909.27 | 846.22 | 7.07 | 27748.42 | 8869.52 | 8813.18 |
| CAPITAL WORKS IN PROGRESS | 1.75 | 9142.31 | 1.75 | 9142.31 | 0.00 | 0.00 | 0.00 | 0.00 | 9142.31 | 1.75 |
| T O T A L | 35724.20 | 10048.47 | 12.42 | 45760.25 | 26909.27 | 846.22 | 7.07 | 27748.42 | 18011.83 | 8814.93 |
| PREVIOUS YEAR | 32551.96 | 3172.24 | 0.00 | 35724.20 | 26210.64 | 698.63 | 0.00 | 26909.27 | 8814.93 | 6341.32 |



SCHEDULES



[Rs. in Lakhs]

| | 31.03.2011 | 31.03.2010 |
|--|-----------------|----------------|
| SCHEDULE E: INVESTMENTS | | |
| Unquoted Investments (Trade) | | |
| 2,12,20,400 (2,00,00,000) Shares of @ Rs.10/- each in United Seamless Tubulaar Pvt Ltd. (Including 1,90,00,000 of Bonus Shares @ Rs.10/- each) | 3220.40 | 3220.40 |
| | 3220.40 | 3220.40 |
| SCHEDULE F: INVENTORIES | | |
| (As certified by the Management) | | |
| Raw Materials | 4041.34 | 489.43 |
| Stores & Spare parts | 1479.13 | 1746.36 |
| Work in progress | 6443.98 | 6887.27 |
| Finished Goods | 837.18 | 440.30 |
| Scrap | 1.11 | 0.69 |
| | 12802.74 | 9564.05 |
| SCHEDULE G: SUNDRY DEBTORS | | |
| (Unsecured, Considered good for which the company holds no security other than Debtors Personal Security) | | |
| a) Outstanding for more than six months | 75.00 | 342.85 |
| b) Other debts | 1566.74 | 3729.38 |
| | 1641.74 | 4072.23 |
| SCHEDULE H: CASH AND BANK BALANCES | | |
| Cash on Hand | 2.60 | 1.75 |
| Balances with Scheduled Banks in : | | |
| a) Current Account | 4046.41 | 371.75 |
| b) Margin Money Deposits Accounts | 568.91 | 680.66 |
| c) Unclaimed Dividend Account | 54.01 | 26.73 |
| | 4671.93 | 1080.89 |
| SCHEDULE I : OTHER CURRENT ASSETS | | |
| Interest Receivable | 17.49 | 122.99 |
| | 17.49 | 122.99 |
| | | |

SCHEDULES



| [Rs. in Lakhs] | | |
|--|----------------|----------------|
| | 31.03.2011 | 31.03.2010 |
| SCHEDULE J : LOANS AND ADVANCES | | |
| (Unsecured and Considered good Recoverable in cash or kind or for value to be received) | | |
| Advances | 199.41 | 1356.13 |
| Prepaid Taxes | 4245.77 | 6404.82 |
| Balances with Central Excise Authorities | 671.93 | 393.76 |
| Deposits | 127.67 | 126.34 |
| | 5244.78 | 8281.05 |
| SCHEDULE K : CURRENT LIABILITIES AND PROVISIONS | | |
| A. CURRENT LIABILITIES | | |
| Sundry Creditors | 3346.40 | 5508.67 |
| Outstanding liabilities | 619.76 | 1233.29 |
| Unclaimed Dividends | 54.01 | 26.73 |
| Interest Accrued but not due | 14.58 | 0.00 |
| Other Liabilities | 293.89 | 243.53 |
| | 4328.64 | 7012.22 |
| B. PROVISIONS | | |
| Provision for Income Tax | 4215.35 | 6322.73 |
| Provision for Fringe Benefit Tax | 0.00 | 46.87 |
| Provision for Proposed Dividend | 885.79 | 885.79 |
| Tax on Proposed Dividend | 143.70 | 150.54 |
| | 5244.84 | 7405.93 |
| SCHEDULE L: OTHER INCOME | | |
| Interest from banks and others (Tax Deduction at Source : Rs. 8.23 Lakhs) | 74.70 | 76.90 |
| Scrap Sales | 66.68 | 90.97 |
| Awards / Claims Received | 20.82 | 0.00 |
| Miscellaneous Income | 5.75 | 88.93 |
| | 167.95 | 256.80 |

[Rs. in Lakhs]

| | 31.03.2011 | | 31.03.2010 | |
|--------------------------------------|------------|-----------------|------------|-----------------|
| SCHEDULE M : COST OF MATERIAL | | | | |
| Opening Stocks | 489.43 | | 1905.74 | |
| Add: Purchases | 19369.09 | | 15429.25 | |
| | | 19858.52 | | 17334.99 |
| Less : Closing Stock | | 4041.34 | | 489.43 |
| Consumption of Raw Materials | | 15817.18 | | 16845.56 |

SCHEDULES



| [Rs. in Lakhs] | | | | |
|--|----------------|-----------------|------------|----------------|
| | 31.03.2011 | | 31.03.2010 | |
| SCHEDULE N: MANUFACTURING, ADMINISTRATION SELLING AND DISTRIBUTION EXPENSES | | | | |
| Stores, Spares and Tools consumed | | 1966.10 | | 1260.29 |
| Power and Fuel | | 1877.92 | | 1246.31 |
| Expenses on Employees : | | | | |
| a) Salaries and Wages | 1336.65 | | 1421.49 | |
| b) Contribution to P.F. and E.S.I. | 92.44 | | 91.55 | |
| c) Gratuity, LTA and Medical expenses | 95.24 | | 37.36 | |
| | | 1524.33 | | 1550.40 |
| Rent | | 70.74 | | 61.12 |
| Rates and Taxes | | 149.26 | | 112.38 |
| Central Excise Duty | | 0.01 | | 3.88 |
| Insurance | | 74.54 | | 47.28 |
| Repairs & Maintenance | | | | |
| a) Buildings | 22.92 | | 13.53 | |
| b) Plant & Machinery | 147.03 | | 134.73 | |
| | | 169.95 | | 148.26 |
| Packing, Forwarding and Handling | | 319.61 | | 200.51 |
| Telephone and Telex | | 32.24 | | 31.71 |
| Travelling Expenses - Directors | | 18.73 | | 42.17 |
| Travelling Expenses - Others | | 97.82 | | 55.14 |
| Directors Remuneration | | 509.03 | | 1082.44 |
| Sitting Fee to Directors | | 4.45 | | 5.30 |
| Product Development Expenditure | | 56.50 | | 78.90 |
| Selling and Distribution Expenses | | 3124.82 | | 1373.97 |
| Remuneration to Auditors | | | | |
| a) Audit Fee | 3.50 | | 3.50 | |
| b) Tax Audit Fee | 0.35 | | 0.35 | |
| c) Tax Representation | 0.40 | | 15.40 | |
| d) Certification & Others | 0.85 | | 0.48 | |
| | | 5.10 | | 19.73 |
| Exchange rate fluctuation (Gain) / Loss | | (24.24) | | (84.82) |
| Loss / (Profit) on sale of assests | | (0.07) | | 0.00 |
| Bad Debts Written off | | 23.39 | | 0.00 |
| Bank Charges | | 184.04 | | 187.22 |
| Other Administrative Expenses | | 514.09 | | 576.39 |
| | | 10698.36 | | 7998.58 |

[Rs. in Lakhs]

| | 31.03.2011 | 31.03.2010 |
|---|----------------|------------------|
| SCHEDULE O : FINANCE CHARGES | | |
| Interest on Working Capital : | 830.71 | 173.38 |
| | 830.71 | 173.38 |
| SCHEDULE P : ADJUSTMENT OF STOCKS | | |
| Opening Stocks of WIP & Finished Goods | 7328.26 | 5348.49 |
| Less : Closing Stocks of WIP & Finished Goods | 7282.27 | 7328.26 |
| Decrease /(Increase) in Stocks | 45.99 | (1979.77) |

OILCOUNTRY TUBULAR LIMITED**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. During the year the Company has taken up Second Heat Treatment Plant and End Finishing Facility to meet the demand of Customers with an estimated Project cost of Rs.1500 Millions.

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 statements requires certain estimates and assumption to be made that effect the reported amount of assets and liabilities as 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 changes on foreign exchange contracts and adjustments arising from exchange rate variations attributable to the fixed assets are capitalised.

D) Investments:

Investments in Un-Quoted Shares are stated at Cost.

E) 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.

F) 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 is change in the estimates used to determine the recoverable amount.

G) 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. Scrap is valued at estimated realisable value.

H) 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.

I) Turnover:

Turnover includes sale of goods and services adjusted for discounts.

J) 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.

K) 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.

L) 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.

M) 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.

N) 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) | |
|---|-----------------------|---------|
| | 2010-11 | 2009-10 |
| Employer's Contribution to Provident Fund | 87.19 | 83.83 |
| Employer's Contribution to ESI | 1.30 | 1.13 |

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

| | Gratuity (Funded) 2010-11 | Gratuity (Funded) 2009-10 |
|---|--|---------------------------------|
| Defined Benefit obligation at beginning of the year | 163.52 | 148.16 |
| Current Service Cost | 22.99 | 22.43 |
| Past Service Cost | 30.79 | 0.00 |
| Interest | 11.49 | 10.31 |
| Actuarial (gain) / loss | 5.24 | (6.67) |
| Benefits paid | (20.65) | (10.71) |
| Defined Benefit obligation at year end | 213.38 | 163.52 |

SCHEDULES



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

| | Gratuity (Funded) 2010-11 | Gratuity (Funded) 2009-10 |
|--|--|---------------------------------|
| Fair value of plan assets at beginning of the year | 138.14 | 125.94 |
| Expected Net return on plan assets | 12.82 | 11.40 |
| Employer contribution | 104.64 | 11.51 |
| Benefits paid | (20.65) | (10.71) |
| Fair value of plan assets at year end | 234.95 | 138.14 |

III. Reconciliation of fair value of assets and obligations.

| | 2010-11 | | 2009-10 | |
|------------------------------------|------------------------------|-----------------------------|----------------------|---------------------|
| | Gratuity (Funded) | Leave Encashment | Gratuity (Funded) | Leave Encashment |
| Fair value of plan assets | 234.95 | — | 138.14 | — |
| Present value of obligation | 213.38 | — | 163.52 | — |
| Amount recognised in Balance sheet | 21.57 | 44.68 | 25.37 | 65.77 |

IV. Expenses recognised during the year

| | Gratuity (Funded) 2010-11 | Gratuity (Funded) 2009-10 |
|---------------------------------|--|---------------------------------|
| Current Service Cost | 22.99 | 22.43 |
| Past Service Cost | 30.79 | 0.00 |
| Interest Cost | 11.49 | 10.31 |
| Expected return on plan assets. | (16.67) | (10.07) |
| Actuarial (Gain / Loss) | 9.14 | (8.00) |
| Net Cost | 57.74 | 14.67 |

V. Investment Details:

| | % Invested As at 31st March 2011 | % Invested As at 31st March 2010 |
|--------|---|--|
| L.I.C. | 100.00 | 100.00 |

VI. Actuarial assumptions

| | Gratuity Funded 2010-11 | Gratuity Funded 2009-10 |
|--|--|--------------------------------------|
| Mortality Table (LIC) | | |
| Discount rate (per annum) | 7.50% | 7.5% |
| Expected rate of return on plan assets (per annum) | 9.25% | 8% |
| Rate of escalation in salary (per annum) | 4% | 4% |

SCHEDULES



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.

| | (Rs. in Lakhs) | |
|--|------------------|------------------|
| | As at 31.03.2011 | As at 31.03.2010 |
| 4. Contingent liabilities not provided for | | |
| a) Bank guarantees | 4025.36 | 2347.28 |
| b) Letters of credit | 623.95 | 1622.27 |
| c) Bills discounted | 971.68 | 2985.21 |
| d) Un-executed Capital Work In Progress | 745.15 | 8.25 |
| 5. Claims against the company not acknowledged as debts | | |
| Income Tax | 481.35 | 449.90 |

(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. (a) 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 charge on the existing immovable properties.
- (b) The Term Loan includes ECB Loan and Buyer's Credit facility for the Second Heat Treatment Plant and End Finishing Facility from Banks are secured by exclusive charges on the assets created out of the facility.

7. The Capital Work in Progress includes

| | (Rs. in Lakhs) |
|---|----------------|
| - Civil Works | 1847.87 |
| - Erection of Plant & Machinery | 7099.87 |
| - Pre-Operative Expenses pending Capitalisation-Finance Charges | 194.57 |

8. 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:

| | (Rs. in Lakhs) |
|--|------------------|
| | As on 31.03.2011 |
| DEFERRED TAX LIABILITY | |
| - on Fixed assets | 6507.65 |
| - on Gratuity | 21.57 |
| Total Liability | 6529.22 |
| Deferred Tax charge to Profit & Loss Account for the year | |
| Deferred Tax | 2118.40 |
| LESS: Provided in Previous Years. | 2264.79 |
| Deferred Tax withdrawn. | (146.39) |

SCHEDULES



| | (Rs. in Lakhs) | |
|---|----------------|---------------|
| | 2010-11 | 2009-10 |
| 9. a. Managerial Remuneration | | |
| Salary paid/payable | 106.67 | 97.58 |
| Contribution to provident and other funds | 6.34 | 4.86 |
| Perquisites | 15.00 | 14.60 |
| Commission | 381.02 | 965.40 |
| | 509.03 | 1082.44 |
| | | |
| b. Computation of Net Profit in Accordance with Section 309 (5) of the Companies Act, 1956 | (Rs. in lakhs) | (Rs.in lakhs) |
| | 2010-11 | 2009-10 |
| Profit before tax as per Profit & Loss Account | 4576.86 | 9736.64 |
| Add: Depreciation charged in the accounts | 846.22 | 698.63 |
| Directors emoluments (Directors Remuneration & Sitting fees) | 513.48 | 1087.74 |
| Less: Depreciation charged in the accounts | 846.22 | 698.63 |
| Profit on sale of fixed assets | 0.07 | 0.00 |
| | 5090.27 | 10824.38 |
| Maximum Remuneration eligible to Whole Time Directors @10% of Net Profit for the Year: | 509.03 | 1082.44 |
| | | |
| 10. Earning per Share: | 2010-11 | 2009-10 |
| | Rs. | Rs. |
| Total No. of Shares | 4,42,89,530 | 4,42,89,530 |
| Profit after Taxes and exceptional items | 30,47,39,108 | 55,83,56,853 |
| Earning per share | 6.88 | 12.61 |



11. 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 following Product segments of the Company for reporting.

Rs. in Lakhs

| Particulars | 2010-11 | 2009-10 |
|---|-----------------|----------------|
| Segment Revenue (Sales and Income from Services) | | |
| - OCTG SALES | 30101.63 | 30563.50 |
| - OCTG SERVICES AND OTHERS | 2545.74 | 2652.72 |
| Total Segment Revenue | 32647.37 | 33216.22 |
| Segment Results Profit / (Loss) before Interest and Tax | | |
| - OCTG SALES | 4985.91 | 9118.58 |
| - OCTG SERVICES AND OTHERS | 421.66 | 791.44 |
| Total Segment Results | 5407.57 | 9910.02 |
| Less : Interest (Expense) / Income | (830.71) | (173.38) |
| Add / (Less) : Unallocable Income / (Expense) - Net | 0.00 | 0.00 |
| Add / (Less) : Exceptional Items - Net | 0.00 | 0.00 |
| Total Profit Before Tax and After Exceptional Items. | 4576.86 | 9736.64 |
| Capital Employed (Segment Assets less Segment Liabilities) | | |
| - OCTG SALES | 18178.02 | 16284.10 |
| - OCTG SERVICES AND OTHERS | 1537.34 | 1413.36 |
| Total Capital Employed in segments | 19715.36 | 17697.46 |
| Add : Unallocable Assets less Liabilities | 0.00 | 0.00 |
| Total Capital Employed in the Company | 19715.36 | 17697.46 |

Note : Capital Employed includes Share Capital and Reserves other than Revaluation Reserve.

SCHEDULES



12. (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 | 31.03.11 | 31.03.10 |
|---------|--|-------------------------------------|---|----------------|----------|
| A | United Steel Allied Industries Pvt. Ltd. | Two of the Directors are interested | Maintenance of Plant & Machinery | 74.92 | 74.92 |
| | | | Material Loading and Un-Loading | 454.73 | 241.92 |
| | | | Civil Work, Errection and Fabrication Works of Plant & Machinery including Advance Payments | 5421.35 | 0.00 |
| B | V Max Studio & Advertising | Two of the Directors are related | Advertising, Printing, Web Designing, Maintenance of Software & Hardware and Supply of Stationery | 56.43 | 47.83 |
| C | Mrs. K. Indira | Two of the Directors are related | Rent for office premises | 39.88 | 32.87 |
| | | | Hire Charges for Tractors at Factory | 1.98 | 1.44 |
| D | Mrs. B. UshaSree | Two of the Directors are related | Rent for office premises | 34.27 | 28.25 |
| E | Usai Forge Pvt. Ltd. | Two of the Directors are interested | Material Purchase | 2930.51 | 3081.18 |
| F | United Seamless Tubulaar Pvt. Ltd. | Two of the Directors are interested | Raw Material Purchases | 4123.22 | 0.00 |
| | | | Sales / Job Works | 759.85 | 0.00 |

SCHEDULES



(B) Remuneration to Directors is as follows:

(Rs.in Lakhs)

| SL. NO. | PARTICULARS OF THE PARTY | RELATIONSHIP | NATURE OF TRANSACTIONS | 31.03.11 | 31.03.10 |
|---------|--------------------------|---|-----------------------------|----------|----------|
| A | Sri K.Suryanarayana | Chairman Related to Sri Sridhar Kamineni Managing Director | Remuneration as Director | 254.51 | 541.22 |
| B | Sri Sridhar Kamineni | Managing Director Related to Sri K.Suryanarayana Chairman | Remuneration as Director | 203.61 | 432.98 |
| C | Sri K.G.Joshi | Director | Remuneration as Director | 50.91 | 108.24 |

13. 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.

14. QUANTITATIVE INFORMATION REGARDING CAPACITIES AND PRODUCTION:

| SL. NO. | CLASS OF GOODS | UNIT | ANNUAL INSTALLED CAPACITY QTY. | PRODUCTION DURING THE YEAR QTY. |
|---------|--|------|--------------------------------|---------------------------------|
| A | Casing and Production Tubing (Coated / Uncoated) | M.T. | 150000 (15000) | 34707.59 (10285.70) |
| B | Drill Pipes (Coated / Uncoated) | M.T. | 10000 (10000) | 3131.76 (7955.03) |
| | TOTAL | M.T. | 160000 (16000) | 37839.35 (18240.73) |

(Previous year figures are given in brackets)

TURNOVER AND STOCKS:

| SL. NO. | CLASS OF GOODS | OPENING STOCK AS AT 01.04.2010 | | CLOSING STOCK AS AT 31.03.2011 | | TURNOVER AS AT 31.03.2011 | |
|---------|--|--------------------------------|---------------------|--------------------------------|--------------------|---------------------------|------------------------|
| | | 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 and Production Tubing | 76.64 (2356.79) | 62.42 (1399.98) | 404.56 (76.64) | 251.28 (62.42) | 34379.67 (12565.85) | 24600.95 (12054.45) |
| B | Drill Pipes | 168.80 (705.26) | 377.88 (813.36) | 413.58 (168.80) | 585.90 (377.88) | 2886.98 (8491.49) | 5785.71 (18987.39) |
| C | Others (Drill Collars/ Oil Field Accessories & Job work charges) | - (-) | - (-) | - (-) | - (-) | - (-) | 2550.44 (2664.89) |
| | TOTAL | 245.44 (3062.05) | 440.30 (2213.34) | 818.14 (245.44) | 837.18 (440.30) | 37266.65 (21057.34) | 32937.10 (33706.73) |

TDS on Reconditioning Jobs and Services Rs. 20.15 Lakhs.

(Previous year figures are given in brackets)

SCHEDULES



| | 31.03.2011 | | 31.03.2010 | |
|---|---|-----------------------------------|-------------------------------------|---------------------|
| | | Rs .in Lakhs | | Rs .in Lakhs |
| 15. CIF VALUE OF IMPORTS Raw Materials Stores, Spares and Tools | | 11499.22 345.71 | | 8761.35 142.86 |
| 16. RAW MATERIAL CONSUMPTION Casing and Production Tubing Drill Pipes | Qty in M.T. 36097.00 3420.09 | 12056.32 3760.86 | Qty in M.T. 16258.85 10053.66 | 7767.39 9078.17 |
| RAW MATERIAL CONSUMPTION Imported Indigenous | Percent 63.58 36.42 | 10056.24 5760.94 | Percent 59.90 40.10 | 10091.24 6754.32 |
| | 100.00 | 15817.18 | 100.00 | 16845.56 |
| 17. STORES, SPARES & TOOLS CONSUMPTION Imported Indigenous | Percent 21.76 78.24 | 427.82 1538.28 | Percent 29.27 70.73 | 368.85 891.44 |
| | 100.00 | 1966.10 | 100.00 | 1260.29 |
| 18. EXPENDITURE IN FOREIGN CURRENCY Travelling Others | | 49.40 294.36 | | 53.22 162.74 |
| | | 343.76 | | 215.96 |
| 19. EARNINGS IN FOREIGN CURRENCY FOB value of Exports Domestic Sales (Deemed Exports) | | 22218.80 9344.45 | | 22635.64 9945.74 |

20. Previous year figures have been regrouped / re arranged wherever necessary.

Per our report attached
for **C K S ASSOCIATES**
Chartered Accountants
(FRN 007390 S)

P. Ganapati Rao
Partner
M.No. 24113

For and on behalf of the Board of Directors

K.Suryanarayana
Chairman

Sridhar Kamineni
Managing Director

K.G. Joshi
Dr.T.S.Sethurathnam
Dr. N.S. Datar
K.V. Ravindra Reddy
Datuk Syed Hisham Bin Syed Wazir
Directors

Place : Hyderabad
Date : 28th April, 2011

C.S. Rao
Company Secretary

CASH FLOW STATEMENT



[Rs. in Lakhs]

| | Year Ended 31.03.2011 | Year Ended 31.03.2010 |
|---|--------------------------|--------------------------|
| A. CASH FLOW FROM OPERATING ACTIVITIES | | |
| Net Profit before Tax and Extraordinary Items | 4576.86 | 9736.64 |
| Adjustments for : | | |
| Depreciation | 846.22 | 698.63 |
| Interest from Banks and Others | (74.70) | (76.90) |
| (Profit)/Loss on Sale of Assets | (0.07) | 0.00 |
| Interest on Working Capital Loans | 830.71 | 173.38 |
| Exchange rate fluctuation | (24.24) | (84.82) |
| Operating Profit before Working Capital Charges | 6154.78 | 10446.93 |
| Adjustments for : | | |
| (Increase)/Decrease in Inventories | (3238.69) | (284.93) |
| (Increase)/Decrease in Sundry Debtors | 2430.49 | (1324.79) |
| (Increase)/Decrease in Other Current Assets | 105.50 | (52.43) |
| (Increase)/Decrease in Loans and Advances | 3036.27 | (3818.47) |
| Increase/(Decrease) in Current Liabilities | (2698.16) | (1784.63) |
| Increase/(Decrease) in Cash Credit Loans | 3181.76 | (141.83) |
| Increase/(Decrease) in interest accrued | 14.58 | 0.00 |
| Cash Generated from Operations | 8986.53 | 3039.85 |
| Adjustments for : | | |
| Interest on Working Capital Loans | (830.71) | (173.38) |
| Direct Taxes Paid | (3830.11) | 1.12 |
| Total : (A) | 4325.71 | 2867.59 |
| B. CASH FLOW FROM INVESTING ACTIVITIES | | |
| Purchase of Fixed Assets | (904.41) | (3170.49) |
| Capital Work in Progress | (9142.31) | (1.75) |
| Sale of Fixed Assets | 3.67 | 0.00 |
| Interest Received | 74.70 | 76.90 |
| Total : (B) | (9968.35) | (3095.34) |
| C. CASH FLOW FROM FINANCING ACTIVITIES | | |
| Increase/(Decrease) in Term Loans | 10245.77 | 0.00 |
| (Increase)/Decrease in Investments | 0.00 | (720.40) |
| Equity Dividend | (885.79) | (664.34) |
| Corporate Dividend Tax | (150.54) | (112.90) |
| Total : (C) | 9209.44 | (1497.64) |
| Net Increase/(Decrease) in Cash and Cash Equivalents (Total A + B + C) | 3566.80 | (1725.39) |
| Exchange rate fluctuation | 24.24 | 84.82 |
| Opening Balance of Cash and Cash Equivalents | 1080.89 | 2721.46 |
| Closing Balance of Cash and Cash Equivalents | 4671.93 | 1080.89 |

For C K S Associates
Chartered Accountants
(FRN 007390 S)

P. Ganapati Rao
Partner
M.No.24113

Place : Hyderabad
Date : 28th April, 2011

For and On Behalf of the Board of Directors

Sridhar Kamineni
Managing Director



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Registered Office: 108, Kanchanjunga,
King Koti, Hyderabad - 500 001, A.P.