



Report  junction.com

**Seventeenth
Annual Report
2003 - 2004**

Spearheading India's Search for Oil

BOARD OF DIRECTORS

Sri U.V.Warlu	Chairman
Sri A.Rajesh	Director
Sri A.Dinesh	Managing Director
Sri S.Ravula Reddy	Director
Sri P.K.Reddy	Alternate Director to Sri S.Ravula Reddy
Sri Z.P.Marshall	Director

AUDITORS : **M/s.P.V.R.K.Nageswara Rao & Co.,**
Chartered Accountants
109, Metro Residency, Rajbhavan Road
Somajiguda, Hyderabad – 500 482

BANKERS : **State Bank of India**
Commercial Branch, Koti
Hyderabad – 500 095

REGD. OFFICE : 802, Babukhan Estate
Basheerbagh
Hyderabad – 500 001

**REGISTRAR AND
TRANSFER AGENTS** : **M/s Sathguru Management Consultants Pvt. Ltd.**
Plot no. 15 , Hindi nagar colony,
Behind Sai Baba temple, Punjagutta,
Hyderabad – 500 034.

Names of Stock Exchanges : Madras, Delhi and Mumbai.
where the Shares of the
Company are listed

NOTICE OF ANNUAL GENERAL MEETING

NOTICE is hereby given to all the Members of the Company that the Seventeenth Annual General Meeting of ALPHAGEO (INDIA) LIMITED will be held at **Sundarayya Vignana Kendram, Baghlingampally, Hyderabad 500 044** on Thursday the 30th September, 2004 at 11.00 A.M to transact the following business:

AS ORDINARY BUSINESS:

1. To receive, consider and adopt the audited Balance Sheet as at 31st March, 2004 and the Profit and Loss Account for the year ended on that date along with the Reports of the Directors and Auditors thereon.
2. To appoint a Director in place of Mr. A.RAJESH, who retires by rotation, and being eligible offers himself for reappointment.
3. To appoint a Director in place of Mr. S.RAVULA REDDY, who retires by rotation, and being eligible offers himself for reappointment.
4. To appoint Auditors for the current year and fix their remuneration and for that purpose to pass the following resolution with or without any modifications as ORDINARY RESOLUTION.

"RESOLVED that M/s.P.V.R.K.Nageswara Rao & Co., Chartered Accountants, Hyderabad be and are hereby reappointed as Auditors of the Company to hold the office from the conclusion of this Annual General Meeting of the Company till the conclusion of the next Annual General Meeting at such remuneration as may be decided by the Board of Directors of the Company".

By Order of the Board

HYDERABAD
31.07.2004

A.DINESH
Managing Director

NOTES:

1. A MEMBER ENTITLED TO ATTEND AND VOTE AT THE MEETING IS ENTITLED TO APPOINT A PROXY TO ATTEND AND VOTE INSTEAD OF HIMSELF AND SUCH PROXY NEED NOT BE A MEMBER OF THE COMPANY. THE INSTRUMENT APPOINTING A PROXY SHOULD HOWEVER BE DEPOSITED AT THE REGISTERED OFFICE OF THE COMPANY NOT LESS THAN 48 HOURS BEFORE COMMENCEMENT OF THE MEETING.
2. The register of members and share transfer books of the company will remain closed from 24.09.2004 to 30.09.2004 (both days inclusive).

REAPPOINTMENT OF DIRECTORS

The information pertaining to the Directors retiring by rotation and seeking reappointment :

i) Mr A.RAJESH

Mr.A.Rajesh is a graduate in Mechanical Engineering and a post graduate in Computer sciences and robotics from Carnegie Mellon University, Pittsburg, USA – a premier institute for Artificial Intelligence research. After his graduation, he worked in The Robotics Institute, Carnegie-Mellon University. He specialized in Image Processing, Computer Vision and Robotics.

Mr.Rajesh is the founder of IIC Technologies Private Limited. He is one of the pioneers of Automated Digitizing and Recognition of hard copy documents in the Conversion industry. He has developed numerous Pattern Recognition and Artificial Intelligence Algorithms for automated vectorisation and feature attributisation of contours, point symbol recognition and text identification. He is also an alumnus from Indian Institute of Management, Ahmedabad, India.

Mr.A.Rajesh was also one of the founders of AUDRE, Inc., an American and world leader



in Automated Document Conversion Systems development, with systems in Australia, Singapore, Italy, Germany and China. He has developed interfaces to various GIS systems and was on the National Institute of Standards and Technology (NIST), U.S.A., Raster Image File Format (CALS) standards committee. He is also a consultant to various GIS Companies and Institutions for the implementation of Raster Technologies into their Data Conversion and Capture Systems. He is also an advisor to GEOMAP Society, India which brings out the GIS Today publication.

ii) **Mr S.RAVULA REDDY**

Mr.S.Ravula Reddy is a resident of USA. He is a post-graduate in Geophysics and is the

Chief Geophysicist and President of Alphageo Inc. Mr.Ravula has wide global experience in data acquisition, data processing and data interpretation in several countries including those in Africa and Middle East. He has published several papers on the subject and is a veteran in the field of geophysical exploration. He has been on the Board since inception of the company.

By Order of the Board

HYDERABAD
31.07.2004

A.DINESH
Managing Director

Report  Junction.com

DIRECTORS' REPORT

Dear Members,

Your Directors are pleased to present their Seventeenth Annual Report together with the Audited Accounts of the Company for the year ended 31st March 2004.

FINANCIAL RESULTS:

	2003 – 2004		2002 – 2003	
	Rs.	Rs.	Rs.	Rs.
Profit before				
Finance charges and				
Depreciation		6,80,98,460		3,90,74,686
Less: Finance Charges	39,00,754		55,21,957	
Depreciation	1,23,01,321		1,17,53,799	
		1,62,02,075		1,72,75,756
Profit before tax		5,18,96,385		2,17,98,930
Less: <u>Provision for Taxation</u>				
Current Tax	41,50,000		17,20,000	
Deferred Tax	1,76,50,979		81,22,381	
Income tax adjustments of earlier years	15,482		39,099	
		2,18,16,461		98,81,480
Profit after tax		3,00,79,924		1,19,17,450
Less: Loss brought forward		(1,76,75,668)		(2,95,93,118)
Balance of Profit/(Loss) carried to Balance Sheet		1,24,04,256		(1,76,75,668)

OPERATIONS:

Your Directors wish to inform that during the year your Company has earned a gross income of Rs. 1674.78 lakhs on account of seismic survey and other related services as against Rs. 985.67 lakhs for the previous year.

Due to the improved performance during the year, your Company has earned a profit of Rs.680.98 lakhs (before providing for Interest and Depreciation of Rs. 162.02 lakhs) during the year as against 390.75 lakhs in previous year.

The improved performance has resulted in writing off the carried forward losses as on 31.03.2003 amounting to Rs.176.75 lakhs and also a surplus of Rs.124.04 lakhs as on 31.03.2004.

BUSINESS PLAN:

During the year under review, your company has successfully completed the Seismic Data Acquisition, Processing and Interpretation Contract awarded by the Directorate General of Hydrocarbons for work in the Chambal Valley covering the states of Madhya Pradesh and Rajasthan. The Company has also completed the pending work of Processing and Interpretation of the Seismic data acquired in the Ganga Valley area in Bihar against the earlier contract with Directorate General of Hydrocarbons.

The Company has successfully completed the Phase III of its contract entered into with Oil India Limited for Seismic Data Acquisition along the foothills of the Himalayas. An additional volume of 60 GLK of Seismic data acquisition has been awarded under the same contract and has been completed during the first quarter of the financial year ending March, 2005.

The contract for Seismic Data Processing and Interpretation of the Ganga Valley data is in progress and is expected to be completed during the year 2004-05. Out of the estimated contract value of Rs.122.00 lakhs, an amount of Rs.4.26 lakhs has been earned as income during the year under review.

The contract entered into with Oil India Limited for Seismic data Processing and Interpretation of Seismic Data of the Cuttack Basin in the state of Orissa and is expected to be completed during the year 2004-05.

Your company is glad to inform you that during the year under review, the company has been awarded a Contract for Seismic data Acquisition in the state of Assam by a Canadian Company. This contract was commenced during the year under review and has been successfully completed during the first quarter of the financial year ending March, 2005. The contract value was approx. Rs.460.00 Lakhs.

A contract was also awarded by Oil India Limited for undertaking Seismic data Acquisition in the State of Assam for an estimated value of Rs.900.00 lakhs. The operations under the contract have commenced in the month of February and the work is expected to be completed during the year 2004-05. During the year under review, your company has completed acquisition to the extent of Rs.304.72 Lakhs.

A second contract has been awarded by Oil India Limited for Seismic data Acquisition, Processing and Interpretation of 2D seismic data in the state of Rajasthan. The job is expected to commence during the 2nd quarter of 2004-05 and is likely to be completed during the financial year ending March, 2005. The estimated value of the contract is Rs.900.00 lakhs.

Your company foresees some additional opportunities during the coming years as a result of more private sector participation in the petroleum sector.

DIRECTORS:

Two Directors namely Mr. A.RAJESH and Mr. S.RAVULA REDDY will retire by rotation as Directors at the ensuing Annual General Meeting and being eligible, offer themselves for reappointment.

AUDITORS' REPORT:

With reference to the comments of Auditors in respect of non recognition of foreign exchange gain in respect of amounts receivable from debtors, your Directors wish to inform that as the amounts receivable are under dispute, the same is not recognised.

CORPORATE GOVERNANCE, MANAGEMENT DISCUSSION AND ANALYSIS

The reports on Corporate Governance, Management Discussion and Analysis are included as a part of the Annual Report.

DEPOSITS:

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

AUDITORS:

The Auditors, M/s. P.V.R.K. Nageswara Rao & Co., Chartered Accountants, Hyderabad retire and are eligible for reappointment.

DIRECTORS RESPONSIBILITY STATEMENT

Your Directors confirm that

- (i) The applicable accounting standards have been followed in preparation of the annual accounts;
- (ii) The accounting policies selected were applied consistently and the judgments and estimates made are reasonable and prudent so as to give a true and fair view of the state of affairs



of the Company as at 31st March, 2004 and its profit for the year ended on that date ;

- (iii) Proper and sufficient care has been taken for the maintenance of adequate accounting records in accordance with the provisions of the Companies Act, 1956 for safeguarding the assets of the Company and for preventing and detecting fraud and other irregularities ; and
- (iv) The annual accounts have been prepared on a going concern basis.

DISCLOSURE OF PARTICULARS:

Information as per the Companies (Disclosure of particulars in the Report of Board of Directors) Rules, 1988 relating to Conservation of Energy, Technology absorption, Foreign Exchange earnings and outgo are given in Annexure -I forming part of this report.

PARTICULARS OF EMPLOYEES:

Your Directors wish to inform you that during the year there was no employee who was in receipt of remuneration of not less than Rs.24.00 lakhs per annum if employed through out the year or not less than Rs.2,00,000/- per month if employed for any part of the year.

ACKNOWLEDGEMENTS:

Your Directors place on record their appreciation of the cooperation and support extended by the State Bank of India the Bankers of the Company and place on record their appreciation of the services rendered by all the Executives, Staff and workmen of the Company.

For and on behalf of the Board

HYDERABAD
31.07.2004

U.V.WARLU
Chairman

ANNEXURE - I

INFORMATION AS REQUIRED 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	:	Rs. 14,41,89,758/-
e.	<u>Foreign exchange outgo towards :</u>		
	Travelling Expenses	:	Rs. 2,37,750/-
	Technician Consultancy and service Charges (Net of TDS)	:	Rs. 24,04,306/-
	Interest on Deposits (Net of TDS)	:	Rs. 14,55,083/-
	Others	:	Rs. 50,061/-
	Stores and Spares	:	Rs. 1,15,65,236/-
	Computer Software and service charges	:	Rs. 15,24,487/-
	Equipment	:	Rs. 3,20,25,888/-

For and on behalf of the Board

HYDERABAD
31.07.2004

U.V.WARLU
Chairman



MANAGEMENT'S DISCUSSION AND ANALYSIS REPORT

Overview of the Company

The Company was incorporated as a Private Limited Company on July 1, 1987 under the Companies Act 1956, and was later converted into a Public Limited Company on November 9, 1989.

The objective of the company was to render services to the Oil Exploration Companies. Over the years, the company has grown to be the largest Indian private sector company offering services in the fields of seismic data acquisition, data processing and data interpretation.

Review of operations and financial performance

During the year your company has been conducting Seismic Data Acquisition contracts for clients, namely – Oil India Limited (OIL) for GVP Project, Directorate General of Hydrocarbons (DGH) for Madhya Pradesh project, Oil India Limited (OIL) for Assam project and for a Canadian Company at Jorhat. Income from OIL GVP Project was Rs.458.16 lakhs, income from DGH was Rs.620.17 lakhs, income from Oil India Limited Assam project was Rs.304.72 lakhs and income from Canadian Company was Rs.195.84 lakhs. The contract for data acquisition with OIL is continuing while the contract with DGH has been completed.

Your company is also currently executing four contracts for Seismic data processing and interpretation. Out of the above, your company has completed data processing and interpretation jobs valued at Rs. 95.89 lakhs.

During the year the company has achieved a total turnover of Rs.1674.78 lakhs and a profit of Rs.300.80 lakhs after providing for taxation of Rs.218.16 lakhs.

Opportunities & Threats

The Government of India's continued emphasis on increasing the National Oil production and the farming out of more Oil fields to the private Oil companies in the fourth round of National Exploration & Licensing Policy (NELP) has contributed to intense activity in the area of oil

exploration. The participation of the private player's in the oil industry will widen the clientele base of your company, as each private player is a potential client of your company. The market for three dimensional seismic surveys is growing and is expected to show exponential growth in the coming few years.

However with the increase in exploration activity, the competition has also increased in the form of companies of the erstwhile Soviet Bloc entering the fray. The need of the hour is to deliver international quality at international standards of work culture to take on the competition. The improvement of quality is an ongoing process and your company has developed quality systems and work culture to match the best in Industry. Your company has addressed the need to upgrade technology and train its personnel to cater to the growing market of three dimensional surveys and expects to be an active player in this area of seismic survey in the next few years to come.

Segmentwise/ Productwise performance

The Company has only one segment-namely seismic services-encompassing all facets of the seismic field i.e. data acquisition, data processing and data interpretation. The performance of your company in all these areas has been commendable.

Outlook for the Company

The increase in the number of companies (both Indian and Foreign) entering into the Oil Exploration and production business has resulted in increased activity in seismic surveys, many fold. The general policy of Oil Majors concentrating on core activity of production and contracting out the other services like seismic surveys, implies more opportunities in the core business area of your company. This scenario of growth in seismic surveys is expected to continue in the years to come, considering Government of India's aggressive policy to increase India's oil production in view of the upward spiral in global oil prices.

RISKS AND CONCERN

With the market of seismic surveys showing phenomenal growth, the competition is also increasing. The entry of cost competitive seismic companies of East Europe into the Indian market



is a matter of concern as most of these jobs are tendered and awarded to the lowest bidder. A majority of the jobs in the future are likely to be in the form of 3D seismic surveys, an area in which your company has no experience and is in the process of venturing into.

Internal control systems and their adequacy

The system of Internal Controls is adequate given

the size and nature of operations.

Cautionary statement

Your company is dependent on work based on tendering procedures. Any change in Government policies affecting the Oil & Gas Exploration sector can effect the performance of the Company.

REPORT ON CORPORATE GOVERNANCE

1. Philosophy on Corporate Governance

The Board of Directors and Management of **ALPHAGEO (INDIA) LIMITED** believes in good Corporate Governance imbuing transparency, empowerment, accountability and integrity in its operations. This philosophy is the guiding force in the functioning of the Company.

2. Board of Directors

The Board of Directors of the company as on 31st March, 2004 consisted of

a. Non Executive Directors

- i. Mr.U.V Warlu - Chairman & Independent Director
- ii. Mr.Z.P.Marshall - Independent Director
- iii. Mr.S.Ravula Reddy - Independent Director
- iv. Mr.P.K.Reddy - Independent Director
(Alternate Director to Mr.S.Ravula Reddy)
- v. Mr.A.Rajesh - Non Executive Director
- b. Executive Director - Mr.A.Dinesh

c. Attendance at Board Meeting and Last Annual General Meeting and details of memberships of Directors in other Boards and Board committees.

Six meetings of the Board were held during the financial year ended 31st March, 2004 on 30th June 2003, 31st July 2003, 19th September, 2003, 31st October, 2003, 17th December, 2003, and on 30th January, 2004.

The last Annual General Meeting was held on 19th September, 2003.

Name of the director	No. of board meetings attended	Whether attended last AGM	Memberships as on 31 st March, 2004	
			other boards board	other committees
Mr.A. DINESH	5	Yes	--	--
Mr.A. RAJESH	4	Yes	2	3
Mr.P.K.REDDY	6	Yes	2	--
Mr.U.V.WARLU	6	No	4	3
Mr.Z.P.MARSHALL	6	Yes	--	3
Mr.RAVULA REDDY		No	1	NIL

There is no change in the composition of the Board of the Directors since the last Annual General Meeting

3. Board level committees

a) Audit committee

Constitution : As a measure of good corporate governance and to provide assistance to the Board of Directors in fulfilling the Board's oversight responsibilities, an Audit Committee has been constituted as Sub Committee to the Board.

Composition, names of members and chairperson :

The composition of the Audit Committee is as follows:

Chairman	Mr. U.V.Warlu	- Non Executive & Independent Director
Members	1. Mr. Z.P.Marshall	- Non Executive & Independent Director
	2. Mr. A.Rajesh	- Non Executive Director

The Audit Committee shall review the following

- a. Oversight of the company's financial reporting process and the disclosure of its financial information to ensure that the financial statement is correct, sufficient and credible.
- b. Recommending the appointment and removal of external auditor, fixation of audit fee and also approval for payment for any other services.
- c. Reviewing with management the annual financial statements before submission to the Board, focusing primarily on;
 - Any changes in accounting policies and practices.
 - Major accounting entries based on exercise of judgement by management.
 - Qualifications in draft audit report.
 - Significant adjustments arising out of audit.
 - The going concern assumption.
 - Compliance with accounting standards.
 - Compliance with stock exchange and legal requirements concerning financial statements.
 - Any related party transactions i.e. transactions of the company of material nature, with promoters or the management, their subsidiaries or relatives etc. that may have potential conflict with the interests of company at large.
- d. Reviewing with the management, external auditors, the adequacy of internal control systems.
- e. Discussion with external auditors before the audit commences nature and scope of audit as well as have post-audit discussion to ascertain any area of concern.
- f. Reviewing the company's financial and risk management policies.
- g. To look into the reasons for substantial defaults in the payment to the depositors, debenture holders, shareholders (in case of non payment of declared dividends) and creditors.
- h. Reviewing the Company's financial and risk management policies.
- i. It shall have full access to information contained in records of the company and external professional advice if necessary.
- j. The recommendations of the audit committee on any matter relating to Financial Management including Audit Report shall be binding on the Board.