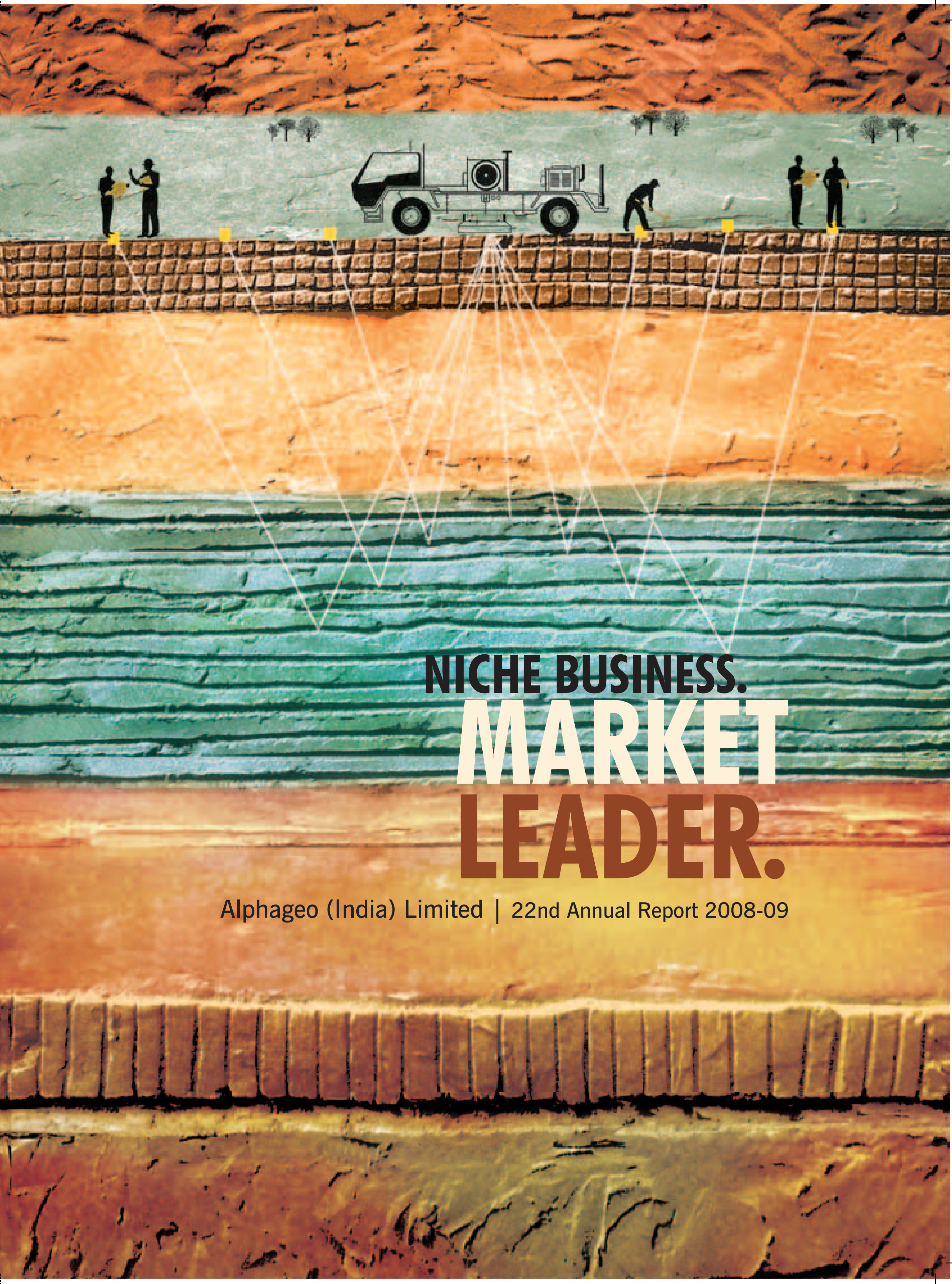


NICHE BUSINESS. MARKET LEADER.

Alphageo (India) Limited | 22nd Annual Report 2008-09

Forward looking statement

In this annual report, we have disclosed forward-looking information to help investors comprehend our prospects and take informed investment decisions. This report is based on certain forward-looking statements that we periodically make to anticipate results based on the management's plans and assumptions. We have tried wherever possible to identify such statements by using words such as 'anticipates', 'estimates', '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 realised, 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. We undertake no obligation to publicly update any forward-looking statements, whether as a result of new information, future events or otherwise.

Contents

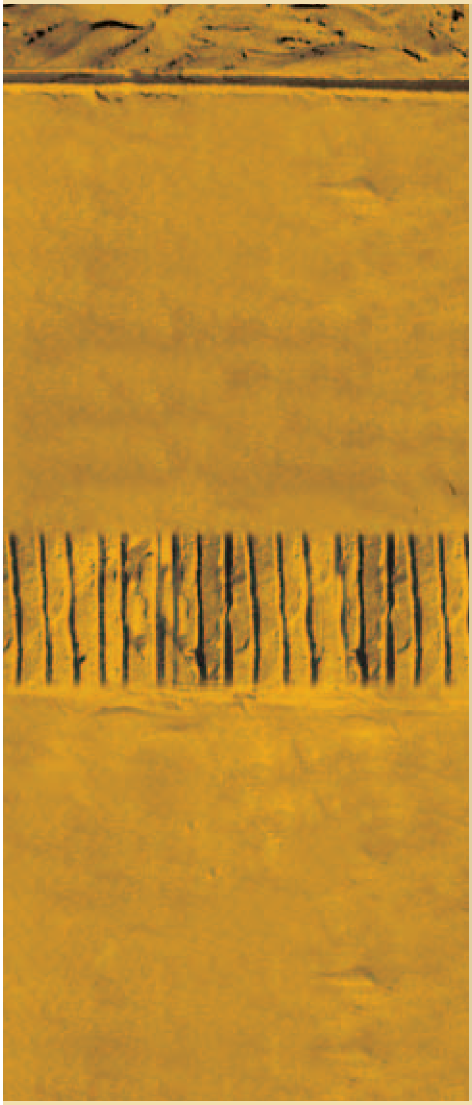
NICHE BUSINESS. MARKET LEADER.

This is a fitting description of Alphageo (India) Limited.

India's largest private sector onland integrated seismic service provider.

Makes it possible for clients to ascertain their hydrocarbon resources with speed, accuracy and economy.

And in doing so, services India's growing energy demand and reinforces its energy security.



Our 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.

Our vision

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

Our business

We provide 2D and 3D seismic and related services like seismic data acquisition, processing and interpretation

Our expertise

We achieved market leadership through the use of the following state-of-the-art technologies:

- Use of cutting-edge technology with cable telemetry for 2D and 3D surveys and sensitive, low distortion sensors with a full set of auxiliary equipment
- Use of full-fledged data processing and analytical software with advanced interactive workstations
- Use of sophisticated software for 2D seismic data interpretation on workstations
- Use of cutting-edge quality-control tools

Our background

Alphageo (India) Limited was incorporated in 1987 with its headquarters in Hyderabad, India. The Company provides seismic survey services to the oil exploration and production sector.

Milestones

1987

Incorporated as a company

1990

Emerged as the first private player to commence seismic operations in India

1991

Became the first Indian contractor to offer onsite processing, leading to enhanced quality control

1994

Acquired two state-of-the-art 24-bit telemetry systems Input/Output System 2 units.

Our values

- **Integrity:** Present in all our business dealings
- **Employees:** Manifested in our ability to attract professionals of the highest calibre, resulting in our position as India's most dependable seismic services provider
- **Safety:** Visible in our comprehensive health and safety policy to counter job-related challenges
- **Clients:** To service and delight customers, leading to their retention
- **Environment:** A commitment to minimize the Company's environmental impact within the framework of cost-effective and practical operating standards
- **People and societies:** A recognition that we are the guest of communities in the areas of our presence, entrusted to provide resource development services in a manner that protects their well-being and life quality
- **Cost consciousness:** An austerity fabric that ensures that we will expend corporate funds with the same diligence as if they were our own .
- **Incentives:** We recognize that a high performance organization aligns the interests of employees and shareholders.
- **Investors:** We recognize our responsibility to provide a superior return on shareholders investments

We are committed to provide excellence in all that we do and through this, create value for all our stakeholders.

1997

Became the only Indian geophysical company to provide comprehensive services comprising seismic data acquisition, processing and interpretation.

2006

Acquired two state-of-the-art 24-bit delta sigma technology Input/Output System 4 units for 3D seismic surveys.

2007

Acquired two state-of-the-art Input/Output SCORPION recording systems for undertaking 3D surveys.

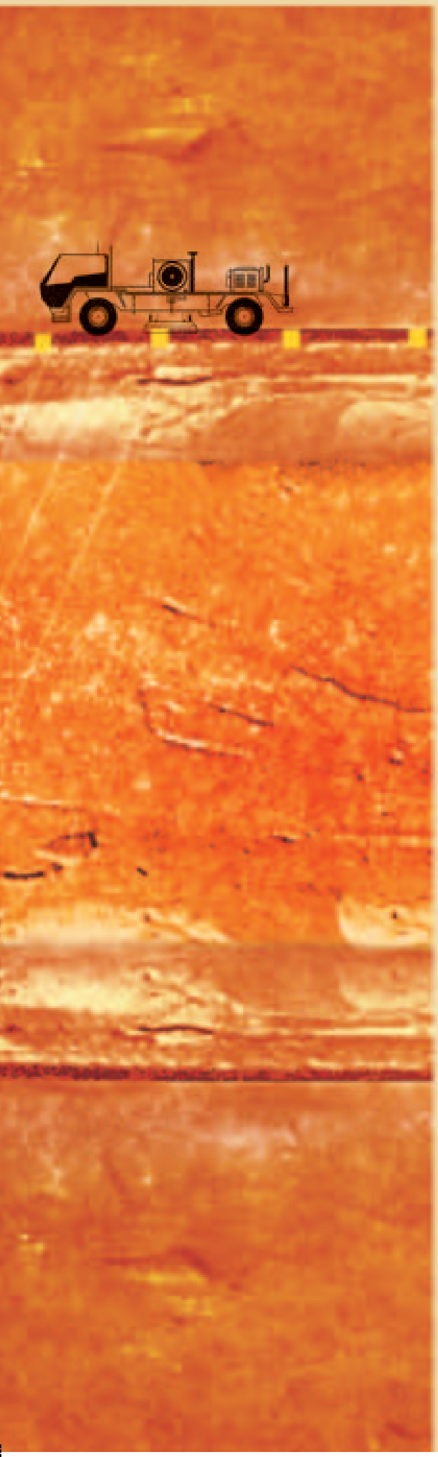
2008

Increased channel count from 7500 to 10000 through an investment of Rs.1400 lakhs

Our reach

We possess an experience of working in difficult terrains with a respect for local socio-economic realities and environments. We have demonstrated a sustained competence in managing projects in the challenging hilly areas of oil-rich Northeast India as well as other areas

01 Madhya Pradesh • 02 Andhra Pradesh • 03 Rajasthan
04 Mizoram • 05 Assam • 06 Arunachal Pradesh
07 Nagaland • 08 Gujarat • 09 Bihar • 10 Uttaranchal
11 Tamil Nadu • 12 Uttar Pradesh



Our clients*

Geopetrol International Inc.

Canoro Resources Ltd

Directorate General of Hydrocarbons

Oil and Natural Gas Corporation Limited

Oil India Limited

Essar Oil Limited

Hindustan Oil Exploration Company Limited

Naftogaz - Adani Group

Tullow India Operations Ltd.

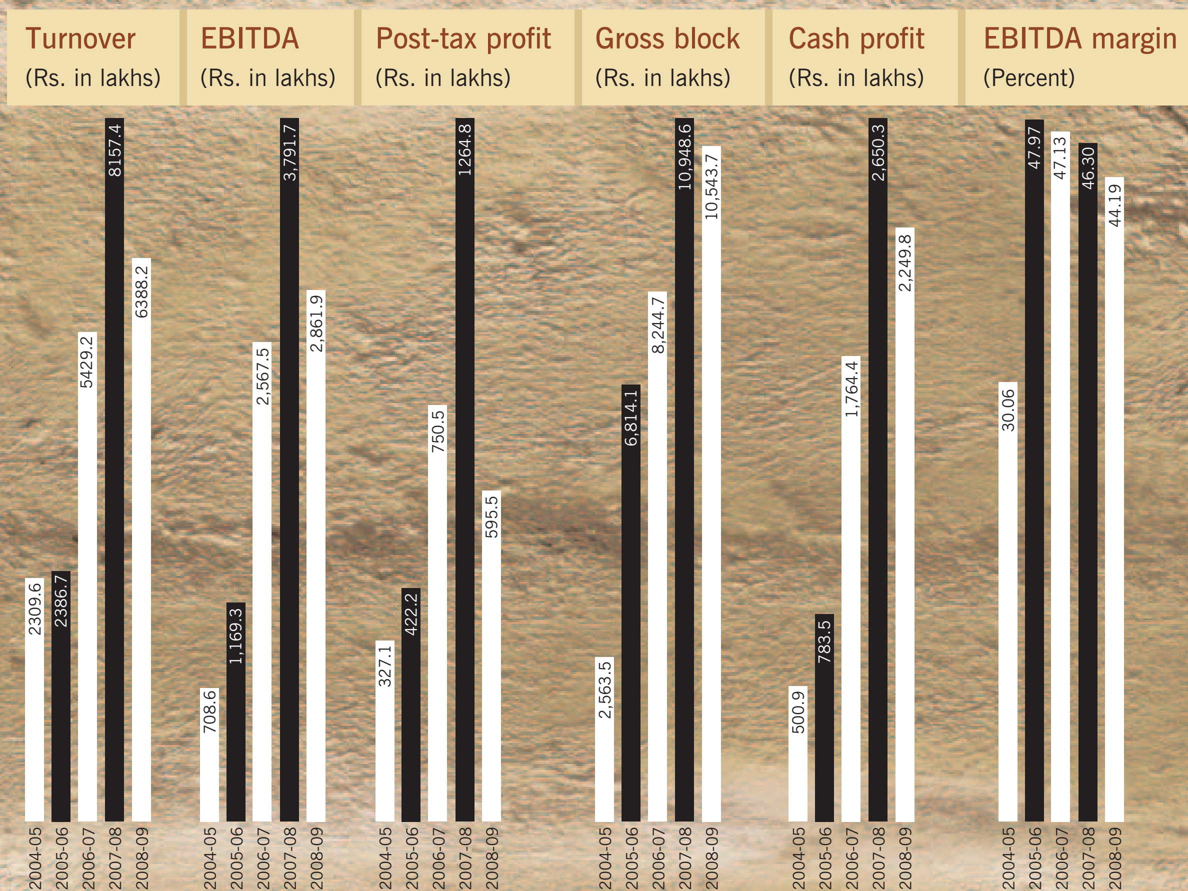
Gujarat State Petroleum Corporation Limited

Hardy Exploration & Production (India) Inc.

GeoEnpro Petroleum Ltd.

** The above list is only indicative of the Company's clientele*

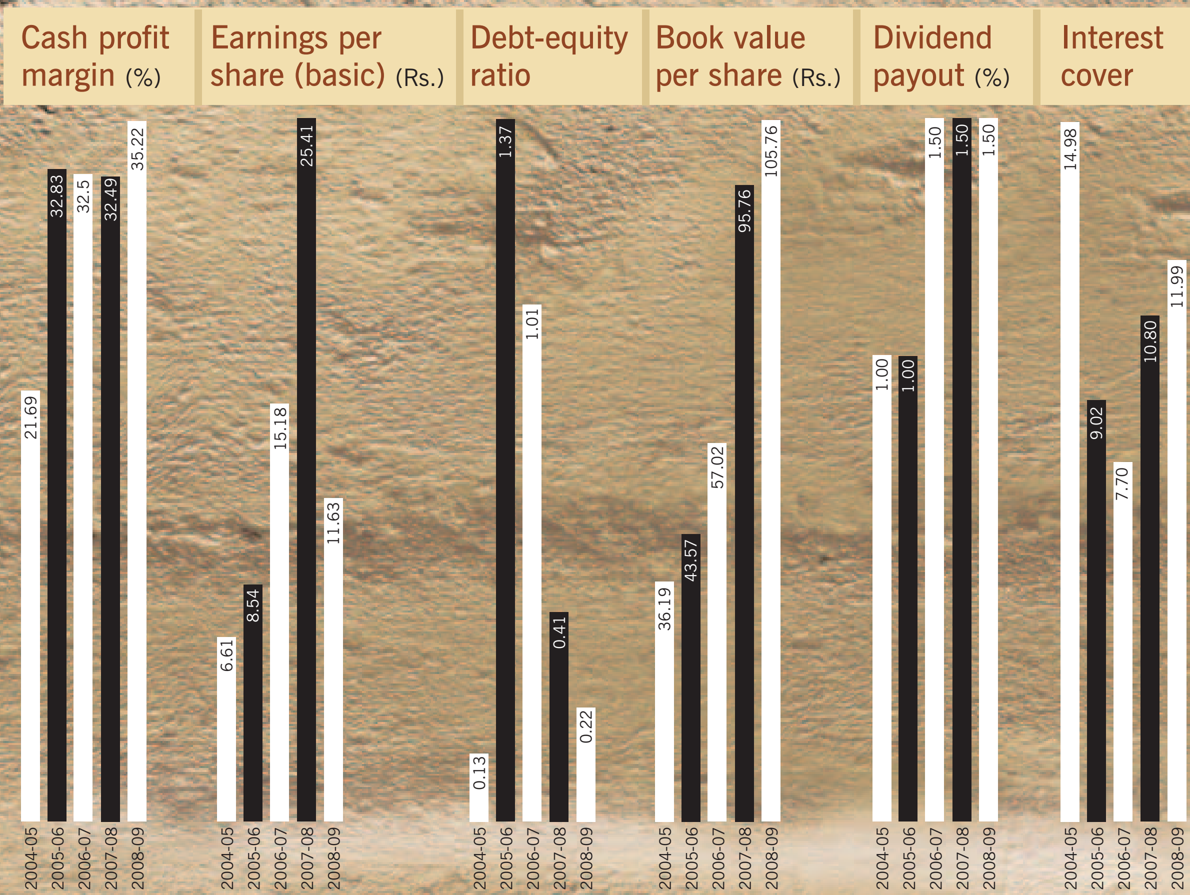
HOW WE GREW IN THE LAST FEW YEARS



Highlights, 2008-09

Numbers

- Net revenue declined 21.69% to Rs.6,388.2 lakhs.
- EBITDA declined 24.52% to Rs. 2,861.9 lakhs.
- Post-tax profit declined 52.77% to Rs. 595.5 lakhs.
- Cash profit declined 15% to Rs. 2,249.8 lakhs.
- Earnings per share (diluted) declined 54.35% to Rs. 11.60



Projects

- The Company bagged a ONGC contract in Nagaland for Rs. 3,888 lakhs in November 2008
- The Company bagged a contract from Hindustan Oil Exploration Company Limited (HOEC) in Assam for a total contract value of Rs. 3,700 lakhs in January 2009
- The Company bagged a Rs. 3,901 lakhs contract from ONGC for Seismic Data Acquisition in the Cauvery Basin, Tamil Nadu, amid intense competition in March 2009.

CHAIRMAN'S NOTE

"A convergence of growing E&P spending, India's relatively under-explored hydrocarbon terrain and our deep sectoral capabilities will translate into superior sustainable returns."

Mr. Z.P. Marshall, Chairman, Alphageo (India) Limited, reviews the Company's performance and roadmap

As I write to you, the global economy is recovering from one of the worst financial crises in living memory. Oil prices are stabilizing around USD70 a barrel after witnessing unprecedented volatility, raising the hope of an industry turnaround that could correspondingly influence the performance of the seismic services industry.

Oil is well

India imports 77% of its crude oil requirement, straining its forex reserves and increasing its current account deficit. India's oil dependence is reflected in its skyrocketing oil import bill. The country's total crude oil import grew from 740.9 lakh tonnes at a cost of USD12.9 billion in 2000-01 to 1,200.1 lakh tonnes at a cost of USD61.72 billion in 2007-08. 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. Imports could rise to 90% over 20 years without a significant augmentation in domestic hydrocarbon supply. The prevailing and projected demand-supply mismatch urged the Indian government to open exploration and production to private participants through NELP. Under seven NELP rounds, 203 blocks were awarded, 56 blocks of which went to private companies and joint ventures.

NELP and after

The NELP VII contracts were completed in 2008 when several new players extended into the E&P business. The reason why our Company is upbeat about prospects for 2009-10 is because NELP VI and NELP VII warrant a minimum 2D and 3D seismic or other geophysical work programme. A failure to comply could entail penalties for the E&P companies that are awarded exploration blocks.

The government has already launched its most ambitious eighth oil and gas assets auction round, offering 70 blocks - 24 deepwater blocks, 28 shallow water blocks and 18 on-land blocks (including 10 small blocks) across the country.

Exciting times

A complement of attractive realities augur favourably for

India's seismic services industry.

- India still remains the second fastest economy after China; the government's renewed infrastructure focus to sustain this growth will drive oil and gas demand. India's crude oil demand is projected to grow to 196 MMT in 2011-12 and 250 MMT in 2024-25. Similarly, demand for natural gas is likely to increase to 313 mmscmd in 2011-12 and 391 mmscmd by 2024-25.
- India's per capita energy consumption is still low compared to the global average.
- India's automobile industry – tenth largest in the world – is expected to graduate to the seventh position by 2016, powered by disposable incomes and growing young earners leading to enhanced oil demand.
- Despite the global recession India's efforts to locate fresh reserves to mitigate the import intensity are expected to sustain. Of India's 26 (31.4 lakh sq. km) sedimentary basins, only about 20% have been well explored, implying a huge opportunity for players like Alphageo. The NELP VIII, expected to be the biggest ever auction of oil and gas blocks in India, is expected to widen this opportunity through the award of about 70 blocks.
- India's public sector oil companies are expected to invest around Rs. 57,00,000 lakhs in 2009-10 in new oil and gas transportation networks, stimulating E&P activity.
- A number of prominent companies have indicated their willingness to outsource ancillary services to merchant seismic service providers, while maintaining stringent deadlines and data integrity.

Our response

Your Company, with its emphasis on technology investment, crew scaling, multi- terrain experience and low-cost operations, has positioned itself competitively as a preferred seismic service provider. Your Company started 2008-09 with a Rs. 6,300-lakhs order book and had a fresh order book visibility of around Rs. 11,489 lakhs of which it executed work was valued at Rs. 6,388 lakhs. The result is that prospects appear favourable for the current year and beyond.

A convergence of growing E&P spending, India's relatively under-explored hydrocarbon terrain and our deep sectoral capabilities will translate into superior returns.

Endless possibilities

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.

OUR COMPETITIVE EDGE

Business model

The Company possesses a remunerative business model, which was reflected in a respectable ROCE (average) of 17.74% in an otherwise depressed 2008-09

Cash comfort

The book value of the Company's assets was Rs.10,543.7 lakhs as on March 31, 2009. It also enjoyed a cash and bank balance of Rs.321 lakhs as on March 31, 2009

Experience

The Company went into the business of seismic services in 1987 and now possesses more than two decades of rich understanding of terrains, deployment and deadlined delivery.

Market leader

The Company is widely respected and recognised as India's largest onland integrated seismic service provider in the private sector

Service portfolio

The Company provides 2D and 3D seismic services including data acquisition, processing and interpretation.

Project execution

The Company enjoys capabilities in timely project turnaround derived through superior logistics and people management.

Technology

The Company has invested in state-of-the-art 2D and 3D service technologies

Geographic presence

The Company possesses an insight into varied topographies across 12 Indian states, which facilitates competent project turnaround.

Clientele

The Company's credibility is referenced through successful contracts for national and international oil exploration giants like Geopetrol International Inc., Canoro Resources Ltd, Oil and Natural Gas Corporation Limited, Oil India Limited, Essar Oil Limited and Hindustan Oil Exploration Company Limited, among others

Collaborations

The Company enjoys strong alliances with 3D technology collaborators and subcontractors, resulting in an access to cutting-edge technologies.

Gearing

The Company's gearing was a modest 0.22 as on March 31, 2009

Assets

The Company possesses four crews that can deliver contemporary 3D assignments with ease

FACE-TO-FACE

"Our decline in revenues in 2008-09 was the result of factors beyond our control"

Managing Director Mr. A. Dinesh explains the Company's performance in 2008-09 with a hint of optimism on how things will shape up in 2009-10 and after

The first thing that shareholders will want to know is the reason for the decline in performance during 2008-09.
When we started 2008-09, we had an order book worth Rs. 6,300 lakhs and we grew this order book to Rs.17,800 lakhs. Normally, this would have implied a stable and predictable performance. However, this could not transpire for reasons outside our control and some of our contracts could not be fully executed.

For instance, in one of the contracts, we had our crew and equipment deployed on-site on schedule but the client company could not arrange for the necessary permission from the state government that would enable us to commission the assignment. The result was that we kept waiting for the approval and lost precious quarters. This should explain why we reported no income from the said contract during the third quarter of the last financial year.

We encountered problems in another contract with a large client. As a result of the economic slowdown, the client encountered business challenges and the result was that although our contract was in place, the project had to be deferred.

Was there any other factor that depressed the Company's performance in 2008-09?
There was also the general impact of the slowdown that affected our performance during the year under review. During the early part of the financial year, a number of intending oil prospecting companies had announced exploration programmes based on crude prices above USD100 a barrel. During the later part of the year when crude oil declined to less than USD40 a barrel, some of these plans were deferred or revoked. The combination of these realities affected our performance during 2008-09.

The decline in crude prices led to E&P companies delaying the award of contracts. The accretion to our order book took place towards the end of Q3 and Q4 of 2008-09. As a result, the Company was unable to execute projects during the prime field season.

What were some of the positives to have emerged out of the Company's performance in 2008-09?

The principal positive development was that we protected our competitiveness during 2008-09. This was reflected in a simple reality: we bagged fresh contracts. For instance, we secured two contracts from ONGC (one in Nagaland for Rs.3,888 lakhs and another in the Cauvery Basin for Rs. 3,901 lakhs) and one from HOEC (in Assam for Rs. 3,700 lakhs) aggregating Rs. 11,500 lakhs, perhaps the biggest order book accretion in any single year. The sad reality was our inability to translate the full extent of our competitiveness into corresponding financial numbers due to reasons outside our direct control.

Looking ahead, shareholders would need to know the outcome of the ONGC, Nagaland contract?

We are yet to obtain clearance from ONGC to commence the project on account of a pending agreement between ONGC and the Government of Nagaland

What were the other positive developments in 2008-09?

I would like to talk of four positive developments right away.

One, a specific contract was given to another company in September 2008. The reality was that this company could not even commission the assignment, following which the client reverted to us. We completed the job on schedule, vindicating our positioning and industry respect.

Two, from an organisational perspective, we were more directed by processes and systems, blending our entrepreneurial approach with a managerial discipline. We increased our headcount from around 70 to 95 with far more delegation. The result was that during the months when we were in operation we achieved a higher throughput of acquisition per day of working than would be easily evident in the financial numbers.

Three, we protected our intrinsic business profitability, the slowdown and revenue loss notwithstanding. This is evident in the numbers: during 2007-08

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

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

when we had reported a turnover of Rs. 8,157.4 lakhs we had reported an EBITDA margin of 46.30%; in 2008-09 when we reported a 21.69% decline in revenues to Rs.6,388.2 we reported an EBITDA of 44.19%. This indicates that our profitability was by and large protected and in line with what we have traditionally reported.

Four, we repaid Rs. 843 lakhs of debt in 2008-09, which indicates the intrinsic cash-comfort of our business as well as our ability to strengthen the business even in challenging circumstances.

There has been a rebound in oil prices despite much of the global economy still hesitant.

There are a number of reasons to be optimistic.

One, crude oil prices have recovered to USD 70 and our understanding is that a number of projects that were considered unviable will now become explorable, translating into contracts and revenues for our company.

Two, the government continues to prioritise oil exploration as a means of enhancing the country's energy security. This is reflected in the government's decision to extend the tax holiday under Section 80-IB, thus far applicable to oil exploration and production, to gas as well (with retrospective effect). This announcement is expected to trigger a better response for future NELP rounds.

Three, the forthcoming NELP-VIII rounds are expected to generate a wider participation following the government's decision to offer about 70 blocks (18 on land). This will open up significant opportunities for niche players like us.

What is the outlook for 2009-10?

The new bidding season is expected to start. Much will depend on the size and number of work programmes that are announced as well as our ability to carve out a sizable share.

Given the slowdown on the one hand and the need to protect our brand without slashing our rates, we expect to engage closer with clients and provide them design options that can help access quality data acquisition across a fair land coverage leading to a superior price-value proposition.

How will the prospects of 2009-10 translate into attractive revenues?

The remaining part of the HOEC contract was completed in the first quarter of 2009-10. We are also executing ONGC's Rs. 3,900 lakhs Cauvery assignment during the monsoons; the benefits will be visible during the first and second quarters of the current year, which should smoothen revenue variations between quarters. We will await clarity on the Rs. 3,900 lakhs ONGC Nagaland contract. Besides, a small Rs. 700 lakhs order from a private company is to be finished in Q2, 2009-10, and a Rs. 1,800 lakhs Adani Group order, which was carried forward from the previous year, is expected to be liquidated in 2009-10.

How will you assure shareholders of the sustainability of the Company's business model?

Shareholders will need to recognise that such aberrations will occur during a company's growth cycle. For instance, even during a challenging 2008-09, we maintained our EBITDA margin in excess of 40% and reported a cash profit of Rs. 2,249.8 lakhs.

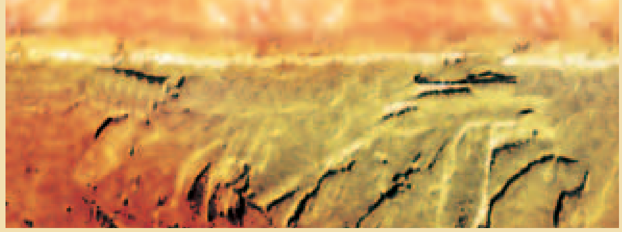
Besides, Alphageo is a significantly derisked company in terms of its gearing. We had Rs.1,174.8 lakhs in debt as on March 31, 2009 and expect to utilise our significant cash profit to pare our debt and emerge relatively debt-free (for term loans) by the end of 2010.

Besides, from a long-term perspective, India is better placed than most developed countries for some good reasons: the penetration for oil services is low in India and in the face of a growing economy, this can only correct. Most developed country oil companies are privately owned and hence more susceptible to global economic troughs, whereas in India, the big players are nationalised with a bigger capability to sustain the business during challenging economic environments – whether oil is USD140 a barrel or USD40 a barrel - as now.

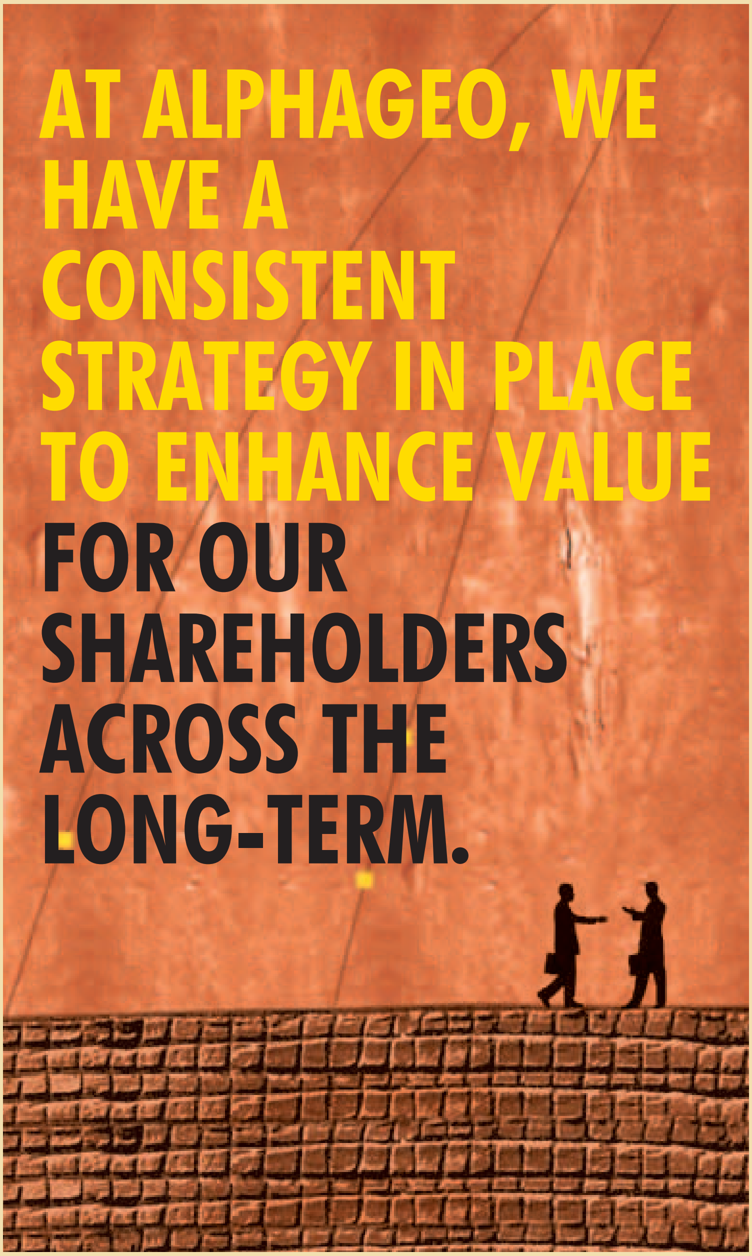
"What Alphageo says, it accomplishes. Which is saying quite a bit in a business where the environment, people, terrain, logistics and remoteness need to be managed. Besides, the Company has demonstrated a refreshing willingness to work in North -eastern terrains where no other Indian or foreign company is usually willing to work for social, environment, human, technical and geologic reasons. For instance, the assignment we gave to Alphageo in a topographically challenging Arunachal Pradesh would be 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.



VALUE CREATION



Alphageo's focus is maximised value for each of its stakeholders – career growth for employees, quality data extraction for customers; capital appreciation and attractive dividend payout for shareowners.

Is Alphageo delivering a competitive total return?

Alphageo has delivered a competitive total return to its shareholders when seen from a four-year perspective: market capitalisation strengthened from Rs. 1,690 lakhs (as on March 31, 2004) to Rs. 4,350 lakhs (as on March 31, 2009), enriching value for all those who own shares in the Company. However, during the year under review, the Company's market capitalisation declined on account of the general weakness in Indian stock markets as well as a decline the Company's profits. In the opinion of the management, this scenario could partially correct following an improvement in the Company's performance in 2009-10.

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

The Company's superior returns have been the result of an interplay of various reasons: a longstanding industry presence resulting in the accretion of experience on the one hand and a competitive capital cost per crew on the other, investments in crews, technologies (2D to 3D) and channel counts in the five years leading to March 31,2009 and a track record of having worked successfully in challenging projects. In turn, this translated into EBITDA margins in excess of 40% even during a difficult 2008-09.

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

Alphageo expects to report attractive growth for the following reasons:

- The Company expects to retain its position as the premier merchant private sector seismic data company in India
- The Company will work with credible clients who respect the laws of the land and environmental considerations leading to contract and revenue consummation
- The Company will invest in critical and differentiating technologies
- The Company will continue to work on projects in challenging terrains
- The Company will invest in the competence and knowledge of its people
- The Company will protect its gearing

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 that Alphageo pursued alternative strategies:

- Had not invested in 3D capability: Revenues would have declined as most clients have graduated to the superior 3D technology
- Had not worked in challenging terrains: The Alphageo brand would not have stood for a distinctive recall; competition would have eroded margins
- Had not invested through debt: Equity would have increased since the funding would have been warranted through additional net worth infusion resulting in a

decline in EPS; 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

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

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

The Company expects to leverage growing investments in oil exploration (barring a temporary drawdown in 2008-09), the DGH's insistence on the use of seismic services, more than a third of the country still unexplored or relatively under-explored, an enduring relationship with the largest oil exploration clients in India (ONGC and OIL) and sound execution capabilities.

What are the critical risks in the business and what can be done to reduce them?

For a detailed response, please read the section on risk management.

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 declined in 2008-09 to a low of Rs. 69.35 which translated into a market capitalisation of Rs. 3,350 lakhs. For a company that reported a cash profit of Rs. 2,249.8 lakhs in what was decidedly its most challenging year in a long time, this decline in market capitalisation was overdone. However, a better recognition of the Company's competitive edge as well as an accretion in order book in 2009-10 could strengthen market capitalisation.

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

Measurements of value creation

Return on average net worth: The profitability of Alphageo's operations is gauged by its increasing return on net worth or shareholders' funds (calculated by dividing the profit after tax by the average net worth for the year under review and expressed as a percentage). The Company reported a return on average net worth of 11.52% in 2008-09 following a decline in its turnover and profits.

AT ALPHAGEO, WE ARE IN BUSINESS TO ENHANCE VALUE FOR OUR STAKEHOLDERS

For our shareholders

- Proposed a dividend of Rs. 1.50 per share for the year ended March 31, 2009 to be appropriated from the profits of 2008-09
- Book value per share increased from Rs. 95.97 per share in 2007-08 to Rs. 105.76 per share in 2008-09.

For our customers

- Work proactively with clients providing them with customised solutions
- Interact closely with clients leading to superior design options from which quality data can be extracted
- Strengthen the price-value proposition for our clients
- Expedite project turnaround dovetailed with client schedules

For our employees

- Provide career growth through an expansion of our service lines
- Enhance knowledge and skills through superior learning platforms
- Identify high potential employees and chart accelerated growth for them
- Develop a culture to motivate individuals to perform their best without the fear of failure
- Continuously communicate on individual performance, project unit performance and the Company's overall performance
- Provide adequate health safeguards for employee safety
- Provide employee stock ownership plan (ESOP) to its employees

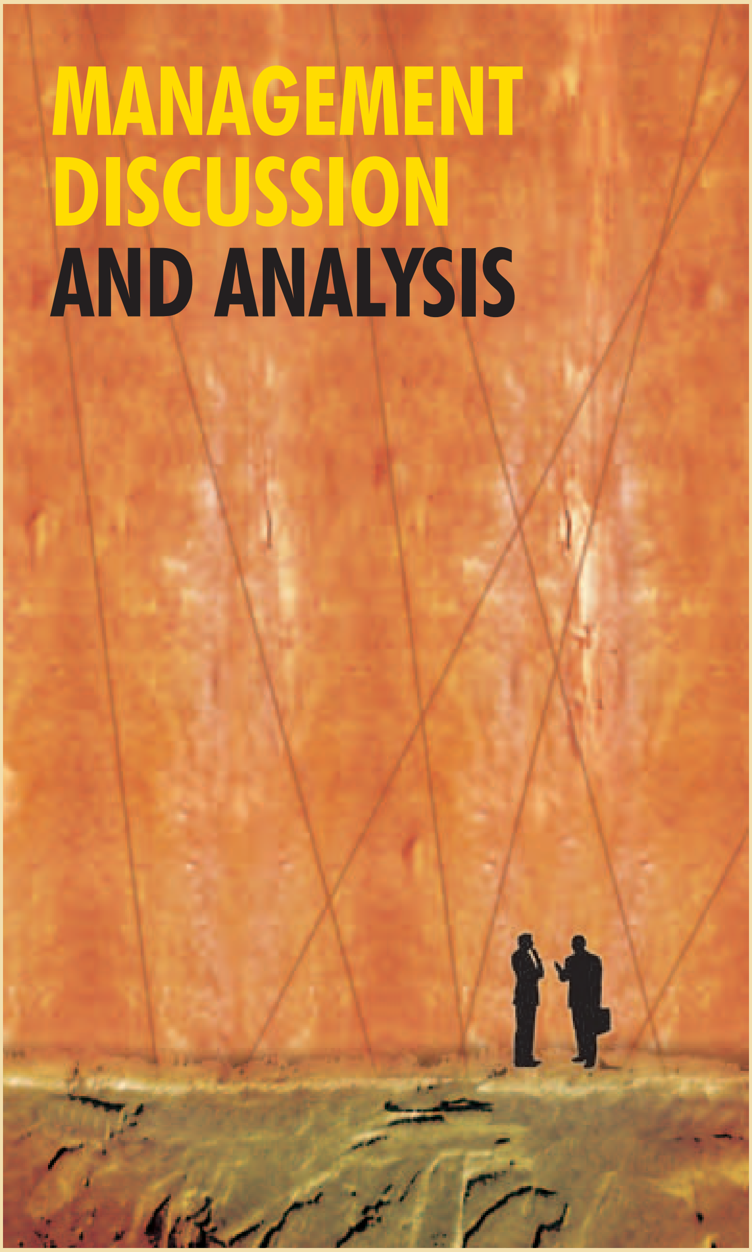
For our society

- Protect the community by maintaining the earth's ecological balance through a compliance with environmental standards
- Adhere to environmentally safe operating procedures to avoid any habitat disturbance
- Provide training to employees on environment friendly processes
- Use modern seismic methodologies to minimise environment impact

Strategies for growth

- Proactive investment in state-of-the-art equipment, systems, processes and practices.
- Predominantly opportunity-centric business model to accelerate growth and profitability
- Maintain cordial client relationships through superior service and delivery
- Enhance the portfolio of value-added services
- Align our interest with those of shareholders and stakeholders.

MANAGEMENT DISCUSSION AND ANALYSIS



Indian economic overview

India, with a USD 1.23 trillion GDP, is currently the world's fourth largest economy in Purchasing Power Parity (PPP) terms (the GDP in PPP terms is estimated at around USD 3.2 trillion) and the world's fifth largest energy consumer. However, owing to its high population of around 1.19 billion, the per-capita energy consumption is a modest 530 kg of oil equivalent (kgoe) compared with the 1,800 kgoe world average.

After recording GDP growth in excess of 9% for three consecutive years, growth was 6.7% in a depressed 2008-09. At the latter level, India was still the world's second fastest growing economy. India's optimism is derived from its robust domestic demand, relatively low export dependence – far lower than Singapore, Malaysia and Thailand, among others – and a favourable median age of 25.3 years (2008) with only 5.3% of the population above 65 years. India's buoyant domestic demand is best showcased in the fact that it added 1132.6 lakhs new telecom customers in 2008, the largest globally *[Source: IBEF]*.

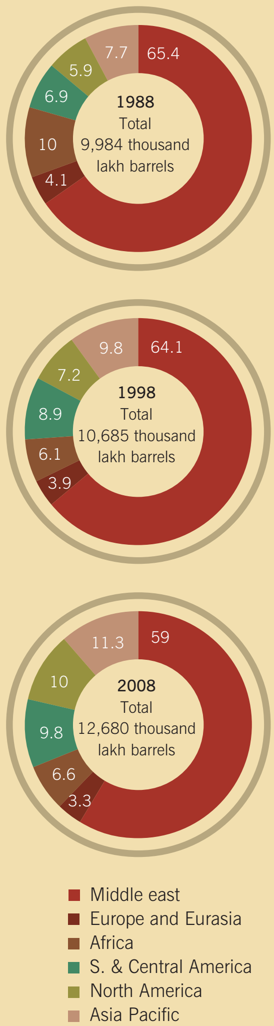
Global oil industry overview

Proven reserves: In 2008-09, cumulative global reserves stood at 1.258 trillion barrels, 3 billion barrels less than in 2007. The Middle East enjoyed the largest share in global reserves (59.9%).

Oil production: Global oil production increased 0.4% in 2008, driven by a 2.7% boost in OPEC output while non-OPEC production fell 1.4% *(source: economictimes.indiatimes.com)*.

Consumption: Global oil consumption declined 0.6%, (420,000 barrels daily). Consumption in OECD countries fell 3.2% (150 lakhs b/d), declining for the third consecutive year, led by a 6.4% drop (nearly 130 lakhs b/d) in the US. Outside the OECD, consumption growth slowed to 110 lakhs b/d, with sustain robust growth among oil exporting countries, partly offset by slower growth among Asia-Pacific importers *(Source: BP Statistical Review of World Energy).*

Distribution of proven reserves in 1988, 1998 and 2008 (percentage)



[Source: BP]

Global seismic crew / fleet size:
Around 400-450 crews.

Onland:
Around 350-380 crews

Offshore:
Around 70-100 crews

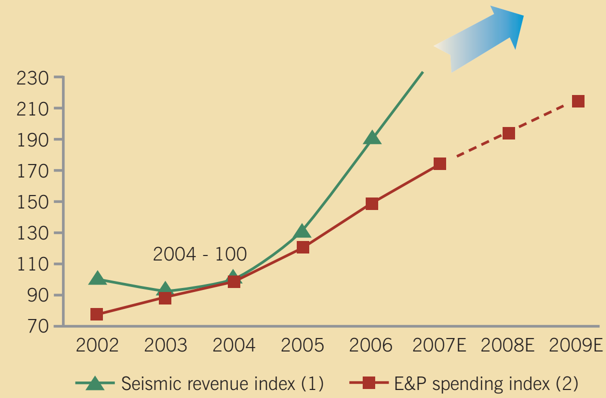
Global seismic services revenues are estimated at
USD 5 bn annually

[Source: Ernst & Young]

Global market trends

- World average crude oil demand of an estimated 870 lakh barrels daily (OPEC estimate) increased 1.56% in 2008 over the previous year
- Current global exploration spend of USD 308 bn is expected to increase 12% annually
- Seismic survey demand is outstripping supply with an average order backlog of six months
- Global seismic capacity is expected to double between 2006 and 2009

[Source: Ernst & Young]



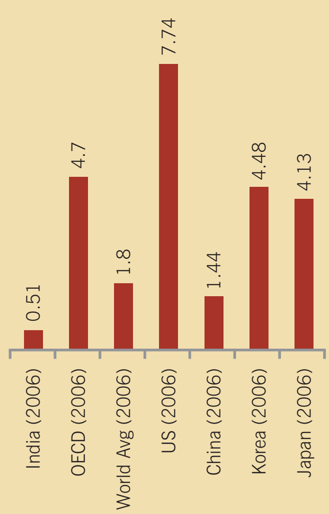
Indian oil industry overview

India's fuel needs are likely to expand significantly as per capita energy and electricity consumption are well below benchmarks in industrialised nations and the global average. India imports over 70% of its crude oil requirements, the oil import bill touching nearly USD 90 billion in 2008-09. The New Exploration Licensing Policy (NELP) was proposed in 1997 (operationalised in 1999) by the MoPNG as a part of its Hydrocarbon Vision 2025 planning document. Besides NELP, other efforts to enhance India's energy security comprised the following:

- Acquisition of oil and gas assets abroad including ONGC Videsh's acquisition of Imperial Energy (100% subsidiary)
- Development of strategic storage facilities at identified locations
- Exploration of alternative energy sources, including coal bed methane and gas hydrates, among others
- Improved oil and gas recovery from existing fields through enhanced oil recovery (EOR) and increased oil recovery (IOR) programmes

Per capita mismatch: India's per capita consumption of energy is low compared with other countries and the global average. The Total Primary Energy Consumption (TPES) in India is just 0.51 tonnes of oil equivalent while the global average is more than three times this figure. Similarly, the per-capita electricity consumption is around 635 Kilowatt-Hour (KwH), less than a fourth of the global average of 2,659 KwH and 13,515 KwH in the United States.

Per capita TPES consumption



[Source: International Energy Agency, Key World Statistics 2008]

Demand-supply imbalance: Stagnating crude-oil production and rapid economic growth increased the domestic crude oil and gas demand-supply mismatch. Indian oil and gas consumption grew 6.8% in 2007, the third largest volumetric increment after China and United States on a yearly basis. This demand growth is likely to be sustained, increasing the need for imports. Similarly, India's natural gas demand outstripped supply, with shortfalls (before RIL's KG Basin production) estimated at close to 100 million metric standard cubic metres daily (mmscmd). This in turn resulted in the inadequate or sub-optimal use of infrastructure: both gas-based power plants and fertiliser units idled or were forced to operate using expensive liquid fuels (naphtha), increasing the subsidy burden.

Demand-supply balance over 2008-11

(MM SCMD)	FY08	FY09	FY10	FY11
Power	79.7	91.2	102.7	114.2
Fertiliser	40.8	42.7	52.2	79.4
City Gas	12.1	12.9	13.8	14.8
Industrial	15.0	16.1	17.2	18.4
Petrochemicals/Refineries/Internal consumption	25.4	27.2	29.1	31.1
Sponge iron/Steel	6.0	6.4	6.9	7.4
Total	179.0	196.4	221.9	265.2
Supply				
ONGC+OIL (A)	57.3	58.4	55.7	54.7
Pvt/JVs (as per DGH) (B)	23.3	-62	-62	-62
Total projected supply(conservative scenario) (A+B)	80.5	-120	-118	-117
Additional gas anticipated (C)	–	–	74.0	84.0
R-LNG(all expansions coming on stream)	30.5	33.6	52.5	70.0
Total projected supply (optimistic scenario) (A+B+C)	111.0	~153.6	~245	~271
Over/ (under) supply	67.9	~43	~22	~6

[Source: IDFC-SSKI Research, Industry sources, Crisil, Infraline]

The New Exploration Licensing Policy: The NELP was formulated by the government in 1997-98 to provide a level playing field to the public and private sectors through the allocation of acreages on the basis of open competitive bidding as opposed to the erstwhile nomination basis. Recent NELP rounds attracted the Indian private sector and foreign players, with the private sector giant RIL winning the maximum number of blocks after the state-owned ONGC. A number of foreign players such as Cairn and BHP Billiton, among others, also participated in the bidding rounds, forming consortiums with domestic and other foreign players. However, some of the super-majors like ExxonMobil and Shell, among others, chose to only observe. The eighth round of NELP was kicked off in Mumbai in August 2009.

The seventh round of bidding under the NELP

- Bids invited for 57 exploration blocks
- Estimated to attract a USD 1.5-8 billion investment for exploration and discovery
- 44 contracts were awarded, of which 41 were signed

NELP VII achievements: The following were the successes derived from NELP VII:

- The government awarded 44 exploration blocks – 11 deepwater, 7 shallow water and 26 onland – covering 1.22 lakh sq. km.
- Around 181 bids were received
- Companies signed PSCs for 41 exploration blocks
- 11 new operators were awarded 20 exploration blocks, increasing E&P operators from 18 to 29.
- For the first time, nine small exploration blocks were awarded in Gujarat including eight to new entrants; in Chattisgarh, one block was awarded under NELP for the first time.

Budget, 2008-09

The tax holiday under section 80-IB, thus far applicable to oil exploration and production, was extended to gas as well (with retrospective effect). The announcement is expected to trigger a better response in the future NELP rounds.

Previous NELP rounds

NELP	I	II	III	IV	V	VI	VII
Number of blocks of offered	48	25	27	24	20	55	57
Number of blocks bid for	28	23	24	21	20	52	45
Total No. of bids received	45	44	52	44	69	185	181
No. of blocks awarded	25	23	23	21	20	52	44
Onland blocks awarded	1	7	8	10	12	25	26

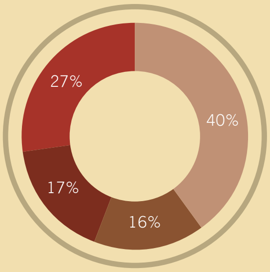
[Source DGH Report 2007-09]

Features of NELP VIII

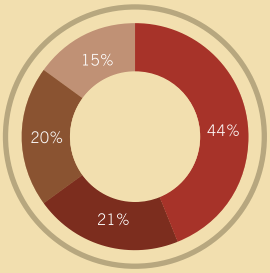
- There shall be only one exploration phase of seven years for all blocks. There will be no compulsory relinquishment after four years (by which time the mandatory and committed programme are to be completed) and operators will have the option of relinquishing the entire area after completion of minimum work programme or retain the block by committing to carry out drilling of one well per year in case of onland and shallow water blocks or one well in three years in case of deepwater blocks. In any case, the entire area (apart from the Discovery Area and the Development Area) would need to be relinquished at the end of seven years of exploration
- Up to 100% participation by foreign companies is allowed
- No mandatory state participation
- No signature, discovery or production bonus is to be paid
- No interest carried by national oil companies
- Income tax holidays were granted for seven years from the start of commercial production of 'Mineral Oil'
- No customs duty on imports were required for petroleum operations
- Biddable cost recovery limit was allowed upto 100%
- The option to amortise exploration and drilling expenditures over 10 years from the first commercial production was allowed
- Sharing of petroleum profits with the government to be based on the pre-tax investment multiple achieved by the contractor and this is biddable
- Royalty for onland areas was payable at the rate of 12.5% for crude oil and 10% for natural gas. For shallow water offshore areas, royalty was payable at the rate of 10% for both crude oil and natural gas whereas for deepwater areas, royalty was fixed at 5% for both crude oil and natural gas for the first seven years of commercial production and thereafter at the rate of 10%
- Fiscal stability provision was provided in the contract
- The contractor was free to market gas in the domestic market
- Liberal provisions were provided for the assignment
- Arbitration and Conciliation Act, 1996, based on United Nations Commission on International Trade Law model is applicable
- To facilitate investors, a Petroleum Tax Guide compiled in 1999 has been provided
- Predetermined liquidated damages have been specified for the unfinished Minimum Work Programme
- A one-time bank guarantee needs to be provided at a lower rate for the total committed work programme
- A nominal bid bond at the specified rate was proposed to encourage serious bidders

The success of successive NELP rounds can be gauged in the increased domestic exploration in India. The proportion of unexplored acreages declined from 40% to 15% *(Source: Directorate General of Hydrocarbons)*. The number of producing basins increased from three in 1990 to 14 today. Although ONGC and OIL were the principal players earlier, there are several new operators today.

Exploration status 1998-99
(31.4 lakh sq.km)



Exploration status 2006-07
(31.4 lakh sq. km)



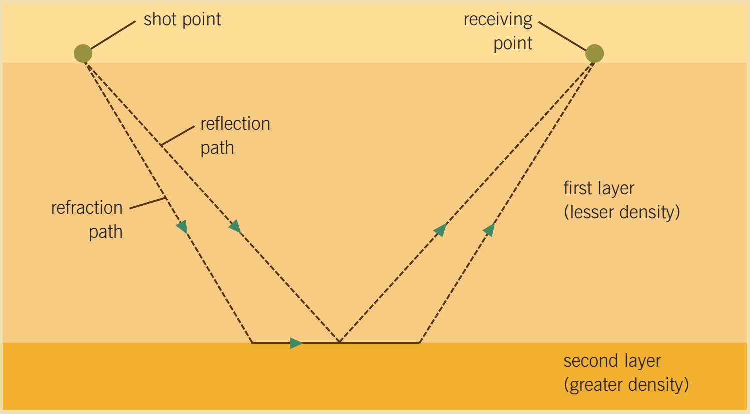
- Exploration initiated
- Unexplored
- Poorly explored
- Moderate to well explored

[Source: DGH]

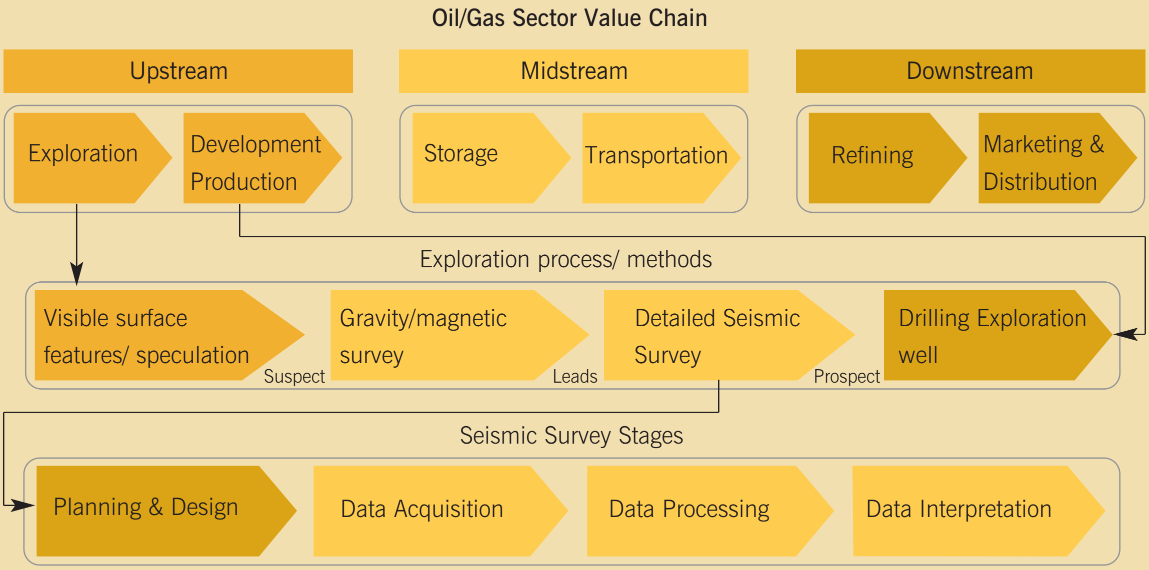
Oil field services: With increased exploration activity in India post NELP, oil and gas allied services are likely to increase over the coming years. Services such as 2D and 3D seismic surveys, processing and interpretation, drilling rigs and well-logging, among others are likely to grow. The DGH has estimated USD 1.9 billion worth of investments in onland seismic surveys alone (of which 50-55% would be met through captive crews of oil exploration companies such as ONGC and Oil India, while the rest could be outsourced to oil-allied services companies). Consequently, the coming years are likely to see Indian service providers scaling their fleet, portfolio and manpower.

Seismic survey: Seismic survey/reflection seismology, or 'seismic' as it is more commonly referred to in the oil and gas industry, is used to map the subsurface structure of rock formations. These surveys are extensively used in exploring hydrocarbons (petroleum and natural gas, among others), coal, ores, minerals and geothermal energy. Geologists and geophysicists use seismic technology to map structural traps that could potentially contain hydrocarbons. Seismic exploration is the primary method used in exploring hydrocarbons on land, sub-sea and in the transition zone (the interface area between sea and land).

Seismic survey



Oil and gas value chain – seismic services



Source: E&Y Analysis

Sedimentary basin distribution: India's sedimentary basins (onland and offshore up to the 200 m isobaths) are spread across around 17.9 lakh sq. km. So far, 26 basins have been identified. In deep waters beyond the 200 m isobaths, the sedimentary area has been estimated at about 1.35 million sq. km. Some 78% of the total sedimentary basins are located onland.

E&P activity outlook: India's E&P sector is poised for considerable activity, thanks to the following: RIL's KG basin fields and Cairn energy's oil discovery in Barmer, Rajasthan, which remains one of the biggest onland discoveries in recent times; NELP-VIII has 18 onland blocks on offer of which 10 are small-sized blocks; GSPC and ONGC holds out an attractive potential of discoveries. This could attract foreign players to India's hydrocarbon potential. Moreover, certain promising acreages, particularly off India's east coast – the KG and Mahanadi basins – imply bright prospects for the upstream sector. These factors are also likely to positively impact off-shore services.

Upcoming investments

Domestic public sector oil companies are expected to invest Rs. 57,00,000 lakhs in 2009-10 in expanding supplies and building new oil and gas transportation networks. ONGC is expected to invest Rs. 30,23,300 lakhs in its E&P business in 2009-10 while Cairn India Ltd plans to invest USD1.8 billion in 2010-11 to produce crude oil from its field in Rajasthan. Oil India Ltd expects to raise USD400 million-USD500 million through initial public offerings, the proceeds from which will be used to fund expansions. *[Source: Bloomberg and Economictimes]*

EXCELLENCE DRIVERS

1

SERVICES PORTFOLIO

Alphageo has established itself as one of India's select geophysical companies to provide comprehensive services covering land seismic data acquisition, processing and interpretation.

The Company's comprehensive portfolio of services comprises:

Seismic data acquisition

- Designing and preplanning of 2D and 3D surveys
- Seismic data acquisition in 2D and 3D

Seismic data processing

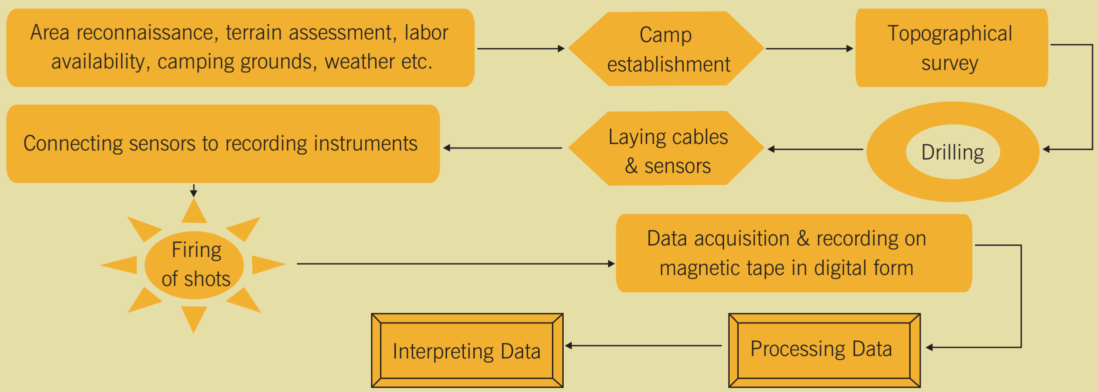
- Seismic data processing of 2D and 3D data
- Reprocessing
- Special processing including pre-stack imaging
- AVO inversion and other services

Seismic data interpretation

- Structural and stratigraphic interpretation
- Generation, evaluation and ranking of prospects
- Reservoir data acquisition
- Reservoir analysis

Although the Company possesses capabilities in all these areas, it focuses on data acquisition and offers processing services only in the case of integrated bids.

Seismic services



2 TECHNOLOGY

The Company is required to upgrade its technology in line with industry changes. Over the last few years, the Company graduated from legacy 2D to 3D data acquisition and is now a competent service provider in both spaces.

The following factors differentiate the Company from a technology perspective:

- Operates highly advanced equipment in the 2D and 3D seismic service spaces
- Possesses four sets of seismic data recording equipment with more than 10,000 channels, enabling it to operate all four crews as 3D crews
- Possesses a dedicated data processing centre to undertake 2D processing and 3D QC processing
- Possesses acquired equipment worth Rs. 2,000 lakhs armed with the latest cutting edge technology, enhancing its 3D capabilities
- Uses full-fledged seismic data processing and analysis software with advanced interactive workstations
- Employs state-of-the-art 24 bit delta sigma technology with cable telemetry input/output system for 3D survey and the most sensitive, low distortion sensors with a full set of auxiliary equipment
- Employs popular software for 2D/3D seismic data interpretation on workstations

3 PEOPLE

The Company provides employees with an excellent exposure to the entire project life cycle. It emphasises process orientation, a stimulating work environment and quality work on hardcore development projects resulting in corporate and individual growth.

- Employs highly experienced geologists, geophysicists, reservoir engineers and survey engineers with an exposure to different basins across the world
- With more and more 3D work coming its way, the Company is all set to increase its crew count
- Constant knowledge and skill development through learning.
- Objective-based performance review
- Reward and recognition
- Compensation package benchmarked with the best industry standards
- Continuous improvement and caring for people on site

The Company differentiates itself from the competition through operational efficiency, thorough knowledge of Indian terrain, leading logistical capabilities and efficient people management.

4

TERRAIN COMPETENCE

Alphageo possesses more than two decades of rich experience in the understanding of diverse topographies and the reputation of having worked successfully across challenging terrains. This has been reflected in an ability to accurately analyse logistic requirements as well as complete projects within deadlines through an accurate estimation and mobilisation of people and material.

Terrain competence

- Himalayan foothills in Uttaranchal
- Dense forests in Andhra Pradesh and Uttaranchal
- Hilly and forested areas of Kharsang and Jairampur in Arunachal Pradesh
- Ganga and Vindhyan basins in Uttar Pradesh and Bihar
- Hilly and forested areas of Mizoram
- Plain areas of Jorhat and Nambar
- Forests of Digboi in Assam
- Farmlands of the Cauvery River in Tamil Nadu

ANALYSIS OF OUR FINANCIAL STATEMENTS

Accounting policy

The Company's financial statement abided by the generally accepted accounting principles and the Accounting Standards as per section 211(3C) of the Companies Act 1956. The financial statements were prepared under the historical cost convention basis and disclosures were made in accordance with the requirement of Schedule VI of the Companies Act, 1956 and the Indian Accounting Standards. The Company followed the mercantile system of accounting and recognised income and expenditure on an accrual basis. The Company made all relevant provisions as were applicable as on March 31, 2009.

2008-09 vs. 2007-08

(Rs. lakhs)

	2008-09	2007-08
Net sales and other incomes	6,388.2	8,157.4
EBITDA	2,861.9	3,791.7
Profit before tax	968.9	2,055.1
Profit after tax	595.5	1,264.8
Cash profits	2,249.8	2,650.3
Earnings per share after extraordinary items (Basic) (Rs.)	11.63	25.41

Revenue analysis

The Company's revenue (net sales) declined 21.69% from Rs. 8,157.4 lakhs in 2007-08 to Rs. 6,388.2 lakhs in 2008-09 owing to a demand slowdown from exploration companies consequent to the substantial decline in oil prices from a record USD147 per barrel to less than USD 40 per barrel.

Revenue by technology: The proportion of 3D revenues in the total revenue increased from 71% in 2007-08 to 88% in 2008-09, indicating a growing acceptance of the Company's competence in the upgraded technology.

	FY 05	FY 06	FY 07	FY 08	FY 09
2D seismic survey					
Quantity (in GLK)	1,395.9	372.7	162.9	308.0	223.6
Value (Rs. lakhs)	1,963.6	1,117.3	1,271.6	2,404.9	761.7
% of total revenue	85%	47%	23%	29%	12%
3D seismic survey					
Quantity (in SQM)	–	114.5	425.9	580.4	387.2
Value (Rs. lakhs)	–	1,044.0	4,157.6	5,752.5	5,621.9
% of total revenue	–	44%	77%	71%	88%
Survey-related services					
Value (Rs. lakhs)	346.0	225.4	–	–	4.7
% of total revenue	15%	9.44%			0.07%
Total value (Rs. lakhs)	2,309.7	2,386.7	5,429.2	8,157.4	6,338.2

Revenue by region: The Company strengthened its spread across diverse geographies with the maximum contribution coming from north-east India and accounting for 58% of revenues in 2008-09 (61% in 2007-08 and 100% in FY07) followed by south and western regions contributing 42% in 2008-09 (39% in 2007-08) to the total revenues.

(in Rs. lakhs)	FY06	%	FY07	%	FY08	%	FY09	%
North-east	2,387	100%	5,429	100%	5,013	61%	3,691	58%
West	–	–	–	–	731	9%	368	6%
South	–	–	–	–	2,414	30%	2,329	36%
	2,387	100%	5,429	100%	8,157	100%	6,388	100%

Margins

There was a divergence between the EBITDA and PAT margins for the year under review. While EBITDA margin declined marginally – demonstrating that the business viability continued to remain relatively protected even as topline declined – there was a significant decline in the net margin owing to the impact of a decline in revenues and a higher depreciation provision.

- EBITDA margin stood at 44.19% in 2008-09 compared with 46.30% in 2007-08.
- PAT margin stood at 9.19% in 2008-09 compared with 15.4% in 2007-08.

The return on capital employed stood at 17.74% in 2008-09 compared with 37.95% in 2007-08, the decline largely owing to an inability to generate revenues from the employed capital (for reasons outside the Company's control, as has been explained in the earlier pages of this report). Correspondingly, there was a drawdown in the various return ratios: return on gross block stood at 11.24% in 2008-09 compared with 25.07% in 2007-08 and return on net worth stood at 11.52% in 2008-09 compared with 32.58% in 2007-08.

Cost analysis

The Company needs to control its costs since most projects are conducted in inhospitable terrains. The total operating cost (excluding financial charges and depreciation) declined 17.8% from Rs. 4,398.2 lakhs in 2007-08 to Rs. 3,614.9 lakhs in 2008-09 following a decline in the projects conducted. Operating costs, as a proportion of the total income, increased from 53.70% in 2007-08 to 55.81% in 2008-09.

Survey and survey-related expenses: Survey and survey-related costs were the main components of the operating cost. This comprised survey and drilling charges, fuel, camp expenses and equipment hire charges, among others. This quantum declined 21.93% from Rs. 3,551.5 lakhs in 2007-08 to Rs. 2,772.6 lakhs in 2008-09 owing to the decline in exploration and drilling services. As a percentage of total income, survey cost stood at 42.28% in 2008-09 compared with 43.36% in 2007-08.

Employee cost: The Company's wage bill grew 5.5% from Rs. 463 lakhs in 2007-08 to Rs. 488.5 lakhs in 2008-09; as a proportion of operational expenses, it escalated from 10.53% in 2007-08 to 13.51% in 2008-09, following increased salaries, wages and benefits as well increased recruitment in 2008-09.

Other expenses: Other expenses comprised rent, printing, stationery, travelling, conveyance repair and advertisements, among others. Although the amount declined from Rs. 383.6 lakhs in 2007-08 to Rs. 353.8 lakhs in 2008-09, as a percentage of the total operating expenses, other expenses increased marginally from 8.72% in 2007-08 to 9.79% in 2008-09.

Break-up of key cost components

	Absolute cost 2008-09 (Rs. lakhs)	Absolute cost 2007-08 (Rs. lakhs)	Y-O-Y change (%)
Survey and survey related expenses	2,772.6	3,551.5	-21.93
Employee cost	488.5	463.0	5.5
Other expenses	353.8	383.6	-7.76
Total	**3,614.9**	**4,398.2**	**-17.80**

Sources of funds

Capital employed: The capital employed in the business declined from Rs. 7,013.7 lakhs in 2007-08 to Rs. 6,601.7 lakhs owing to a decrease in external debt. Working capital, as a proportion of capital employed, was 15.97%, with a substantial increase over the last year. The Company reported a 17.74% return on average capital employed during 2008-09.

Net worth: The Company's net worth increased 10.44% from Rs. 4,913.7 lakhs as on March 31, 2008 to Rs. 5,426.9 lakhs as on March 31, 2009. Return on net worth stood at 11.52% in 2008-09 compared with 32.68% in 2007-08.

Equity share capital: The Company's share capital comprised 51,31,234 equity shares of Rs.10 each which remained unchanged from the previous year. As on March 31, 2009 the promoters' shareholding in the Company stood at 34.01% whereas foreign institutional shareholding in the Company stood at 0.06% and mutual fund shareholding in the Company stood at 6.48%. The Company's book value per share increased from Rs. 95.97 per share to Rs. 105.76 per share.

External funds: The Company's debt declined 41.78% from Rs. 2,017.7 lakhs to Rs. 1174.8 lakhs. Secured loans (98% of the total debt) declined 43.02% from Rs. 2,017.7 lakhs in 2007-08 to Rs. 1,149.8 lakhs in 2008-09 following term loan repayment. Unsecured loans (2.13% of total debt) stood at Rs. 25 lakhs in 2008-09. The debt-equity ratio strengthened from 1.01 in 2006-07 to 0.22, indicating an ability to liquidate debt with accruals.

Debt-equity ratio

2006-07	2007-08	2008-09
1.01	0.41	0.22

Interest outflow declined 37.95% following the repayment of term loans. Consequently, interest cover increased from 10.80 in 2007-08 to 11.99 in 2008-09 even though turnover declined; average debt cost increased marginally from 14.61% in 2007-08 to 14.95%

in 2008-09 owing to progressive debt repayment.

Gross block

The Company's gross block decreased marginally by 3.70% from Rs. 10,948.6 lakhs in 2007-08 to Rs. 10,543.7 lakhs in 2008-09, owing to the sale of plant and machinery, vehicles and other equipment. The return on net block (PBIT /average net block) stood at 19.45% in 2008-09 (37.64% in 2007-08). The Company provided depreciation as per the straight line method. Addition to the gross block by around Rs. 72.2 lakhs as well as gross block increments made in the previous year enhanced depreciation by 19.41% from Rs. 1,385.4 lakhs in 2007-08 to Rs. 1,654.3 lakhs in 2008-09.

Working capital

The Company's working capital position was reflected in a net current assets figure of Rs. 1,050 lakhs compared with Rs. (37.8) lakhs in 2007-08.

Correspondingly, working capital, as a proportion of the capital employed, stood at 15.97% in 2008-09 compared to a near zero figure in 2007-08. This increase in working capital was the result of a reduction in current liabilities, particularly creditors for capex.

Inventories: Inventory decreased 28.74% from Rs. 34.3 lakhs in 2007-08 to Rs. 24.4 lakhs in 2008-09. The total inventory cycle remained unchanged at two days in 2008-09.

Sundry debtors: The Company's debtors decreased 24.21% from Rs. 272.57 lakhs in 2007-08 to Rs. 2,065.7 lakhs in 2008-09 following a decline in revenues. The debtors' cycle stood at 135 days of turnover equivalent in 2008-09 compared with 103 days in 2007-08.

Cash and bank balances: The Company's cash and bank balance reduced 17.33% from Rs. 388.3 lakhs in 2007-08 to Rs. 321 lakhs in 2008-09 owing to debt repayment.

Loans and advances: Loans and advances declined 10.52% from Rs. 78.9 lakhs to Rs. 70.6 lakhs. Loans and advances, as a proportion of net current assets, stood at 7.89%.

Current liabilities and provisions

The current liabilities decreased substantially from Rs. 2,488.7 lakhs in 2007-08 to Rs. 872.9 lakhs owing a to liquidation of creditor dues. The Company's creditors declined from Rs. 2,481.8 lakhs in 2007-08 to 864.8 lakhs in 2008-09. The current ratio stood at 1.84 in 2008-09 compared to 0.98 in 2007-08 with creditors for capex being nil.

Taxation

The Company's corporate tax burden declined 100.75% from Rs. 7,903 lakhs in 2007-08 to Rs. 3,734 lakhs in 2008-09 due to a decline in pre-tax profit.

"Great deeds are usually wrought at great risks." – *Herodotus*

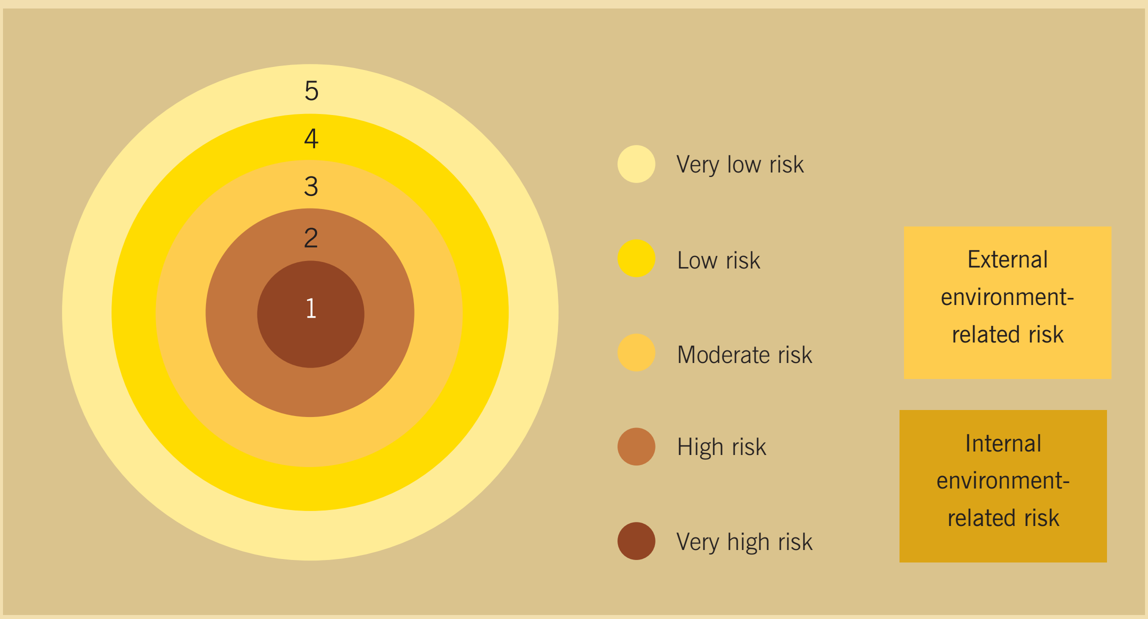
RISK MANAGEMENT

Risk is the visible face of the uncertainty of events that can affect performance. Since risks accompany prospects it is the endeavour of the management to minimise them with the objective to maximise returns.

Alphageo's risk mitigation comprises clear strategy formulation, policy and initiatives, prudential norms, structured reporting and control. The Company's objective is to estimate, quantify and counter risk through an institutionalised approach.

While external risks comprise those emerging from the macroeconomic realities, internal risks arise from an improper operational strategy and inferior performance.

While risks appearing at the centre of the radar are those which pose the greatest challenge to advancement, those on the outer edge are considered to be of a moderately lower priority.



EXTERNAL ENVIRONMENT-RELATED RISKS

1 Industry risk 3

Risk explanation

A sharp decline in oil prices could make exploration unviable and reduce the opportunity for seismic surveys

Risk mitigation

- India remains the second fastest growing economy (GDP growth 6.7% in 2008-09). Growing industrialisation and automobile offtake will strengthen oil demand.
- Oil consumption in India grew 6.8% in 2007 (third largest volumetric increment after China and United States on a yearly basis) and is likely to be sustained.
- The DGH estimated that USD 1.9 billion worth of investments could be made for onland seismic surveys in the next few years (45-50% would be met through merchant crews like Alphageo)
- A large 36% of India remains poorly explored or unexplored.

2 Competition risk 3

Risk explanation

Rising competition from strong domestic and foreign players can affect the Company's growth

Risk mitigation

- The Company was the first Indian private sector organisation to commence seismic operations; it is one of the few Indian geophysical companies to provide comprehensive services (onland seismic data acquisition, processing and interpretation).
- It is the largest private sector provider of seismic survey services to India's rapidly growing oil exploration and production sector.
- It is a preferred seismic service provider in North-east India, a region that contains around 1.3 billion tonnes of oil reserves.
- Its comprehensive service range makes it possible for customers (generally oil and gas exploration companies) to identify subterranean deposits with efficiency and effectiveness.

3 Environment risk 4

Risk explanation

A growing environmental emphasis might require the implementation of regulatory recommendations that might make it difficult to obtain land access rights of way from third parties

Risk mitigation

- The Company formulated HSE guidelines and procedures in accordance with IAGC Land Geophysical Operations – Safety Manual, IAGC Environmental Guidelines for Worldwide Geophysical Operations.
- The Company ensures that work is performed in accordance with all applicable rules, regulations and good working practices, with diligence being paid to the fulfilment of the contractual technical specifications.
- The Company follows operating and maintenance procedures for ensuring that geophysical operations are conducted as per the international standard of the geophysical industry.

4 Regulatory risk 5

Risk explanation
Unfavourable changes in government policy could affect the growth of the hydrocarbon industry

Risk mitigation
- NELP-VII attracted USD 1.5 billion investment from oil companies through an award of 44 exploration blocks covering sedimentary basins spread over 1.22 lakh sq. km.
- The Petroleum Ministry plans to auction over 70 prospective areas for oil and gas exploration under NELP-VIII of which 18 are onland blocks

INTERNAL ENVIRONMENT-RELATED RISKS

5 Technology risk 4

Risk explanation
An inability to align with the latest technology might affect project execution ability

Risk mitigation
- The Company uses superior software for 2D / 3D seismic data interpretation
- The Company uses seismic data processing and analysis software with advanced interactive workstations.
- The Company proactively invested in the latest technologies and state-of-the-art equipment.

6 Bidding risk 3

Risk explanation
The Company may not be eligible to bid for big ticket contracts

Risk mitigation
- The Company has established itself as the preferred choice among clients without needing to under-quote.
- The Company bagged two prestigious projects from ONGC worth Rs. 3,888 lakhs and Rs. 3,901 lakhs, proving its capability in winning contracts on favourable terms.

7 Operations risk 4

Risk explanation
An inadequate operational framework could affect faster execution projects by the Company

Risk mitigation
- The Company operated advanced 2D and 3D equipment for enhance project turnaround.
- The Company operated four sets of seismic data recording equipment with 10,000 channels enabling it to operate all its four crews as 3D crews.
- The Company operated a dedicated data processing centre for undertaking 2D processing and 3D QC processing.

8 Cost risk 4

Risk explanation
An inability to manage key operational costs might affect profitability

Risk mitigation
- The Company proactively minimised costs during project execution.
- The Company initiated proper terrain mapping leading to the optimal use of manpower.
- The Company strategically mapped projects for optimised crew use.

9 People risk 4

Risk explanation
Inability to attract and retain skilled people with superior knowledge and rich industry experience might affect the Company's growth

Risk mitigation
- The Company employed experienced geologists, geophysicists, reservoir engineers, log analysts and survey engineers.
- The Company trained employees in specialised domain knowledge and skills.
- The Company enriched its intellectual capital and grew people strength from 70 in 2007-08 to 95 in 2008-09.
- The Company enjoyed high retention which is well above industry standards.

10 Safety risk 2

Risk explanation
Seismic surveys risk human life in difficult terrains.

Risk mitigation
- The Company ensures that all on-site personnel are given necessary safety and job-related training prior to assignment commencement.
- The Company takes necessary precautions that in the execution of the work, safe working practices are observed and that human life and property are not destroyed, injured or exposed to danger.

11 Funding risk 3

Risk explanation
A failure to mobilise low-cost funds for progressive investments in crew and equipment could stagger growth

Risk mitigation
- The Company strengthened debt-equity ratio from 0.41 in 2007-08 to 0.22 in 2008-09, creating the room to borrow and invest in modernised equipment in the future.
- The Company maintained a Rs. 4,913.6 lakhs reserve balance as on March 31, 2009; free reserves constituted 97% of the reserve and surplus balance as on March 31, 2009.
- The Company enjoyed a prudent mix of secured and unsecured loans; average debt cost stood at 14.95% during the year under review.
- The Company's cash flows were adequate to facilitate periodic investments in gross block.

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 Accountants
109, Metro Residency, Rajbhavan Road,
Somajiguda, Hyderabad-500 082, Andhra Pradesh

Bankers

State Bank of India
Commercial Branch, Koti, Hyderabad 500 095, Andhra Pradesh

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.

Share transfer agents

M/s. Sathguru Management Consultants Private Limited
Plot No. 15, Hindi Nagar Colony, Punjagutta
Hyderabad 500 034, Andhra Pradesh

DIRECTORS' REPORT

Dear Shareholders

Your Directors have pleasure in presenting their 22nd Annual Report and audited financials for the financial year 2008-09. The financial highlights of the Company are as follows

Financial results

(Rs. in lakhs)

Particulars	2008-09	2007-08
Total income	6,476.78	8,189.90
Operating profit (PBIDT)	2,861.88	3,791.74
Finance charges	238.69	351.21
Depreciation	1,654.34	1,385.44
Profit before tax	968.84	2,055.08
Provision for tax	372.97	790.27
Profit after tax	595.87	1,264.82
Profit brought forward from the previous year	2,500.54	1,388.87
Surplus available for appropriation	3,096.41	2,653.69
Appropriations		
Proposed Dividend	76.80	76.80
Corporate Tax on Proposed Dividend	13.05	13.05
Transfer to General Reserve	29.80	63.30
Balance of Profit carried to Balance Sheet	2,976.36	2500.54

Company performance

During 2008-09, your Company reported a total income of Rs. 6,476.78 lakhs, comprising income from seismic survey and related services of Rs. 6,388.24 lakhs and other income of Rs. 88.54 lakhs. The Company recorded an operating profit of Rs. 2,861.88 lakhs and a net profit of Rs. 595.47 lakhs.

During 2008-09, your Company secured three new contracts towards the latter part of the financial year. Two of the contracts were awarded by M/s. Oil & Natural Gas Corporation Limited for undertaking 3D seismic data acquisition for their operational area at Kaveri Basin in the State of Tamil Nadu and 2D seismic data acquisition for their operational area in the State of Nagaland. While operations at Kaveri commenced in mid-June and are expected to complete by October end, the ONGC contract at Nagaland is expected to commence after ONGC and the Government of Nagaland conclude their agreement. The Company was also awarded a contract by Hindustan Oil Exploration Company Limited for 3D seismic data acquisition for their operational area in Assam. The operations commenced during early January, 2009 and were completed in the third week of May, 2009.

The Company completed a contract secured in the previous year from Canoro Resources Limited to carry out 2D seismic data acquisition in the logistically difficult terrains of Assam and parts of Nagaland, which was completed in early April, 2008.

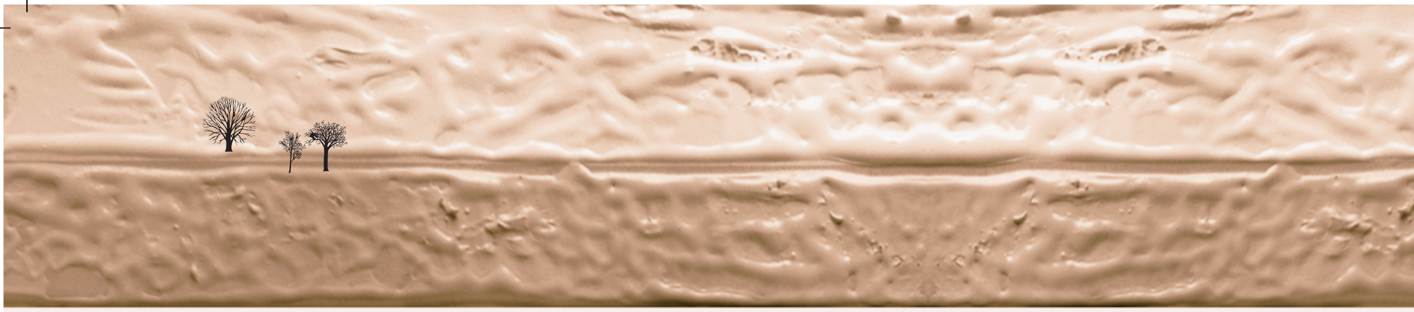
Your Company secured a contract from Naftogaz India Private Limited for acquisition of 2D and 3D seismic data in Gujarat. Operations against these contracts, which commenced in the last quarter of the previous year, were successfully completed in May, 2008.

Your Company commenced and completed operations for acquisition of 2D seismic data in Assam for Naftogaz India Private Limited in the first quarter of the 2008-09, under a contract for 2D and 3D seismic data acquisition awarded to it in the previous year. The operation for acquisition of 3D seismic data is expected to commence in the third quarter of 2009-10.

Appropriations

Dividend

Your Directors are pleased to recommend a dividend of Rs. 1.50 per share for the year ended March 31, 2009, to be appropriated from the profits of the year 2008-09, 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. 29.80 lakhs to the General Reserve, leaving an unappropriated balance of Rs. 2,976.36. lakhs in the profit and loss account.

Directors

Mr. P. K. Reddy and Mr. A. Rajesh, Directors, retire by rotation and the Board of Directors of your Company, at its meeting held on June 29, 2009, recommended for the approval of the members their reappointment as Non-Executive Directors of your Company, liable to retire by rotation.

Share capital

The Company, at its extra-ordinary general meeting held on October 24, 2007, approved the issue of 5,50,000 warrants to 'Promoters and Promoter Group' at a premium of Rs. 419.62 (Rs. 429.62) and allotted at the Board meeting held on November 7, 2007. As per the provisions of Chapter XIII of SEBI (DIP) Guidelines, 2000, the allottees had an option to convert the warrants into equity shares on or before May 6, 2009. Of 5,50,000 warrants issued, 1,74,900 warrants were converted.

The Company received letters dated March 25, 2009 from the allottees conveying their decision to skip conversion of warrants in issuance. Accordingly, the Company forfeited the subscription money for the lapsed warrants.

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 exchanges, is annexed with the Report on Corporate Governance.

Auditors

The auditors, M/s. P.V.R.K. Nageswara Rao & Co., Chartered Accountants, retire at the ensuing Annual General Meeting and have confirmed their eligibility and willingness to accept office, if reappointed.

Deposits

Your Directors report that there were no deposits at the year end that were due but not paid.

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 sent to the Company's shareholders 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 Company's Corporate Office.

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 were followed and that there was no material departure from the same

(ii) The Directors 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 Company's state of affairs at the end of financial year and of the Company's profits for the period

(iii) The Directors took proper and sufficient care for maintaining adequate accounting records in accordance with the provisions of the Companies Act, 1956 for safeguarding the Company's assets and for preventing and detecting fraud and other irregularities

(iv) The annual accounts were prepared on a going concern basis.

Employees Stock Option Scheme

The Company introduced an Employee Stock Option Scheme 2008 (ESOS 2008), for the employees. 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.

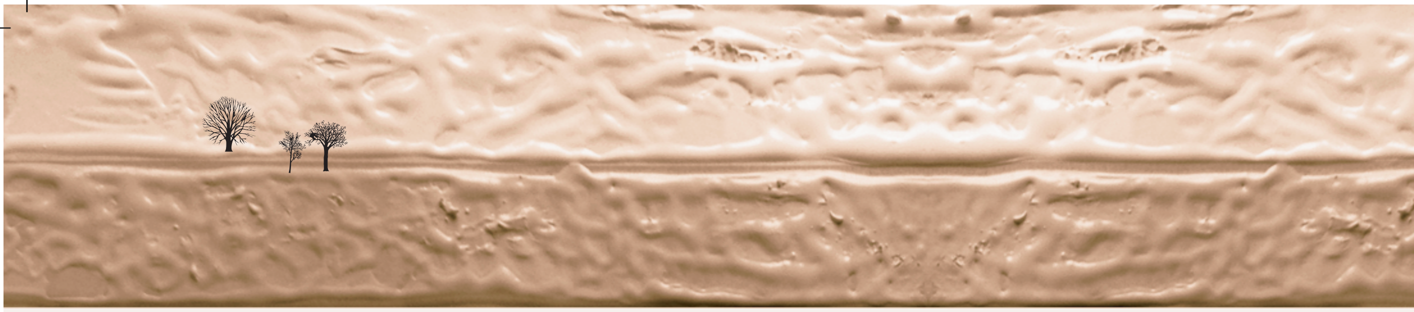
Acknowledgements

Your Directors take this opportunity to thank the customers, shareholders, suppliers, bankers, financial institutions and central and state government for their consistent support to the Company. The Directors also wish to place on record their appreciation of the sincere and dedicated services of the employees.

For and on behalf of the Board

A.Dinesh
Managing Director

Place: Hyderabad
Date: June 29, 2009



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. 36,95,801
(ii) Stores and spares	:	Rs. 45,62,329
(iii) Salaries and allowances (net of tax)	:	Rs. 1,10,57,185
(iv) Travelling Expenses	:	Rs. 6,79,473
(v) Others	:	Rs. 8,29,513
(vi) Computer software and service charges	:	Rs. 15,526
(vii) Dividend remitted	:	Rs. 37,516

For and on behalf of the Board

Place: Hyderabad
Date: June 29, 2009

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

DESCRIPTION	ESOS 2008	
Number of Options available under the Scheme		2,50,000
Total Number of Options granted		70,000
Options granted during the year		70,000
Pricing formula	20% discount to the market price of the Shares quoted on a day prior to the grant date quoted on the Bombay Stock Exchange or National Stock Exchange, wherever volumes traded are higher.	
Options vested during FY 2008-09		NIL
Options exercised during FY 2008-09		NIL
The total number of shares arising as a result of exercise of options		NIL
Options lapsed during FY 2008-09 which are subject to reissue		NIL
Variation of terms of options		NIL
Money realized by exercise of options excluding FBT		NIL
Grant Price (Face value of Rs.10) October 15, 2008		Rs.153.76
Total Number of options in force as on March 31, 2009 (cumulative)		70,000
Details of options granted to Senior Management personnel during the year 2008-09	Mr. S Balaji	3,000
	Mr. Sudhir Kumar	1,500
	Mr. R B Singh	1,200
	Mr. Sachinder Singh	2,100
	Mr. B K Reddy	2,100
Number of other employees who received a grant in any one year of options amounting to 5% or more of options granted during that year		NIL
Number of employees who are granted options during any one year, equal to or exceeding 1% of the issued capital (excluding outstanding warrants and conversions) of the Company at the time of grant.		Nil
Diluted Earnings per Share (EPS) pursuant to issue of shares on exercise of options calculated in accordance with Accounting Standard (AS) 20		11.63

DESCRIPTION	ESOS 2008
i) Method of calculation of employee compensation cost	The Company has calculated the employee compensation cost using the intrinsic value of the stock options. The grant price is the price arrived after giving 20% discount to the market price prevailing on the date prior to the grant date
ii) Difference between the employee compensation cost so computed at (i) above and the employee compensation cost that shall have been recognized if it had used the fair value of the options.	Nil
iii) The impact of the difference on profits and on EPS of the Company	PAT 59,546,787
	Less: Additional cost based on fair value –
	Adjusted PAT 59,546,787
	Adjusted EPS 11.63
iv) Weighted average exercise price fair value of stock options granted:	
Stock Options granted	Nil
Weighted Average Exercise Price (Rs.)	Rs. 153.76
Weighted Average Fair Value (Rs.)	Rs. 153.73
Closing market price at NSE on the date prior to the Grant (Rs.)	Rs. 192.20
v) Description of the method and significant assumptions used during the year to estimate the fair value of the options, including the following weighted average information	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.
vi. The main assumptions used in the Black-Scholes option-pricing model during the year were as follows:	
Risk-free interest rate (%)	7%
Expected Life of options from the date(s) of grant (Years)	4
Expected volatility (%)	(10.11%)
Dividend yield	0.35%

For and on behalf of the Board

Place: Hyderabad
Date: June 29, 2009

A. Dinesh
Managing Director

REPORT ON CORPORATE GOVERNANCE

1. Company's philosophy on Corporate Governance

Corporate Governance is a set of policies, processes and practices by which, a company conducts its affairs in pursuit of its business goals. The Company's philosophy of Corporate Governance is based on preserving core values and ethical business conduct and commitment to maximise shareholders value on a continuous basis while looking at the welfare of all the other stakeholders.

Keeping in view the Company's size and complexity in operations, the Company's Corporate Governance framework is based on the following principles

i. Appropriate size and composition of Board with each Director bringing in key expertise in different area

ii. Systematic information flow to the members of the Board, enabling them to effectively discharge their fiduciary duties

iii. Ethical business conduct by the management and employees

iv. Appropriate systems and processes for internal controls on all operations, risk management and financial reporting

v. Timely and accurate disclosure of all material, operational and financial, information to the stakeholders.

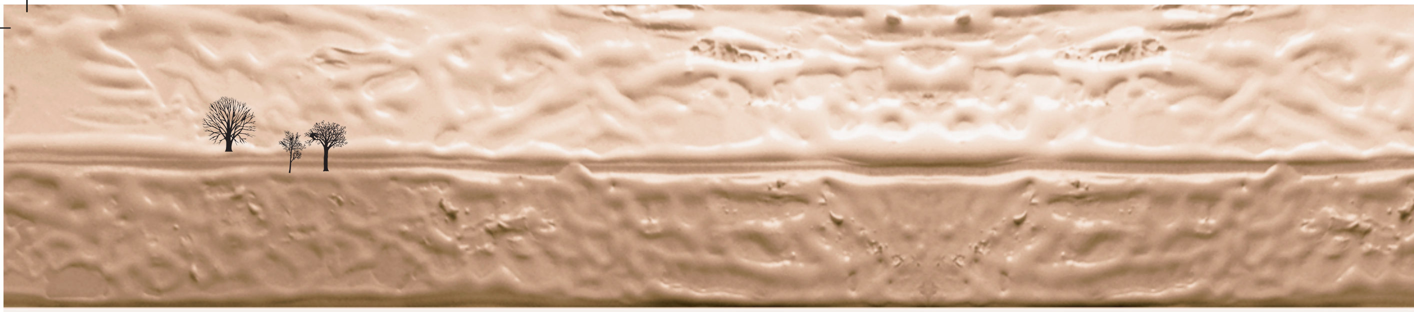
A report, in line with the requirement of the Listing Agreement, on the practices followed by the Company and other voluntary compliances is given below

2. Board of Directors

(i) Board composition

The Company recognises the need and importance of having a strong and broad-based Board and hence, maintained an optimum combination of Executive and Non-Executive Directors. 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 mainly of Non-Executive Directors, having rich and varied experience and thus imparts the desired level of independence to the Board. As on March 31, 2009, the Board had one Executive Director and six Non-Executive Directors.

The Company's day-to-day management is conducted by the Executive Director, subject to the supervision and control of the Board of Directors.



The constitution of the Board during the financial year 2008-09 was as under:

Director	Category	Number of		
		Other directorship	Committee membership of Company's and other board	Committee Chairmanship
Mr. A. Dinesh	Managing Director, Executive, Promoter	–	–	–
Mr. A. Rajesh	Non-Executive, Promoter	3	5	–
Mr. S. Ravula Reddy	Non-Executive, Promoter	1	–	-
Mr. Z. P. Marshall	Non-Executive, Independent	–	–	5
Dr. Avinash Chandra	Non-Executive, Independent	3	–	–
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 business, the Company's performance and the quarterly results. When necessary, additional meetings are held. The Board meetings are generally held at the Company's corporate office at Hyderabad. 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 2008-09, the Board met five times viz. June 27, 2008, July 25, 2008, September 24, 2008, October 31, 2008 and January 16, 2009.

Table hereunder gives the attendance record of the Directors at the Board meetings held during 2008-09 and previous AGM held on September 24, 2008.

Name of the Director	Number of Board meetings held during the tenure	Number of Board meetings attended	Whether attended last AGM
Mr. A. Dinesh	5	5	Yes
Mr. A. Rajesh	5	4	No
Mr. P.K. Reddy	5	5	Yes
Mr. Z.P. Marshal	5	5	Yes
Mr. S. Ravula Reddy	5	Nil	No
Dr. Avinash Chandra	5	1	No
Mr. Ashwinder Bhel	5	1	No

3. Board level committees

The Board constituted sub-committees to focus on specific areas and make informed decisions within the authority delegated to each of the committees. All decisions and recommendations of the committees are placed before the Board either for information or approval. 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 were in accordance with all items listed in Clause 49(II)(D) & (E) of the Listing Agreement and Section 292(A) of the Companies Act, 1956. The same inter-alia includes the following

i) Primary objectives of the Audit Committee

The Audit Committee acts as a link between the statutory auditors and the Board of Directors. It addresses itself to matters pertaining to adequacy of internal controls, reliability of financial statements and other management information and adequacy of provisions of liabilities. The Audit Committee is mainly responsible for:

- Integrating the Company's financial statements and disclosure of financial information
- Auditing and accounting matters, including recommending the appointment of statutory auditors to the shareholders, the scope of the annual audits and fees to be paid to the auditors
- Reviewing performance of the Company's internal control systems, internal audit functions and accounting practices
- Reviewing annual and quarterly financial statements with the management before submission to the Board for approval
- Reviewing related party transactions, among others.
- Reviewing the Company's financial and risk management policies.

ii) Scope of the Audit Committee

1. Recommending the appointment and removal of statutory auditors, fixation of audit fees and also to approve the payment for other services

2. Meet four times a year or more frequently as circumstances require. The Audit Committee may ask members of management or others to attend meetings and provide pertinent information as necessary.

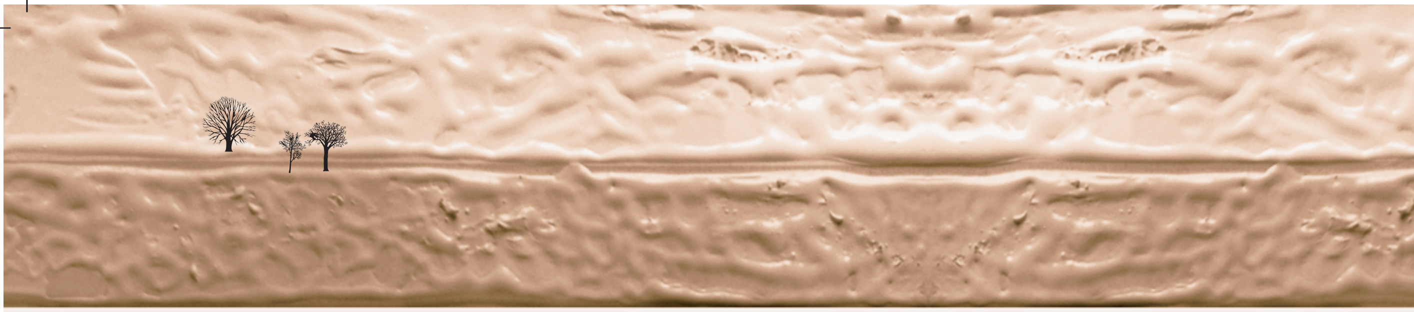
3. Reviewing the quarterly financial statements with the management, before submission to the Board for approval

4. Reviewing with the management, the quarterly financial statements before submission to the Board for approval focusing primarily on

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

5. Consider and review 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

iii) Composition of the Audit Committee as on March 31, 2009

The Audit Committee is constituted in accordance with the Corporate Governance Code of the Listing Agreement as well as provisions of the Companies Act, 1956. Chief Financial Officer and other Corporate Officers make periodic presentations to the Audit Committee. Representatives of statutory auditors also participate in the Audit Committee meetings.

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. Ashwinder Bhel

iv) Audit Committee meetings and attendance during 2008-09

The Audit Committee met five times during the financial year on - April 10, 2008, June 27, 2008, July 25, 2008, October 31, 2008 and January 16, 2009.

Table showing attendance of the members at Audit Committee meeting is as under

Serial	Name	Category	Designation	Number of meetings attended
1.	Mr. Z. P. Marshall	Independent Director	Chairman	5
2.	Mr. A. Rajesh	Promoter Director	Member	5
3.	Mr. P. K. Reddy	Independent Director	Member	5
4.	Mr. Ashwinder Bhel	Independent Director	Member	1

(b) Remuneration Committee

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

The composition of the Remuneration Committee is as follows

Serial	Name	Category	Designation
1.	Mr. Z. P. Marshall	Independent Director	Chairman
2.	Mr. A. Rajesh	Promoter Director	Member
3.	Mr. P. K. Reddy	Independent Director	Member
4.	Mr. Ashwinder Bhel	Independent Director	Member

There was no meeting of Remuneration Committee during 2008-09.

Remuneration policy

The Non-Executive Director of the Company are paid sitting fee for each meeting of the Board and the Audit Committee attended by them. The appointment and remuneration of the Executive Directors is governed by resolution passed by the Board of Directors and the shareholders of the Company, which covers terms of such 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 general meeting.

The details of remuneration paid/payable to the Directors for the year 2008-2009 are

i) Non-Executive Director(s)

Name	Sitting fee - Rs.	Number of options allotted under ESOS 2008	Number of shares held as on 31.03.2009
Mr. Z.P. Marshall	29,000	1,650	Nil
Mr. A. Rajesh	21,500	Nil	2,09,567
Mr. P.K. Reddy	29,000	1,650	Nil
Mr. S. Ravula Reddy	Nil	Nil	Nil
Mr. Ashwinder Bhel	8,000	1,650	Nil
Dr. Avinash Chandra	2,000	1,650	Nil

ii) Executive Director

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	10,25,907	2,88,000	13,44,320	50,58,227

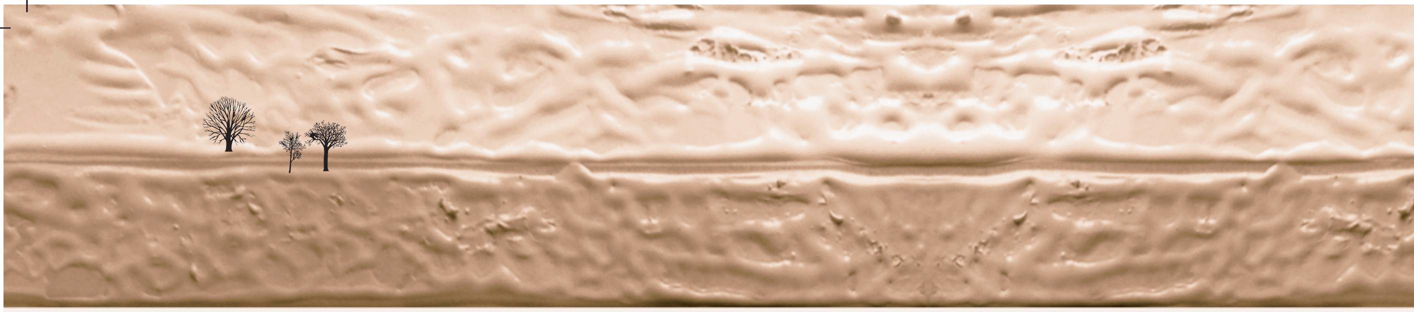
*The remuneration to the Managing Director for the year 2008-09 was as approved by the members at their Annual General Meeting held on December 18, 2006.

(c) Warrants Allotment Committee

The Warrant Allotment Committee was formed on December 18, 2006 to deal with the allotment of the warrants, monitoring on utilisation of funds and to track the listing activities of resultant equity shares converted from the warrants. The composition of the Warrant Allotment Committee as on March 31, 2009, was as follows:

Serial	Name	Category	Designation
1	Mr. Z P Marshall	Independent Director	Chairman
2	Mr. P.K. Reddy	Independent Director	Member

There was no meeting of Warrant Allotment Committee during 2008-09.



(d) Compensation Committee

During the year, the Company implemented The ESOS 2008 Scheme. In accordance with the requirements of ESOS 2008 and SEBI (ESOS and ESOP) Guidelines, the Company constituted a Compensation Committee to monitor and administer the plan.

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 once during 2008-09 on October 15, 2008, in which the stock options were allotted to employees and non-promoter, Non-Executive Directors.

Table showing attendance of the members at Compensation Committee meeting is as under:

Serial	Name	Category	Designation	Number of meetings attended
1.	Mr. Z. P. Marshall	Independent Director	Chairman	1
2.	Mr. A. Rajesh	Promoter Director	Member	1
3.	Mr. P. K. Reddy	Independent Director	Member	1

(e) Shareholders / Investors Grievance Committee

The Shareholders/Investors' Grievance Committee is responsible for resolving investor's complaints pertaining to share transfers, non-receipt of annual reports, dividend payments, issue of duplicate share certificates, transmission of shares and other related complaints.

The Chairman of the Committee is an Independent Non-Executive Director. The Committee met 17 times during 2008-09 on 15th April, 30th April, 15th May, 31st May, 16th June, 30th June, 31st July, 1st September, 15th September, 20th September, 15th October, 31st October, 1st December, 31st December in 2008 and 15th January, 31st January and 16th March in 2009. The Committee's composition and attendance at the meetings is given below

Serial	Name	Category	Designation	Number 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 we received during 2008-09 and our response to the complaints and current status of pending queries if any, is tabulated below

Description	Received	Replied	Pending
Non-receipt of dividend warrants	2	2	0
Correction/re-validation of warrants	11	11	0
Others	12	12	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 audit every quarter to reconcile the total admitted capital with the National Securities Depository Limited (NSDL) and the 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 31.03.2009 (Rs.)	Due date for transfer to Investor Education and Protection Fund
2004-05	19.09.2005	18.09.2012	2,13,997.00	17.10.2012
2005-06	18.12.2006	17.12.2013	1,72,634.00	16.01.2014
2006-07	28.09.2007	27.09.2014	2,06,366.00	26.10.2014
2007-08	24.09.2008	23.09.2015	2,17,120.50	22.10.2015

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 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
19th AGM-2006	Sundarayya Vignana Kendram, Baghlingampally, Hyderabad	18-12-2006, 11:00 am
20th AGM-2007	Sundarayya Vignana Kendram, Baghlingampally, Hyderabad	28-09-2007, 11:00 am
21st AGM-2008	Sundarayya Vignana Kendram, Baghlingampally, Hyderabad	24-09-2008, 11:00 am

Special resolution passed at last three Annual General Meeting

a. Annual General Meeting

1. At the 19th Annual General Meeting, held on December 18, 2006, the following special resolutions were passed

- For appointment and remuneration of the Managing Director
- Issue of warrants to promoters and their associates on preferential basis

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

3. At the 21st Annual General Meeting, held on September 24, 2008, the following special resolutions were passed

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

b. There were no resolutions passed by way of postal ballot during 2008-09.

5. Disclosures

(i) Related party transaction

The details of related party transactions as required under Accounting Standard 18 notified under the Companies Act, 1956, are given in notes to Accounts (note no 9) of Schedule no. 21 forming part of accounts for the year ended on March 31, 2009.

(ii) Compliances by the Company

There was 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 did not establish the non-mandatory requirement of 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 access 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 did not implement the non-mandatory requirements enlisted by way of annexure to Clause 49 of the Listing Agreement.

(v) Code of Conduct

The Company obtained declaration from the Managing Director confirming compliance of Code of Conduct.

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 March 31, 2009.

Sd/-

(A. Dinesh)

Managing Director

Place: Hyderabad

Date: June 29, 2009

6. Means of communication

- The quarterly, half-yearly, annual financial results as well as 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, provided in the shareholders section, viz. Grievances; provides 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.
- The management discussion and analysis report forms a part of this Annual Report.

7. Certificate on Corporate Governance

As required by Clause 49 of the Listing Agreement, a certificate issued by M/s. P. V. R. K 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, September 25, 2009

Time : 11.00 am

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

b. Financial calendar for the year 2009-10 (tentative)

Results for quarter ending June, 2009	–	Last week of July 2009
Results for quarter ending September, 2009	–	Last Week of October 2009
Results for quarter ending December, 2009	–	Last Week of January 2010
Results for quarter ending March, 2010	–	Last week of June, 2010

c. Book closure date

22nd September, 2009 to 25th September, 2009 (both days inclusive)

d. Dividend payment date

On or before 24th October, 2009

e. Listing of equity shares and stock code

The Company's equity shares are listed on

(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 2009-10 has already been paid by the Company.

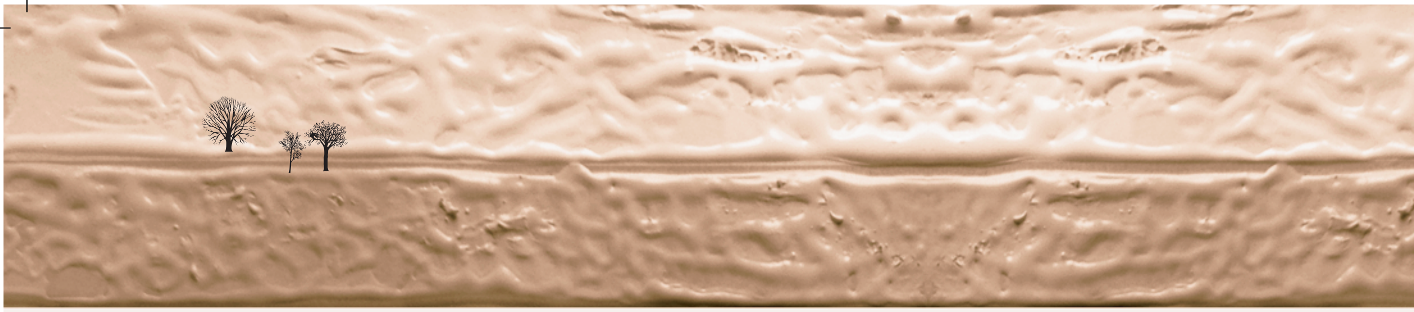
(ii) National Stock Exchange of India Ltd., Mumbai, "Exchange Plaza", Bandra-Kurla Complex, Bandra – East, Mumbai - 400 051 and the listing fee for 2009-10 has already been paid by the Company.

f. Stock codes

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

(ii) NSE SCRIP NAME: ALPHAGEO

g. ISIN code – INE 137C01018



i. Stock market data

i) The stock market data of the Company's shares and of the Bombay Exchange for the period from April 2008 to March 2009 is given below

Month	Alphageo (India) Limited		BSE Sensex	
	High	Low	High	Low
April-2008	624.40	401.65	17,480.74	15,297.96
May-2008	651.80	475.05	17,735.70	16,196.02
June-2008	510.00	355.55	16,632.72	13,405.54
July-2008	472.00	293.00	15,130.09	12,514.02
August-2008	440.00	360.00	15,579.78	14,002.43
September-2008	403.00	250.00	15,107.01	12,153.55
October-2008	265.00	136.00	13,203.86	7,697.39
November-2008	176.00	88.25	10,945.41	8,316.39
December-2008	126.85	76.60	10,188.54	8,467.43
January-2009	158.95	82.90	10,469.72	8,631.60
February-2009	115.90	80.00	9,724.87	8,619.22
March-2009	90.00	69.35	10,127.09	8,047.17

ii) The stock market data of shares of the Company and of the National Stock Exchange for the period from April 2008 to March 2009 is given below

Month	Alphageo (India) Limited		Nifty	
	High	Low	High	Low
April-2008	628.00	402.20	5230.75	4628.75
May-2008	650.00	470.50	5298.85	4801.90
June-2008	514.90	353.00	4908.80	4021.70
July-2008	482.00	265.00	4539.45	3790.20
August-2008	470.00	346.00	4649.85	4201.85
September-2008	398.00	232.50	4558.00	3715.05
October-2008	268.50	136.00	4000.50	2252.75
November-2008	180.00	88.70	3240.55	2502.90
December-2008	132.00	76.10	3110.45	2570.70
January-2009	159.00	82.00	3147.20	2661.65
February-2009	119.40	78.25	2969.75	2677.55
March-2009	89.00	69.15	3123.35	2539.45

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: 23354042

E-mail: sta@sathguru.com

k. Share transfer system

The power to approve transfer of securities in physical form was delegated by the Board to the Share Transfer Committee. Share transfer requests are processed within an average of 15 days from the date of receipt. Letters are sent to the shareholders after transfer of shares in their names, giving an option for dematerialisation of the physical shares. Physical shares are dematerialised and electronic credit is given to those shareholders who opt for dematerialisation and in respect of other shareholders who have not opted for dematerialisation, share certificates are dispatched by registered post.

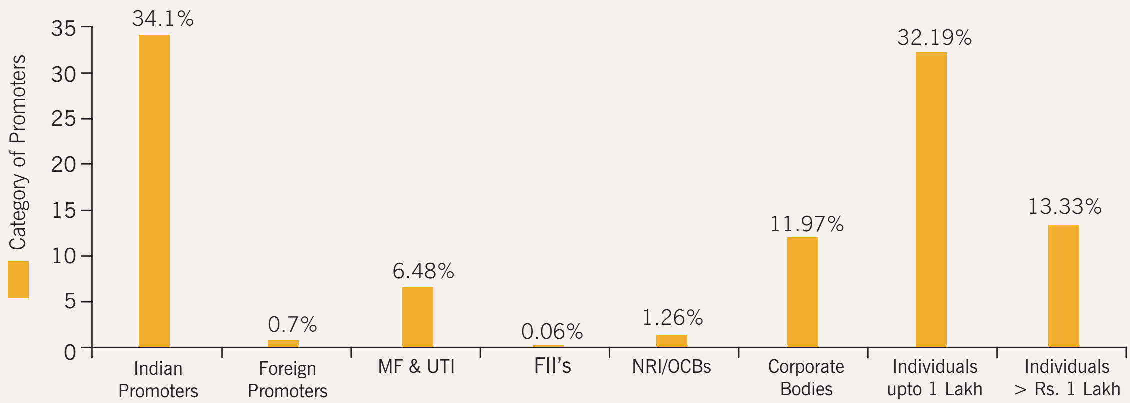
l. Distribution of shareholding as on March 31, 2009

Nominal value Rs.	Shareholders		Shares	
	Numbers	%	Numbers	%
1 To 5000	8595	92.82	8833770	17.25
5001 To 10000	305	3.29	2508080	4.90
10001 To 20000	167	1.80	2447910	4.78
20001 To 30000	58	0.63	1485050	2.90
30001 To 40000	30	0.32	1061590	2.07
40001 To 50000	25	0.27	1174010	2.29
50001 To 100000	23	0.25	1680140	3.28
100001 and Above	57	0.62	32007790	62.52
Total	**9260**	**100.00**	**51198340**	**100.00**

m. Shareholding pattern as on March 31, 2009

Serial	Category	Number of share holders	Number of shares	%
1.	Promoters - Indian	16	1741391	34.01
2.	Foreign promoters	1	35716	0.70
3.	Mutual funds and UTI	16	331765	6.48
4.	Foreign institutional investors	2	2900	0.06
5.	Non-resident Indians/OCBs	240	64341	1.26
6.	Bodies corporate	344	612658	11.97
7.	Others - individuals up to Rs.1 lakh	8617	1648294	32.19
8.	Others - individuals in excess of Rs.1 lakh	24	682769	13.33
	Total	**9260**	**5119834**	**100.00**

Shareholding pattern as on 31.03.2009



n. Dematerialisation of shares and liquidity

Shares of the Company can be held and traded in electronic form. SEBI stipulated the shares of the Company for compulsory delivery in dematerialised form only, by all investors from October 21, 2001; 92.93% of the shareholding was dematerialised.

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 is initiated.

o. Convertible share warrants

The Company, at its extra-ordinary general meeting held on October 24, 2007, approved issue of 5,50,000 warrants to 'Promoter Group' at a premium of Rs. 419.62 (Rs. 429.62) and allotted at the Board meeting held on November 7, 2007 Total 1,74,900 warrants were converted into equity shares and balance 3,75,100 warrants were pending for conversion.

The Company received letters dated March 25, 2009 from the Promoters intimating their unwillingness to convert their remaining warrants into equity shares. The allotment money paid against these warrants was forfeited as per the respective SEBI Guidelines. The same were placed before the Warrant Allotment Committee Meeting held on April 1, 2009. The Committee approved the forfeiture of upfront money in consequence of the failure in exercising right for conversion of warrants.

p. Address for correspondence

For all matters relating to shares and 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 **(A. DINESH)**
Date: June 29, 2009 *Managing Director*

AUDITOR 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, 2009, as stipulated in clause 49 of the Listing Agreement of the said Company with Stock Exchange.

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 the compliance of the conditions of the Corporate Governance. It is neither an audit nor an expression of opinion on the financial statements of the Company.

In our opinion and to the best of our information and according to the explanation given to us:

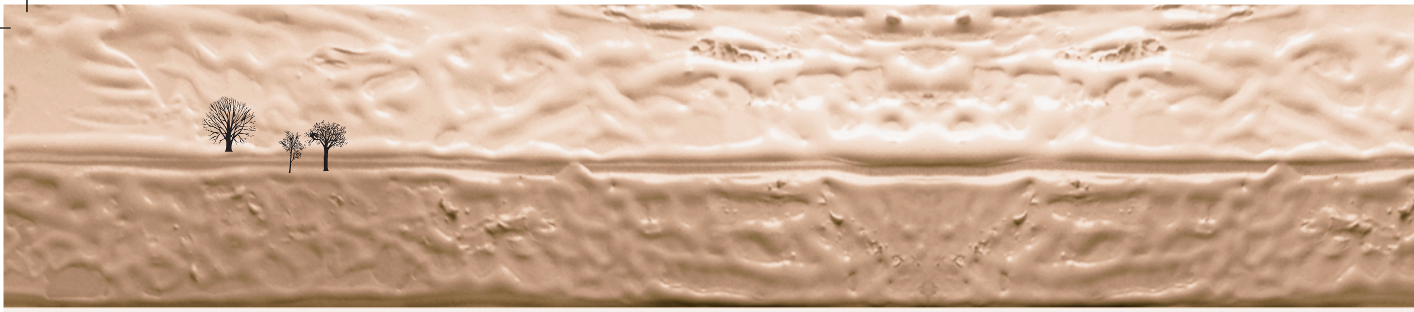
We certify that the Company has complied with the conditions of Corporate Governance as stipulated in the above mentioned Listing Agreement.

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 & Co.,**
Chartered Accountants

Hyderabad
June 29, 2009

P V R K Nageswara Rao
Partner
Membership No. 18840



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, 2009 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**
June 29, 2009	*Managing Director*	*Chief Financial Officer*

AUDITORS' REPORT

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, 2009, 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, 2009, and taken on record by the Board of Directors, we report that none of the directors is disqualified as on March 31, 2009 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, 2009;

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

P V R K Nageswara Rao
Partner
Membership No. 18840

Hyderabad
June 29, 2009

Annexure to 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, 2009

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, survey 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 Clauses 4(iii)(b), 4(iii)(c) and 4(iii)(d) of the Order are not applicable to the Company.

(b) The Company has taken an unsecured loan of Rs.25,00,000 from a party covered under section 301 of the Act during the year.

(c) In our opinion the rate of interest and other terms and conditions of loans 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.5,00,000/- 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 Act.

9 (a) According to the records of the Company and as per the information and explanations given to us, the Company is generally regular in depositing the undisputed statutory dues including Provident Fund, Employee State Insurance, Investor Education and Protection Fund, Sales Tax, Wealth Tax, Customs

Duty, Excise Duty, Cess and other material statutory dues applicable to it except Income Tax and Service Tax, with appropriate authorities and in respect of these statutory dues, there are no outstanding dues as on March 31, 2009 which are outstanding for a period of more than six months from the date they become payable. In respect of Service Tax and Income Tax, representing income tax deducted at source and income tax advance tax where delays have been observed in depositing undisputed dues payable for the year ended March 31, 2009. The estimated arrears of income tax advance tax installment outstanding as on March 31, 2009 for a period of more than six months from the date the same becomes payable is Rs. 180.15 Lakhs, which has been paid subsequently.

(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 31.3.2009.

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 **According to records of the Company, during the year the Company has defaulted in repayment of interest and installments of principal amount of term loans taken from bank within the due date to the maximum extent of Rs.237.38 lakhs., However, the arrears of interest and principal amount of loan on March 31, 2009 aggregating to Rs.225.36 lakhs have been paid subsequently.**

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 any body 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 guarantees 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 and Cash Flow Statement 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

P V R K Nageswara Rao
Partner
Membership No. 18840

Hyderabad
June 29, 2009

Balance Sheet As at March 31, 2009

(Amount in Rupees)

	Schedule No.		As at 31.03.2009		As at 31.03.2008
SOURCES OF FUNDS					
Shareholders' Funds :					
Share Capital	1	5,13,34,340		5,13,34,340	
Share Warrants	2	–		1,61,18,047	
Reserves and Surplus	3	49,13,57,978	54,26,92,318	42,39,21,210	49,13,73,597
Loan Funds :					
Secured Loans	4	11,49,76,112		20,17,66,277	
Unsecured Loans	5	25,00,000	11,74,76,112	–	20,17,66,277
Total			**66,01,68,430**		**69,31,39,874**
APPLICATION OF FUNDS					
Fixed Assets :					
Gross Block	6	105,43,67,321		109,48,63,162	
Less : Depreciation		51,79,17,270		38,97,20,701	
Net Block			53,64,50,051		70,51,42,461
Deferred Tax Asset/(Liability)	7		1,83,20,086		(82,27,219)
Net Current Assets					
A. Current Assets, Loans and Advances :					
Inventories	8	24,44,048		34,29,807	
Sundry Debtors	9	20,65,65,437		27,25,67,597	
Cash and Bank Balances	10	3,20,99,213		3,88,30,076	
Other Current Assets	11	1,14,008		2,44,674	
Loans and Advances	12	70,57,189		78,88,711	
		24,82,79,895		32,29,60,865	
B. Current Liabilities and Provisions:					
Current Liabilities	13	8,72,89,617		24,88,73,946	
Provisions	14	5,55,91,985		7,78,62,287	
		14,28,81,602		32,67,36,233	
Net Current Assets	**(A-B)**		10,53,98,293		(37,75,368)
Total			**66,01,68,430**		**69,31,39,874**
Significant Accounting Policies	20				
Notes to Accounts	21				

Per Our Report of even date

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

For and on behalf of the Board of Directors

A. Dinesh
Managing Director

Z. P. Marshall
Director

Hyderabad
June 29, 2009

P. V. R. K. Nageswara Rao
Partner

Sudhir Kumar
Chief Financial Officer

Sachin Guha
Company Secretary

Profit and Loss Account For the year ended March 31, 2009

(Amount in Rupees)

	Schedule No.		Year ended 31.03.2009		Year ended 31.03.2008
I **INCOME :**					
Seismic Survey and Related Services Income			63,88,23,857		81,57,38,406
Other Income	15		88,54,017		32,51,233
Total			**64,76,77,874**		**81,89,89,639**
II **EXPENDITURE :**					
Survey and Survey Related Expenses	16		27,72,57,547		35,51,51,974
Employees Cost	17		4,88,51,724		4,63,04,969
Other Expenses	18		3,53,81,156		3,83,58,933
Finance Charges	19		2,38,69,365		3,51,21,464
Depreciation			16,54,34,207		13,85,43,810
Total			**55,07,93,999**		**61,34,81,150**
III **PROFIT FOR THE YEAR**			9,68,83,875		20,55,08,489
Less : Provision for Taxation					
- Current Income Tax		6,23,00,000		8,99,00,000	
- Deferred Income Tax		(2,65,47,305)		(1,29,54,119)	
- Income tax adjustments of earlier years		10,94,044		10,59,464	
		3,68,46,739		7,80,05,345	
- Fringe Benefit Tax		4,90,349	3,73,37,088	10,21,420	7,90,26,765
Profit After Tax			5,95,46,787		12,64,81,724
Add: Profit brought forward from last year			25,00,54,172		13,88,87,373
			30,96,00,959		26,53,69,097
Less : Appropriations:					
Proposed Dividend		76,79,751		76,79,751	
Corporate Dividend Tax		13,05,174		13,05,174	
General Reserve		29,80,000	1,19,64,925	63,30,000	1,53,14,925
Balance carried to Balance sheet			**29,76,36,034**		**25,00,54,172**
IV **EARNINGS PER SHARE** - Basic (Rs.)			11.63		25.41
- Diluted (Rs.)			11.60		25.41
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

For and on behalf of the Board of Directors

A. Dinesh
Managing Director

Z. P. Marshall
Director

Hyderabad
June 29, 2009

P. V. R. K. Nageswara Rao
Partner

Sudhir Kumar
Chief Financial Officer

Sachin Guha
Company Secretary

Cash Flow Statement For the year ended March 31, 2009

(Amount in Rupees)

		Year ended 31.03.2009		Year ended 31.03.2008
I. CASH FLOW FROM OPERATING ACTIVITIES :				
Net Profit Before Tax		9,68,83,875		20,55,08,489
Add/Less: Adjustments for :				
Depreciation	16,54,34,207		13,85,43,810	
Interest Earned	(36,54,609)		(18,60,410)	
Interest incurred	1,95,14,160		3,14,44,173	
Dividend Received	–		(1,24,745)	
(Profit) /Loss on sale of Investments	–		(41,420)	
Bad Debts written off	6,44,160		–	
Employee Compensation Costs Written off	7,56,859		–	
Provision for Employee Retirement Benefits	3,14,381		75,205	
(Profit) /Loss on sale of Fixed assets	(9,38,417)	18,20,70,741	–	16,80,36,613
Operating Profit Before Working Capital Changes		27,89,54,616		37,35,45,102
Less: Adjustments for Working Capital Changes:				
Trade and Other Receivables	6,31,75,429		(7,34,82,107)	
Inventories	9,85,759		9,24,675	
Trade Payables	(5,25,00,821)	11,660,367	2,47,69,906	(4,77,87,526)
Cash generated from Operations		29,06,14,983		32,57,57,576
Less: Direct Taxes Paid		8,64,69,076		6,69,07,237
Net Cash Flow from Operating Activities (I)		**20,41,45,907**		**25,88,50,339**
II. CASH (USED IN) INVESTING ACTIVITIES :				
Purchase of Investments		–		(4,51,24,745)
Sale of Investments		–		4,51,66,165
Dividend Received		–		1,24,745
Purchase of Fixed Assets		(11,64,61,509)		(19,99,09,665)
Sale of Fixed Assets		1,14,14,723		-
Interest Received		37,85,275		22,58,919
Net Cash (Used in) Investing Activities (II)		**(10,12,61,511)**		**(19,74,84,581)**
III. CASH (USED IN) FINANCING ACTIVITIES:				
Proceeds on Issue of Equity Share Capital		–		7,51,40,538
Share warrants Money received		–		2,36,81,790
Share warrants Money refunded/adjusted		(48,290)		(3,50,15,903)
Dividend paid		(76,79,751)		(74,17,401)
Corporate Dividend Tax paid		(13,05,174)		(10,50,489)
Proceeds from Long Term Borrowings		–		–
Repayments of Long Term Borrowings		(8,50,60,000)		(8,11,97,929)
Proceeds from Short Term Borrowings		25,00,000		1,64,90,000
Repayment of Short Term Borrowings		(8,56,959)		(1,73,86,605)
Interest Paid		(2,03,49,360)		(3,17,57,027)
Net Cash (Used in) Financing Activities (III)		**(11,27,99,534)**		**(5,85,13,026)**

(Amount in Rupees)

	Year ended 31.03.2009	Year ended 31.03.2008
IV. Net Increase / (Decrease) in Cash and Cash Equivalents (I+II+III)	(99,15,138)	28,52,732
V. Cash and Cash equivalents as at beginning of the year	1,29,83,140	1,01,30,408
VI. Cash and cash equivalents as at end of the year **	**30,68,002**	**1,29,83,140**
	2008-09	**2007-08**
** **Note : Cash and Cash Equivalents as at end of the year :**		
Cash and Bank balances as per Balance Sheet	3,20,99,213	3,88,30,076
Less : Deposits pledged towards margin money against bank guarantees and other designated accounts dealt in operating activity	2,90,31,211	2,58,46,936
	30,68,002	**1,29,83,140**

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

For and on behalf of the Board of Directors

A. Dinesh
Managing Director

Z. P. Marshall
Director

Hyderabad
June 29, 2009

P. V. R. K. Nageswara Rao
Partner

Sudhir Kumar
Chief Financial Officer

Sachin Guha
Company Secretary

Schedules forming part of Accounts

(Amount in Rupees)

		As at 31.03.2009		As at 31.03.2008
1 SHARE CAPITAL				
Authorised:				
1,00,00,000 (Previous Year 75,00,000) Equity Shares of Rs.10/- each		10,00,00,000		7,50,00,000
Issued and Subscribed:				
51,31,234 Equity Shares of Rs. 10/- each		5,13,12,340		5,13,12,340
Paid-up:				
51,19,834 Equity Shares of Rs.10/- each fully paid up (Of the above, 4,23,334 Equity Shares have been allotted as fully paid-up Shares by way of Bonus Shares)		5,11,98,340		5,11,98,340
Add : Forfeited Shares		1,36,000		1,36,000
		5,13,34,340		**5,13,34,340**
2 SHARE WARRANTS				
Balance brought forward		1,61,18,047		-
Additions during the year		–		2,36,33,500
		1,61,18,047		2,36,33,500
Less: Amount Appropriated/Forfeited (Refer Note-4 of Schedule 21 Notes to Accounts)		1,61,18,047		75,15,453
		–		**1,61,18,047**
3 RESERVES AND SURPLUS				
Share Premium:				
Balance brought forward	15,37,84,038		8,03,92,500	
Additions during the year	–	15,37,84,038	7,33,91,538	15,37,84,038
Share Warrants Forfeiture Account:				
Additions during the year		1,61,18,047		–
Employee Stock Option Outstanding:				
Additions during the year	26,90,800		–	
Less: Deferred Employee Compensation costs (Refer Note-5 of Schedule 21 Notes to Accounts)	19,33,941	7,56,859	–	–
General Reserve :				
Balance brought forward	2,00,83,000		1,37,53,000	
Add: Transferred from Profit and loss Account	29,80,000	2,30,63,000	63,30,000	2,00,83,000
Profit and Loss Account (SURPLUS)		29,76,36,034		25,00,54,172
		49,13,57,978		**42,39,21,210**

Schedules forming part of Accounts

(Amount in Rupees)

	As at 31.03.2009	As at 31.03.2008
4 SECURED LOANS		
Term Loans:		
From State Bank of India	11,49,76,112	20,09,09,318
(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 Ltd	–	8,56,959
(Secured by hypothecation of relevant vehicles acquired against the loan)		
	11,49,76,112	**20,17,66,277**

5 UNSECURED LOANS		
From Directors	25,00,000	–
	25,00,000	**–**

Schedules forming part of Accounts

(Amount in Rupees)

6 FIXED ASSETS

		GROSS BLOCK				DEPRECIATION				NET BLOCK	
Sl. No.	Description	Cost As at 01.04.2008	Additions During the year	Deductions During the year	Total Cost As at 31.03.2009	Up to 31.03.2008	For the Year	On Deductions	Upto 31.03.2009	As at 31.03.2009	As at 31.03.2008
1	Land	2,19,08,666	–	–	2,19,08,666	–	–	–	–	2,19,08,666	2,19,08,666
2	Buildings	14,46,800	–	–	14,46,800	11,791	23,583	–	35,374	14,11,426	14,35,009
3	Plant and Machinery	104,27,82,373	42,29,834	4,54,77,875	100,15,34,332	37,39,81,117	16,28,44,802	3,54,30,538	50,13,95,381	50,01,38,951	66,88,01,256
4	Electrical Fittings	1,21,210	10,800	1,11,069	20,941	1,19,493	11,282	1,11,069	19,706	1,235	1,717
5	Other Equipment	74,40,287	20,23,580	9,09,840	85,54,027	25,56,125	11,95,005	6,99,874	30,51,256	55,02,771	48,84,162
6	Furniture and Fixtures	21,74,600	1,68,555	2,76,802	20,66,353	10,03,575	93,959	2,76,802	8,20,732	12,45,621	11,71,025
7	Vehicles	1,35,14,457	292,500	9,38,358	1,28,68,599	87,76,242	5,88,201	7,19,355	86,45,088	42,23,511	47,38,215
8	Data Processing Equipment	54,74,769	4,92,834	–	59,67,603	32,72,358	6,77,375	–	39,49,733	20,17,870	22,02,411
	Total	**109,48,63,162**	**72,18,103**	**4,77,13,944**	**105,43,67,321**	**38,97,20,701**	**16,54,34,207**	**3,72,37,638**	**51,79,17,270**	**53,64,50,051**	**70,51,42,461**
	Previous Year	82,44,65,067	27,03,98,095	–	109,48,63,162	25,11,76,891	13,85,43,810	–	38,97,20,701	70,51,42,461	57,32,88,176

Schedules forming part of Accounts

(Amount in Rupees)

	As at 31.03.2009	As at 31.03.2008
7 DEFERRED TAX ASSET/(LIABILITY) (NET)		
Balance brought forward	(82,27,219)	(2,11,81,338)
Less : Adjustments for the year	2,65,47,305	1,29,54,119
(Refer Note No.13 of Schedule 21 Notes to Accounts)		
	1,83,20,086	(82,27,219)
8 INVENTORIES		
(As taken, valued and certified by the Management)		
Stores and Spares : At cost	24,44,048	34,29,807
	24,44,048	34,29,807
9 SUNDRY DEBTORS		
(Unsecured, Considered Good)		
Outstanding for a period exceeding		
Six months	8,69,70,917	2,58,78,865
Others	11,95,94,520	24,66,88,732
	20,65,65,437	27,25,67,597
10 CASH AND BANK BALANCES		
Cash on hand	64,560	6,50,292
Cash at Scheduled Banks :		
In Current Accounts	30,03,442	1,23,32,848
In Unclaimed Dividend Accounts	8,10,118	6,39,936
In Term Deposit Accounts	2,82,21,093	2,52,07,000
(Pledged towards margin money against guarantees issued by Bank)		
	3,20,99,213	3,88,30,076
11 OTHER CURRENT ASSETS		
Interest accrued on Deposits	1,14,008	2,44,674
12 LOANS AND ADVANCES		
(Unsecured, considered good, recoverable in cash or in kind or for the value to be received)		
Deposits Recoverable	11,70,182	10,04,620
Prepaid Expenses	31,64,339	28,31,704
Other Advances and Receivables	27,22,668	40,52,387
	70,57,189	78,88,711

(Amount in Rupees)

		As at 31.03.2009		As at 31.03.2008
13 CURRENT LIABILITIES				
Sundry Creditors for Capital works:				
Dues of Micro and Small Enterprises	–		–	
Dues of Enterprises other than Micro and Small Enterprises	–	–	10,92,43,406	10,92,43,406
Sundry Creditors:				
Dues of Micro and Small Enterprises	–		–	
Dues of Enterprises other than Micro and Small Enterprises	8,64,79,499	8,64,79,499	13,89,42,314	13,89,42,314
Other Liabilities		–		48,290
Investor Education and Protection Fund:				
Unclaimed Dividend		8,10,118		6,39,936
(Note:There is no amount due and outstanding to be credited to Investor Education and Protection Fund)				
		8,72,89,617		**24,88,73,946**

	As at 31.03.2009	As at 31.03.2008
14 PROVISIONS		
Provision for Employee Retirement Benefits	24,67,923	21,53,542
Provision for Fringe Benefit Tax	–	1,00,280
Provision for Income Tax (net of prepaid tax)	4,41,39,137	6,66,23,540
Proposed Dividend	76,79,751	76,79,751
Provision For Corporate Dividend Tax	13,05,174	13,05,174
	5,55,91,985	**7,78,62,287**

	Year ended 31.03.2009	Year ended 31.03.2008
15 OTHER INCOME		
Interest earned (Gross)	36,54,609	18,60,410
(Tax deducted at source Rs.808531/-)		
(Previous year Rs. 396282/-)		
Dividend Received from current investments	–	1,24,745
Gain on Foreign Currency Exchange Differences	40,11,457	7,14,111
Miscellaneous Income	2,49,534	5,10,547
Profit on Sale of Assets	9,38,417	–
Profit on Sale of Investments	–	41,420
	88,54,017	**32,51,233**

	Year ended 31.03.2009	Year ended 31.03.2008
16 SURVEY AND SURVEY RELATED EXPENSES		
Stores Consumed	1,20,96,569	1,53,76,390
Labour Charges	92,72,439	1,09,57,228
Survey and Drilling charges	21,76,63,850	26,49,32,587
Fuel	59,70,838	1,10,49,037
Equipment Hire Charges	4,25,393	32,50,691
Vehicle Hire charges	81,57,686	1,64,44,506
Technical Consultancy Charges	10,20,000	13,73,749
Repairs and Maintenance to Machinery	66,86,121	80,11,925
Camp Rental Charges	12,54,742	6,47,640
Camp Expenses	99,80,411	1,39,33,557
Transport and Handling Charges	20,73,567	42,71,996
Other Survey Expenses	26,55,931	49,02,668
	27,72,57,547	**35,51,51,974**

Schedules forming part of Accounts

(Amount in Rupees)

	Year ended 31.03.2009	Year ended 31.03.2008
17 EMPLOYEES COST		
Salaries, Wages and other benefits to staff	4,64,36,651	4,54,65,265
Contribution to Provident Fund and ESI	6,90,798	5,34,780
Workmen and Staff Welfare expenses	10,38,777	3,04,924
Employee Compensation Costs (Exclusive of Rs. 71,361/- included in Managerial remuneration) (Refer Note-5 of Schedule 21 Notes to Accounts)	6,85,498	–
	4,88,51,724	**4,63,04,969**
18 OTHER EXPENSES		
Managerial Remuneration (Refer Note-5 of Schedule 21 Notes to Accounts)	51,29,588	1,08,19,710
Directors' Sitting Fee	89,500	66,000
Rent	26,16,000	24,38,200
Printing and Stationery	11,31,297	12,17,710
Communication Expenses	10,79,276	13,56,991
Travelling and Conveyance	72,08,973	78,00,188
Payment to Auditors	7,56,850	6,40,550
Legal and Professional Charges	70,66,128	18,35,392
Insurance	29,03,465	40,10,463
Advertisement	4,09,004	2,62,611
Software and Software Maintenance Expenses	94,021	21,40,457
Taxes and licenses	9,50,620	6,60,883
Repairs and Maintenance to Other Assets	8,85,830	3,06,635
Vehicle Maintenance	5,74,871	3,58,505
Donations	2,34,711	6,61,630
Bad debts written off	6,44,160	–
General Expenses	36,06,862	37,83,008
	3,53,81,156	**3,83,58,933**
19 FINANCE CHARGES		
Interest on Fixed Loans	1,89,91,008	3,12,35,875
Interest to Others	5,23,152	2,08,298
Bank Charges and Commission	43,55,205	36,77,291
	2,38,69,365	**3,51,21,464**

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 Hydraulic Portable Drilling Rigs and MRX Boxes @31.67% per annum.

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

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

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

20 SIGNIFICANT ACCOUNTING POLICIES *(Contd.)*

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 for diminution in value of Long Term Investments in the nature of permanent, if any, is made in the accounts.

E. Inventories:

i. Stock of Stores and spares is valued at lower of cost or 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) and Fringe Benefit Tax 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.

(iv) Fringe Benefit Tax:
The Provision for fringe benefit tax is made in respect of employee benefits and other specified expenses as per the provisions of Income Tax Act, 1961.

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.

20 SIGNIFICANT ACCOUNTING POLICIES *(Contd.)*

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 is 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:**

i. Short-Term Benefits:

Short Term Employee Benefits, at the undiscounted amount in the year in which the services have been rendered, are charged off to the Profit and Loss Account.

ii Long-Term Benefits:

a. The Contributions to Provident Fund and Employee State Insurance Schemes, which are defined contribution schemes, to the relevant funds administered and managed by the Central Government of India, are charged off to the Profit and Loss Account as and when incurred. The Company has no further obligations under these plans beyond its monthly contributions.

b. Provision for Gratuity and Leave Encashment, which are defined benefit plans, is made on the basis of an actuarial valuation at the balance sheet date carried out by an independent actuary under Projected Unit Credit Method.

c. Actuarial gains / losses arises during the year are recognised in the Profit and Loss Account.

iii Terminal Benefits are recognised as an expense as and when incurred.

M. **Provisions, Contingent Liabilities and Contingent Assets:**

Provisions, involving substantial degree of estimation in measurement, are recognised when there is a present obligation as a result of past events and it is probable that there will be an outflow of resources. Contingent Liabilities, which are possible or present obligations that may but probably will not require outflow of resources, are not recognised but are disclosed in the Notes to the financial statements. Contingent Assets are neither recognised nor disclosed in the financial statements.

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:**

(Amount in Rupees)

	2008-09	2007-08
i. Towards Guarantees issued by Bank	14,00,55,010	13,56,62,354
ii. Towards claims not acknowledged as debts by the Company	–	4,87,397
iii. Income Tax demands dispute by the Company	16,57,548	–

3. There are no dues to the Micro and Small Enterprises as on 31.03.2009.

4. **Share Warrants Issued under preferential allotment:**

550000 Share Warrants of Rs.429.62 p each have been allotted to Promoters, with due consent of the members and relevant authorities, which entitles for conversion of each warrant into one equity share of Rs.10/- each at a premium of Rs.419.62p within a period of 18 months from the date of allotment. 1,74,900 warrants have been converted into equity shares of the Company in the year 2007-08. As the allotees of remaining 3,75,100 warrants forfeited their right to exercise the conversion of warrants, the allotment money received on these warrants of Rs.1,61,18,047/- has been forfeited as per the guidelines applicable to the issue of warrants.

5. **Employee Stock Option Scheme:**

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

20 SIGNIFICANT ACCOUNTING POLICIES *(Contd.)*

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.756859/- has been amortised.

The Movement of Stock Options during the year is as detailed below:

	Nos
At the beginning of the year	NIL
Granted during the year	70,000
Expired/Forfeited during the year	NIL
Exercised during the year	NIL
At the end of the year	70,000

6. **Details of Payments to Auditors:** (Amount in Rupees)

(Net of Service Tax)	2008-09	2007-08
As Auditors	3,00,000	3,00,000
For Tax Audit	1,50,000	1,00,000
For Income Tax Matters	50,000	50,000
For Other Matters	2,25,000	1,58,500
Out of Pocket Expenses	31,850	32,050
	7,56,850	**6,40,550**

7. **Managerial Remuneration:** (Amount in Rupees)

	2008-09	2007-08
(i) Managing Director's Remuneration:		
Salary and Allowances	24,00,000	24,00,000
Commission	13,44,320	71,34,469
Perquisites	10,25,907	9,97,241
Contribution to Provident Fund	2,88,000	2,88,000
	50,58,227	**1,08,19,710**
(ii) Other Non Whole Time Directors:		
ESOP Compensation Costs	71,361	NIL

(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, 2009:

Profit as per Profit and Loss Account		9,68,83,875
Add: Managerial Remuneration	51,29,588	
Directors Sitting Fees	89,500	
Depreciation as per Books of Accounts	16,54,34,207	17,06,53,295
		26,75,37,170
Less: Profit on Assets	9,38,417	
Depreciation as specified u/s.350	16,54,34,207	16,63,72,624
		10,11,64,546
Commission being @ 5% of the above		50,58,227
Commission payable limited to		13,44,320

8. **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

9. **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 as given below:

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

1. **Key Management Personnel:**
   Sri A. Dinesh

2. **Relatives of Key Management Personnel:**
   Smt A. Kamala
   Sri A. Rajesh
   Sri A. Rajesh (HUF)
   Sri A. Dinesh (HUF)

3. **Companies in which the Relatives of Key Management Personnel has substantial Interest:**
   Aquila Drilling Private Limited
   IIC Technologies Private Limited

ii. **Details of Transactions:**

(Amount in Rupees)

		2008-09		2007-08	
S.No	Nature of Relation/ Nature of Transactions	Amount of Transaction	Amount outstanding as on 31.03.2009	Amount of Transaction	Amount outstanding as on 31.03.2008
1.	**Key Management Personnel:**				
	Remuneration	50,58,227	16,40,387	1,08,19,710	71,96,925
	Interest on Deposit	42,370	38,006	48,053	–
	Acceptance of Deposit	25,00,000	25,00,000	64,50,000	–
	Repayment of Deposit	–	–	64,50,000	–
	Share Warrants Allotted / (Forfeited) (Nos.)	(1,41,600)	–	1,50,000	1,41,600
	Share warrants Money Received	–	–	97,00,000	6,640
	Share Warrants Money Refunded/ (Forfeited)	(60,84,552)	–	62,50,000	–
	Issue of Equity Share Capital	–	–	36,08,808	–
	Purchase of Fixed Assets	–	–	49,65,650	–
2	**Relatives of the Key Management Personnel:**				
	Rent	2,64,000	74,404	1,95,300	–
	Sitting Fees	21,500	–	17,500	–
	Share Warrants Allotted / (Forfeited) (Nos.)	(2,000)	–	80,000	2,000
	Issue of Equity Share Capital	–	–	3,35,10,360	–
	Share Warrants Money Received	–	–	3,36,06,875	10,575
	Share Warrants Money Refunded/ (Forfeited)	(85,940)	–	1,59,00,450	–
	Purchase of Fixed Assets	–	–	1,50,35,650	–

21 NOTES TO ACCOUNTS *(Contd.)*

ii. **Details of Transactions:**

(Amount in Rupees)

S.No	Nature of Relation/ Nature of Transactions	2008-09 Amount of Transaction	2008-09 Amount outstanding as on 31.03.2009	2007-08 Amount of Transaction	2007-08 Amount outstanding as on 31.03.2008
3	**Companies in which Relative of the Key Management Personnel has Substantial Interest:**				
	Drilling Charges	6,17,20,000	1,61,53,151	11,09,87,790	3,50,48,363
	Acceptance of Deposit	–	–	1,00,40,000	–
	Repayment of Deposit	–	–	1,00,40,000	–
	Interest on Deposit	–	–	72,190	–
	Share Warrants Allotted / (Forfeited) (Nos.)	(2,31,500)	–	3,20,000	2,31,500
	Share warrants Money Received	–	–	4,80,00,000	31,075
	Share Warrants Money Refunded/ (Forfeited)	(99,47,555)	–	53,50,000	–
	Issue of Equity Share Capital	–	–	3,80,21,370	–

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	2008-09	2007-08
Remuneration	Sri. A. Dinesh	50,58,227	1,08,19,710
Interest On Deposit	Sri. A. Dinesh	42,370	48,053
	Aquila Drilling Private Ltd	–	54,157
	IIC Technologies Private Ltd	–	18,033
Acceptance of Deposits	Sri. A. Dinesh	25,00,000	64,50,000
	Aquila Drilling Pvt Ltd	–	60,40,000
	IIC Technologies Pvt Ltd	–	40,00,000
Repayment of Deposits	Sri. A. Dinesh	–	64,50,000
	Aquila Drilling Pvt Ltd	–	60,40,000
	IIC Technologies Pvt Ltd	–	40,00,000
Share Warrants Allotted/(Forfeited)(Nos.)	Sri. A. Dinesh	(1,41,600)	1,50,000
	Smt. A. Kamala	(2,000)	80,000
	Aquila Drilling Pvt Ltd	(2,31,500)	3,20,000
Share warrants Money Received	Sri. A. Dinesh	–	97,00,000
	Smt. A. Kamala	–	3,36,06,875
	Aquila Drilling Pvt Ltd	–	4,80,00,000
Share Warrants Money Refunded/Forfeited	Sri. A. Dinesh	(60,84,552)	62,50,000
	Smt. A. Kamala	(85,940)	1,59,00,450
	Aquila Drilling Pvt Ltd	(99,47,555)	53,50,000
Issue of Equity Share Capital	Sri. A. Dinesh	–	36,08,808
	Smt. A. Kamala	–	3,35,10,360
	Aquila Drilling Pvt Ltd	–	3,80,21,370
Purchase of Fixed Assets	Sri. A.Dinesh	–	49,65,650
	Sri. A.Rajesh	–	49,20,050
	Sri A. Dinesh (HUF)	–	50,57,800
	Sri A.Rajesh (HUF)	–	50,57,800
Drilling Charges	Aquila Drilling Pvt Ltd	6,17,20,000	11,09,87,790
Rent	Sri A. Dinesh (HUF)	2,64,000	1,95,300
Sitting Fees	Sri. A.Rajesh	21,500	17,500

Schedules forming part of Accounts

21 NOTES TO ACCOUNTS *(Contd.)*

10. Leases:

i. The Company has various operating lease 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. 26,16,000/- (Previous Year Rs.24,38,200/-)

ii. The Company has taken certain Vehicles under Finance lease under non-cancellable terms. The details of the leases are:

(Amount in Rupees)

Nature of the Asset	Vehicles	
	2008-09	2007-08
Present Value of the Lease	NIL	8,56,959
Total outstanding Minimum Lease payments	NIL	8,88,000
- Not later than one year	NIL	8,57,250
- Later than one year and not later than five years	NIL	30,750
- Later than five years	NIL	NIL

11. Employee Benefits:

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

i. **Defined Contribution Schemes:**

Contributions to Defined Contribution Schemes charged off are as under:

(Amount in Rupees)

	2008-09	2007-08
Employer's Contribution to Provident Fund	2,70,048	2,21,741
Employer's Contribution to Pension Scheme	6,12,942	5,03,299
Employer's Contribution to State Insurance Scheme	12,270	15,552

ii. **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)	
	2008-09	2007-08	2008-09	2007-08
a. Reconciliation of opening and closing balances of Defined Benefit obligation:				
At the beginning of the year	18,57,458	12,71,076	2,96,084	8,06,631
Current Service Cost	1,22,172	2,02,111	28,486	91,012
Interest Cost	1,48,597	1,01,736	23,686	NIL
Actuarial (gain)/loss	2,04,511	3,02,501	(1,39,058)	(6,01,559)
Benefits paid	(65,308)	(20,596)	(8,705)	NIL
At the end of the year	22,67,430	18,57,458	2,00,493	2,96,084
b. Expenses recognised during the year				
Current Service Cost	1,22,172	2,02,111	28,486	91,012
Interest Cost on benefit obligation	1,48,597	1,01,736	23,686	NIL
Actuarial (gain)/loss	2,04,511	3,02,501	(1,39,058)	(6,01,559)
Net benefit expense	4,75,280	6,06,348	(86,886)	(5,10,547)
c. Actuarial assumptions:				
Mortality Table (L.I.C)	**1994-96 (Ultimate)**	**1994-96 (Ultimate)**	**1994-96 (Ultimate)**	**1994-96 (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%

21 NOTES TO ACCOUNTS *(Contd.)*

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.

21 NOTES TO ACCOUNTS *(Contd.)*

12. Earnings Per Share (EPS):

(Amount in Rupees)

		2008-09	2007-08
The Numerator and Denominator used to calculate Earnings Per Share:			
A	**Earnings:**		
	Profit attributable to Equity Shareholders	5,95,86,787	12,64,81,724
B	**No. of Shares:**		
	Weighted average number of Equity shares outstanding during the year (Nos.) - Basic	51,19,834	49,77,321
Add:	Weighted average number of equity shares arising out of outstanding stock options that have diluting effect on Earnings Per Share (Nos.)	14,000	NIL
	Weighted average number of Equity Shares outstanding during the year (Nos.) - Diluted	51,33,834	49,77,321
	Nominal Value of Equity Share	10	10
C.	**Earnings Per Share:**		
	Earnings Per Share – Basic	11.63	25.41
	Earnings Per Share – Diluted	11.60	25.41

13. Deferred Income Tax:

The movement of Provision for Deferred Tax for the year ended 31.03.2009 is as given below: (Amount in Rupees)

Particulars	Liability/(Asset) As at 01.04.2008	Charge/ (Credit) For the year	Liability/(Asset) As at 31.03.2009
Depreciation on Assets	1,17,18,588	(2,60,29,379)	(1,43,10,791)
Expenses allowable on the basis of Payment	(34,91,369)	(5,17,926)	(40,09,295)
Total	**82,27,219**	**(2,65,47,305)**	**(1,83,20,086)**

14. Derivative Instruments:

i. There are no foreign currency exposures that are covered by derivative instruments as on 31.03.2009 (As on 31.03.2008-Rs.NIL).

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

(Amount in Rupees)

Particulars	As on 31.03.2009		As on 31.03.2008	
	Amount in Foreign Currency USD	Equivalent Amount in Indian Currency Rs.	Amount in Foreign Currency USD	Equivalent Amount in Indian Currency Rs.
Liabilities for acquiring fixed assets	–	–	27,33,135	10,92,43,406
Liabilities for Supplies and Services	24,466	12,46,529	1,86,220	74,43,213
Receivables	14,03,825	7,15,08,776	19,79,693	7,91,28,331

Schedules forming part of Accounts

21 NOTES TO ACCOUNTS *(Contd.)*

15. Additional information pursuant to the provisions of part – II of Schedule VI of the Companies Act, 1956:

	2008-09	2007-08
A. Details of Capacities and Production:		
(i) Licensed Capacity:	N.A	N.A
(ii) Installed Capacity:		
For 2D Seismic Survey Operations	1,400 GLK	1,400 GLK
For 3D Seismic Survey Operations	750 Sq. Kms	750 Sq. Kms
(As certified by the Management but not verified by the Auditors being technical matter)		
(iii) Actual Production:		
2D - Seismic Survey Operations	223.57GLK	307.98 GLK
3D - Seismic Survey Operations	387.21 Sq. Kms	580.37 Sq. Kms

	2008-09		2007-08	
	QTY	Amount	QTY	Amount
B. Turnover:				
2D Seismic Survey and Related services	223.575 GLK	7,63,92,325	307.98 GLK	24,04,86,342
3D Seismic Survey and Related services	387.21 Sq. Kms	56,24,31,532	580.37 Sq.Kms	57,52,52,064
		63,88,23,857		81,57,38,406
C. C.I.F. Value of Imports:				
Equipment		36,95,801		24,14,07,837
Stores and Spares		45,62,329		49,53,784
Computer Software and service charges		15,526		11,98,422
D. Expenditure in Foreign currency:				
(On accrual basis)				
Salaries and Allowances (net of tax)		1,10,57,185		1,48,67,273
Traveling Expenses		6,79,473		9,85,100
Others		8,29,513		NIL
E. Earnings in Foreign Exchange:				
Seismic Survey and other related Services		–		12,38,22,396
F. Remittance of Dividend in Foreign Currency:				
No. of Shareholders		8		12
No. of shares-held				
(Equity shares of Rs.10/- each)		37,516		5,77,267
Amount of Dividend (net of tax)		56,274		8,65,901

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

For and on behalf of the Board of Directors

A. Dinesh
Managing Director

Z. P. Marshall
Director

Hyderabad
June 29, 2009

P. V. R. K. Nageswara Rao
Partner

Sudhir Kumar
Chief Financial Officer

Sachin Guha
Company Secretary

Schedules forming part of Accounts

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 2009		

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	660168	Total Assets	660168

Sources of Funds:

Paid up capital	51334	Reserves & Surplus	491358
Secured loans	114976	Unsecured loans	2500

Application of Funds

Net fixed assets	536450	Investments	NIL
Deferred tax Asset	18320	Net current Assets	105398
Miscellaneous expenditure	NIL	Accumulated losses	NIL

Performance of the Company (Rs. '000)

Turnover	647677	Total expenditure	550794
Profit before tax	96883	Profit after tax	59547
Earnings per share (Rs.)	11.63	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

For and on behalf of the Board of Directors

A. Dinesh
Managing Director

Z. P. Marshall
Director

Hyderabad
June 29, 2009

P. V. R. K. Nageswara Rao
Partner

Sudhir Kumar
Chief Financial Officer

Sachin Guha
Company Secretary

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