passion

Alphageo (India) Limited | 23rd Annual report, 2009-10

Remote locations. Logistical issues. Project timelines. Demanding clients. Torrential rains. Undulating terrain. Hostile environment.

The business of seismic survey services is challenging. There is but one reason why we have endured over the last two decades. *Passion.*

A passion derived out of our *focus* emerging among the largest geophysical service providers in the world. The *enthusiasm* to embrace challenges irrespective of the terrain, climate, geography or timelines.

The awareness to live our role as a *responsible* corporate citizen.

And the need to stay attractively *profitable* at all times.

Contents:

stay focused

stay focused

We believe that large gains are best accrued when companies stay focused on what they believe is their goal. Because the more one does the same thing, the better one gets at it. In jargon: 'core competence.'

Alphageo went into the business of seismic services in 1987. And focused on this space. Avoiding distractions and deviations.

Strengthening our presence. Widening our presence. Deepening our presence.

The result is that Alphageo has been the largest private sector provider of seismic survey services in India for more than two decades.

focused on scale

In the business of seismic services, scale is critical.

Scale makes it possible to sustain organisational momentum more effectively in line with industry growth than if the business was small and inconsequential.

Scale makes it possible to be respected and accepted by large E&P players. It gives our clients the confidence that we will leverage our organisational depth to deliver projects on schedule and to the satisfaction of clients.

Alphageo is attractively placed in this regard.

The Company is the largest merchant (non-captive) seismic services company in India today, the first point of reference for all seismic service requirements and an attractive industry proxy.

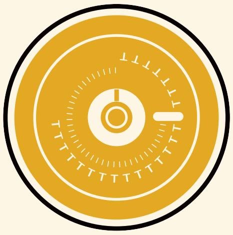
- The Company increased crew sets from two in 2001-02 (2D capable) to four in 2005-06 (two crew sets 3D capable and two crew sets 2D capable) to four in 2009-10 (all 3D capable); one crew set represents 30 people and an investment of Rs. 250 million in equipment and ancillaries.

- The Company invested Rs. 856.18 million in gross block in the five years leading to 2009-10, 82% of its gross block as on March 31, 2010.

- The Company increased channel count (key growth metric) from 6,000 in 2005-06 to 12,500 in 2009-10.

As a result, the Company increased its business at a 26% CAGR in revenue from Rs. 76 million in 2001-02 to Rs. 239 million in 2005-06 and Rs. 783 million in 2009-10 and can manage multiple 3D seismic data acquisition projects simultaneously.

focused on technology



The application of cutting-edge technology in this technology-intensive sector makes it possible to locate subterranean hydrocarbon reserves with speed and accuracy.

The faster we do so, the quicker our client is likely to engage in extraction. The more accurately we do so, the more efficient the client's spending. Besides, the wider our technology bandwidth, the easier our enlistment by large, demanding clients.

Alphageo invested proactively in reinforcing its technology.

- The Company invested in state-of-the-art proven 24-bit Delta Sigma technology with cable telemetry ION System Four and the state-of-the-art ION Scorpion systems for 3D survey and the most sensitive, distortion free SM 24 sensors with a full set of auxilliary equipment capable of acquiring 2D and 3D seismic acquisition data.

- The Company invested in a dedicated data processing centre to undertake 2D processing and 3D QC processing.

- The Company invested in full-fledged seismic data processing and analysis software Vista and ProMax with advanced interactive workstations and the most widely used software for 2D/3D seismic data interpretation on workstations developed by Landmark Graphic Corporation of USA.

- The Company increased the channel count to 12,500.

As a result, the Company is equipped to undertake 2D and 3D seismic survey projects. In a number of cases, it upgraded 2D seismic survey projects to 3D, in addition to the successful execution of a number of projects comprising 2D and 3D seismic data acquisition.

focused on customers

In the business of the oil and gas sector, the number of upstream clients is relatively limited owing to the complex capital-intensive nature of the business.

Besides, customers comprise large domestic and multinational corporates with stringent operational standards, necessitating systemic and process benchmarking with global standards.

Alphageo is a preferred service provider to a number of such companies.

Over the years, the Company has helped take the business of its customers ahead through the following initiatives:

- Provided the entire basket of services in the geophysical services space

- Upgraded technology and scale to meet the growing demand of its clients

- Created a team of experienced geologists, geophysicists, reservoir engineers and survey engineers with an exposure to different global basins

- Reinforced a culture of going beyond the ordinary leading to client delight

This is the result: our clients include leading global and domestic names in the oil and gas sector like ONGC Ltd, Oil India Ltd, Tullow India Operations Ltd, Hardy Oil and Gas Plc., Geopetrol International Inc., Canoro Resources Ltd, Interlink Petroleum Ltd and Essar Oil Ltd, among others. Besides, a high 87% of income was derived from existing clients in 2009-10.

stay enthusiastic

stay enthusiastic

In a challenging business like ours, enthusiasm segregates successful companies from the others.

Our enthusiasm reflects in a number of ways: the willingness with which we agree to work in challenging – politically, socially, logistically and climatically – terrains, the speed with which we deploy our people in these locations, the ease with which we set up support facilities in the back of beyond and our 'do-it-iveness' irrespective of deadline urgency.

We have a 'can-do' soul in a 'must-do' body.

enthusiastic about knowledge

In a business where the subterranean layer one encounters is always different from what one has encountered in the past, the ability to lucidly interpret geological formations comes down to experience.

The experience of having worked in different terrains, the experience of having comprehended different subterranean layers and the experience of having translated this information into hydrocarbon potential for the benefit of our dozens of clients.

Alphageo has invested richly in this knowledge repository through its cumulative experience on the one hand and the recruitment of professionals with competence on the other.

The Company's knowledge repository comprises the following:

- About 10,000 person-months of experience of having worked in challenging terrains
- Diverse terrain knowledge through successful project execution in 12 Indian states
- Superior operational experience by enhancing its technological horizon from 2D to 3D seismic surveys
- Accurate knowledgeable project management skills through timely delivery of assignments consistently
- Knowledge of global best-practices by working with large and respected overseas clients
- Prudent mix of multi-national professionals possessing multi-basinal experience across the globe, leading to informed project initiation

As a result, revenue per employee increased from Rs. 4.06 million in 2005-06 to Rs. 7.97 million in 2009-10.

enthusiastic about challenges

In the business of seismic services, there are relatively simple projects on the one hand and challenging ones on the other. While the former space is competitive, marked by low margins, the latter is relatively under-populated, enjoying higher returns.

Alphageo is respected in its industry for its willingness to embrace terrain, timeliness and interpretation challenges and its ability to deliver accurate results.

- The Company's experience spans the Himalayan foothills in Uttaranchal, jungles of Pranhita Godavari in Andhra Pradesh, hilly and forested regions of Jairampur in Arunachal Pradesh, hilly and forested areas of Mizoram and forests of Assam, among others.
- The Company has working experience for close to a decade in the North-East, emerging with the reputation of being a preferred seismic service partner in the North-East.
- The Company was the first to carry out night operations in urban Thiruvarur to reduce public inconvenience.

As a result, Alphageo enjoys a six-year relationship with ONGC, India's largest E&P company.

Rugged, steep hills. Forested cover. Mizoram, India
Alphageo was the first company to complete a seismic survey campaign in hilly and inaccessible Mizoram for ONGC Limited. The terrain challenges: thick vegetation, remote jungles, uneven roads, inaccessible steep terrain and water shortage. These challenges notwithstanding, Alphageo delivered the project on schedule.

Besides, Alphageo conducted three speculative surveys in the Himalayan foothills through joint ventures with the Directorate General of Hydrocarbons in basins – potential hydrocarbon bearing basins with sedimentary columns – where no prior seismic data was available.

enthusiastic about timeliness

In the business of seismic services, the costliest resource is time.

Because one day delayed is one day delayed in probable exploration and one day delayed in marketing the end product with related implications in a weaker servicing of debt and interest.

In this respect, Alphageo takes the business of its clients ahead. The Company delivers accurate results within stipulated timelines through the following measures:

- Accurate project planning
- Intelligent logistics management facilitating a seamless movement of crew and equipment across terrains
- Inspired and experienced team supported by documented procedures (benchmarked to international standards) facilitating timely project execution
- Deployment of experts with international exposure for effective and timely data collection

As a result, the Company delivered more than 80% of its projects before time. For instance, its Geopetrol project was delivered an entire season ahead of schedule. Recently (in 2009), Alphageo acquired 800 sq. km data for ONGC in the Cauvery Basin, Tamil Nadu, ahead of schedule.

stay responsible

stay responsible

In a world that is getting as concerned with the 'how' as much as the 'what', there is a greater need to be responsible and aligned with the interest of all stakeholders.

In a challenging business where operational adversities can have a far reaching impact on the interests of a large stakeholder community, there is only one way in which we can sustain operations: by minimising the adverse impact of operations on stakeholders and 'being responsible'.

Our responsibility encompasses the following: the safety of our team while working in inhospitable locations, protecting the environment while creating an infrastructure for the underprovided sections of society and leaving the world safe for succeeding generations.

responsible to the team

In a service-oriented business, employees drive growth. And when the operating environment comprises forests, hills, rugged terrains and deserts, among others, then the responsibility of the organisation towards its team members assumes critical importance.

Over the years, the Company ensured the safety of its teams despite operating in some of the harshest locations through the following measures:

- Benchmarked safety standards with global best practices
- Provided adequate safety equipment to all the members of the crew working on the site
- Formulated its HSE guidelines and procedures in accordance with IAGC Land Geophysical Operations – Safety Manual and IAGC Envrionmental Guidelines for Worldwide Geophysical Operations – institutionalised these systems and procedures across all the crew operations on the field

The benefits of these initiatives are significant. The Company recorded 10 loss time injuries in 32.4 million working hours and enrolled 35 new members in the last three years leading to 2009-10.

responsible to the environment

The reality of the day is that every business has some impact on the environment. However, when business operations involve cross country operations across populated areas-towns, villages, farmlands, forests, rivers, etc., the impact on the environment can be significant.

Environment management is critical for such organisations as they need to run their business in a sustainable way.

Over the years, the Company strengthened its environment management in the following ways:

- Negotiated ecological and logistical challenges without disturbing the earth's cover
- Minimised waste by using natural resources efficiently; optimised the use of explosives which could impact the surrounding environment
- Effective site restoration policy in areas where they were impacted by the Company's operations, thereby maintaining the ecological balance

The result is that the Company has not been involved in any environmental issue with any state government authority.

responsible to the society

The job of a responsible corporate is not just in amassing wealth but in improving the future of succeeding generations, especially when business operations could have an impact on the neighbouring society.

This makes it imperative for a corporate to manage business in a socially responsible manner for inclusive growth.

Over the years, the Company demonstrated its societal responsibility through the following initiatives:

- Deployed available local resources to maximum extent in the areas of their operation
- Built access roads and bridges in areas (close to the project site) lacking the basic infrastructure
- Repaired roads and paths impacted by the seismic operations

In doing so, the Company successfully completed its projects within schedule, without any hindrance from local residents.

stay profitable

stay profitable

We believe that a corporate's goal is to add value to shareholders in a consistent way.

Our profitability is achieved through our commitment to reduce costs without affecting service delivery, the redeployment of our surplus in business growth or debt reduction.

The result is that we are focused on 'value-enhancement as distinct from 'profit enhancement'.

profitable through value management

Oil and gas demand is rising by the day. Supply is growing by the month.

The need to enhance hydrocarbons production is increasing, making it imperative to use technologically advanced techniques for the accurate detection of reserves.

Over the years, the Company strengthened its technology capability through the following initiatives:

- Absorbed the 3D technology in 2006, among the first in the Indian geophysical space to offer this service; Alphageo successfully delivered the first 3D seismic survey assignment in India
- Trained its crew in the efficient use of 3D technology and as a result, all Alphageo crews possess hands-on experience in 3D seismic survey assignments

As a result, of the six projects successfully completed in 2009-10, five involved 3D data collection.

profitable through cost management

Exploration cost requires huge funds but can be a zero-return investment. A number of players in the domestic oil and gas sector are first-time entrants unaccustomed to a high exploration risk. This makes it imperative for the service providers to reduce costs, which enhance business opportunities and profitability.

Over the years, the Company optimised operational costs through the following initiatives:

- Optimised the use of explosives and drilling costs to eliminate excesses

- Improved subcontractor dealings, saving on labour and consumables

- Optimised crew boarding and lodging costs on site by eliminating inefficiencies

These initiatives strengthened the Company's profitability – it registered an EBIDTA margin in excess of 40% for the five years leading to 2009-10; EBIDTA grew at a 23% CAGR over the same period.

profitable through debt management

The hugely capital-intensive geophysical services business depends on borrowed funds to grow. Incompetent debt management can result in a high interest burden, affecting value accretion.

Over the years, the Company grew its business and minimised debt through prudent fund management in the following ways:

- Maintained a prudent balance between debt and internal accruals while funding capex

- Institutionalised a system where business surplus repaid debt; Rs. 360 million was ploughed into the business over the five years leading to 2009-10

- Maintained a stringent control on receivables to fund working capital requirements, largely through internal sources

As a result, the Company reduced debt from Rs. 296 million in 2005-06 to Rs. 18 million in 2009-10; interest liability dropped from Rs. 27.8 million in 2006-07 to Rs. 7.1 million in 2009-10; interest cover strengthened from 3.18 to 20.06 during the same period.

oil

Arguably the most critical natural resource in the world.

Alphageo is playing a critical role in helping India locate onshore underground reserves of this critical resource.

Through integrated geophysical services.

Emerging as India's largest private sector provider of seismic survey services.

Vision

Emerge as a leading geophysical services player with global operations to deliver time-critical, quality data at competitive prices

Mission

Alphageo is a company of people gathered with the goal of being the industry's premier provider of cost-effective seismic services and geophysical solutions. We strive to deliver high quality services while maintaining a safe, enjoyable, and challenging workplace for our employees. We hold in highest regard the environment and societies in which we work. We are committed to provide excellence in all that we do and through this, create value for all our stakeholders.

Values

Do what's right

We are committed to the highest standards of ethical conduct in all that we do. We believe that honesty and integrity instill trust, which is the cornerstone of our business. We abide by the laws of India and the other countries in which we do business, we strive to be good citizens and take responsibility for our actions.

Respect others

We recognise that our success, as an enterprise, depends on the talent, skills and expertise of our people and our ability to function as a tightly integrated team. We appreciate our diversity and believe that respect – for our colleagues, customers, partners and all those with whom we interact – is an essential element of all positive and productive business relationships.

Perform with excellence

We understand the importance of our mission and the trust our customers place in us. With this in mind, we strive to excel in every aspect of our business and approach every challenge with a determination to succeed.

1987

Incorporated as a private sector company

101

Strength of the Alphageo team as on March 31, 2010

69

Number of projects successfully completed as a provider of geophysical services until end 2009-10

12+

Indian states across which Alphageo possesses rich terrain experience

19

Satisfied Alphageo clients (March 31, 2010) including prominent global and Indian corporates in the oil and gas exploration space

Alphageo. This is who we are. This is what we do.

Services	State-of-the-art technology	Locations
Design and pre-planning of 2D and 3D surveys	24-bit delta sigma technology with cable telemetry, Input/Output System 4 for 2D and 3D survey	**North India:** Uttar Pradesh, Uttaranchal
Seismic data acquisition in 2D and 3D; seismic data processing reprocessing/special processing; seismic data interpretation	The most sensitive, distortion-free SM 24 sensors with a full set of auxilliary equipment	**West:** Rajasthan, Gujarat
Generation, evaluation and ranking of prospects	The latest seismic data processing and analysis software with advanced interactive workstations	**South:** Andhra Pradesh, Tamil Nadu
Reservoir data acquisition; reservoir analysis	State-of-the-art software for 2D / 3D seismic data interpretation on workstations	**North-East:** Mizoram, Assam, Arunachal Pradesh, Nagaland
Topographic surveys with GPS / RTK	Cutting edge quality control tools	**Central:** Madhya Pradesh
Digitisation of hard copies of maps, seismic sections and well logs into CGM / SEGY / LAS formats		**East:** Bihar
Third party quality control for acquisition and processing		

652
The capital (Rs. in million) employed in the business (March 31, 2010)

783
The quantum of revenues (Rs. in million) earned in 2009-10

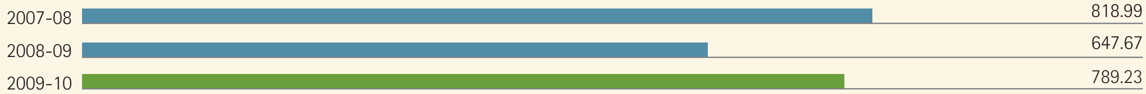
34
Promoter holding (%) in Alphageo (as on March 31, 2010)

4
Crew (installed capacity)

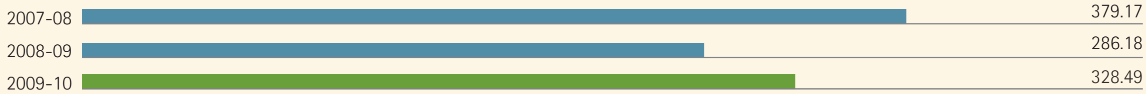
12,500
Channel count (installed capacity)

this is how we have grown our business

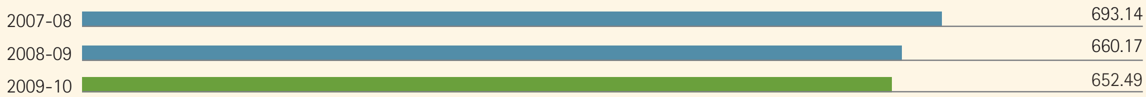
Total income *(Rs. million)*



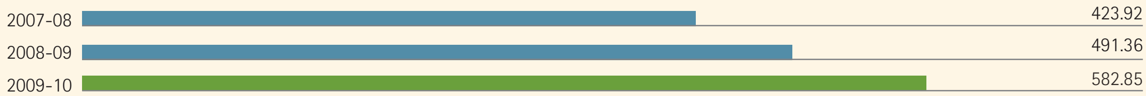
EBIDTA *(Rs. million)*



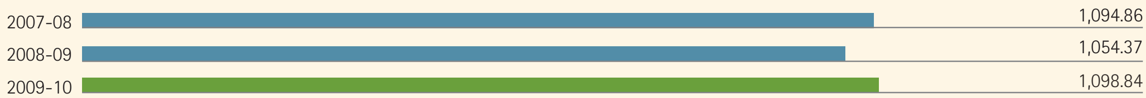
Capital employed *(Rs. million)*



Reserves and surplus *(Rs. million)*

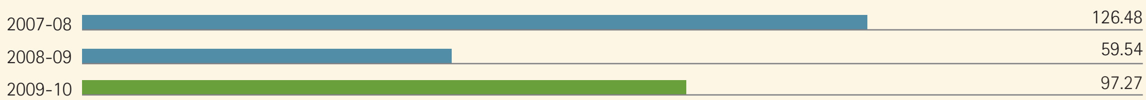


Gross block *(Rs. million)*

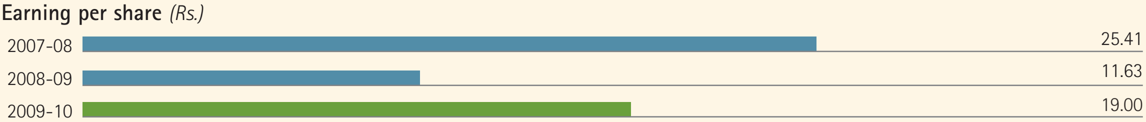


this is how we have enhanced shareholder value

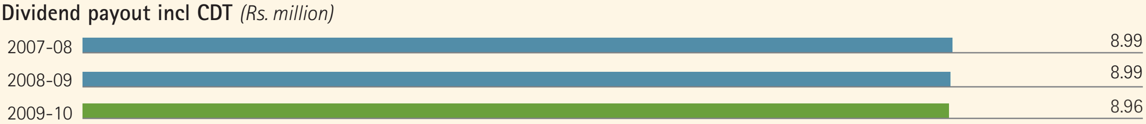
Post tax profit *(Rs. million)*



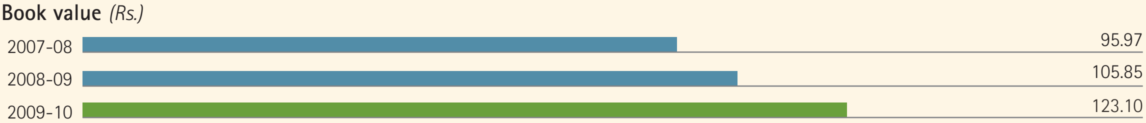
Earning per share *(Rs.)*



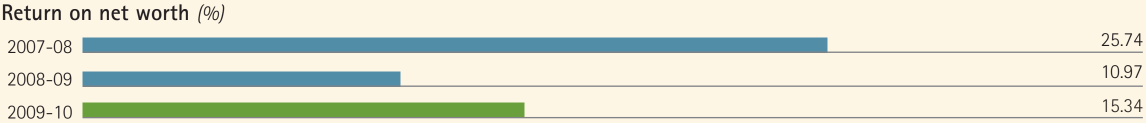
Dividend payout incl CDT *(Rs. million)*



Book value *(Rs.)*



Return on net worth *(%)*



Alphageo. An improved 2009-10

Growing numbers

Revenue growth

23%

2008-09	2009-10
Rs. 638.82 million	**Rs. 783.33 million**

EBIDTA growth

15%

2008-09	2009-10
Rs. 286.18 million	**Rs. 328.49 million**

Profit after tax growth

63%

2008-09	2009-10
Rs. 59.54 million	**Rs. 97.27 million**

Cash profit growth

17%

2008-09	2009-10
Rs. 224.97 million	**Rs. 262.50 million**

Operations

- Completed six projects totalling Rs. 780 million (five involving 3D services and one requiring 2D services)
- Bagged three new contracts amounting to Rs. 250 million in 2009-10, of which 100% were from the private sector (Essar Group, Adani Group and Selan Exploration); order book stood at Rs. 530 million as on March 31, 2010
- Increased channel count from 10,000 to 12,500
- Optimised costs by eliminating inefficiencies and maintaining fiscal discipline

Corporate

- Repaid debt of Rs. 992 million
- Proposed a dividend of Rs. 1.50 per share

"what lies ahead presents exciting opportunities – domestically and across the globe"

Mr. Z.P. Marshall, Chairman, Alphageo (India) Limited, highlights the prospects of the company going forward.

Dear shareholders,

The year 2009-10 was a satisfying one as we performed well in a challenging environment.

External forces impeding growth

In India, under-recoveries on account of the under-pricing of petroleum products increased five-fold from Rs. 200 billion in 2004-05 to Rs. 1,032 billion at the end of 2008-09. The country's 2008-09 under-recoveries were 3% of India's gross domestic product (GDP), affecting capital investments in the oil and gas sector, especially in its E&P segment. This reality is borne out in an important number: the global spend on the E&P segment in 2009-10 was about US$400 billion and India was estimated to have attracted only US$11-12 billion in the eight rounds of the New Exploration Licensing Policy (NELP). The capital deployed on under-recoveries in 2008-09 alone was over twice the investment committed to domestic E&P activities in the eight rounds of NELP. Consider this: the net crude price realised by ONGC was US$48 per barrel, an under-recovery of US$39 per barrel (i.e. 45% of the gross crude price realised). The result is that in 2009, volatile commodity prices, larger oil stocking and unstable demand made companies cautious about investment plans, impacting E&P activities in India.

Alphageo's performance

Despite these external challenges, we grew revenues 23%, EBIDTA 15% and net profit 63%, vindicating the robustness of our business model in enhancing shareholder value. This contrarian performance was primarily owing to the following factors:

- Sizeable unexecuted order book at Rs. 1,060 million as on April 1, 2009
- New business worth Rs. 250 million
- Prudent cost optimisation measures

More importantly, we emerged virtually debt-free, creating a robust foundation for undertaking new initiatives.

Optimism

There are a number of reasons to be optimistic about our business:

Global: From a macro perspective, it would be relevant to consider that with major economies showing signs of recovery in the second half of 2009, global economic conditions are expected to improve. The International Monetary Fund (IMF) raised its 2010 global output forecast to 4.6% from the earlier estimate of 4.2%, citing a robust expansion in Asia and renewed US private demand.

Consequently, the capital expenditure of oil and gas companies, which witnessed a decline in 2009, is expected to rebound in 2010, driven mainly by large national oil companies. Global Data forecasts a 12% growth in the oil and gas sector capital expenditure in 2010 and expects capex of leading listed oil and gas companies to exceed US$798 billion, driven mainly by the investments of NOCs. The total capital expenditure by listed NOCs is expected to grow 16% to around US$375 billion in 2010 and the outlook for oil and gas transactions will get better in upstream and oilfield services.

Domestic: India imports over 77% of its crude oil requirement, straining its forex reserves and increasing its current account deficit. India's oil dependence is reflected in its oil import bill. The country's total crude oil import grew from 740.9 lakh tonnes at a cost of US$12.9 billion in 2000-01 to 1,532 lakh tonnes at a cost of US$85.5 billion in 2009-10 and is expected to rise further..

As per CII estimates, the demand for oil would be 3,280 lakh tonnes of oil equivalent by 2030, based on a 3.8% year-on-year consumption growth. McKinsey indicates that Demand for gas in India would surge by 9-10% annually to about 115 to 135 billion cubic meter (BCM) by 2020.

The growth in demand for oil and gas is based on the following estimates:

- India is the world's second-fastest growing economy; industrial production is recording double-digit growth for the first half of CY2010, a trend expected to continue

- India's per capita energy consumption is 383 Kgs of Oil Equivalent (KGOE) against the world's average of 1,737 KGOE, indicating a significant potential for energy demand growth. As per the Integrated Energy Policy of the Planning Commission, Government of India, India's energy need is expected to grow four-fold from 433 Million Tonnes of Oil Equivalent (MTOE) to around 1,856 MTOE by 2032.

- The Indian automobile industry is geared to invest up to Rs. 800 billion in fresh capacity in four years. Car manufacturing capacity is set to rise to 57 lakh units by 2015, according to Ernst & Young, fuelled by growing per capita income (at current prices) from Rs. 29,524 in 2006-07 to Rs 44,345 in 2009-10.

Regulatory policies: The Indian government announced a number of policies expected to reduce oil import. It announced two major policies in May-June 2010:

- The gas being produced from blocks allotted to public sector companies on a nomination basis and sold under the Administered Price Mechanism (APM) was increased and brought at par with the price of the Krishna-Godavari (KG) D-6 gas from June 1, 2010.

- Public sector entities were permitted to sell any additional gas produced from the nomination blocks at the market price

This is expected to reduce under-recovery and put more money in the hands of public sector companies that could induce them to invest more in India's exploration activities.

Supply to increase: The government is also working to increase E&P activities in India through a number of favourable policies:

- Launch NELP IX in end 2010 to auction up to 45 oil and gas blocks for E&P activities

- Introduce Open Acreage Licensing Policy, where oil firms can choose the blocks they want to explore without waiting for the government to put them on offer

- Plan the first-ever offer of shale gas areas for exploration in 2012. Shale gas is the new focus area in the US, Canada and China for meeting growing energy

Economic revival is expected to create more industry opportunities worldwide. To capitalise on them, we extended into the international E&P segment of the oil and gas sector.

needs. Correspondingly, estimates of US gas reserves increased from 30 years to 100 years at current usage rates

- ONGC, the Company's largest customer, plans to invest Rs. 60,000 million in new and existing fields.

Alphageo's preparedness

Economic revival is expected to create more industry opportunities worldwide. To capitalise on them, we extended into the international E&P segment of the oil and gas sector. We bid for global projects which are at various approval stages, hoping to carve out a meaningful presence and derisk our business model.

We strengthened our capability to address this improving environment: our strengthened financial statements allow us to borrow up to Rs. 1,250 million (considering a prudent debt-equity ratio of 2.0) to fund capital investments; we diversified regionally within India, demonstrating our capability to seamlessly manage geographic diversity; we delivered challenging 3D seismic survey projects in 2009-10 which showcased our project management capability; we institutionalised our low-cost operating systems, adding value to our clients. In doing so, we positioned ourselves to capitalise most effectively on the opportunities expected to come out of the Indian and international markets.

Message to shareholders

The prospects for the Company appear favourable for the current year and beyond. Our experienced management will continue to respond to opportunities, reinforce its competitive advantage and play a larger role in India's energy security. On behalf of the Board of Directors, I must express my gratitude to our shareholders, customers and business associates for their trust and support.

Oil turns scarce globally

The IEA figures showed there could be a gap of seven million barrels a day between supply and demand by 2015. That represents about 8% of the expected world demand of 91million barrels a day by then *[Source: The Hindu Business Line, October 27, 2009].*

"we posted a resilient performance in the face of a challenging external environment"

Dinesh Alla, Managing Director, reviews the Company's performance of 2009-10

Were you satisfied with the Company's performance in 2009-10?

Yes and no.

Yes, by virtue of the profitability growth despite a challenging external environment. The Company's topline grew 23% from Rs. 638.8 million in 2008-09 to Rs. 783.3 million in 2009-10, profit before tax grew 58% from Rs. 96.9 million to Rs. 153.2 million and the profit after tax grew 63% from Rs. 59.5 million to Rs. 97.3 million. So if you see the numbers, there has been a more than proportionate increase in our profits when compared with the topline, which indicates that the core business model of the Company continues to be relevant and protected.

No, as we could not achieve our topline target of Rs. 1,000 million for factors beyond our control.

The Company had an order book of more than Rs. 1,000 million at the start of the year and announced that it had sizeable contracts in 2009-10. Why was the target missed?

As on April 1, 2009, we had an unexecuted order book of Rs. 1,060 million. During the year, we got orders worth Rs. 250 million. Two factors prevented us from reaching our milestone:

- A Rs. 430-million ONGC order is on the back-burner, awaiting government clearance.
- An unusually challenging project for Selan Exploration consumed a large quantum of resources and time.

So on the one hand, revenue growth was lower than usual while on the other, we expended more than commensurate resources for an important project.

In 2009-10, the Company managed only three new orders. What was the reason for this slack in business?

This is precisely why it was a challenging year. In late 2007 and early 2008, a large number of players commenced projects in the oil and gas sector as oil prices hovered at US$120 per barrel (with predictions of US$200 per barrel), the stock market was booming and infrastructure companies possessed comfortable liquidity that prompted them to bid for blocks in the capital-intensive oil and gas sector. Everything reversed after September 2008.

One expected things to improve in the latter half of 2009 when all other sectors rebounded. But this did not happen in the E&P sector, primarily because most companies were first-time entrants in the oil and gas segment and did not want to expose themselves to exploration risk. This delayed tenders for seismic survey projects by about a year, translating into a sectoral slowdown. Interestingly, there were a number of blocks awarded in the NELP VII round which are yet to be taken up for geophysical services.

Shareholders would want to know why the Selan Project was challenging.

The Selan project involved seismic survey in a block in Gujarat. Although we were experienced in most terrains in Gujarat (five projects successfully executed there), we had never encountered anything like this before. We collected data on the terrain and did a lot of repetitive work, hampering productivity. Most other players in the geophysical space would have walked out as the margins were also lower than the prevailing average.

So why was it so important to take this contract compromising topline and profitability?

Because we substituted revenue with relationship! We need to remember: geophysical services and E&P are small sectors in terms of the number of participants. A large number of new players are from the private sector and there is a reasonable amount of correspondence among them. More importantly, with these players, L-1 is most important. These private players want quality service and are willing to negotiate. With this mindset, we accepted the challenge of completing the job. The result is that Selan is a happy client and we believe that this relationship will take us places over the medium term. This reinforces our positioning that in 20 years of service, we do not have a single dissatisfied client.

What key events were you were satisfied with in 2009-10?

During the year, we standardised our work, systems and processes started two-three years ago, which eliminated errors and strengthened our project management.

Our client mix and project mix were the other heartening facts. The business received during the year was from private players like Interlink Petroleum, Selan Exploration and Essar Oil, which derisked our business from an overdependence on a single client. We expect that this client broad-basing will increase business opportunities, going ahead. Besides, of the six completed projects in 2009-10, five comprised 3D seismic survey projects, the largest completed by the Company during the year, highlighting our edge over competitors.

In 2009-10, how did you strengthen the business model?

In two ways:

- Strengthened our financial statements – we repaid debt and strengthened our debt-equity to 0.03 as on March 31, 2010 against 0.22 as on March 31, 2009. Consequently, we can undertake capital-intensive growth by leveraging our balance sheet without diluting equity.

- Optimised our costs – we critically analysed all cost components, maintained a strict financial discipline and eliminated inefficiencies. We expect that this will strengthen our competitive advantage over the years.

In most other businesses, there is a visible quarter-on-quarter growth in revenue and profitability but not so in the case of Alphageo.

This is a valid observation. Our business is seasonal. The second quarter of the financial year would generally be the one where bids are settled between the service provider and the E&P company with little work being executed owing to the onset of the monsoons. Revenues start flowing in only during the third quarter; the fourth quarter is generally the best in terms of receivables tapering into the first quarter of the next financial year. Our revenues have been erratic for two years, largely owing to reduced business.

We expect to correct this revenue cycle with more regular cash flow through overseas projects. We bid for three such projects in the first quarter of 2010-11 in Africa and I am happy about our progress – our technical competence was approved, our HSE standards were approved but we lost out on price bids.

We are looking at certain CIS nations, Turkey and Georgia. I am confident that by the end of the current year, we will have won our first overseas contract, which will improve asset utilisation and profitability.

What are the prospects for the current year?

The current year appears promising with significant visibility. Estimates suggest cumulative business of around Rs. 3,000 million, an optimism derived from the following realities:

- A number of blocks from the NELP-VII auction have not been taken up for E&P, which should happen in 2010-11.
- The 33 blocks of NELP-VIII auction will create significant business opportunities in 2010-11.

My estimates are that the process of bids and their approvals should be over by September 2010, by which time the rains would be over, translating into revenues from October 2010.

Where does Alphageo score over peers in capitalising on emerging opportunities?

Our passion! A passion to undertake challenges, to consistently deliver quality service, to beat agreed timelines and to live our 'never say die' attitude. This passion is reflected in a number of advantages:

- Deep sectoral knowledge leveraging our two-decade presence
- Terrain diversity, possibly the most diverse in the Indian space
- Technological edge, which makes it possible for us to participate in all projects

■ Healthy customer relations with leading domestic and international E&P players

How is Alphageo positioned with regard to the pricing of its bids?

We are attractively positioned for an important reason. We follow an aggressive depreciation policy. This gives us the cushion to quote competitively while maintaining healthy margins. My optimism for the Company's prospects stems from our terrain knowledge. Interestingly, most inland blocks auctioned through the NELP VII and VIII rounds are in Gujarat, followed by Tamil Nadu and Rajasthan. In Gujarat, we have in-depth terrain knowledge through more than six projects successfully executed there, including the Selan project, which adequately showcased our capability to deliver against all odds. In Rajasthan, we have a working experience of about a decade, giving us fair insight into the terrain and local culture.

How is the E&P sector expected to perform over the coming years?

We expect a sizeable increase in E&P activity for the following reasons:

NELP VIII and XI: The 33 blocks awarded under NELP VIII are expected to be taken up for E&P activities over the coming years, generating significant business for the geophysical segment. Besides, the government is planning to launch the ninth round of the New Exploration Licensing Policy (NELP IX) in 2010-11, to auction up to 45 oil and gas blocks, opening new opportunity windows.

Open Acreage Licensing Policy (OALP): India is moving towards the Open Acreage Licensing Policy, where oil firms can choose the blocks they want to explore without waiting for the government to put them on offer. This is expected to generate significant interest in the E&P sector over the coming years.

Shale gas: India is planning it's first-ever offer of shale gas areas for exploration in 2012, a new focus area in the US, Canada and China.

Government policies: Favourable government policies announced in 2009-10 are expected to reduce the under-recoveries for players in the oil and gas sector and increase E&P activities.

What would be the impact of a fall in crude prices on E&P activities?

According to our estimates, the onshore segment will not be affected significantly by fall in crude oil prices owing to the favourable E&P economics that the segment enjoys. A more appropriate variable to judge prospects of the onshore seismic activities is the demand-supply gap for oil that exists in India. Currently, India imports about 77% of its crude requirement, putting a huge strain on its forex reserves and increasing the current account deficit. Estimates suggest that imports could rise as high as 90% in 20 years without a significant augmentation in our domestic hydrocarbon supply.

You had an order book of Rs. 530 million and reported a Rs. 9.1 million loss in the first quarter of 2010–11. What were the reasons for this performance?

Simply no business opportunity in the market place. Let me explain. The order book of Rs. 530 million comprised the ONGC project, which is pending regulatory clearance and the Selan project, which was completed. Besides, between January 2010 and June 2010, there was only one tender for seismic survey assignment. The second quarter could be worse owing to the monsoons but this will also be the time when bids are finalised. We expect that there will be about 4-5 projects coming up by September 2010 and are hopeful of getting sizeable business over the coming months.

What is your message to shareholders?

Over the years, we have emerged as the largest player in the private sector in geophysical services. We demonstrated our capability in the successful delivery of accurate data in the face of all challenges. We possess strong financial statements that serve as a robust bedrock of our growth. We are now working on establishing a global presence which we believe will significantly strengthen shareholder value. We hope you stay with us on this eventful journey in the same manner that you have supported us during our India-led growth in the last few years.

pride in ownership

Alphageo has consistently worked to strengthen shareholder value in good and bad times, alike.

Tangible value addition

The Company expanded its business, strengthened its business model, reinforced its asset base and sustained a healthy dividend payout, translating into growing shareholder wealth.

1) Business growth: Over the last decade, the Company undertook challenging projects, sweated man and machine to ensure superior project delivery to its clients. In doing so, it grew business and strengthened profitability which facilitated in growing shareholder wealth

	2005-06	2009-10
Total income (Rs. million)	238.7	789.2
EBIDTA (Rs. million)	116.9	328.5
Profit after tax (Rs. million)	42.2	97.3

2) Improving profitability: Over the years, the Company scaled the value chain from 2D to 3D geophysical services through timely investment in technology for multiple benefits – larger business opportunities and more profitable projects. Besides, the Company's streamlined operations to match international standards which optimised operations cost and strengthened business profitability.

	2005-06	2009-10
EBIDTA margin (%)	48	41
Return on net worth (%)	25.2	15.3
Return on capital employed (%)	16	25

3) Strengthening shareholder funds: Over the years, the corporate priority was to reconcile increasing business investments with growing shareholder aspirations. Alphageo increased plough-back of operational surplus to reduce debt and strengthen its financial position on the one hand, while on the other, it sustained dividend payout

	2005-06	2009-10
Surplus ploughed back into business (Rs. million)	36.6	88.3
Free reserves (Rs. million)	166.4	562.8
Net block (Rs. million)	531.1	423.6
Debt-equity ratio	1.37	0.03
Dividend payout ratio (%) (Dividend/PAT for year)	13.0	9.2

4) Strong return-in-hand: The Company's superior performance over the years and it prudent strategy to balance dividend payout with re-investment resulted in superior returns to the shareholders (directly and indirectly), reflected in growing total shareholder return (TSR). TSR reflected the gain earned by the shareholders – directly and indirectly (directly in the form of the dividend received by them; indirectly in the form of the capital appreciation registered by the stock during the financial year under review).

	2005-06	2009-10
Total shareholder return (Rs. million)	255.1	688.2

Intangible value addition

A strengthened brand recall and relentless pursuit of highly ethical business standards sustained shareholder confidence in the management's ability to take the business ahead amid external and internal challenges.

1) Top-of-mind: Over the years, the Company's pain-staking efforts for superior client servicing widened visibility, recall and pride of association.

2) Ethical practices: The Company demonstrated high standards of corporate governance across decades of its existence; an interesting contrast in an era of unbridled corporate fraud and mismanagement of shareholder's hard-earned money in India and globally.

Alphageo: creating value sustainably

The market capitalisation of the Company increased 145% from Rs. 435 million as April 1, 2009 to Rs. 1,069 million as on March 31, 2010.

Is Alphageo delivering a competitive total return?

Alphageo delivered competitive total return to its shareholders in the short and long term:

Short term: An investment of Rs. 1,000 in the Company on April 1, 2009 would have grown to Rs. 2,249 as on March 31, 2010. This would have been higher than what secured investment options would have generated during the same period.

Long term: The market capitalisation grew at a CAGR of 27% over the five-year period leading to March 31, 2010. This return is higher than the return an investor would have received from any other secured investment.

	March 31, 2007	March 31, 2008	March 31, 2009	March 31, 2010
Market capitalisation (Rs. million)	1,160	2,216	435	1,069

What were the principal factors responsible for the Company's superior or inferior returns relative to its competitors?

A complement of diverse factors facilitated superior returns including the following: proactive investment in cutting edge seismic technologies complemented with strict adherence to documented quality procedures, rich working experience in diverse terrains, areas of diverse cultures, a competitive capital cost per crew and continuous investments in crews, technologies (2D to 3D) and channel counts as well as reducing reliance on borrowed funds. These factors made it possible for the Company to register an average EBIDTA margin of more than 45% and an average pre-tax margin of 22% over the last five years leading to 2009-10.

Does the Company have a sound strategy for creating value over the next few years?

Alphageo expects to report attractive growth consistently over the next few years.

The value drivers in the short term include the following:

- Strengthened pre-qualification criteria (by creating a talent pool with rich experience in diverse basinal areas across the globe and investment in sophisticated equipment), an edge over competitors
- Stringent control on costs to eliminate inefficiencies from operations; increased channel count from 10,000 to 12,500 should strengthen the value creation commitment

The value accelerators over the long term include the following realities:

- The Company's virtually debt-free status will enable it to access low cost funds to drive growth
- The Company's strategy to bid for and implement projects across the world, which can reposition it as a global provider of geophysical services

However, the Company will work with credible clients who respect the laws of the land and environmental considerations leading to contract and revenue consummation; it will invest in critical and differentiating technologies; it will continue to work on projects in challenging terrains; it will invest in the competence and knowledge of its people. A complement of these initiatives is expected to enhance value over the coming years.

How can alternative strategies affect shareholder value and returns?

The following are the outcomes in the event Alphageo pursued alternative strategies;

- Had it not invested in 3D capability: Revenues would have declined as most clients have graduated to the use of superior 3D technology

- Had it not worked in challenging terrains: The Alphageo brand would not have stood for a distinctive recall; the Company would not have received repeat and referral business; competition would have eroded operating margins.

- Had it not invested in additional 3D crews: This would have mismatched the Company's intellectual capital and asset base; the business would have gone to competitors, who would have grown faster.

- Had it not utilised business surplus to repay debt: The growing interest liability would have dented shareholder wealth; it would not have represented an effective leverage of the Company's cash-rich business model with an inbuilt ability to generate large and relatively unencumbered debt coupled with flexibility of timely repayment and de-gearing; the growing debt

What are the most potent value-drivers for leveraging the Company's business?

The Company expects to leverage growing investments in oil exploration.

The eighth round of the New Exploration Licensing Policy (NELP VIII), which put up for bid 70 oil and gas blocks covering an area of about 163,535 sq. km, attracted investments of around US$1.34 billion for its award of 33 blocks.

Besides, an enduring relationship with the large oil exploration clients in India (ONGC and OIL) and sound execution capabilities are also expected to create value for shareholders.

Do the management's and the market's expectations (as impounded in the stock price) about the prospects of the Company differ? If so, what opportunities are presented?

The Alphageo stock moved up significantly from a low of about Rs. 85 in March 2009 to Rs. 208 in March 2010 – a gain of about 140% for shareholders. This is largely owing to the improved performance of the Company in 2009-10. As a result, the Company received coverage from a number of research houses.

These questions are based on Alfred Rappaport's seminal work on shareholder value creation.

management discussion and analysis

Indian economic scenario

The year 2009 witnessed the harsh fallout of the unprecedented global economic turmoil. As per IMF estimates (January 2010), global economic growth contracted around 0.8%, led by advanced economies. This led to a sharp decline in global crude price – from US $80 per barrel in October 2008 to US$51in April 2009.

The cumulative efforts of most governments curtailed the depth, span and intensity of the economic catastrophe, although the possibility of some economies defaulting continues to haunt the world. More importantly, had it not been for China and India, the intensity of the global meltdown in 2009 could have been harsher.

Double-digit industrial growth saw the Indian economy expanding 7.4% in 2009-10 (6.7% in 2008-09), despite drought and global slowdown. This was largely owing to the implementation of the broad-based, counter cyclical policy package to respond to the negative fallout of the global slowdown.

The Indian economy's strong performance was driven by the manufacturing sector's robust performance on the back of government and consumer spending. The sector emerged as the best performer, growing 10.8% in 2009-10 as against 8.9% in 2008-09, outpacing the previously fastest growing services sector.

Fiscal 2009-10 was affected by the worst drought in three decades, followed by floods in some areas, adversely affecting kharif crop production. Despite this, the agriculture sector grew 0.2% during the year as opposed to a 0.2% estimated decline.

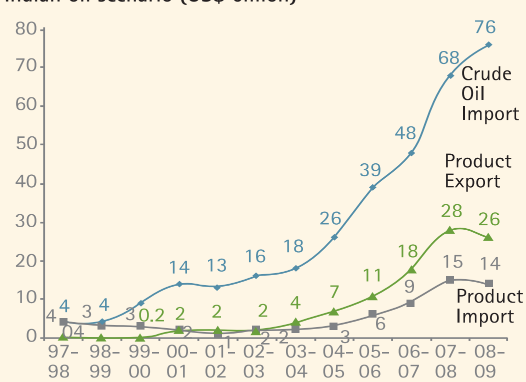
Government estimates suggest that the Indian economy will grow 8.5% in 2010-11, driven by better farm output and global recovery. The International Monetary Fund (IMF) raised its India growth forecast for 2010 to 9.4% from 8.8% estimated in April

Oil and the Indian economy

As India depends upon crude oil imports to the extent of excess of 70%, adverse government policies would definitely translate into further price inflationary pressure on the economy; rising import bill has already put the country's current account balance in a fix.

India's trade deficit was US$117.3 billion in 2009-10, down from US$118.7 billion in 2008-09 and is further expected to widen to US$132.70 billion in 2010-11 and US$154.50 billion in 2011-12, leading to pressurising the partially convertible rupee, having already lost around 5% from its 2010 peak levels *(Source: Reuters)*. The primary reason being India's rebounding economy – that is expected to raise demands for manufacturing activity and oil imports. Oil imports in 2009-10 were US$85.5 billion, lower than US$93.7 billion in 2008-09; with domestic crude refiners being the biggest importers.

Indian oil scenario (US$ billion)



(Source: ASSOCHAM)

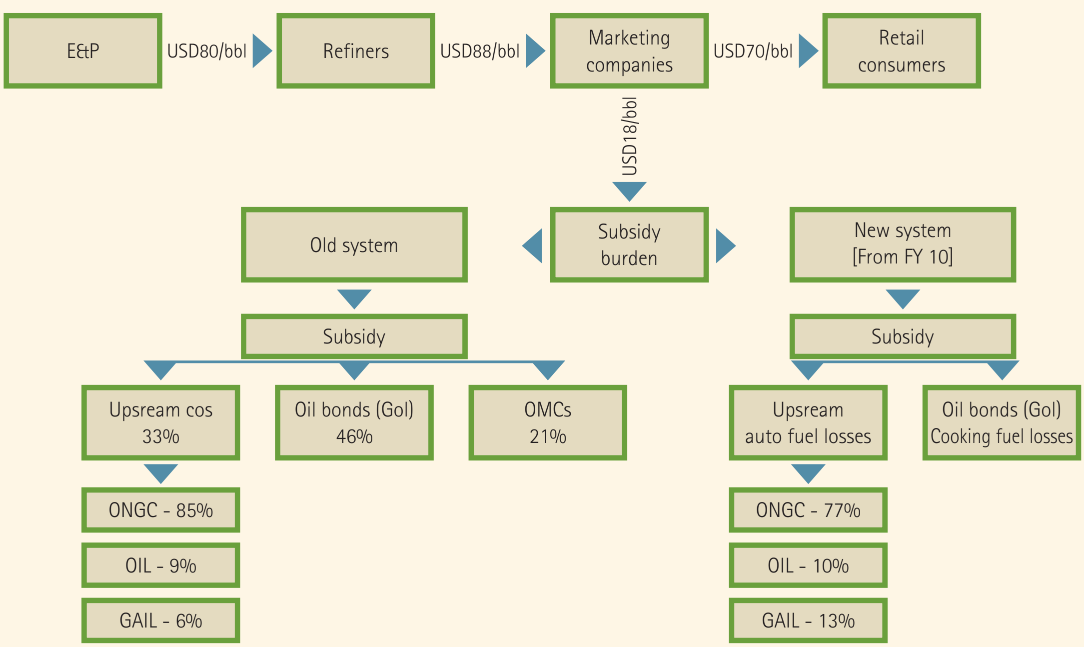
India has an estimated US$5.5 billion oil subsidy accounting for 2.5% of its budget. In the fiscal year that ended March 31, 2010, the government spent Rs. 260 billion to partially compensate state-run refiners for selling fuel below cost *(Source: OPEC).*

An analysis by Standard Chartered indicates that every increase of US$1 per barrel in Indian crude basket prices pushes up the annual import bill by US$1.2 billion.
(Source: www.economictimes.com – published in 2 July, 2010)

The oil industry value chain

The major components in the oil industry is upstream, midstream and downstream. The upstream industry includes exploration and production activities; hence it is also referred to as the exploration and production (E&P) sector. The midstream industry processes, stores, markets and transports commodities including crude oil, natural gas, natural gas liquids (NGLs) like ethane, propane, butane and sulphur. The downstream industry includes oil refineries, petrochemical plants, petroleum products distributors, retail outlets and natural gas distribution companies.

Oil and gas value chain: Global vs Indian



(Source: Company Data, Elara Securities Research)

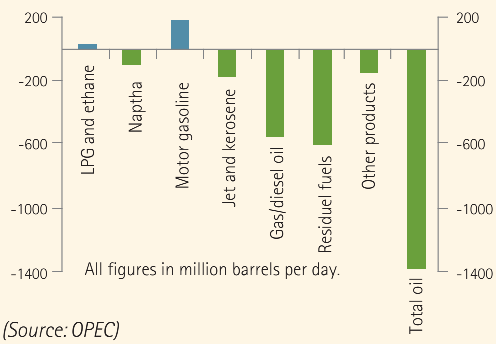
Global oil and gas industry

The year 2009 marked the worst year for oil demand since the oil crisis of the 1980's. Oil consumption was severely hit across all regions. The economic downturn that followed resulted in unprecedented demand destruction. The bulk of the decrease during 2009 occurred in industrial fuel and fuel/kerosene. These two products account for 75% of the total decrease in world oil demand this year. The industry is on a path of recovery due to fiscal measures announced by various governments.

Led by North America and Europe, all OECD regions recorded reductions in industrial fuel. Various stimulus plans across the globe managed to increase energy demand in the fourth quarter of 2009. China, the Middle East and India consumed more oil, leading to total growth of 0.6 mb/d in 2009. As a result of a massive decline of 1.9 mb/d in the OECD, total world oil demand declined 1.4 mb/d to an average 84.4 mb/d in 2009.

The only product showing a y-o-y increase during 2009 was gasoline, with the entire growth taking place in the non-OECD region, specifically in China. Furthermore, LPG consumption was also slightly positive compared with 2008, due to demand from Asia.

World oil consumption by products, 2009



(Source: OPEC)

The International Energy Agency (IEA), in its World Energy Outlook, 2009, estimates that by 2030, global energy demand will increase 49% from its current level. Oil and natural gas are expected to remain primary energy sources and are expected to meet 51% of the global demand. Increasing concern for climate change augurs well for natural gas as it is an environmentally benign fuel with carbon emissions far lower than other fossil fuels. IEA estimates that the world requires investments to the tune of US$11 trillion in the oil and gas sector over the next 20 years, implying an annual investment of over US$5,000 billion.

The fiscal FY10 was one of steady growth. Oil prices rose from an average of US$46 per barrel (bbl) in January 2009 to touch US$75 per bbl vis-à-vis US$86/bbl for the previous year. The year also saw the global oil demand slip to 84.93 MBPD, a decrease of 1.5% over 2008. IEA forecasts that the global oil demand is set to increase by 1.67 MBPD or 2% to 86.60 MBPD in 2010.

Indian oil and gas industry

Overview

Production: 36.7 MMT in 2009-10

Imports: 153 MMT in 2009-10 (75% of annual consumption)

Global position

Production: 9th largest globally

Consumption: 6th largest globally

Impact on economy

Import bill: US$85.5 billion

Wealth below the surface

Sedimentary area
3.14 mn sq km
Approximately 4% of the world's sedimentary area

Sedimentary basins
26
Exploration initiated in 15

Prognosticated resources
205 bn barrel
For 18 basins only

Established reserves
70 bn barrel
As on April 1, 2009

Overview

The Indian oil and gas sector is one of the six core industries in India with significant linkages with the entire economy. The oil and gas sector meets more than two-thirds of the total primary energy needs in the country. The sector was instrumental in putting India on the world map. Currently, India is the world's sixth-largest crude oil consumer and the ninth-largest crude oil importer.

In India, more than 77% of total oil consumption is met through imports. During 2009-10, crude oil production stood at 36.7 MMT, about 11% higher than the crude oil production of 33.5 MMT in 2008-09.

Oil intensity – the ratio of oil consumed per unit of GDP – in India is almost three times higher than that of the OECD countries while that of China is a little higher than twice the oil intensity of OECD countries (Integrated Energy Policy, Planning Commission). However, according to the FICCI estimates of oil intensity based on GDP (on purchasing power parity basis), India and China had the lowest oil intensity across most major developing and developed countries.

Exploration and production (E&P)

Despite an exploration history of over 100 years, India remains vastly unexplored with only 20% of its acreage explored adequately. Even the well density remains low in the acreage awarded so far.

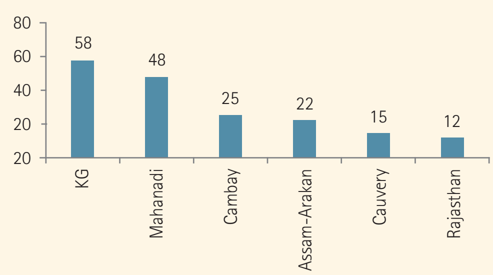
Since 2000, private E&P players conducted extensive exploration work, achieving a higher success rate than National Oil Companies (NOCs). This is due to a simple reality – uncertainty over India's subsidy mechanism will limit the public sector (PSU) E&Ps from achieving their full potential.

India's exploration status

	95-96	98-99	04-05	06-07
Unexplored	50	41	22	15
Exploration initiated	18	27	37	44
Poorly explored	17	17	22	21
Moderate to well explored	16	16	19	20

Source: DGH

Success rate of major basins (%)



Source: DGH

India's sedimentary basin

Category I (16%) Proven Commercial Productivity	Category II (5%) Identified Prospectivity	Category III (20%) Prospective Basins	Category IV (14%) Potentially Prospective	Deep waters (45%)
Cambay (Gujarat Offshore)	Kutch	Himalayan Foreland	Karewa	Kori-Comorin
Assam Shelf	Mahanadi – NEC	Ganga	Spiti-Zanskar	Narcodam
Mumbai Offshore	Andaman Nicobar	Vindhyan	Satpura-South Rewa - Damodar	
Krishna Godavari		Saurashtra	Narmada	
Cauvery		Kerala-Konkan- Lakshadweep		Decan-Syneclise
Assam-Arakan Fold belt		Bengal	Bhima-Kaladgi	
Rajasthan			Cuddapah	
			Pranhita-Godavari	
			Bastar	

(Source: DGH; Elara Securities Research)

New Exploration Licensing Policy

The New Exploration Licensing Policy (NELP), unveiled in 1999, has concluded eight bidding rounds till date. The NELP system allowed players to bid for blocks offered by the government.

Salient features of NELP are:

- NOCs such as ONGC and Oil India have to compete for obtaining the petroleum exploration licenses on competitive basis
- NOCs get the same fiscal and contract terms as available to private companies
- No cess on crude oil production
- A seven-year tax holiday from the date of commencement of commercial production
- Royalty at 12.5% of sales for onshore areas and 10% for offshore areas. To encourage deepwater exploration, royalty at 5% for the first seven years for deepwater areas (400 m+ depth)

Of the 326 blocks offered so far, 245 blocks were actually awarded to participants. The area awarded under the NELP till 2009 for exploration constituted 46% of the Indian sedimentary basin. The positive impact of private players can be gauged from the fact that 68% of the discoveries since 1990 have been in NELP blocks.

Under the recently concluded NELP VIII, 1.62 sq. km of area comprising 70 blocks were put up for bidding. But this round saw a poor response with bids for only 36 blocks of the 70 blocks on offer. However, seen from a global perspective, this is higher than the global average bidding rate of 1/6, in 2009.

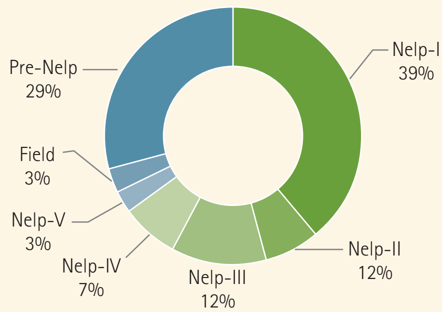
Since 1997, when the government launched the NELP, it awarded 239 blocks. Of these, 68 discoveries of oil and gas were made in 19 blocks, establishing reserves of 500 million tonnes of oil and oil-equivalent gas. An investment of over US$10 billion was committed in the first eight rounds of NELP.

Discoveries made

	Pre-NELP (1993-2006)	NELP I-VII (2000-2008)
2D seismic survey (LKM)	24,091	109,305
2D seismic survey (CKM)	5,304	67,773
Exploratory wells (nos)	167	199 (until NELP V)
Development wells (nos)		313 (until NELP IV)
PSC blocks	28	149
Number of discoveries (upto April 15, 2009)	25	180
Investment in exploration (US$ mn)	781.65	1,823.17

Source: DGH

Discoveries in Pre-NELP and NELP regime



Source: DGH

Low well density

Despite an exploration history of over 100 years, India remains vastly unexplored. The well density and the measure of the extent of exploration in India, remains poor. The offshore density is only 1.3 wells per thousand sq. km, almost nondescript in comparison with developed nations such as the US and those in the Middle East. The Gulf of Mexico has a well density rate of 10 wells per sq. km, indicating attractive E&P prospects.

Well density in India

Onshore

Basin	Basin area	Wells	Well density (wells/000 sq kms)
Assam	116,000	2,551	21.99
Cambay	51,000	5,527	108.37
Bengal	57,000	36	0.63
Ganga valley	186,000	21	0.11
Vindhyan	162,000	22	0.14
Rajasthan	126,000	168	1.33
Total	**698,000**	**8,325**	**11.93**

India average well density – 5.73

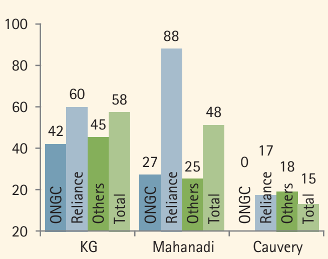
Offshore

Basin	Basin area	Wells	Well density (wells/000 sq kms)
Shallow water			
East Coast	98,715	79	0.80
West Coast	19,078	1,034	54.20
Total	**117,793**	**1,113**	**9.45**
Deepwater			
East Coast	478,209	70	0.15
West Coast	377,023	67	0.18
Total	**855,232**	**137**	**0.16**
Total	**973,025**	**1.250**	**1.28**

East coast – the new E&P epicentre

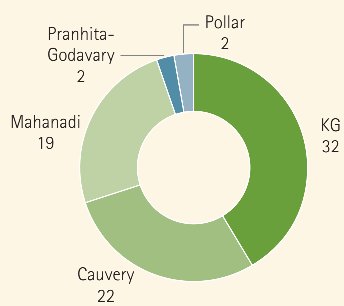
India's east coast is expected to emerge as the new hub of Indian upstream activities in the coming decades. It is observed that basins on the east coast have experienced a higher success rate than other basins. Also, the Indian E&P scene is further expected to be boosted with the commencement of the Open Acreage Licensing Policy (OALP) in CY11 which would provide foreign players the flexibility to explore the country's basins. When RIL's K-G D6 gas output ramps up, the country's gas output is expected to jump 98% and when CIL's oil output ramps up in 2011-12 and 2012-13, the country's oil output will rise 29-33%.

Blocks offered on the East Coast



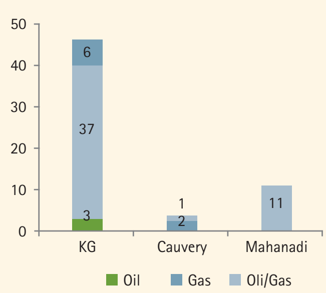
Source: DGH

East Coast discoveries



Source: DGH

East Coast success rate (%)



Source: DGH; Elara Securities Research

Demand-side optimism

Consumption expected to grow: India's per capita energy consumption is 383 kg of oil equivalent (KGOE) against the world's average of 1,737 KGOE, which indicates a significant potential for growth in energy demand. As per the Integrated Energy Policy of the Planning Commission, Government of India, the country's energy need is expected to grow four-fold from 433 million tonnes of oil equivalent (MTOE) to around 1,856 MTOE by 2032. However, India depends largely on imports with over 75% of oil and 16% of gas consumption being imported.

Auto sector accelerating fuel demand: The Indian automobile industry is geared up to invest up to Rs. 800 billion in fresh capacity in the next four years. Car manufacturing capacity is set to rise to 5.7 million units by 2015, according to consultants Ernst & Young — the growth momentum in the industry will continue at 10-15% compounded annual growth rate *(Source: The Economic Times – June 4, 2010)*.

India's demand-supply mismatch: Despite an enormous increment in the domestic gas supply, India's demand-supply gap is expected to continue, owing to a negation of new production by a decline in maturing oil fields and a higher rise in demand from consumer sectors. It is expected that majority of the demand growth will come from the power sector which may seek a bigger share from the current 80 mmscmd to around 127 mmscmd by FY12.

Supply-side optimism

NELP IX: The government is planning to launch the NELP IX in the latter part of 2010 to auction up to 45 oil and gas blocks. Some of these blocks will be from the eighth round for which no bids were received.

Open Acreage Licensing Policy – a new catalyst: India is now planning to move to a new acreage licensing system – Open Acreage Licensing Policy (OALP) from the current NELP system – where oil firms can choose the blocks they want to explore without waiting for the government to put them on offer. The move towards OALP is expected to accelerate the pace of oil and gas exploration activities.

The open-door policy is expected to attract investments from global oil giants. Western oil majors such as Chevron, BP, ExxonMobil and Shell, among others, have so far stayed away from India, but with OALP becoming operational soon, these majors with their priority outlays for emerging oil economies, are likely to invest in India's E&P story in a big way.

The key feature of this system will be the establishment of a centralised knowledge database known as the National Data Repository (NDR) which will hold important geoscientific data acquired from all E&P companies. All players, domestic and foreign, will have access to this database at a nominal cost. NDR is expected to hold data for 5,000 wells and seismic data for 2,00,000 sq. km by March 2010. In the next five years, the DGH plans to expand this database to 3.2 mn sq. km and 8,500 wells.

Shale blocks – new kid on the block: India is planning its first-ever offer of shale gas areas for exploration in 2012. Shale gas (gas locked in sedimentary rocks) is an emerging area. It has become an important source of energy in a few countries, becoming an important focus area in the US, Canada and China, among others. India has so far only explored oil and gas. These unconventional deposits raised estimates for the US' gas reserves from 30 years to 100 years at current usage rates.

India's hydrocarbons resource potential

	Type	Resources	In-place reserves
Conventional	Oil & Gas	206 bn bbl	68 bn bbl (32%)
Unconventional	CBM	50 tcf	8 tcf (16%)
	Gas Hydrate	66.9 tcf	Nil
	Oil shale	Under evaluation	

Source: DGH

Business execution

Alphageo executed six projects cumulating Rs. 783.3 million during the year under review. In 2009-10, the contracts executed were largely for the private sector unlike earlier years. The other important factor was that of the projects executed, five comprised 3D projects (90% of business execution) while only one was 2D data collection.

During 2009-10, sales to ONGC, one of the Company's largest clients, represented about 50% of the earning during the year. The Company believes that its relationship with this client is well founded for continued contractual commitments for the foreseeable future in multiple basins across India.

Revenue by client segment

	2009-10		2008-09		2007-08	
	Amount (Rs. million)	Percentage of total	Amount (Rs. million)	Percentage of total	Amount (Rs. million)	Percentage of total
NOC	386.3	49	232.5	36	564.1	35
Private	397.0	51	288.7	45	73.1	4
Foreign	-	-	117.6	18	178.6	61
Total	**783.3**	**100**	**638.8**	**100**	**542.9**	**100**

analysis of our financial statements

Alphageo registered reasonable growth in a fairly challenging environment and sustained a steady momentum of profitability.

15% EBIDTA growth	23% Revenue growth
58% PBT growth	63% PAT growth

Analysis of the profit and loss account

Highs and lows, 2009-10

- Interest cover strengthened from 5.51 in 2008-09 to 16.26
- Earning per share increased from Rs. 11.63 in 2008-09 to Rs. 19
- PAT margin increased 300 bps
- EBIDTA margin declined by about 200 bps

Revenue analysis

Revenue from operations grew 23% from Rs. 638.8 million in 2008-09 to Rs. 783.3 million in 2009-10. This was owing to a volume and value play. The Company executed six projects in 2009-10 against seven in 2008-09; of the business executed in 2009-10, five projects were related to 3D seismic surveys — a high-value business. Interestingly, revenue accrued across all quarters of 2009-10, improving asset and crew utilisation during the year under review:

Period	2007-08	2008-09	2009-10
Q1	25%	70%	18%
Q2	25%	–	48%
Q3	13%	–	9%
Q4	37%	30%	25%

Project mix: The Company executed six seismic data acquisition (five 3D and one 2D) projects during the year under review, strengthening business profitability.

	2009-10	2008-09	2007-08
2D seismic survey			
Quantity (GLK)	371.5	223.6	307.9
Value (Rs. million)	79.9	76.2	240.5
Proportion of total revenue	10%	12%	29%
3D seismic survey			
Quantity (sq. km)	900.8	387.2	580.4
Value (Rs. million)	703.4	562.2	575.2
Proportion of total revenue	90%	88%	71%

Geographic mix: In 2009-10, the Company achieved significant geographic diversity in its revenue mix — about 37% revenue from the North east, 49% from the South and 13% from the West, against a predominant reliance on the North east for its entire earnings in the recent past. This diverse geographic experience is expected to widen business opportunities across the country.

Geographic mix

	2009-10		2008-09		2007-08	
	Amount (Rs. million)	Proportion of total (%)	Amount (Rs. million)	Proportion of total (%)	Amount (Rs. million)	Proportion of total (%)
North east	292.8	37	369.1	58	501.3	61
West	104.2	13	36.8	6	73.1	9
South	386.3	49	232.9	36	241.4	30

Operating cost analysis

Enhanced business execution in 2009-10 resulted in a 27% increase in operational expenses from Rs. 365.8 million in 2008-09 to Rs. 463.6 million in 2009-10. The variable costs (survey expenses) increased 33% while the fixed and semi-variable costs increased only 5% over the previous year.

Key cost elements

	2009-10		2008-09		Y-o-y growth
	Amount (Rs. million)	Proportion of total operating cost	Amount (Rs. million)	Proportion of total operating cost	(%)
Survey expenses	369.9	80	277.3	76	33
Employee cost	54.7	12	48.9	13	12
Other expenses	36.1	7	35.4	10	2
Bank charges	2.9	1	4.4	1	(34)
Total	**463.6**	**100**	**365.8**	**100**	

Survey expenses: Survey expenses increased 33% over the previous year owing to the following factors:

- Explosive cost/blasting charges were borne by the Company as per contractual terms for certain projects; higher charge explosives were used in certain projects
- Increased drilling depths for certain projects owing to terrain conditions
- Use of mechanised drilling in certain projects, increasing the expense outgo

The gross increase was partially negated by substantial cost savings through the following initiatives:

- Enlarged the scope of work of sub-contractors in certain projects, resulting in savings in labour charges, stores consumed, fuel and vehicle hire charges, among others
- Replaced the establishment of camps with boarding and lodging at hotels in some projects which proved cost-effective

Employee expenses: This increased 10% largely owing to the amortisation of deferred employee compensation cost for ESOP schemes 2008 and 2009.

Margins

EBIDTA increased 14% from Rs. 286.2 million in 2008-09 to Rs. 328.5 million in 2009-10. EBIDTA margin dropped 200 bps from 43% in 2008-09 to 41% in 2009-10 owing to the impact of increased survey expenses. PAT margin increased from 9% in 2008-09 to 12% in 2009-10, primarily owing to a significant decrease in interest outgo and tax expenses.

Taxation

Provision for tax (including deferred tax) stood at Rs. 56.3 million in 2009-10 against Rs. 35.7 million in 2008-09. The average tax rate was at 36.52%, in line with previous years. The relatively higher tax rate, compared with the prevailing corporate tax rate, was owing to the Company's aggressive depreciation policy.

Analysis of the balance sheet

Highs, 2009-10

- Reserves and surplus balance increased 19% to Rs. 582.8 million as on March 31, 2010
- Book value per share increased from Rs. 105.85 as on March 31, 2009 to Rs. 123.10 as on March 31, 2010
- Debt-equity ratio declined to 0.03 as on March 31, 2010
- Capital employed declined 1% against an increase in revenue, reflecting efficient utilisation of every rupee employed in the business

Capital employed

The capital employed in the business declined marginally from Rs. 660.2 million as on March 31, 2009 to Rs. 652.5 million as on March 31, 2010. Despite this decline, the Company registered higher revenue and profitability in 2009-10, signifying a superior return from every rupee invested in the business. The capital employed declined primarily owing to the repayment of external debt from business surplus.

Net worth

Shareholders' funds (net worth) increased 17% from Rs. 542.7 million as on March 31, 2009 to Rs. 634.2 million as on March 31, 2010, attributable to an increase in reserves and surplus arising out of surplus plough-back. Consequently, book value per share strengthened from Rs. 105.76 as on March 31, 2009 to Rs. 123.10 as on March 31, 2010.

Equity capital: The Company's equity capital comprised 5,119,834 equity shares of Rs. 10 each. The promoters held 34.8% of the Company as on March 31, 2010. Of the total equity, about 9% were issued as bonus shares by capitalising reserves. The promoters' holding was not pledged with any financial institution of other regulatory bodies.

Reserves and surplus: Reserves represent zero-cost funds, aggregating over the years, representing a buffer against contingencies and initiating growth initiatives. Reserves and surplus increased 19% from Rs. 419.4 million as on March 31, 2009 to Rs. 582.9 million as on March 31, 2010. The Company ploughed back Rs. 88.3 million of operational surplus in 2009-10 as against Rs. 50.6 million in 2008-09. Free reserves comprised 96% of the reserves balance, providing a robust foundation for growth. The Company utilised internal accruals to fund capex, strengthening shareholder returns. Consequently, return on net worth strengthened from 10.97% in 2008-09 to 15.34% in 2009-10.

Sources of funds

	As on March 31, 2010		As on March 31, 2009		Y-o-y growth
	Amount (Rs. million)	Percentage of total	Amount (Rs. million)	Percentage of total	(%)
Equity capital	51.3	8	51.3	8	–
Reserves and surplus	582.9	89	491.4	74	19
Secured loans	18.3	3	115.0	17	84
Unsecured loans	–	–	2.5	0	–
Total	**652.5**	**100**	**660.2**	**100**	

	As on March 31, 2008	As on March 31, 2009	As on March 31, 2010
Free reserves (Rs. million)	423.9	474.5	562.8
Free reserves as percentage of the reserves and surplus balance	117.5	96.6	96.5

External funds

The Company's reliance on external funds declined from Rs. 117.5 million as on March 31, 2009 to Rs. 18.3 million as on March 31, 2010. It repaid debt amounting to Rs. 99.2 million during the year under review. The Company only availed of a Rs. 3.3 million low-cost, long-term loan in 2009-10 which was used to replace high-cost debt. The secured loan portfolio declined from Rs. 115 million as on March 31, 2009 to Rs. 18.3 million as on March 31, 2010. The Company repaid its entire unsecured loan liability in 2009-10; it had no outstanding liability under this account head as on March 31, 2010.

	As on March 31, 2008	As on March 31, 2009	As on March 31, 2010
Free reserves	423.9	474.5	562.8

Interest cost: Interest outflow decreased 48% from Rs. 19.5 million in 2008-09 to Rs. 10 million in 2009-10 largely owing to debt repayment during the year under review. The interest cover was 20.06 in 2009-10 against 3.18 in 2008-09.

	2007-08	2008-09	2009-10
Interest cover	10.80	11.99	20.06

Fixed assets

The Company's gross block represents its competitive edge in terms of scalability. Over the years, the Company invested continuously to create a sizeable asset base: around 82% of its investment in plant and machinery was done in the years leading to 2009-10, reflecting the contemporariness of its equipment. The Company has four sets of seismic crew capable of 3D acquisition. In 2009-10, the Company increased its channel count from 10,000 to 12,000. In 2009-10, the Company invested Rs. 51.6 million into its gross block (Rs. 46.5 million in plant and machinery) against Rs. 7.2 million in 2008-09.

Depreciation: The Company provided depreciation in line with the Straight Line Method. In 2009-10, the provision for depreciation stood at Rs. 165.2 million against Rs. 165.4 million in 2008-09. Depreciation, as a percentage of revenue, declined from 26% to 21%.

Investments

As a prudent fund manager, the Company created a sizeable investment portfolio of Rs. 52.9 million as on March 31, 2010 through investment in liquid mutual funds. This is expected to add to shareholder return from the current year.

Working capital

Dispersed operations make it imperative for the Company to

Application of funds

	As on March 31, 2010		As on March 31, 2009		Y-o-y growth
	Amount (Rs. million)	Percentage of total	Amount (Rs. million)	Percentage of total	(%)
Net block	423.6	65	536.4	81	(21)
Investments	52.9	9	-	-	
Deferred tax asset	42.9	6	18.3	3	134
Net current assets	133.0	20	105.3	16	26
Total	**652.5**	**100**	**660.1**	**100**	

efficiently manage day-to-day operations. Net current assets increased from Rs. 105.4 million as on March 31, 2009 to Rs. 133 million as on March 31, 2010. Net current assets, as a proportion of capital employed, increased from 15.9% as on March 31, 2009 to 20.4% as on March 31, 2010. The Company enjoyed working capital limits from Indian and foreign banks; of the sanctioned limits, the Company did not draw any funds for its day-to-day operations. The current ratio improved from 1.74 as on March 31, 2009 to 2.15 as on March 31, 2010.

Alphageo's liquidity matrix

	As on March 31, 2008	As on March 31, 2009	As on March 31, 2010
Current ratio	1.0	1.7	2.1
Quick ratio	1.0	1.4	2.1

Inventories: Inventory comprised stores and spares which are absolutely necessary to ensure seamless service delivery. Inventory declined from Rs. 2.4 million as on March 31, 2009 to Rs. 2.2 million as on March 31, 2010.

Sundry debtors: Outstanding receivables comprised a majority of the current assets. Sundry debtors decreased from Rs. 206.5 million as on March 31, 2009 to Rs. 195.4 million as on March 31, 2010, primarily owing to improved receivable management. There were no receivables outstanding for over six months as on March 31, 2010 against Rs. 87 million as on March 31, 2009, reflecting the quality of receivables.

	2007-08	2008-09	2009-10
Debtor cycle (days)	121	116	90

Cash and bank balances: The Company's cash and bank balance as on March 31, 2010 stood at Rs. 43.7 million, higher than the previous year's Rs. 32.1 million. This was owing to improved business and better receivables management. This was also reflected in a sizeable increase in the funds in the current account to Rs. 11.9 million as on March 31, 2010 against Rs. 3 million as on March 31, 2009.

Current liabilities and provisions

Current liabilities decreased from Rs. 142.9 million as on March 31, 2009 to Rs. 115.6 million as on March 31, 2010, owing to the following:

- Decrease in outstandings to sundry creditors
- Decrease in provisions at the year end

Sundry creditors declined marginally from Rs. 86.5 million as on March 31, 2009 to Rs. 84.5 million as on March 31, 2010.

Provisions as on March 31, 2010 stood at Rs. 29.9 million, against the previous year's Rs. 55.6 million, owing to a significant decrease in the provision for tax in 2009-10.

derisking alphageo

"The best we can do is size up the chances, calculate the risks involved, estimate our ability to deal with them, and then make our plans with confidence." – *Henry Ford*

Risk can be defined as an expression of uncertainties and possible outcomes that could have material impact on the performance and prospect of a company. A responsible corporate identifies, assesses and takes proactive measures to minimise or eradicate the potential loss arising owing to exposure to particular risks, and maximise returns on the other hand. Alphageo has a comprehensive risk management model which ensures that its derisking initiatives are implemented across the organisation in a disciplined manner for effective implementation. As a result, business decisions which maximise returns and minimise associated risks are implemented.

Volatility in the price of crude could impact exploration activities, impacting the market for geophysical services

Risk dimension and impact

The attractiveness of the E&P sector is dovetailed with crude prices. Therefore, a steep reduction in crude prices could make exploration activities unattractive.

Risk mitigation

Increased domestic fuel consumption in line with improved standard-of-living, higher earning propensity, growing urbanisation and fast-paced economic growth of a number of emerging nations (BRIC nations) — is expected to sustain the increase in crude prices over the medium term. Besides, environmental factors such as expectations of a harsh winter are expected to strengthen crude prices as well.

Unfavourable regulatory policies could affect attractiveness of the E&P sector, impacting prospects

Risk dimension and impact

The E&P industry in India is dependent on government regulations. The tax incentives, allocation of E&P opportunities and energy security policies impact the E&P industry and service providers.

Risk mitigation

The Government has focused on self-sufficiency in its energy requirements to curtail the huge forex outflow on account of oil imports. This will increase oil discoveries and production.

- Under NELP-VIII, the government offered 70 oil blocks to 23 companies and expects investments amounting to US$1.1 bn in India; the government signed production sharing agreements with successful bidders, which is expected to create a sizeable opportunity for geophysical services.

- The government plans to launch the ninth round of the New Exploration Licensing Policy (NELP IX) in 2010 to auction up to 45 oil and gas blocks.

- India is working on a five-year, US$5-billion oil and gas exploration and development spending programme through 2012, boosted by renewed efforts to lease concession acreages and draw deepwater technologies that increase indigenous hydrocarbon supply.

- India is moving towards the Open Acreage Licensing Policy (OALP), where oil firms can choose the blocks they want to explore without waiting for the government to put them on offer. The

Hydrocarbon Vision 2025 is a step in this direction.

Increased competition may squeeze profitability

Risk dimension and impact

Despite high entry barriers, the industry faces competition from unorganised and international players. There are international players looking to establish a foothold in the attractive Indian market as independent geophysical service providers or as a backward integration by E&P companies.

Risk mitigation

The Company leveraged its competitive advantage to counter competition through rich domain knowledge, demonstrated service quality and efficient logistics management which has enabled it to deliver quality work in some of the most challenging areas in terms of socio-economic environment and logistically difficult terrains. As a result, the Company is positioned to meet emerging competition. Besides, the addressable market is large, growing offers of opportunity blocks through NELP, possibility of OALP and offering shale gas blocks by 2012.

Non-adherence to laws, rules, regulations, prescribed practices, internal policies, and procedures, or ethical standards could impact earnings

Risk dimension and impact

Non-adherence of this risk attracts legal actions with huge penalty and may even force shut down of operations of the firm. This category includes compliance with legal requirements such as legislation, regulations, standards, codes of practice and contractual requirements. This category also extends to compliance with additional 'rules' such as policies, procedures or expectations, which may be set by contracts, customers or the social environment.

Risk mitigation

The Company's in-house legal team thoroughly scrutinises all material contracts. Besides, the Company has retained independent legal counsels whose advice is sought whenever necessary. As a result, the Company has not been engaged in any major litigation. The vindication of its ethical operation standards and strict compliance with laws and regulations is reflected in its list of brand-enhancing domestic and global clients (namely ONGC, Hardy Oil and Gas plc and Essar, among others).

Concentration of operations in a particular area could erode profitability

Risk dimension and impact

It is risky to have a concentration of work in a specific geography. The Company's operations are vulnerable to climatic conditions, natural disasters and political instability, which could result in asset under-utilisation. Over the medium-term, the Company may not be able to successfully bid for projects in other locations owing to lack of experience.

Risk mitigation

The Company prudently diversified across India – 37% revenue accures from the North East, 49% from South and 13% from West. It spread operations in diverse geographies with different climatic and political environments, liberating it from geographic risk.

Lack of experience and skills could hamper project bidding capability

Risk dimension and impact

It is important for companies to gain maximum experience, have enough financial resources, undergo technological upgradation and strengthen capabilities to meet the stringent pre-qualification parameters laid by major E&P companies.

Risk mitigation

The Company's technical and financial capability makes it adequately qualified to bid for all projects in the E&P space in India. It further strengthened its position through the following initiatives:

- Repaid debt to emerge as a virtually debt-free company (debt-equity ratio of 0.03 as on March 31, 2010)
- Created a reserve and surplus balance of Rs. 582.8 million as on March 31, 2010, which can be deployed for funding growth
- Invested Rs. 296 million in cutting-edge equipment in the three years leading to 2009-10
- Recruited skilled talent (expatriate and Indian) with years of experience in different basinal areas across the globe, adding to its experience portfolios
- Collaborated with experienced companies/institutions to enrich its credentials

Inability to recruit and retain skilled and experienced talent could decelerate business growth

Risk dimension and impact

It is important to recruit the services of talented, experienced and professional skilled and unskilled labour in the seismic services industry as the work requires competence.

Risk mitigation

Alphageo provides its employees a conducive work environment with one of the best compensation packages. The Company has a pool of Indian and expatriate talents who are offered personal growth and training programme to strengthen their knowledge curve. This made it possible for the Company to attract and retain superior talent.

- Invested significant amounts for training its team over the three years leading to 2009-10
- Added experienced members to the Alphageo team with multi-basinal experience
- Expanded across wide geographical areas

Consequently, attrition reduced significantly, especially at senior management levels.

Inability to stay at the cutting-edge of technology could impair service delivery

Risk dimension and impact

Seismic industry deals with exploring which requires huge investments in the technology. Technological obsolescence could impair the effectiveness of a company's service capability leading to a declining order book.

Risk mitigation

The Company invested significant sums in technological upgradation in line with the changing requirements of clients. It is present across the entire spectrum of 2D API services for more than a decade and entered the 3D space in 2005, reinforcing its competence in state-of-the art technology. The Company successfully implemented a number of challenging 2D and 3D projects to large global and domestic oil majors, a vindication of its service

delivery capability for discerning clients.

Lack of respect for the environment or habitat could emerge as a threat

Risk dimension and impact

Seismic data acquisition is field-intensive and involves blasting activities, which may have an adverse impact on the environment. The local administration could raise objection and delay progress or curtail the operational area.

Risk mitigation

The Company formulated its HSE guidelines and procedures (HSE – an outline Plan for Seismic Operations) in accordance with International Association of Geophysical Contractors (IAGC) Land Geophysical Operations – Safety Manual, IAGC Environmental Guidelines for Worldwide Geophysical Operations. The Company works within the guidelines laid down by the IAGC, relating to controlled detonations and laying of channels on agricultural land, among other areas.

Efficient receivables management is essential for managing operational liquidity and business profitability

Risk dimension and impact

The inability of the management to recover receivables could affect cash flow and hamper operations. If the Company renders service to suspect customers, it could translate into bad debt.

Risk mitigation

Alphageo conducts a majority of its business with government companies, large corporates and respected international clients, with assured receivables safety. There have hardly been any instances of receivables turning bad. The outstanding debtors' cycle stands at an average 90 days of turnover equivalent in 2009-10, down from 121 days about three years ago.

Inaccurate cost estimation and cost risk analysis could dampen profitability

Risk dimension and impact

The seismic survey business comprises innumerable factors beyond comprehension. The inability of the management to make an accurate estimate of project risks and costs could impact profitability and delivery.

Risk mitigation

Alphageo has in-house and independent legal teams that review all material contracts and provide advice on projects and finer aspects with an impact on profitability. The management then conducts a feasibility study of the project along with a cost-profit analysis. Only then is a project undertaken by the team. Besides, the Company achieved a low break-even point, leaving considerable room for reporting a surplus.

directors' report

Dear Shareholders

YOUR DIRECTORS TAKE PLEASURE IN PRESENTING THEIR TWENTY-THIRD ANNUAL REPORT AND AUDITED ACCOUNTS FOR THE FINANCIAL YEAR ENDED MARCH 31, 2010. THE FINANCIAL HIGHLIGHTS OF THE COMPANY ARE AS FOLLOWS:

Financial results

(Rs. in Lakhs)

Particulars	2009-10	2008-09
Total income	7,892.31	6,476.78
Operating profit (PBIDT)	3,284.88	2,861.87
Finance charges	100.31	238.69
Depreciation	1,652.28	1,654.34
Profit before tax	1,532.29	968.84
Provision for tax	559.57	373.37
Profit after tax	972.72	595.47
Profit brought forward from previous year	2,976.36	2,500.54
Surplus available for appropriation	3,949.08	3,096.01
Appropriations		
Proposed dividend	76.80	76.80
Corporate tax on proposed dividend	12.76	13.05
Transfer to general reserve	69.37	29.80
Balance of profit carried to balance sheet	3,790.15	2,976.36

Company performance

The Company managed to turn in a satisfactory performance in a fairly challenging environment and sustained a steady momentum of profitability and growth. For the financial year ended March 31, 2010, profit from Operations increased by 15% to Rs. 3,285 lakhs, as compared to the previous year. Revenue from operations, rose by 23% to Rs. 7,833 lakhs for the year ended March 31, 2010 as compared to Rs. 6,388 lakhs in the previous year. Alphageo received new orders, valued at Rs. 2,500 lakhs despite tough market conditions witnessed during the financial year, as compared to Rs. 11,489 lakhs in the previous year.

For the year ended March 31, 2010, the Company's profit before tax stood at Rs. 1,532 lakhs as compared to Rs. 969 lakhs in the previous year, registering an increase of 58%. The profit after tax rose by 63% and stood at Rs. 973 lakhs as compared to Rs. 595 Lakhs in the previous year. The Unexecuted Order Value as of March 31, 2010 stood at Rs. 5,320 lakhs.

The Company secured three new contracts during the latter half of the year under review comprising two contracts for 3D sesimic data acquisition from Interlink Petroleum Limited and Selan Exploration Technology Limited, both in Gujarat and a 2D seismic data acquisition project in Assam from Essar Oil Limited.

During the year the Company executed six seismic data acquisition contracts of which five were for aquisition of 3D seismic data.

Of the three contracts, awarded to the Company during the previous year, two were completed for Hindustan Oil Exploration Corporation Limited in Assam and ONGC Limited in Kaveri and 67% of 3D seismic data acquisition was completed for Naftogaz (India) Private Limited in Assam.

Of the three new contracts secured during the year, whilst acquistion of 2D seismic data in Dheemaji, Assam for Essar Oil Limited and acquisition of 3D seismic data for Interlink Petroleum Limited in Gujarat were completed during the year, about 45% of 3D seismic data acquisition was completed for Selan Exploration Technology Limited in Gujarat.

On the cost side, we critically looked at all areas however small, maintained a strict financial discipline and eliminated all inefficiencies. Our clear focus on operational excellence has helped us to keep our performance on track.

Appropriations

Dividend

Your directors are pleased to recommend a dividend of Rs. 1.50 per share for the year ended March 31, 2010, to be appropriated from the profits of the year 2009-10 subject to the approval of the shareholders at the ensuing Annual General Meeting. The dividend will be paid in accordance with applicable regulations.

Transfer to reserves

Your directors propose to transfer Rs. 69.37 lakhs to the General Reserves, leaving an un appropriated balance of Rs. 3,790.16 lakhs in the Profit & Loss Account.

Directors

Mr. Z. P. Marshall and Mr. Ashwinder Bhel, directors, retire by rotation and are being eligible, offer themselves for re-appointment. The Board of Directors of your Company, at its meeting held on May 28, 2010 recommended for the approval of the members their re-appointment as Non-Executive Directors of your Company, liable to retire by rotation.

Management discussion and analysis report and Corporate Governance

The Corporate Governance and management discussion and analysis report form an integral part of this report and are presented as separate sections to this annual report. The Auditors' certificate, certifying compliance with the conditions of Corporate Governance as stipulated in clause 49 of the Listing Agreement with Stock Exchange is annexed with the report on Corporate Governance.

Auditors

The Auditors, M/s. P.V.R.K. Nageswara

Rao & Co., Chartered Accountants, Hyderabad, retire at the conclusion of the ensuing annual general meeting and have confirmed their eligibility and willingness to accept office, if re-appointed.

Deposits

The Company has not invited any deposits from the Public under Section 58A of the Companies Act, 1956.

Conservation of energy, research and development, technology absorption, foreign exchange earnings and outgo

The particulars as prescribed under Section 217(1)(e) of the Companies Act, 1956 read with the Companies (Disclosure of Particulars in the Report of the Board of Directors) Rules, 1988, are set out as Annexure-I in this report.

Particulars of employees

As required under the provisions of Section 217(2A) of the Companies Act, 1956 read with the Companies (Particulars of Employees) Rules, 1975, as amended, the names and other particulars of employees' forms part of this report. However, as per the provisions of Section 219(1) (b) (iv) of the Act, the report and accounts are being sent to the shareholders of the Company excluding the particulars of employees under Section 217(2A) of the Act. Any shareholder interested in obtaining a copy of the said statement may write to the Company Secretary at the Corporate Office of the Company.

Directors' responsibility statement

Pursuant to the requirement under Section 217 (2AA) of the Companies Act, 1956 with respect to Directors' Responsibility Statement, it is hereby confirmed that,

(i) in the preparation of the annual accounts, the applicable accounting standards have been followed and that there is no material departure from the same;

(ii) the directors have selected such accounting policies and applied them consistently and made judgments and estimates that are reasonable and prudent, so as to give a true and fair view of the state of affairs of the Company at the end of financial year and of the profits of the Company for period;

(iii) the directors have taken proper and sufficient care for the maintenance of adequate accounting records, in accordance with the provisions of the Companies Act, 1956 for safeguarding the assets of the Company and for preventing and detecting fraud and other irregularities; and

(iv) the annual accounts have been prepared on a going concern basis.

Employees Stock Option Scheme

Your Company has always worked on the idea that the greatest strength is its human resources and it is this resource, which makes your Company a force to reckon with in the highly competitive environment. Accordingly, the Company has instituted an Employee Stock Option Scheme viz. ESOS 2008, for the employees including Directors. Pursuant to the provisions of Clause 12 of SEBI (Employee Stock Option Scheme and Employee Stock Purchase Scheme) Guidelines, 1999, as amended, the required disclosures regarding Employee Stock Options are set out as Annexure-II of this report.

Appreciation

The Directors place on record their appreciation for the contribution made by the employees during the year towards the growth of the Company. The Directors are grateful to the shareholders for their continued trust and confidence reposed in the Company, and to its suppliers, bankers, financial institutions and the Central and State governments for their consistent support extended to the Company. The Board thanks the valued clients of the Company for their support and confidence, and looks forward to continuance of this mutually supportive relationship.

For and on behalf of the Board

A. Dinesh
Managing Director

Place: Hyderabad
Date: 28.05.2010

Annexure – I

Disclosure of Particulars under Section 217 (1) (e) of the Companies Act, 1956

a.	Conservation of energy	:		Not Applicable
b.	Technology absorption	:		Nil
c.	Research and development	:		Nil
d.	Foreign exchange earnings			
	Seismic survey and other related charges	:		Nil
e.	Foreign exchange outgo towards			
	(i) Purchase of equipment	:	Rs.	4,59,57,361
	(ii) Stores and spares	:	Rs.	73,24,706
	(iii) Salaries & allowances (net of tax)	:	Rs.	1,18,00,853
	(iv) Travelling expenses	:	Rs.	9,09,400
	(vi) Dividend remitted	:	Rs.	53,574

For and on behalf of the Board

Place: Hyderabad
Date: 28.05.2010

A. Dinesh
Managing Director

Annexure – II

Forming part of the Directors' report

Disclosure pursuant to the provisions of Securities and Exchange Board of India (Employee Stock Option Scheme and Employee Stock Purchase Scheme) Guidelines, 1999

Sl.	Particulars	ESOS-2008	
		Granted on 15.10.2008	Granted on 9.11.2009
	Number of options authorised by the scheme	2,50,000	
1	Number of options granted	70,000	86,000
2	Pricing formula on date of grant	Granted at discount of 20% to market price i.e. Rs. 153.76	Options granted exercisable at a price of Rs. 150/-
3	Options vested	64,000	Nil
4	Options exercised	Nil	Nil
5	Total number of equity shares arising as a result of exercise of options	Nil	Nil
6	Options lapsed	6,000	Nil
7	Variation of terms of options	NA	At the last AGM held on 25.09.2009, the pricing formula was amended as not below the par value and not above the market value on the date of grant
8	Money realised by exercise of the options	Nil	Nil
9	Total number of options in the force	64,000	86,000
10	Employee-wise details of options granted to:-		
	i) Senior Managerial Personnel (Note: 1)	6,400	9,900
	ii) Any employee who receives in any one year of grant, options amounting to 5% or more of options granted during the year.	Nil	Nil
	iii) Employees who were granted options during any one year, equal to or exceeding 1% of the issued capital of the Company at the time of the grant	Nil	Nil
11	Diluted EPS calculated in accordance with AS-20	11.60	18.83
12	i) Method of calculation of employees compensation cost	The Company has calculated the employee compensation using the intrinsic value of the stock options.	

Sl.	Particulars	ESOS-2008	
		Granted on 15.10.2008	Granted on 9.11.2009
	ii) Difference between the employee compensation cost so compared at (i) above and the employee compensation cost that shall have been recognised if fair value of options had been used	Nil	Nil
13	Weighted average exercise price and weighted average fair value of options granted during year whose exercise price equals market price of stock on the grant date.		
	Stock options granted on	15/10/2008	09/11/2009
	Weighted Average Exercise Price (Rs.)	Rs. 153.76	Rs. 150.00
	Weighted Average Fair Value (Rs.)	Rs. 153.73	Rs. 150.00
	Closing market price at BSE/NSE on the date prior to the grant (Rs.)	Rs. 192.20	Rs. 244.85
14	A description of method and significant assumption, used during the year to estimate the fair value of options, granted during the year.	The Black-Scholes options-pricing model was developed for estimating fair value of traded options that have no vesting restrictions and are fully transferable. Since, options-pricing models require use of substantive assumptions; changes therein can materially affect the fair value of options. The options-pricing models do not necessarily provide a reliable measure of the fair value of options.	
	i) Risk free interest rate	7%	
	ii) Expected life	4	
	iii) Expected volatility based on daily closing	-10.11%	-9.63%
	iv) Expected dividend yield	0.35%	0.46%
	v) The price of underlying share in the market at the time of options granted	192.20	244.85

Note1: Details of options granted to senior managerial personnel during the year:

S Balaji	3,000	4,000
Sudhir Kumar	1,300	1,500
Sachinder Singh	2,100	2,400
C Vinay Kumar	Nil	2,000

For and on behalf of the Board

Place: Hyderabad
Date: 28.05.2010

A. Dinesh
Managing Director

report on
corporate governance

IN COMPLIANCE WITH CLAUSE 49 OF THE LISTING AGREEMENT ENTERED INTO WITH THE STOCK EXCHANGES, THE COMPANY HEREBY SUBMITS THE REPORT ON MATTERS MENTIONED IN THE SAID CLAUSE AND PRACTICES FOLLOWED BY THE COMPANY.

1. Company's philosophy on Corporate Governance

Corporate Governance is a system by which an organisation is managed and controlled within the parameters laid down by regulatory bodies. It is the application of the best management practices, compliance of law and adherence to ethical standards, to achieve the Company's objectives of enhancing shareholder value and discharging social responsibility. The Corporate Governance structure in the Company assigns responsibilities and entrusts authority among different participants in the organisation viz. the Board of Directors, the senior management and employees among others.

It is the Company's intention to be an acclaimed leader in the practice of Corporate Governance. The Company is committed to good Corporate Governance and to be an active, responsible corporate citizen, wherever it does business. The Company's essential character revolves around the values of transparency, integrity, professionalism and accountability.

A report, in line with the requirements of the Listing Agreement, on the practices followed by the Company and other voluntary compliances, is given below:

2. Board of Directors

i. Board composition

The Company's Directors are in a fiduciary position, empowered to oversee management functions with a view to ensure its effectiveness and enhancement of shareholder value. The Company has a balanced mix of Executive and Non-Executive Independent Directors. The Board comprised seven Directors, as on 31st March 2010. The composition of the Board is in accordance with the requirements of the Corporate Governance code of the Listing Agreement with the stock exchanges. The Board of Directors comprises a majority of Non-Executive Directors, having rich and varied experience; imparting the desired level of independence to the Board. The Board had one Executive Director and six Non-Executive Directors, as on 31st March 2010. All Directors certified that they are not members of more than ten committees in terms of the Listing Agreement, and do not act as Chairman of more than five mandatory committees across all companies in which they are Directors.

The constitution of the Board during 2009-10 is as under:

Director	Category	Number of		
		Other directorship	Committee membership of Company & other Boards	Committee chairmanship
Mr. A. Dinesh	Managing Director, Executive, Promoter	–	–	–
Mr. A. Rajesh	Non-Executive, Promoter	3	4	–
Mr. S. Ravula Reddy	Non-Executive, Promoter	1	–	–
Mr. Z. P. Marshall	Non-Executive, Independent	–	–	5
Dr. Avinash Chandra	Non-Executive, Independent	2	–	–
Mr. Ashwinder Bhel	Non-Executive, Independent	2	2	–
Mr. P. K. Reddy	Non-Executive, Independent	2	5	–

ii. Board meetings and attendance of Directors

The Board meets at least once in a quarter to consider among other businesses, the Company's performance and quarterly results. Additional meetings are held when necessary. Board meetings are generally held at the Company's Corporate Office in Hyderabad. The agenda for each meeting, along with explanatory notes are drafted and distributed well in advance to the Directors. Every Board member is free to suggest the inclusion of items on the agenda.

During the year ended 31st March 2010, the Board met six times viz. 13th April 2009, 29th June 2009, 31st July 2009, 25th September 2009, 23rd October 2009 and 29th January 2010.

The table hereunder gives the attendance record of the Directors at the Board meetings held during 2009-10 and the last AGM, held on 25th September 2009.

Name of the Director	No. of Board meetings held during the tenure	No. of Board meetings attended	Attendance at last AGM
Mr. A. Dinesh	6	6	Yes
Mr. A. Rajesh	6	5	Yes
Mr. P.K. Reddy	6	6	Yes
Mr. Z.P. Marshall	6	5	Yes
Mr. S. Ravula Reddy	6	Nil	No
Dr. A. Chandra	6	Nil	No
Mr. A. Bhel	6	3	No

iii. Code of ethics

The Company prescribed a code of ethics for its Directors and senior management. The Company's code of ethics is posted on its website www.alphageoindia.com. The declaration from the Managing Director stating that, as on 31st March 2010, all Board members and the senior management personnel of the Company affirmed with the compliance of the code of ethics for 2009-10, is included in this report.

3. Board committees

The Board committees focus on certain specific areas and make informed decisions within their delegated authorities. Each committee of the Board functions according to a charter, defining its scope, power and role in accordance with the Companies Act, 1956, and Listing Agreement requirements. We have five sub-committees of the Board:

A. Audit Committee
B. Remuneration Committee
C. Warrants Allotment Committee
D. Compensation Committee
E. Shareholders' /Investors' Grievance Committee

A. Audit Committee

Terms of reference

The terms of reference of the Audit Committee are in accordance with all items listed in Clause 49(II) (D) and (E) of the Listing Agreement and Section 292(A) of the Companies Act, 1956. The same, inter alia, includes the following:

(a) Primary objectives of the Audit Committee

The primary objective of the Audit Committee is to monitor and provide effective supervision of the management's financial reporting process, ensuring accurate, timely and proper disclosures, transparency and quality. It addresses matters pertaining to adequacy of internal controls, reliability of financial statements, other management information and adequacy of provisions of liabilities. The Audit Committee is mainly responsible for:

1. Integrity of the Company's financial statements and disclosure of financial information

2. Auditing and accounting matters, including recommending the appointment of Statutory Auditors to shareholders, the scope of annual audits, and fees to be paid to the Auditors

3. Review of the performance of the Company's internal control systems, internal audit functions and accounting practices

4. Review of the annual and quarterly financial statements with the management, before submission to the Board for approval

5. Review of related party transactions

6. Review of the Company's financial and risk management policies

(b) Scope of the Audit Committee

1. Meets four times a year or more frequently as required. The Audit Committee may ask members of the management or others to attend meetings and provide pertinent information as necessary.

2. Recommends the appointment and removal of Statutory Auditors, fixation of audit fees and approves the payment for other services

3. Reviews with the management, the quarterly financial statements before submission to the Board for approval, focusing primarily on:

- Any changes in accounting policies and practices
- The going concern assumption
- Compliance with accounting standards
- Compliance with stock exchanges and legal requirements concerning financial statements
- Significant adjustment arising out of audit

4. Considers and reviews with the management and Auditors:

- Significant findings during the year, including the status of previous audit recommendations
- Any difficulties encountered in the course of audit work, including any restriction on the scope of activities or access to required information

(c) Composition of the Audit Committee as on 31st March 2010

The composition of the Audit Committee is in compliance with the requirements of Clause 49(II) (A) of the Listing Agreement. It consists of 4 members – 3 of them, including the Chairman, are Independent Directors. The Chairman of the Audit Committee was present at the last Annual General Meeting of the Company. The Chief Financial Officer and other corporate officers make periodic presentations to the Audit Committee. Representatives of Statutory Auditors also participate in Audit Committee meetings. The Company Secretary acts as the Secretary to the Audit Committee.

The Audit Committee currently comprises the following Directors:

1. Mr. Z. P. Marshall, Chairman
2. Mr. P. K. Reddy
3. Mr. A. Rajesh
4. Mr. A. Bhel

(d) Audit Committee meetings and attendance during 2009–10

The Audit Committee met five times during 2009-10 on- 13th April 2009, 29th June 2009, 31st July 2009, 23rd October 2009 and 29th January 2010.

A table showing attendance of the members at the Audit Committee Meetings is as under:

Sl.	Name	Category	Designation	No. of meetings attended
1.	Mr. Z. P. Marshall	Independent Director	Chairman	4
2.	Mr. A. Rajesh	Promoter Director	Member	4
3.	Mr. P. K. Reddy	Independent Director	Member	5
4.	Mr. A. Bhel	Independent Director	Member	3

B. Remuneration Committee

Terms of reference

The broad terms of reference of the Remuneration Committee is to ensure that the Company's remuneration practices, in respect of the senior Executive Directors, are competitive, keeping in view prevalent compensation packages so as to recruit and retain suitable individuals in such capacity.

(a) Composition, meetings and attendance

The Remuneration Committee consists of four members, all of whom are Non-Executive Directors. During 2009-10, the Remuneration Committee met once on 31st July 2009. The attendance of the members is noted below:

Sl.	Name	Category	Designation	No. of meetings attended
1.	Mr. Z. P. Marshall	Independent Director	Chairman	1
2.	Mr. A. Rajesh	Promoter Director	Member	Nil
3.	Mr. P. K. Reddy	Independent Director	Member	1
4.	Mr. A. Bhel	Independent Director	Member	Nil

(b) Remuneration policy:

The Non-Executive Directors of the Company are paid sitting fees for each Board and Audit Committee meeting attended by them. The appointment and remuneration of the Executive Directors is governed by a resolution passed by the Board of Directors and the Company's shareholders, covering the terms of such an appointment, read with the service rules of the Company. Remuneration paid to the Executive Directors is recommended by the Remuneration Committee, approved by the Board, and is within the limits set by the shareholders at the Annual General Meeting.

The details of remuneration paid/payable to the Directors for 2009- 10 are:

i) Non-Executive Directors:

Name	Sitting fee Rs.	No. of options allotted under ESOS 2008	No. of shares held as on 31st March 2010
Mr. Z.P. Marshall	39,500	1,650	Nil
Mr. A. Rajesh	39,500	Nil	2,12,900
Mr. P.K. Reddy	47,500	1,650	Nil
Mr. S. Ravula Reddy	Nil	Nil	Nil
Mr. A. Bhel	24,000	1,650	Nil
Dr. A. Chandra	Nil	1,650	Nil

ii) Executive Directors:

The details of remuneration paid/payable to Mr. A. Dinesh, as Managing Director, are: (Amount in Rs.)

Name of Director	Salary	Perquisites	Contribution to P.F	Commission	Total
Mr. A. Dinesh	24,00,000	11,80,503	2,88,000	43,38,119	82,06,622

**The remuneration to the Managing Director for 2009-10 was as approved by the members at the Annual General Meeting held on 25th September 2009.*

C. Warrants Allotment Committee

The Warrants Allotment Committee was formed on 18th December 2006, to deal with the allotment of warrants, monitoring on utilisation of funds and to track the listing activities of resultant equity shares converted from the warrants. The Committee met once during 2009-10 on 1st April 2009. The composition of the committee and attendance of members is as follows:

Sl.	Name	Category	Designation	No. of meetings attended
1.	Mr. Z. P. Marshall	Independent Director	Chairman	1
2.	Mr. P. K. Reddy	Independent Director	Member	1

** Warrant Allotment Committee is abandoned by the Board of Directors at its meeting held on 13th April 2009; as in view of the forfeiture of the upfront/application money, no warrants were outstanding for conversion.*

D. Compensation Committee

The broad terms of reference of the Compensation Committee includes monitoring and administering the plan and allotment of shares pursuant to exercise of options granted in terms of Alphageo ESOS 2008, to the Company's employees.

The Compensation Committee comprises the following members:

(i) Mr. Z. P. Marshall – Chairman

(ii) Mr. P. K. Reddy – Member

(iii) Mr. A. Rajesh – Member

The Compensation Committee met three times during 2009-10 on 30th June 2009, 31st July 2009 and 9th November 2009. A table showing attendance of the members at the Compensation Committee meetings is as under:

Sl.	Name	Category	Designation	No. of meetings attended
1.	Mr. Z. P. Marshall	Independent Director	Chairman	3
2.	Mr. A. Rajesh	Promoter Director	Member	2
3.	Mr. P. K. Reddy	Independent Director	Member	3

E. Shareholders'/Investors' Grievance Committee

The broad terms of reference include the following:

1.Redressing shareholders' and investors' complaints; not limited to transfer of shares and issue of duplicate share certificates, non-receipt of balance sheet, non-receipt of declared dividend, among others

2.Monitoring transfers, transmissions, dematerialisation, rematerialisation, splitting and consolidation of shares issued by the Company

The Chairman of the Committee is an Independent Non-Executive Director. The Committee met 17 times during 2009-10 on 15th April, 30th April, 1st June, 30th June, 15th July, 31st July, 15th September, 15th October, 31st October, 30th November and 15th December in 2009 and 15th January, 1st February, 15th February, 1st March, 15th March and 31st March in 2010. The composition of the Committee and their attendance are given below:

Sl.	Name	Category	Designation	No.of meetings attended
1.	Mr. Z. P. Marshall	Independent Director	Chairman	17
2.	Mr. A. Rajesh	Promoter- Director	Member	16
3.	Mr. P.K. Reddy	Independent Director	Member	17

The status of the shareholder queries and complaints received by the Company during the financial year, and its response to the complaints and current status of pending queries if any, is tabulated below:

Description	Received	Replied	Pending
Non-receipt of dividend warrants	9	9	0
Correction/re-validation of warrants	27	27	0
Others	86	86	0

Mr. Sachin Guha, Company Secretary is the Compliance Officer as per the requirements of the Listing Agreement.

Secretarial audit

A qualified practicing Company Secretary carried out secretarial audits every quarter to reconcile the total admitted capital with National Securities Depository Limited (NSDL) and Central Depository Services (India) Limited (CDSL) and the total issued and listed capital. The audit confirms that the total issued/paid-up capital is in agreement with the aggregate total number of shares in physical form, shares allotted and advised for demat credit but pending execution and the total number of dematerialised shares held with NSDL and CDSL.

Unclaimed dividend

Financial Year	Date of declaration of dividend	Last date for claiming unpaid dividend	Unclaimed amount as on 31st March 2010 (Rs.)	Due date for transfer to Investor Education and Protection Fund
2004-05	19.09.2005	18.09.2012	2,13,697.00	17.10.2012
2005-06	18.12.2006	17.12.2013	1,72,534.00	16.01.2014
2006-07	28.09.2007	27.09.2014	2,42,118.00	26.10.2014
2007-08	24.09.2008	23.09.2015	2,10,610.50	22.10.2015
2008-09	25.09.2009	24.09.2016	2,76,143.50	23.10.2016

Separate letters will be sent to the shareholders who are yet to encash the dividend indicating that dividend yet to be encashed by the concerned shareholder and amount remaining unpaid will be transferred as per the above dates. Members are requested to utilise this opportunity and get in touch with the Registrar and Transfer Agent, M/s Sathguru Management Consultants Pvt. Ltd., Hyderabad for encashing the unclaimed dividend standing to the credit of their account. After completion of seven years as per the above table, no claims shall lie against the said fund or the Company, for the amounts of dividend so transferred nor shall any payment be made in respect of such claims.

4. General Body meetings

Details of location and time of holding the last three AGMs:

Year	Location	Date and time
20th AGM-2007	Sundarayya Vignana Kendram, Baghlingampally, Hyderabad	28th September 2007, 11:00 A. M
21st AGM-2008	Sundarayya Vignana Kendram, Baghlingampally, Hyderabad	24th September 2008, 11:00 A. M.
22nd AGM-2009	Sundarayya Vignana Kendram, Baghlingampally, Hyderabad	25th September 2009, 11.00 A. M.

Special Resolutions passed at last three Annual General Meeting:

a. Annual General Meeting

1. At the 20th Annual General Meeting held on 28th September 2007, no special resolution was passed by the shareholders.

2. At the 21st Annual General Meeting held on 24th September 2008, the following Special Resolutions were passed:

- Amendment of Articles of Association of the Company
- Approval of Employee Stock Option Scheme

3. At the 22nd Annual General Meeting held on 25th September 2009, the following Special Resolutions were passed:

- Variation in the ESOS 2008 scheme of the Company in terms of the exercise prices
- Increase in the remuneration of Managing Director

b. There were no resolutions passed by way of postal ballot during the year under review.

5. Disclosures

(i) Related party transaction:

There were no materially-significant related party transactions during the year under review that may have potential conflict with the interest of the Company at large. The details of related party transactions as required under Accounting Standard 18 notified under the Companies Act, 1956, are given in the Notes to Accounts (Note No. 9) of Schedule No. 21, forming part of the accounts for the year ended on 31st March 2010.

(ii) Compliances by the Company:

There is no non-compliance by the Company or any penalties, strictures imposed by the stock exchanges, SEBI or any other statutory authority, on any matter related to capital markets, during the last three years/period.

(iii) Whistle-blower policy and access of personnel to the Audit Committee:

The Company does not have a formal whistle-blower policy; however, the Company's personnel have access to the Chairman of the Audit Committee in cases such as concerns about unethical behaviour, frauds and other grievances. No personnel of the Company have been denied to the Audit Committee.

(iv) Compliance with the mandatory requirements and implementation of the non-mandatory requirements:

The Company complied with the mandatory requirements of the Corporate Governance Clauses of the Listing Agreement. The Company has not implemented the non-mandatory requirements enlisted by way of annexure to Clause 49 of the Listing Agreement.

(v) Disclosure of accounting treatment:

The Company follows the accounting standard issued by ICAI, and in the preparation of financial statements, the Company has not adopted a treatment different from those prescribed in any accounting standard.

(vi) Management discussion and analysis report:

The management discussion and analysis report forms part of this annual report.

(vii) Code of conduct:

The Company obtained a declaration from the Managing Director confirming compliance of code of conduct.

6. Means of communication

- The quarterly, half-yearly, annual financial results, notices and proceedings of the Annual General Meeting are communicated to the stock exchanges immediately after the conclusion of the respective meetings. The results are published in prominent English newspapers viz. Business Standard, Financial Express, the Economic Times and Telugu news papers viz. Andhra Prabha.
- The audited financial statements viz., balance sheet, profit and loss account are posted on the Company's website www.alphageoindia.com, in the shareholders' section. A separate section is provided in the shareholders' section viz. grievances, providing the details of the Company Secretary, Registrars and Transfer Agents, their addresses, telephone numbers, fax numbers and e-mail addresses to redress the shareholders grievances.

7. Certificate on Corporate Governance

As required by Clause 49 of the Listing Agreement, a certificate issued by M/s. PVRK Nageswara Rao & Co., Chartered Accountants, Statutory Auditors of the Company, regarding compliance of conditions of Corporate Governance is given as an annexure to the report.

8. CEO/CFO certification

As required by Clause 49 of the Listing Agreement, the certification from Managing Director and CFO was placed at a duly convened meeting of the Board of Directors and is given as an annexure to this report.

9. General shareholder information

a) Annual General Meeting

DATE : Friday the 24th September 2010

TIME : 11.00 AM

VENUE : "Sundarayya Vignana Kendram",
1-8-1/B/25A, Baghlingampally,
Hyderabad – 500 044 (AP)

b) Financial calendar for the year 2010-11 (tentative)

Results for quarter ending June, 2010	-	Within 45 days of end of quarter
Results for quarter ending September, 2010	-	Within 45 days of end of quarter
Results for quarter ending December, 2010	-	Within 45 days of end of quarter
Results for quarter ending March, 2011	-	Last week of May, 2011

Declaration as required under Clause 49 (I) (D) (ii) of the Stock Exchange Listing Agreement

I hereby declare that all the Directors and senior personnel of the Company have affirmed compliance with Code of Business Conduct for the financial year ended on 31st March 2010.

Place: Hyderabad
Date: 28th May 2010

A.Dinesh
Managing Director

c) Book closure dates

21st September 2010 to 24th September 2010 (both days inclusive)

d) Dividend payment date: On or before 23rd October 2010

e) Listing of equity shares and stock code

The equity shares of the Company are listed at:

(i) Bombay Stock Exchange Ltd., Mumbai, 1st Floor, New Trading Ring, P.J. Towers, Dalal Street, Fort, Mumbai - 400 001 and the listing fee for 2010-11 has already been paid by the Company.

(ii) National Stock Exchange of India Ltd., Mumbai, "Exchange Plaza", Bandra-Kurla Complex, Bandra – East, Mumbai - 400 051 and the listing fee for 2010-11 has already been paid by the Company.

f) Stock codes

(i) BSE SCRIP CODE – 526397 Name: Alphageo Ind

(ii) NSE SCRIP NAME: ALPHAGEO

g) ISIN code – INE 137C01018

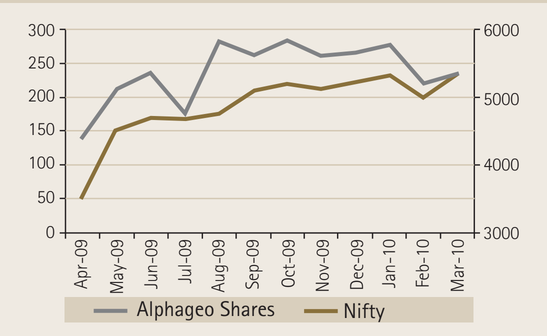
h) Stock market data

Monthly high, low quotations and trading volumes of the Company's equity shares during 2009-10 at BSE and NSE are noted below:

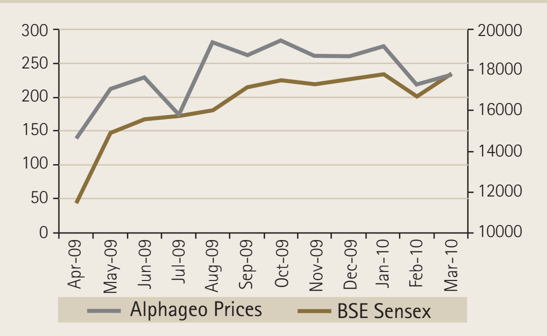
Month	BSE		NSE	
	High	Low	High	Low
April-2009	139.90	86.90	138.40	83.30
May-2009	211.55	104.00	208.65	104.10
June-2009	229.50	150.05	235.00	146.00
July-2009	174.00	127.05	175.65	125.00
August-2009	281.05	147.30	282.15	142.25
September-2009	261.70	201.00	262.80	200.10
October-2009	283.15	195.00	281.00	195.00
November-2009	259.90	217.00	257.80	216.00
December-2009	260.95	217.55	265.50	215.95
January-2010	274.40	203.50	276.45	203.40
February-2010	218.00	189.15	218.90	189.00
March-2010	233.25	193.20	234.00	166.15

i) Performance of the Company in comparison with the broad-based indices

Comparison of Company's share price with NSE Nifty



Comparison of Company's share price with BSE SENSEX



j) Depository Registrar and Transfer Agents

M/s Sathguru Management Consultants Pvt. Ltd.
Plot No. 15, Hindi Nagar Colony,
Behind Sai Baba Temple,
Panjagutta, Hyderabad – 500034 (AP)
Ph: 040-23356507 Fax: 40040554
E-mail: sta@sathguru.com

k) Share transfer system

The shares of the Company are compulsorily traded in dematerialisation form. Shares received in physical form are transferred within a prescribed period from the date of lodgement subject to documents being valid and complete in all respects. In order to expedite the process of share transfer in line with Corporate Governance requirements, the Company delegated the power of share transfer to Registrar and Share Transfer Agent 'M/s. Sathguru Management Consultants Private Limited'.

All communication regarding change of address (if share are held in physical form), transfer of shares and change of mandate can be addressed to 'M/s. Sathguru Management Consultants Private Limited'.

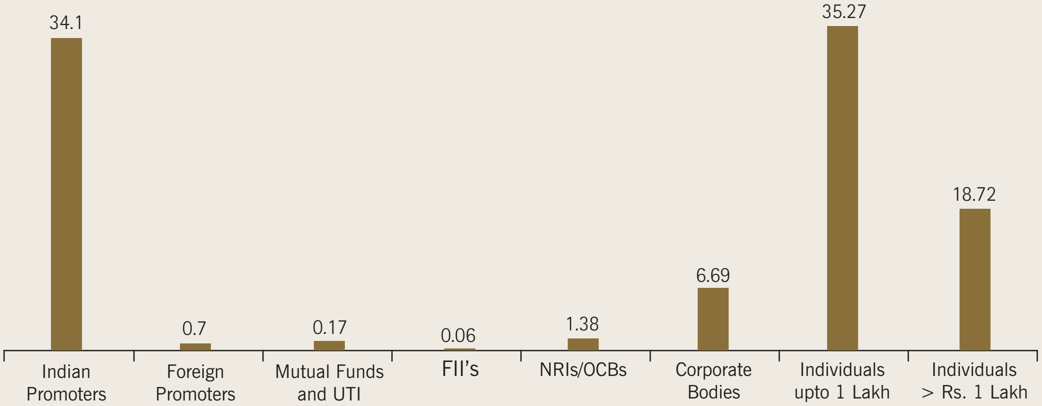
i. Distribution of shareholding as on 31st March 2010.

Nominal value Rs.	Shareholders		Shares	
	Numbers	%	Numbers	%
1 to 5000	9,192	92.32	98,38,540	19.22
5001 to 10000	383	3.85	31,09,300	6.07
10001 to 20000	181	1.82	26,78,180	5.23
20001 to 30000	56	0.56	14,18,150	2.77
30001 to 40000	42	0.42	15,19,560	2.97
40001 to 50000	25	0.25	11,84,870	2.31
50001 to 100000	30	0.30	20,79,730	4.06
100001 and above	48	0.48	2,93,70,010	57.37
Total	**9,957**	**100.00**	**5,11,98,340**	**100.00**

ii. Shareholding pattern as on 31st March 2010:

Sl.	Category	No. of shareholders	No. of shares	%
1.	Promoters - Indian	18	17,41,391	34.01
2.	Foreign promoters	1	35,716	0.70
3.	Mutual Funds and UTI	11	8,600	0.17
4.	Foreign institutional investors	2	2,900	0.06
5.	Non-resident Indians/OCBs	229	70,721	1.38
6.	Corporate bodies	402	4,96,237	9.69
7.	Others- Individuals upto Rs. 1 lakh	9,270	18,05,835	35.27
8.	Others- Individuals in excess of Rs. 1 lakh	24	9,58,434	18.72
	TOTAL	**9,957**	**51,19,834**	**100.00**

Shareholding pattern as on 31.03.2010 (%)



iii. Dematerialisation of shares and liquidity

The equity shares of the Company are compulsory traded in dematerialised form and are available for trading under National Securities Depository Limited (NSDL) and Central Depository Services (India) Limited (CDSL).

The Company's depository registrar promptly intimates the DP in the event of any deficiency and the shareholder is also kept abreast. The pending demat requests in the records of the depositories if any, are continually reviewed and appropriate action initiated.

iv. Address for correspondence

For all matters relating to shares, annual reports and grievances:

Mr. Sachin Guha
Company Secretary
ALPHAGEO (INDIA) LIMITED
317/A, MLA Colony, Road No.12,
Banjara Hills, Hyderabad – 500034 (AP)
Ph: 040-22320502/03 Fax: 040-23302238
E-mail: cs@alphageoindia.com
Website: www.alphageoindia.com

For **ALPHAGEO (INDIA) LIMITED**

Place: Hyderabad
Date: 28th May, 2010

A. Dinesh
Managing Director

Auditors' Certificate on Corporate Governance

To
The Members of
Alphageo (India) Limited

We have examined the compliance of the conditions of Corporate Governance by Alphageo (India) Limited for the year ended on March 31, 2010, as stipulated in Clause 49 of the Listing Agreement of the said Company with Stock Exchanges.

The compliance of the 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 compliance with the conditions of 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 explanation 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 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 **P.V.R.K Nageswara Rao**
Chartered Accountants
Firm's Registration Number: 002283S

P.V.R.K.Nageswara Rao
Partner
Membership No. 18840

Hyderabad
May 28, 2010

Certification of Managing Director and Chief Financial Officer Pursuant to Clause 49 of the Listing Agreement.

To

The Board of Directors of

Alphageo (India) Limited

We certify that:

a. We have reviewed the balance sheet and profit and loss account and all its schedules and Notes on accounts as well as the cash flow statements of Alphageo (India) Limited for the year ended March 31, 2010 and the directors' report and these statements/reports.

- do not contain any materially untrue statement or omit any material fact or contain statements that might be misleading.
- 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, there are, no transactions entered into by the Company during the year, which 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. We have evaluated the effectiveness of internal control systems of the Company pertaining to financial reporting. We have disclosed to the auditors and the Audit Committee, deficiencies in the design or operation of such internal controls, if any, of which we are aware and the steps we have taken or propose to take to rectify these deficiencies.

d. We have indicated to the auditors and the Audit Committee:

- significant improvement in internal control over financial reporting during the year;
- significant changes in accounting policies if any, made during the year and that the same have been discussed in the notes to the financial statements; and
- no instances of significant fraud of which we have become aware and the involvement therein, if any, of the management or any employee having a significant role in the Company's internal control system over financial reporting.

Hyderabad	**A. Dinesh**	**Sudhir Kumar**
28.05.2010	*Managing Director*	*Chief Financial Officer*

financial section

To
The Members of
Alphageo (India) Limited

1 We have audited the attached Balance Sheet of ALPHAGEO (INDIA) LIMITED ("the Company") as at March 31, 2010, the Profit and Loss Account and also the 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 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 the Companies (Auditors' Report) Order, 2003 ("the Order") issued by the Central Government of India in terms of Section 227(4A) of the Companies Act, 1956 ('the Act'), 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:

i) 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.

ii) 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 these books.

iii) The Balance Sheet, Profit and Loss Account and Cash Flow Statement dealt with by this report are in agreement with the books of account.

iv) 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 in Section 211 (3C) of the Act, to the extent applicable.

v) On the basis of the written representations received from the directors, as on March 31, 2010, and taken on record by the Board of Directors, we report that none of the directors is disqualified as on March 31, 2010 from being appointed as director in terms of clause (g) of sub-section (1) of section 274 of the Act.

vi) In our opinion and to the best of our information and according to the explanations given to us, the said accounts read in conjunction with the notes and accounting policies thereon give the information required by the Act in the manner so required and give a true and fair view in conformity with the accounting principles generally accepted in India:

a) in the case of Balance Sheet of the state of affairs of the Company as at March 31, 2010;

b) in the case of Profit and Loss Account of the profit for the year ended on that date; and

c) in the case of Cash Flow Statement, of the cash flows for the year ended on that date

For **P. V. R. K. Nageswara Rao & Co.,**
Chartered Accountants
Firm's Registration Number: 002283S

P. V. R. K. Nageswara Rao
Partner
Membership No. 18840

Hyderabad
May 28, 2010

Annexure to the Auditors' Report

Annexure referred to in Paragraph 3 of Auditors' Report of even date on the Accounts of Alphageo (India) Limited ('The Company') for the year ended March 31, 2010

1 (a) The Company has maintained proper records showing full particulars including quantitative details and situation of fixed assets.

(b As explained to us, the fixed assets have been physically verified by the management according to the phased programme designed to cover all the fixed assets on rotation basis. In respect of fixed assets verified according to this programme, which is considered reasonable, no material discrepancies were noticed on such verification.

(c) The fixed assets disposed off during the year did not represent substantial part of the fixed assets of the Company, which affect going concern status of the Company.

2 (a) As explained to us, the inventories, representing machinery spares and survey consumables, of the Company have been physically verified at reasonable intervals during the year by the Management.

(b) 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.

(c) The Company has maintained proper records of inventories and the discrepancies noticed on physical verification of stocks as compared to book records, which in our opinion were not material, have been properly dealt with in the books of account.

3 (a) The Company has not granted any loans, secured or unsecured to companies, firms or other parties covered in the register maintained under section 301 of the Act. Consequently the provisions of Clause 4(iii)(b), 4(iii)(c) and 4(iii)(d) of the Order are not applicable to the Company.

(b) The Company had taken an unsecured loan of Rs. 2,500,000 from a party covered section 301 of the Act during the previous year and the same has been repaid during the year. The balance as on March 31, 2010 and the maximum amount involved during the year were Rs. Nil and Rs. 2,500,000, respectively.

(c) In our opinion the rate of interest and other terms and conditions of loan taken from the party covered in the register maintained under section 301 of the Act are not prima facie prejudicial to the interests of the Company.

(d) The Company is regular in repayment, where applicable, of principal amount and interest on unsecured loan taken from the party covered in the register maintained under section 301 of the Act.

4 In our opinion and according to the information and explanations given to us, there are adequate internal control systems commensurate with the size of the Company and the nature of its business with regard to purchase of inventory representing machinery spares and survey consumables, fixed assets and for the sale of seismic survey and other related services. During the course of our audit, we have neither come across nor have been informed of any continuing failure to correct major weaknesses in the aforesaid internal control system.

5 (a) According to the information and explanations given to us and as confirmed by the Managing Director and Company Secretary of the Company, we are of the opinion that the particulars of contracts or arrangements that need to be entered in the register maintained under section 301 of the Act have been so entered.

(b) 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 Act and exceeding the value of Rs. 500,000/- in respect of any party during the year have been made at prices which are reasonable having regard to prevailing market prices at the relevant time.

6 According to the records of the Company and as per the information and explanations given to us, the Company has not accepted any deposits from public during the year covered by the directives issued by the Reserve Bank of India and the provisions of Sections 58A and 58AA or other relevant provisions of the Act and the rules framed there under. Consequently, the provisions of Clause 4(vi) of the Order are not applicable to the Company.

7 As per the information and explanations given to us, the Company has an internal audit system commensurate with the size and nature of its business.

8 In respect of this company, maintenance of cost records has not been prescribed by the Central Government under Section 209(1)(d) of the Companies Act, 1956.

9 (a) According to the records of the Company and as per the information and explanations given to us, the Company is regular in depositing the undisputed statutory dues including Provident Fund, Employee State Insurance, Investor Education and Protection Fund, Sales Tax, Wealth Tax, Service Tax, Customs Duty, Excise Duty, Cess and other material statutory dues applicable to it with appropriate authorities except income tax deducted at source where delays have been observed. In respect of these statutory dues, there are no outstanding dues as on March 31, 2010 which are outstanding for a period of more than six months from the date they became payable.

(b) According to the records of the Company and as per the information and explanations given to us, there are no dues of Income Tax, Sales tax, Wealth tax, Service Tax, Customs Duty, Excise Duty and Cess, which have not been deposited on account of any dispute as on March 31, 2010.

10 As per the information and explanations given to us and on an overall examination of the financial statements of the Company for the current and immediately preceding financial year, we report that the Company does not have any accumulated losses at the end of the current financial year nor incurred cash losses in the current and immediately preceding financial year.

11 During the year the Company has not defaulted in repayment of dues to financial institutions, bank and debenture holders.

12 As per the information and explanations given to us, as the Company has not granted any loans and advances on the basis of security by way of pledge of shares, debentures and other securities to anybody during the year, the provisions of Clause 4(xii) of the Order are not applicable to the Company.

13 In our opinion, as the Company is not a chit fund or a nidhi or mutual benefit fund or society, the provisions of Clause 4 (xiii) of the Order are not applicable to the Company.

14 In our opinion, as the Company is not dealing in or trading in shares, securities, debentures and other investments, the provisions of Clause 4(xiv) of the Order are not applicable to the Company.

15 As per the information and explanations given to us, as the Company has not given any guarantee for loans taken by others from Banks or financial institutions, the provisions of Clause 4(xv) are not applicable to the Company.

16 According to the records of the Company, during the year the Company has not raised any term loans and the term loans raised in earlier years have been applied for the purposes for which they were raised in the relevant years.

17 As per the information and explanations given to us and on an overall examination of the Balance Sheet of the Company, the funds raised on short term basis during the year have not been used for long term investment purposes.

18 As per the information and explanations given to us, as 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, the provisions of Clause 4(xviii) are not applicable to the Company.

19 As the Company has not issued any debentures during the year, which requires the creation of security or charge, the provisions of Clause 4(xix) are not applicable to the Company.

20 As the Company has not raised any money by public issues during the year, the provisions of Clause 4(xx) are not applicable to the Company.

21 During the course of our examination of the books and records of the Company carried out in accordance with the generally accepted auditing practices in India, and as per the representation given by the Company and relied on by us, we have neither come across any instance of material fraud on or by the Company, noticed or reported during the year, nor have we been informed of such cases by the management.

For **P. V. R. K. Nageswara Rao & Co.,**
Chartered Accountants
Firm's Registration Number: 002283S

P. V. R. K. Nageswara Rao
Partner
Membership No. 18840

Hyderabad
May 28, 2010

Balance Sheet As at March 31, 2010

(Amount in Rupees)

	Schedule No.	As at 31.03.2010		As at 31.03.2009	
SOURCES OF FUNDS					
Shareholders' Funds:					
Share Capital	1	51,334,340		51,334,340	
Reserves and Surplus	2	582,849,998	634,184,338	491,357,978	542,692,318
Loan Funds:					
Secured Loans	3	18,314,535		114,976,112	
UnSecured Loans	4	-	18,314,535	2,500,000	117,476,112
			652,498,873		**660,168,430**
APPLICATION OF FUNDS					
Fixed Assets:					
Gross Block	5	1,098,841,328		1,054,367,321	
Less : Depreciation		678,990,977		517,917,270	
		419,850,351		536,450,051	
Capital work-in-progress		3,702,674		-	
Net Block			423,553,025		536,450,051
Investments	6		52,921,287		-
Deferred Tax Asset (net)	7		42,988,985		18,320,086
Net Current Assets:					
A. Current Assets, Loans and Advances					
Inventories	8	2,193,204		2,444,048	
Sundry Debtors	9	195,386,017		206,565,437	
Cash and Bank Balances	10	43,724,134		32,099,213	
Other Current Assets	11	120,013		114,008	
Loans and Advances	12	7,215,976		7,057,189	
		248,639,344		248,279,895	
B. Current Liabilities and Provisions					
Current Liabilities	13	85,687,194		87,289,617	
Provisions	14	29,916,574		55,591,985	
		115,603,768		142,881,602	
Net Current Assets (A-B)			133,035,576		105,398,293
			652,498,873		**660,168,430**
Significant Accounting Policies	20				
Notes to Accounts	21				

Per Our Report of even date

For **P. V. R. K. Nageswara Rao & Co.,**
Chartered Accountants

P. V. R. K. Nageswara Rao
Partner
Membership No.18840

Hyderabad
May 28, 2010

For and on behalf of the Board

A. Dinesh
Managing Director

Z. P. Marshall
Director

Sudhir Kumar
Chief Financial Officer

Sachin Guha
Company Secretary

Profit and Loss Account For the year ended March 31, 2010

(Amount in Rupees)

		Schedule No.	Year ended 31.03.2010		Year ended 31.03.2009	
I	**INCOME**					
	Seismic Survey and Related					
	Services Income			783,333,458		638,823,857
	Other Income	15		5,897,748		8,854,017
	Total			**789,231,206**		**647,677,874**
II	**EXPENDITURE**					
	Survey and Survey Related Expenses	16		369,926,484		277,257,547
	Employees Cost	17		54,724,827		48,851,724
	Other Expenses	18		36,092,311		35,381,156
	Finance Charges	19		10,030,581		23,869,365
	Depreciation			165,228,403		165,434,207
	Total			**636,002,606**		**550,793,999**
III	**PROFIT FOR THE YEAR**			153,228,600		96,883,875
	Less : Provision for Taxation					
	- Current Income Tax		81,000,000		62,300,000	
	- Deferred Income Tax		(24,668,899)		(26,547,305)	
	- Income tax adjustments of earlier years		(374,622)		1,094,044	
			55,956,479		36,846,739	
	- Fringe Benefit Tax		-	55,956,479	490,349	37,337,088
	Profit After Tax			97,272,121		59,546,787
	Add: Profit brought forward from last year			297,636,034		250,054,172
				394,908,155		309,600,959
	Less: Appropriations:					
	Proposed Dividend		7,679,751		7,679,751	
	Corporate Dividend Tax		1,275,511		1,305,174	
	General Reserve		6,937,000	15,892,262	2,980,000	11,964,925
	Balance carried to Balance sheet			**379,015,893**		**297,636,034**
IV	**EARNINGS PER SHARE** - Basic (Rs.)			19.00		11.63
	- Diluted (Rs.)			18.83		11.60
	Face Value of Share Rs. 10/- each					
Significant Accounting Policies		20				
Notes to Accounts		21				

Per Our Report of even date

For **P. V. R. K. Nageswara Rao & Co.,**
Chartered Accountants

P. V. R. K. Nageswara Rao
Partner
Membership No.18840

Hyderabad
May 28, 2010

For and on behalf of the Board

A. Dinesh
Managing Director

Z. P. Marshall
Director

Sudhir Kumar
Chief Financial Officer

Sachin Guha
Company Secretary

Cash Flow Statement For the year ended March 31, 2010

(Amount in Rupees)

	Year ended 31.03.2010		Year ended 31.03.2009	
I. CASH FLOW FROM OPERATING ACTIVITIES :				
Net Profit Before Tax		153,228,600		96,883,875
Add/(Less): Adjustments for :				
Depreciation	165,228,403		165,434,207	
Interest income	(3,140,094)		(3,654,609)	
Interest expense	7,144,855		19,514,160	
Dividend Received	(2,706,019)		-	
Dimunition in the book value of Investments	1,061,865		-	
Bad Debts written off	-		644,160	
Employee Compensation Costs Written off	3,175,161		756,859	
(Profit) /Loss on sale of Fixed assets(Net)	1,225,123	171,989,294	(938,417)	181,756,360
Operating Profit Before Working Capital Changes		**325,217,894**		**278,640,235**
Less: Adjustments for Working Capital Changes:				
Deposits pledged with banks and dividend account with bank	(2,358,626)		(3,184,275)	
Trade and Other Receivables	11,020,633		66,189,522	
Inventories	250,844		985,759	
Trade Payables	(3,554,861)	5,357,990	(52,186,440)	11,804,566
Cash generated from Operations		**330,575,884**		**290,444,801**
Less: Direct Taxes Paid		(104,585,667)		(86,469,076)
Net Cash Flow from Operating Activities I		**225,990,217**		**203,975,725**
II. CASH (USED IN) INVESTING ACTIVITIES :				
Purchase of Investments		(213,483,152)		-
Sale of Investments		159,500,000		-
Dividend Received		2,706,019		-
Purchase of Fixed Assets		(55,309,971)		(116,461,509)
Sale of Fixed Assets		1,753,471		11,414,723
Interest Received		3,134,089		3,785,275
Net Cash (Used in) Investing Activities II		**(101,699,544)**		**(101,261,511)**
III. CASH (USED IN) FINANCING ACTIVITIES:				
Share warrants Money refunded/adjusted		-		(48,290)
Dividend paid (including Corporate Dividend Tax)		(8,679,940)		(8,814,743)
Proceeds from Long Term Borrowings		3,315,544		-
Repayments of Long Term Borrowings		(98,691,009)		(85,060,000)
Proceeds from Short Term Borrowings		-		2,500,000
Repayment of Short Term Borrowings		(2,500,000)		(856,959)
Interest Paid		(8,468,973)		(20,349,360)
Net Cash (Used in) Financing Activities III		**(115,024,378)**		**(112,629,352)**

(Amount in Rupees)

	Year ended 31.03.2010		Year ended 31.03.2009	
IV. Net Increase / (Decrease) in Cash and Cash Equivalents (I+II+III)		**9,266,295**		**(9,915,138)**
V. Cash and Cash equivalents as at beginning of the year		**3,068,002**		**12,983,140**
VI. Cash and cash equivalents as at end of the year **		**12,334,297**		**3,068,002**
**** Note:** Cash and Cash Equivalents as at end of the year:				
Cash and Bank balances as per Balance Sheet		43,724,134		32,099,213
Less: Deposits pledged towards margin money against bank guarantees and other designated accounts dealt in operating activity		31,389,837		29,031,211
		12,334,297		**3,068,002**

Note:

1 Previous year figures have been regrouped/reclassified to confirm to current year classification

2 Significant Accounting Policies (Schedule 20) and other Notes to Accounts (Schedule 21) form an integral part of the Cash Flow Statement

3 Cash flow statement has been prepared under indirect method specified in Accounting Standard-3 notified under Companies Act, 1956.

Per Our Report of even date

For **P. V. R. K. Nageswara Rao & Co.,**
Chartered Accountants

P. V. R. K. Nageswara Rao
Partner
Membership No.18840

Hyderabad
May 28, 2010

For and on behalf of the Board

A. Dinesh
Managing Director

Z. P. Marshall
Director

Sudhir Kumar
Chief Financial Officer

Sachin Guha
Company Secretary

Schedules forming part of Accounts

(Amount in Rupees)

	As at 31.03.2010		As at 31.03.2009	
1 SHARE CAPITAL				
Authorised :				
10,000,000 Equity Shares of Rs. 10/- each		100,000,000		100,000,000
Issued and Subscribed:				
5,131,234 Equity Shares of Rs. 10/- each		51,312,340		51,312,340
Paid-up :				
5,119,834 Equity Shares of Rs. 10/- each fully paid up		51,198,340		51,198,340
(Of the above, 423,334 Equity Shares have been allotted as fully paid-up Shares by way of Bonus Shares)				
Add : Forfeited Shares		136,000		136,000
		51,334,340		**51,334,340**
2 RESERVES AND SURPLUS				
Share Premium		153,784,038		153,784,038
Share Warrants Forfeiture Account		16,118,047		16,118,047
Employee Stock Option Outstanding:				
Balance brought forward	2,690,800		-	
Additions during the year	8,389,300		2,690,800	
	11,080,100		2,690,800	
Less: Deletions during the year	230,640		--	
	10,849,460		2,690,800	
Less: Deferred Employee Compensation costs	6,917,440	3,932,020	1,933,941	756,859
(Refer Note-4 of Schedule 21 Notes to Accounts)				
General Reserve :				
Balance brought forward	23,063,000		20,083,000	
Add: Transferred from Profit and loss Account	6,937,000	30,000,000	2,980,000	23,063,000
Profit and Loss Account (Surplus)		379,015,893		297,636,034
		582,849,998		**491,357,978**
3 SECURED LOANS				
Term Loans :				
From State Bank of India		14,998,991		114,976,112
(Secured by First charge on Fixed Assets and hypothecation of Current Assets of the Company and guaranteed by two Directors of the Company)				
From ICICI Bank Limited		3,315,544		-
(Secured by hypothecation of relevant vehicle acquired against the loan)				
		18,314,535		**114,976,112**
4 UNSECURED LOANS				
From Directors		-		2,500,000
		-		**2,500,000**

5 FIXED ASSETS

(Amount in Rupees)

Description	GROSS BLOCK				DEPRECIATION				NET BLOCK	
	Cost As at 01.04.2009	Additions During the year	Deductions During the year	Total Cost As at 31.03.2010	Up to 31.03.2009	For the Year	On Deductions	Upto 31.03.2010	As at 31.03.2010	As at 31.03.2009
Land	21,908,666	-	-	21,908,666	-	-	-	-	21,908,666	21,908,666
Buildings	1,446,800	-	-	1,446,800	35,374	23,583	-	58,957	1,387,843	1,411,426
Plant and Machinery	1,001,534,332	46,522,813	5,272,200	1,042,784,945	501,395,381	162,562,632	3,033,539	660,924,474	381,860,471	500,138,951
Electrical Fittings	20,941	12,120	10,141	22,920	19,706	12,366	9,152	22,920	-	1,235
Other Equipment	8,554,027	145,272	79,508	8,619,791	3,051,256	1,280,629	79,508	4,252,377	4,367,414	5,502,771
Furniture and Fixtures	2,066,353	195,548	494,284	1,767,617	820,732	185,755	454,020	552,467	1,215,150	1,245,621
Vehicles	12,868,599	3,833,969	1,277,157	15,425,411	8,645,088	554,440	578,477	8,621,051	6,804,360	4,223,511
Data Processing Equipment	5,967,603	897,575	-	6,865,178	3,949,733	608,998	-	4,558,731	2,306,447	2,017,870
Total	**1,054,367,321**	**51,607,297**	**7,133,290**	**1,098,841,328**	**517,917,270**	**165,228,403**	**4,154,696**	**678,990,977**	**419,850,351**	**536,450,051**
Previous year	1,094,863,162	7,218,103	47,713,944	1,054,367,321	389,720,701	165,434,207	37,237,638	517,917,270	536,450,051	705,142,461

Schedules forming part of Accounts

(Amount in Rupees)

	As at 31.03.2010		As at 31.03.2009	
6 INVESTMENTS : CURRENT				
Unquoted Non-Trade at Cost				
Mutual Funds :				
160,408.593 Units of Rs. 10/- each in Franklin India Prima Plus-Dividend Payout.	5,000,000		-	
Less: Provision for Loss on diminution in value of Investments	666,048	4,333,952	-	-
55,459.426 Units of Rs. 10/- each in HDFC Equity				
Fund-Dividend Option payout.	2,500,000		-	
Less: Provision for Loss on diminution in value of Investments	91,841	2,408,159	-	-
111,906.893 Units of Rs. 10/- each in Birla Sun Life				
Frontine Equity Fund-Plan A Dividend	2,500,000		-	
Less: Provision for Loss on diminution in value of Investments.	63,787	2,436,213	-	-
48,425.212 Units of Rs. 10/- each in DSP Black Rock Equity Fund-Regular Plan-Dividend.	2,500,000		-	
Less: Provision for Loss on diminution in value of Investments.	240,189	2,259,811	-	-
698,924.355 Units of Rs. 10/- each in IDFC Small & Midcap Equity (SME) Fund-Dividend.		10,000,000		-
(Net Asset Value: Rs. 10,477,016/-)				
OTHERS:				
2,140,725.886 Units of Rs. 10/- each in GFCD IDFC Money Manager Fund-TP-Super Inst Plan C.		21,407,259		-
1,006,985.121 Units of Rs. 10/- each in SBI-SHF-Ultra Short Term Fund-Institutional Plan		10,075,893		-
		52,921,287		**-**

Note: The following units were purchased and sold during the year:

Sl.	Description	No. of Units	Cost Rs.
1	SBI-SHF-Ultra Short Term Fund	1,998,801	20,000,000
2	IDFC Money Manager Fund	13,183,262	139,500,000

Schedules forming part of Accounts

(Amount in Rupees)

	As at 31.03.2010		As at 31.03.2009	
7 DEFERRED TAX ASSET (NET)				
Balance brought forward		18,320,086		(8,227,219)
Add : Adjustments for the year		24,668,899		26,547,305
(Refer Note No.12 of Schedule 21 Notes to Accounts)				
		42,988,985		**18,320,086**
8 INVENTORIES				
(As taken, valued and certified by the Management)				
Stores and Spares		2,193,204		2,444,048
		2,193,204		**2,444,048**
9 SUNDRY DEBTORS				
(Unsecured, Considered Good)				
Outstanding for a period exceeding				
Six months		-		86,970,917
Others		195,386,017		119,594,520
		195,386,017		**206,565,437**
10 CASH AND BANK BALANCES				
Cash on hand		404,219		64,560
Cash at Scheduled Banks :				
In Current Accounts		11,920,828		3,003,442
In Cash Credit Account		9,250		-
In Unclaimed Dividend Accounts		1,115,103		810,118
In Term Deposit Accounts		30,274,734		28,221,093
(Pledged towards margin money against guarantees issued by Bank)				
		43,724,134		**32,099,213**
11 OTHER CURRENT ASSETS				
Interest accrued on Deposits		120,013		114,008
12 LOANS AND ADVANCES				
(Unsecured, considered good, recoverable in cash or in kind or for the value to be received)				
Deposits Recoverable		1,401,962		1,170,182
Prepaid Expenses		3,580,179		3,164,339
Other Advances and Receivables		2,233,835		2,722,668
		7,215,976		**7,057,189**

Schedules forming part of Accounts

(Amount in Rupees)

	As at 31.03.2010		As at 31.03.2009	
13 CURRENT LIABILITIES				
Sundry Creditors:				
Dues of Micro, Small and Medium Enterprises	-		-	
Dues of Enterprises other than Micro, Small and Medium Enterprises	84,572,091	84,572,091	86,479,499	86,479,499
Investor Education and Protection Fund :				
Unclaimed Dividend		1,115,103		810,118
(Note: There is no amount due and outstanding to be credited to Investor Education and Protection Fund)				
		85,687,194		**87,289,617**
14 PROVISIONS				
Provision for Employee Retirement Benefits		782,464		2,467,923
Provision for Income Tax (Net of prepaid taxes)		20,178,848		44,139,137
Proposed Dividend		7,679,751		7,679,751
Provision For Corporate Dividend Tax		1,275,511		1,305,174
		29,916,574		**55,591,985**

(Amount in Rupees)

	Year ended 31.03.2010		Year ended 31.03.2009	
15 OTHER INCOME				
Interest earned (Gross)		3,140,094		3,654,609
(Tax Deducted At Source Rs. 344,306/-)				
(Previous year Rs. 808,531/-)				
Dividend Received from Current Non-Trade Investments		2,706,019		-
Gain on Foreign Currency Exchange Differences		-		4,011,457
Miscellaneous Income		51,635		249,534
Profit on Sale of Assets(Net)		-		938,417
		5,897,748		**8,854,017**
16 SURVEY AND SURVEY RELATED EXPENSES				
Stores Consumed		8,076,862		12,096,569
Labour Charges		3,303,912		9,272,439
Survey and Drilling Charges		309,118,056		217,663,850
Fuel		9,310,970		5,970,838
Equipment Hire Charges		878,496		425,393
Vehicle Hire Charges		5,259,700		8,157,686
Technical Consultancy Charges		1,020,000		1,020,000
Repairs and Maintenance to Machinery		11,989,749		6,686,121
Camp Rental Charges		5,966,987		1,254,742
Camp Expenses		8,389,237		9,980,411
Transport and Handling Charges		2,145,247		2,073,567
Other Survey Expenses		4,467,268		2,655,931
		369,926,484		**277,257,547**

Schedules forming part of Accounts

(Amount in Rupees)

	Year ended 31.03.2010		Year ended 31.03.2009	
17 EMPLOYEES COST				
Salaries, Wages and other benefits to staff		50,270,011		46,436,651
Contribution to Provident Fund and ESI		717,594		690,798
Workmen and Staff Welfare expenses		821,788		1,038,777
Employee Compensation Costs		2,915,434		685,498
(Exclusive of Rs. 259,727/- Included in Managerial remuneration)				
(Refer Note-4 of Schedule 21 Notes to Accounts)				
		54,724,827		**48,851,724**

18 OTHER EXPENSES				
Managerial Remuneration		8,466,349		5,129,588
(Refer Note-6 of Schedule 21 Notes to Accounts)				
Directors' Sitting Fee		150,500		89,500
Rent		2,554,000		2,616,000
Printing and Stationery		1,442,913		1,131,297
Communication Expenses		1,529,007		1,079,276
Travelling and Conveyance		6,872,606		7,208,973
Payment to Auditors		682,250		756,850
(Refer Note-5 of Schedule 21 Notes to Accounts)				
Legal and Professional Charges		538,779		7,066,128
Insurance		3,339,221		2,903,465
Advertisement		402,848		409,004
Software and Software Maintenance Expenses		35,749		94,021
Taxes and licences		1,074,151		950,620
Repairs and Maintenance to Other Assets		316,651		885,830
Vehicle Maintenance		427,844		574,871
Donations		439,981		234,711
Bad debts written off		-		644,160
Provision for diminution in book value of investments		1,061,865		-
Loss on Sale/Recovery on Assets(Net)		1,225,123		-
Loss on Exchange fluctuations		2,998,588		-
General Expenses		2,533,886		3,606,862
		36,092,311		**35,381,156**

19 FINANCE CHARGES				
Interest on Fixed Loans		7,124,433		18,991,008
Interest to Others		20,422		523,152
Bank Charges and Commission		2,885,726		4,355,205
		10,030,581		**23,869,365**

Schedules forming part of Accounts

20 SIGNIFICANT ACCOUNTING POLICIES

A. Accounting Convention

The financial statements are prepared under historical cost convention on the accrual basis of accounting in accordance with generally accepted accounting principles in India and the Accounting Standards notified under the Companies Act, 1956.

B. Fixed Assets and Depreciation

i) Fixed Assets are stated at cost of acquisition inclusive of inland freight, duties and taxes and incidental expenses related to acquisition.

ii) Depreciation on Fixed Assets is being provided under Straight Line Method prorata at the rates mentioned below:

   a) Machinery in the nature of Geophone strings and cables @ 19.00% per annum.

   b) Machinery in the nature equipment used for 3D Seismic Survey @ 19.00% per annum

   c) In case of all other assets at the rates specified in Schedule XIV of the Companies Act, 1956.

C. Foreign Exchange Transactions

Transactions in foreign exchange, other than those covered by forward contracts are accounted for at the exchange rate prevailing on the date of transactions. Exchange differences arising on foreign currency transactions settled during the year are recognised in the Profit and Loss Account.

Monetary assets and liabilities denominated in foreign currencies as at the balance sheet date other than those covered by forward contracts are translated at the year end rates. The resultant exchange differences are recognised in the profit and loss account.

Non-monetary assets and liabilities are recorded at the rates prevailing on the date of the transaction.

D. Investments

i. Investments are classified into current and long term investments.

ii. Current investments are valued at lower of cost and fair value

iii. Long-term investments are valued at cost of acquisition. Provision is made for decline, other than temporary, in the value of investments

E. Inventories

i. Stock of Stores and spares is valued at lower of cost and net realisable value. Cost is determined considering the cost of purchase and other costs incurred for acquisition and on the basis of first in first out method (FIFO)

ii. Stationery, medical and mess expenses are charged off to the revenue at the time of purchase.

F. Employee Stock Option Scheme

In accordance with the Securities and Exchange Board of India guidelines, the excess of the market price of the shares, at the date of grant of option under the employee stock option scheme, over the exercise price is treated as employee compensation and the same is amortised over the vesting period of the stock options.

G. Taxes on Income

i. Provision for Taxation is the aggregate of current income tax, deferred income tax charge / (credit) for the year.

ii. Current Income Tax:

The provision for taxation is based on assessable profits of the Company as determined under the Income Tax Act, 1961. The Company also provides for such disallowances made on completion of assessment pending appeals, as considered appropriate depending on the merits of each case.

iii. Deferred Income Tax

Deferred Income taxes are recognised for the future tax consequences attributable to timing differences between the financial statement determination of income and their recognition for tax purposes. The effect on deferred tax assets and liabilities of a change in tax rates is recognised in income using the tax rates and tax laws that have been enacted or substantively enacted by the balance sheet date. Deferred tax assets are recognised and carried forward only to the extent that there is a reasonable certainty that sufficient future taxable income will be available against which such deferred tax assets can be realised.

20 SIGNIFICANT ACCOUNTING POLICIES (Contd.)

H. Proposed Dividend

Proposed dividend as proposed by the Board of Directors is provided in the books of account, pending approval at the Annual General Meeting.

I. Leases

Lease of assets under which all the risks and rewards of ownership are effectively retained by the lesser, are classified as operating leases. Lease payments under operating leases are recognised as an expense on a straight line basis over the period of lease.

J. Borrowing Costs

Borrowing costs are attributable to the acquisition of qualifying asset are capitalised as part of cost of such asset till such time as the asset is ready for its intended use. Other borrowing costs are recognised as expense for the period.

K. Earnings Per Share

i. Basic earnings per share are calculated considering the weighted average number of equity shares outstanding during the year.

ii. Diluted earnings per share is calculated considering the effects of potential equity shares on net profits after tax for the year and weighted average number of equity shares outstanding during the year.

L. Employee Benefits

Defined Contribution Plans:

Provident Fund: Contribution to Provident Fund is made at the prescribed rates to the Employees Provident Fund Scheme by the Central Government and is charged to the Profit and Loss Account.

Defined Benefit Plans:

i. *Gratuity:* The Company makes contribution to a scheme administered by the Life Insurance Corporation of India ('LIC') to discharge gratuity liabilities to the employees. Annual contribution to the fund as determined by the LIC is expensed in the year of contribution. The shortfall between the accumulated funds available with LIC and liability as determined on the basis of an actuarial valuation is provided for at the year end. The Actuarial gains/losses are immediately taken to profit and loss account.

ii. *Leave encashment:* The Company records its unavailed leave liability based on actuarial valuation using projected unit credit method.

Short-term Employee Benefits

Short term employee benefits are recognised as an expense as per the Company's scheme based on expected obligation on undiscounted basis.

State Plans: Employer's contribution to Employee's State Insurance is charged to Profit and Loss Account.

M. Contingent Liabilities

These are disclosed by way of notes on the Balance Sheet. Provision is made in the accounts in respect of those contingencies which are likely to materialise into liability after the year end, till the finalization of accounts and have material effect on the position stated in the Balance Sheet.

N. Provisions

A provision is recognised when there is a present obligation as a result of past event. It is probable that an outflow of resources will be required to settle the obligation and in respect of which a reliable estimate can be made. These are reviewed at each balance sheet date and adjusted to reflect the current best estimates.

O. Use of Estimates

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

Schedules forming part of Accounts

21 NOTES TO ACCOUNTS

1. Previous year figures have been regrouped or reclassified wherever necessary to conform to the current year classification. The figures have been rounded off to the nearest rupee.

2. **Contingent Liabilities:**
   i. Towards Guarantees issued by Bank – Rs. -55,534,735 (Previous year: Rs. 140,055,010)
   ii. Income Tax demands disputed by the Company – Rs. 1,657,548 (Previous year: Rs. 1,657,548)

3. **Dues of Micro, Small & Medium Enterprises:**
   Information as required to be disclosed under Schedule VI of the Companies Acts, 1956 with reference to Micro, Small and Medium Enterprises under the Micro, Small and Medium Enterprises Development Act, 2006 (Act) as given below and the information mentioned in Schedule No.13: Current Liabilities, with respect to dues of Micro, Small and Medium Enterprises has been determined to the extent such parties have been identified on the basis of information available with the Company and relied on by the auditors:

(Amount in Rupees)

Particulars	2009-10	2008-09
Principal amount remaining unpaid as on March 31	Nil	Nil
Interest due thereon as on March 31	Nil	Nil
Interest paid by the Company in terms of Section 16 of Micro, Small and Medium Enterprises Development Act, 2006, along with the amount of payment made to the supplier beyond the appointed day during the year.	Nil	Nil
Interest due and payable for the period of delay in making payment (which have been paid but beyond the appointed day during the year) but without adding the interest specified under the Act.	Nil	Nil
Interest accrued and remaining unpaid as at March 31	Nil	Nil
Further interest remaining due and payable even in the succeeding years, until such date when the interest dues as above are actually paid to the small enterprise for the purpose of disallowance as a deductible expenditure under Section 23 of the Act.	Nil	Nil

4. **Employee Stock Option Scheme**
   a. In respect of Options granted to employees during the year, under the Employees Stock Option Scheme, in accordance with the guidelines issued by Securities and Exchange Board of India, the accounting value of options, determined based on market price of the share on the before day of the grant of the Option, is accounted as Deferred Employee Compensation Costs and the same is being amortised on straight line basis over the vesting period of stock options. Consequently for the current year, an amount of Rs. 3,175,161/-(Previous Year Rs. 756,859/-) has been amortised.
   b. The movement of the options during the year is as detailed below:

(Nos)

	2009-10	2008-09
At the beginning of the year	70,000	Nil
Granted during the year	86,000	70,000
Expired/Forfeited during the year	6,000	Nil
Exercised during the year	Nil	Nil
At the end of the year	150,000	70,000

21 NOTES TO ACCOUNTS (Contd.)

5. Auditors Remuneration

(Amount in Rupees)

	2009-10	2008-09
As Auditors	300,000	300,000
Tax Audit fees	150,000	150,000
Quarterly Reviews	75,000	60,000
Income Tax matters	50,000	50,000
Other matters	75,000	165,000
Out of pocket expenses	32,250	31,850
	682,250	**756,850**

Net of Service Tax and education cess thereon

6. Managerial Remuneration

(Amount in Rupees)

	2009-10	2008-09
(i) Managing Director's Remuneration:		
Salary and Allowances	2,400,000	2,400,000
Commission	4,338,119	1,344,320
Perquisites	1,180,503	1,025,907
Contribution to Provident Fund	288,000	288,000
	8,206,622	5,058,227
(ii) Other Non Whole Time Directors:		
ESOP Compensation Costs	259,727	71,361

(iii) Calculation of Commission

Computation of Net Profit in accordance with Section 349 read with Section 198 of the Companies Act, 1956 with relevant details of calculation of commission payable by way of percentage of such profits to Managing Director for the year ending March 31, 2010:

Profit as per Profit and Loss Account		153,228,600
Add: Managerial Remuneration	8,466.349	
Directors Sitting Fees	150,500	
Provision for diminution in book value of Investments	1,061,865	
Loss on sale of assets	1,225,123	
Depreciation as per Books of Accounts	165,228,403	176,132,240
		329,360,840
Less: Depreciation as specified u/s.350		165,228,403
		164,132,437
Commission being @ 5% of the above		8,206,622
Commission payable limited to		**4,338,119**

7. Segmental Reporting

As the Company's business consists of one reportable business and geographical segment of Seismic Data Acquisition and its related services within India, no separate disclosures pertaining to attributable revenues, profits, assets, liabilities and capital employed are given.

Schedules forming part of Accounts

21 NOTES TO ACCOUNTS (Contd.)

8. **Related Party Transactions**

The details of transactions with the related parties as defined in the Accounting Standard AS-18 Related Party Transactions notified under the Companies Act, 1956 are given below:

i. **List of Related Parties with whom transactions have taken place and nature of relationships:**

a. **Key Management Personnel**

Sri A. Dinesh

b. **Relatives of Key Management Personnel**

Sri A. Rajesh

Sri A.Dinesh (HUF)

c. **Companies in which the Relatives of Key Management Personnel has substantial Interest:**

Aquila Drilling Private Limited

ii. **Details of Transactions**

(Amount in Rupees)

Sl	Nature of Relation/Nature of Transactions	2009-10		2008-09	
		Amount of Transaction	Amount outstanding as on 31.03.2010	Amount of Transaction	Amount outstanding as on 31.03.2009
1	**Key management personnel:**				
	Remuneration	8,206,622	5,301,081	5,058,227	1,640,387
	Interest on deposit	9,169	-	42,370	38,006
	Acceptance of deposit	-	-	2,500,000	2,500,000
	Repayment of deposit	2,500,000	-	-	-
	Share Warrants Allotted/(Forfeited) (Nos)	-	-	(141,600)	-
	Share Warrants Money Refunded/(Forfeited)	-	-	(6,084,552)	-
2	**Relatives of the Key Management Personnel**				
	Rent	132,000	-	264,000	74,404
	Sitting Fees	39,500	-	21,500	-
	Share Warrants Allotted/(Forfeited) (Nos)	-	-	(2,000)	-
	Share Warrants Money Refunded/(Forfeited)	-	-	(85,940)	-
3	**Companies in which Relative of the Key Management Personnel has Substantial Interest**				
	Drilling Charges	59,822,500	11,046,248	61,720,000	16,153,151
	Share Warrants Allotted/(Forfeited) (Nos)	-	-	(231,500)	-
	Share Warrants Money Refunded/(Forfeited)	-	-	(9,947,555)	-

Schedules forming part of Accounts

21 NOTES TO ACCOUNTS (Contd.)

iii. Disclosure in respect of transactions which are more than 10% of the total transactions of the same type with related parties during the year:

(Amount in Rupees)

Nature of Transaction	Name of the Related Party	2009-10	2008-09
Remuneration	Sri. A. Dinesh	8,206,622	5,058,227
Interest on Deposit	Sri. A. Dinesh	9,169	43,370
Acceptance of Deposits	Sri. A. Dinesh	-	2,500,000
Repayment of Deposits	Sri. A. Dinesh	2,500,000	-
Share Warrants	Sri. A. Dinesh	-	(141,600)
Allotted/(Forfeited)(Nos.)	Smt. A. Kamala	-	(2,000)
	Aquila Drilling Pvt Ltd	-	(231,500)
Share Warrants Money Refunded/Forfeited	Sri. A. Dinesh	-	(6,084,552)
	Smt. A. Kamala	-	(85,940)
	Aquila Drilling Pvt Ltd	-	(9,947,555)
Drilling Charges	Aquila Drilling Pvt Ltd	59,822,500	61,720,000
Rent	Sri A. Dinesh (HUF)	132,000	264,000
Sitting Fees	Sri. A.Rajesh	39,500	21,500

9. Leases

The Company has various operating leases for Office and other premises that are renewable on a periodic basis by mutual consent on mutually agreeable terms and cancellable at its option. Rental / lease expenses for operating leases recognised in the Profit and Loss Account for the year is Rs. 7,319,787/- (Previous Year Rs. 2,616,000)

10. Employee Benefits

The disclosures required under Accounting Standard 15 "Employee Benefits" notified under the Companies Act, 1956 are as given below:

(Amount in Rupees)

	2009-10	2008-09
i. Defined Contribution Schemes		
Employer's Contribution to Provident Fund	997,746	882,990
ii. State Plans		
Employer's Contribution to State Insurance Scheme	7,848	12,270

iii. Defined Benefit Plans

The present value of obligation in respect of Provision for Payment of Gratuity and Leave encashment is determined, based on actuarial valuation using the Projected Unit Credit Method, which recognises each period of service as giving rise to additional unit of employee benefit entitlement and measures each unit separately to build up the final obligation, recognised and charged off during the year are as under:

(Amount in Rupees)

	Gratuity (Unfunded)		Leave Encashment (Unfunded)	
	2009-10	2008-09	2009-10	2008-09
a. Reconciliation of opening and closing balances of Defined Benefit obligation:				
At the beginning of the year	2,267,430	1,857,458	200,493	296,084
Current Service Cost	315,122	122,172	7,696	28,486
Interest Cost	181,394	148,597	16,039	23,686
Actuarial (gain)/loss	(177,738)	204,511	(40,226)	(139,058)
Benefits paid	(43,688)	(65,308)	(9,335)	(8,705)
At the end of the year	2,542,520	2,267,430	174,667	200,493

Schedules forming part of Accounts

21 NOTES TO ACCOUNTS (Contd.)

(Amount in Rupees)

	Gratuity (Unfunded)		Leave Encashment (Unfunded)	
	2009-10	2008-09	2009-10	2008-09
b. Expenses recognised during the year				
Current Service Cost	315,122	122,172	7,696	28,486
Interest Cost on benefit obligation	181,394	148,597	16,039	23,686
Return on Plan Assets	(81,783)	-	-	-
Actuarial (gain)/loss	(177,738)	204,511	(40,226)	(139,058)
Net benefit expense	236,995	475,280	(16,491)	(86,886)
c. Actuarial assumptions:				
Mortality Table (L.I.C)	1994-96	1994-96	1994-96	1994-96
	(Ultimate)	(Ultimate)	(Ultimate)	(Ultimate)
Discount rate (per annum)	8.00%	8.00%	8.00%	8.00%
Attrition Rate (per annum)	4.00%	4.00%	4.00%	4.00%
Rate of escalation in salary (per annum)	4.00%	4.00%	4.00%	4.00%

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

11. Earnings Per Share (EPS)

(Amount in Rupees)

	2009-10	2008-09
The Numerator and Denominator used to calculate Earnings Per Share:		
A Earnings:		
Profit attributable to Equity Shareholders	97,272,121	59,586,787
B Number of Shares:		
Weighted average number of Equity shares outstanding during the year (Nos.) – Basic	5,119,834	5,119,834
Add: Weighted average number of equity shares arising out of outstanding stock options that have diluting effect on Earnings Per Share (Nos.)	46,689	14,000
Weighted average number of Equity Shares outstanding during the year (Nos.) – Diluted	5,166,523	5,133,834
Nominal Value of Equity Share	10	10
C. Earnings per Share:		
Earnings Per Share – Basic	19.00	11.63
Earnings Per Share – Diluted	18.83	11.60

12. Deferred Income Tax

The movement of provision for deferred tax for the year ended March 31, 2010 is as given below:

(Amount in Rupees)

Particulars	As at 01.04.2009	Credit For the year	As at 31.03.2010
Depreciation on Assets	14,310,791	24,971,027	39,281,818
Expenses allowable on the basis of Payment	4,009,295	(302,128)	3,707,167
	18,320,086	**24,668,899**	**42,988,985**

21 NOTES TO ACCOUNTS (Contd.)

13. Derivative Instruments

i. There are no foreign currency exposures that are covered by derivative instruments as on March 31, 2010 (Previous year: Rs. Nil).

ii. The details of foreign currency exposures that are not hedged by any derivative instruments or otherwise are as under:

Particulars	As on 31.03.2010		As on 31.03.2009	
	Amount in Foreign Currency US $	Equivalent Amount in Indian Currency Rs.	Amount in Foreign Currency US $	Equivalent Amount in Indian Currency Rs.
Liabilities for Supplies and Services	-	-	24,466	1,246,529
Receivables	-	-	1,403,825	71,508,776

14. Additional information pursuant to the provisions of Part- II of Schedule VI of the Companies Act, 1956:

	2009-10	2008-09
A. Details of capacities and production		
(i) Licenced capacity	Not applicable	Not applicable
(ii) Installed capacity		
For 2D Seismic operations (GLK)	1,400	1,400
For 3D Seismic operations (SqKm)	750	750
(As certified by the Management but not verified by the Auditors being technical matter)		
(iii) Actual production		
2D Seismic operations (GLK)	371.500	223.575
3D Seismic operations (Sq Km)	900.773	387.210

	2009-10		2008-09	
	Qty	Amount	Qty	Amount
B. Turnover:				
2D Seismic Survey and Related services (GLK, Rs.)	371.500	79,900,046	223.575	76,392,325
3D Seismic Survey and Related services (SqKm, Rs.)	900.773	703,433,412	387.210	562,431,532
		783,333,458		**638,823,857**
C. C.I.F. Value of Imports:				
Equipment		45,957,361		3,695,801
Stores and Spares		7,324,706		4,562,329
Computer Software and service charges		-		15,526

Schedules forming part of Accounts

21 NOTES TO ACCOUNTS (Contd.)

	2009-10	2008-09
D. Expenditure in Foreign currency (on accrual basis)		
Salaries and allowances (net of tax)	11,800,853	11,057,185
Traveling Expenses	909,400	679,473
Others	-	829,513
E. Remittance of Dividend in Foreign Currency:		
No. of non-resident Shareholders	8	8
No. of shares-held (Equity shares of Rs. 10/- each)	37,516	37,516
Dividend Remitted (Net of Tax)	53,574	56,274
Year to which relates	2008-09	2007-08

15. In the opinion of the Board of Directors the current assets, loans and advances have a value realization in the ordinary course of business at least equal to the amount at which they are stated and provision for all known liabilities has been made.

16. Additional information pursuant to the provisions of Part-IV of the Schedule-VI of the Companies Act, 1956 is given in the Annexure.

Signatures to Schedules 1 to 21

Per Our Report of even date

For **P. V. R. K. Nageswara Rao & Co.,**
Chartered Accountants

P. V. R. K. Nageswara Rao
Partner
Membership No.18840

Hyderabad
May 28, 2010

For and on behalf of the Board

A. Dinesh
Managing Director

Z. P. Marshall
Director

Sudhir Kumar
Chief Financial Officer

Sachin Guha
Company Secretary

ANNEXURE TO SCHEDULE 21 – NOTES TO ACCOUNTS:

ADDITIONAL INFORMATION PURSUANT TO THE PROVISIONS OF PART-IV OF SCHEDULE-VI TO THE COMPANIES ACT, 1956:

BALANCE SHEET ABSTRACT AND COMPANY'S GENERAL BUSINESS PROFILE

i. Registration Details

Registration No.	7580	State Code	01
Balance Sheet Date	31 03 2010		

ii. Capital raised during the year (Rs. '000)

Public Issue	NIL	Rights Issue	NIL
Bonus Issue	NIL	Private Placement	NIL

iii. Position of Mobilisation and Deployment of funds (Rs. '000)

Total liabilities	652499	Total Assets	652499

Sources of Funds:

Paid up capital	51334	Reserves & Surplus	582850
Secured loans	18315	Unsecured loans	NIL

Application of Funds

Net fixed assets	423553	Investments	52921
Deferred tax Asset	42989	Net current Assets	133036
Miscellaneous expenditure	NIL	Accumulated losses	NIL

Performance of the Company (Rs. '000)

Turnover	789231	Total expenditure	636002
Profit before tax	153229	Profit after tax	97272
Earnings per share (Rs.)	19.00	Dividend Rate (%)	15%

Generic Names of three Principal Products/Services of Company

a. Item Code : –

b. Product Description : Seismic Survey Operations and Survey Related Services

---

Per Our Report of even date

For **P. V. R. K. Nageswara Rao & Co.,**
Chartered Accountants

P. V. R. K. Nageswara Rao
Partner
Membership No.18840

Hyderabad
May 28, 2010

For and on behalf of the Board

A. Dinesh
Managing Director

Z. P. Marshall
Director

Sudhir Kumar
Chief Financial Officer

Sachin Guha
Company Secretary

The words doing the rounds

"What Alphageo says it accomplishes, which is saying quite a bit in a business where it needs to manage the environment, people, terrain, logistics and remoteness. Besides, the company has demonstrated a refreshing willingness to work in North Eastern India where no other Indian or foreign company is usually willing to work for social, environment, human, technical and geological reasons. For instance, the assignment we gave to Alphageo in a topographically challenging Arunachal Pradesh was the most challenging in the world after Papua & New Guinea. So if they could have made a success out of our assignment, there is no reason why Alphageo should not be bidding for overseas projects!"

Edward Wood
President – India Business, Geopetrol International Inc

"If I were to describe Alphageo, I would use the word 'attitude'. Attitude in terms of accelerated project delivery, quality of service benchmarked with international standards and flexibility of approach. The hallmark of international service providers."

Farid Hussain Khan
Vice President, E&P Division , Essar Oil Limited

"The fact that Alphageo took up our data acquisition project in the monsoons was a bold decision, which not many in this sector would do considering the risk involved; the job was completed on time. The managing team displayed exemplary leadership; they were always there to listen, understand and resolve any issue."

Dr. Amrose G Corray
COO (E&P), Regional Vice President , Interlink Petroleum Limited

corporate information

Board of Directors

Mr. A. Dinesh	Managing Director
Dr. Avinash Chandra	Director
Mr. Z.P. Marshall	Director
Mr. P.K. Reddy	Director
Mr. S. Ravula Reddy	Director
Mr. Ashwinder Bhel	Director
Mr. A. Rajesh	Director

Company Secretary

Mr. Sachin Guha

Auditors

M/s. P.V.R.K. Nageswara Rao & Co.,
Chartered Accountant
109, Metro Residency, Raj Bhavan Road, Somajiguda
Hyderabad – 500 082, Andhra Pradesh

Bankers

State Bank of India

IndusInd Bank

Vijaya Bank

Registered office

802 Babukhan Estate, Basheerbagh
Hyderabad – 500 001, Andhra Pradesh

Corporate office

317/A MLA Colony, Road No. 12 Banjara Hills
Hyderabad – 500 034, Andhra Pradesh
Tel: +91-40-23320502/03
Fax: +91-40-23302238
Website: www.alphageoindia.com
Email: info@alphageoindia.com

Share transfer agents

M/s. Satguru Management Consultants Private Limited
Plot No. 15, Hindi Nagar Colony, Punjagutta
Hyderabad – 500 034, Andhra Pradesh
Tel: +91-40-23356507
Fax-+91-40- 40040554
Email: sta@sathguru.com

Cautionary statement: In this Annual Report we have disclosed forward-looking information to enable investors to comprehend our prospects and take informed investment decisions. This report and other statements – written and oral – that we periodically make contain forward-looking statements that set out anticipated results based on the management's plans and assumptions. We have tried wherever possible to identify such statements by using words such as 'anticipate', 'estimate', 'expects', 'projects', 'intends', 'plans', 'believes', and words of similar substance in connection with any discussion of future performance.

We cannot guarantee that these forward-looking statements will be realized, although we believe we have been prudent in assumptions. The achievement of results is subject to risks, uncertainties and even inaccurate assumptions. Should known or unknown risks or uncertainties materialise, or should underlying assumptions prove inaccurate, actual results could vary materially from those anticipated, estimated or projected. Readers should bear this in mind.

We undertake no obligation to publicly update any forward-looking statements, whether as a result of new information, future events or otherwise.

A TRISYS PRODUCT
info@trisyscom.com
www.kalajyothi.com

Alphageo (India) Limited
317/A MLA Colony, Road No. 12 Banjara Hills
Hyderabad – 500 034, Andhra Pradesh

www.alphageoindia.com