



16th
Annual Report
2008-2009

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**ASIAN OILFIELD
SERVICES LTD.**

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Board of Directors

Mr. Satya Pal Talwar	Chairman
Mr. Krishna Kant	Executive Vice Chairman
Mr. Avinash Manchanda	Managing Director
Mr. Dali E. Ilavia	Independent Director
Mr. Vikram Walia	Independent Director
Mr. Sumeet Narang	Investor Director
Mr. Rameshwarlal B. Kabra	Independent Director
Mr. Anand Prakash Agrawal	Independent Director
Mr. Vaibhav Maloo	Promoter Director
Mr. Gautam Gode	Independent Director

Company Secretary

Mr. Mukesh Khanna

Auditors

M/s. Deloitte Haskins & Sells
Chartered Accountants
Vadodara.

Bankers

State Bank of India
AXIS Bank Ltd.
Central Bank of India

Registered Office

7th Floor, B-Wing, Manubhai Tower
Sayajigunj, Vadodara – 390 020
Phone : 0265 - 2362071 E-mail : secretarial@asianoilfield.com

Registrar and Share Transfer Agent

Link Intime India Pvt. Ltd.
1st Floor, 308, Jaldhara Complex, Nr. Manisha Society
Off. Old Padra Road, Vasna Road, Vadodara – 390 015
Phone : 0265 - 2250241 E-mail : vadodara@linkintime.co.in

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Letter to Shareholders



Dear Fellow Shareholders,

I am pleased to share with you the fact that despite a general slowdown in the Indian economy in 2008 driven by global financial crisis, your Company achieved fairly good results. The total revenue of your Company stood at Rs. 641 million, having grown by 34% compared to previous year. This is the fifth year in a row that your Company has shown commendable growth in revenues, clocking 69% CAGR over the last five years.

There were however, hurdles also. Unexpected suspension of one of the key projects hit the margins and returns of your Company. Net profit declined to Rs. 53 million as compared to Rs. 96 million in the previous year, while EBITDA declined from Rs. 167 million in the previous year to Rs. 127 million in the current year.

During the financial year in review, your Company scaled up its operation substantially, both in terms of tangible and intangible assets. We increased the number of our employees by 25% and the gross block of fixed assets by 28%. Skilled manpower is in shortage in oilfield services and therefore it is a challenge to increase the headcount. Nevertheless, we succeeded in adding some talented and experienced people who will surely prove to be an asset. However, to be in a position to grab the opportunities likely to come up in near future in the oilfield services sector, we shall hire more qualified people. By increasing our human resource strength we wish to enhance our presence across the value chain of oilfield services sector.

One positive factor in your Company is that it is debt free and has a strong cash position. We shall leverage this cash reserve to tap the most exciting growth opportunities in the sector.

The other significant development during last fiscal was that AOSL Petroleum PTE Ltd, Singapore - a 100% owned subsidiary of your Company made strategic investment of USD 4.99 million in Ensearch Petroleum Limited. The investment is in the form of optionally convertible debentures and would be converted into equity shares based on achievement of certain predetermined milestones. Through this investment your Company has created strategic interest in 10 oil and gas blocks having fairly good prospects of hydrocarbons discovery. By virtue of this association, AOSL is expected to reap benefits of business opportunities in its core area of seismic data acquisition as well.

As I look forward, I perceive challenges, but we are well on our way to consolidate ourselves as an established oilfield services player. In 2010 we anticipate to continue our good performance in net sales and earnings. All the elements for success are in place: resources, creative thinking, determination to succeed through an even greater focus on our customers, as well as a competent management team that is distinguished by ambition and integrity.

I take this opportunity to thank you all for your consistent support and patronage. I would also like to sincerely thank our customers, employees, suppliers, financiers and other business associates for their support to the Company. I look forward to their continued assistance. We will continue to work for the enhancement of stakeholder's value and shall remain committed to justifying the faith and trust you have reposed in us.

Sincerely,

Krishna Kant
Executive Vice Chairman
Asian Oilfield Services Limited

About Us

VISION

To emerge as India's leading E&P service providers through the adherence of international quality standards

MISSION

To become an end to end service provider for both national and international exploration companies

Company Background

Asian Oilfield Services Limited (AOSL) was incorporated in 1992 by Shri Avinash Manchanda, a B.Tech from I.I.T Kharagpur along with a group of technocrats, with an objective to provide services to the Oil and Gas Exploration companies. The Company at present provides seismic data acquisition, processing and interpretation services to Oil and Gas Exploration companies in India. Through this critical service, the Company has helped its clients locate crude oil deposits with speed & accuracy, and in turn become a partner in India's quest for hydrocarbons. AOSL banks on the rich experience of well-qualified professionals to provide value added quality service to the industry yearning for quality data.

Over the years, AOSL has grown into one of the key oilfield services provider firms in India and has garnered wide experience across the spectrum of oilfield services. It has successfully executed several projects relating to seismic data acquisition, seismic job services, shot hole drilling, up hole drilling and work over services. The knowledge and experience gained over the years has made it competent enough to face the challenge and difficulty present in Oil and Gas Industry. This is well demonstrated by the fact that the Company has the credentials of being the first private company to have successfully completed seismic survey activities in harsh terrains of Nagaland and Tripura.

Our Prestigious Clients





Asian Oilfield Services Limited (AOSL) is a dynamic and distinguished oilfield services company in India. Having been in the Industry since 1992, the Company is now in an exceptionally strong position. It has shown a consistently high growth over the last several years. The Company shall grow larger in years to come when the Oil and Gas industry opens up the window of opportunity for the oilfield services firms. It is fully geared up to capitalize its rich experience and capability into newer domains of oilfield services and spread its tentacles beyond the boundaries of the country.



Milestones that shaped AOSL's Progress



Mr. Avinash Manchanda
Managing Director
Asian Oilfield Services Ltd.

Interview with the MD

Let's meet the MD, Mr. Avinash Manchanda and discuss how Asian Oilfield Services Limited fared in the financial year 2008-09. *"Commendable achievements in spite of formidable challenges"* is how he describes the year in one short line.

There is an evident smile on your face, while the world economy and particularly the oil industry is known to have been greatly affected due to recessionary trends in the past year.

Despite a global slowdown and several company specific challenges, our gross business revenue during the financial year (July 2008 – June 2009) grew by 34% to Rs. 641 million from Rs. 480 million in the last financial year that was of 15 months (Mar 2007 – June 2008). If we look at the performance on a comparable basis, annualizing revenues earned in the previous financial year, the Company revenues grew by 67%. This is a significant growth by any standards.

However, despite outstanding growth in the revenue, net profit of the Company declined from Rs. 96.2 million in 2007-08 to Rs. 53 million in 2008-09 due to some unusual circumstances. The Company incurred a revenue loss of Rs. 370 million as one of our most ambitious

projects in Nagaland, awarded by ONGC Jorhat was suspended due to *force majeure* conditions. Apart from causing a significant loss of revenue, suspension of the project affected the gross margins due to idling of manpower and equipment.

There was a significant increase in operational expenses in the year 2008-09. How would you account for those?

Yes, there is a definite increase in the operating expenditure in the last fiscal. The expenses grew up to 67% of net sales as compared to 47% of net sales in the previous year. This surge in the operating expense was primarily on account of an increase in the share of outsourcing in the total project. But, this trend is temporary as the Company is working towards increasing reliance on in-house resources.



How prepared are you to meet the expected growth of the Company, in terms of capital, infrastructure and technology, which are the key growth determiners for an oilfield services company?

The balance sheet of the Company is indeed strong right now. The Company was able to repay most of its debt during the year. The net cash position of the Company as on June 30th 2009 was Rs. 73 million as against Rs. 11 million on June 30th 2008. Being fortified with a strong balance sheet, the Company is now confidently poised to tap the burgeoning growth opportunities in the oilfield services sector.

We have already made significant capital expenditure to meet the growth we forecast in the next few years. During the year, the Company's gross block increased to Rs. 315 million from Rs. 245 million in the last fiscal. The Company purchased specialized drilling equipments for improving productivity and efficiency of drilling operations in the harsh terrains, where most of the exploration activities are now being conducted. The Company also increased its seismic inventory for handling larger work volumes. Besides, we have created enough excess capability and also capacity to be able to tap the near term growth opportunities that are there on the anvil.

There were lots of changes in the AOSL's Board last year. Please offer more information in this regard.

There were some significant changes in the Board, which aimed at introducing fresh business and leadership ideas in line with the Company's ambitious expansion plans. It was proposed to consider change of control in favour of Enso Limited and to induct it as a Co-promoter of the Company. Existing Promoters would

continue as Promoters and would also be in management of the Company.

It has been reported that some of the biggest oilfield services in the world had to lay off employees, in order to sustain. What has been your experience with regards to human resource?

We have been quite fortunate in this regard. The Company had ample work volumes to finish in the last fiscal, this therefore called for an increase in the number of employees. As on June 30th 2009 our headcount was 98 as compared to 79 on June 30th 2008. Furthermore, the Company is investing heavily in the training and development of its human resources to meet the expected growth possibilities, sustain current growth rate and enhance shareholder returns. Apart from investment in employees, the Company has created an enviable consultant pool of highly experienced and talented people from the industry whose expertise is immensely valuable in the execution of the most challenging projects.

What optimism would you like to share with your shareholders?

We believe the oilfield services sector is poised for continued high growth and the Company is attractively positioned to benefit from this. We aspire to strengthen our operations in existing service areas and expand to new service areas as well. The Company also aims to maintain and build upon its strong reputation and the quality services it provides to its clients. Our strong balance sheet, experienced human resource, solid infrastructure and past achievements gives us courage to look ahead with great confidence.

Thank you very much!



Overview of Projects

Project-wise Performance

AOSL takes pride in having achieved valuable and enormously challenging contracts in the financial year 2008-09. The projects we received were highly prestigious in term of their volume too, letting your Company achieve a record turnover of Rs. 641 million. But what gives us a feeling of immense satisfaction is that we successfully and profitably executed those projects, meeting the toughest deadlines.

Given below is the glimpse of the challenges met and accomplishments made while executing the projects.

2D Seismic data acquisition in Nagaland, for ONGC

ONGC, Jorhat awarded the high-status contract to carry out 2D Seismic Data Acquisition in Nagaland in November, 2007. We had to execute 450 GLK of Seismic Data Acquisition in the two field seasons 2007-08 & 2008-09. Net value of the project was Rs. 410 million. This was one of our most ambitious projects and we were fully



geared up to meet the challenges. We successfully mobilized an additional crew to execute the voluminous project. We managed to carry on with the project in spite of insurgency situations and difficulty in mobilization of the crew.

But unfortunately, ONGC decided to stall the project in February, 2009 owing to political issues in the region. The Government of Nagaland and ONGC were unable to reach an understanding over a long standing issue. However, we could complete a few GLK before the work was suspended. The revenue loss due to suspension of work was immense for the Company, but we were certainly not shaken. This was the first time that we faced the brunt of socio-political issues. The experience taught us first hand that there are situations beyond control, and we feel blessed to have grown strong and healthy enough to survive those.

2D Seismic data acquisition in Mizoram, for OIL

Your Company was awarded the contract to carry out 2D Seismic Data Acquisition in Mizoram by Oil India Ltd in October, 2007. The volume of work in the whole project was 975 GLK to be executed in 14 operating months. We mobilized two seismic crews and acquired 110 GLK in the field season 2007-08, Here, we were a little behind the set target since the work coincided with the onset of monsoon season and because of the teething problems associated with project execution in the difficult geographical landscape of Mizoram. We have realized our shortcomings in this scenario and accordingly we have increased our resources to carry out Seismic Data Acquisition. We have imported especially designed Man Portable Drilling Rigs for the tough terrains of Mizoram. Your Company feels proud in acknowledgement of the fact that we have already executed 75% of the job by May,

2009 with the two crews. The balance 25% of the work is scheduled for completion in the field season 2009-10.

Integrated shot hole drilling and seismic job services, Gujarat for ONGCL, Baroda

Your Company received the contract to carry out Integrated Shot Hole Drilling and Seismic job services in Gujarat for two field seasons 2007-08 and 2008-09. The project entailed execution of 17,000 nos. of shots from November, 2008 to mid-June 2009. The project size was big but our tremendous experience in the field helped us carry out the project with exemplary speed and efficiency. We completed the contract with 20% extension, one month ahead of the scheduled completion date.

Integrated shot hole drilling and Seismic job services contract, for ONGC

AOSL established its footprints in Tamil Nadu in the last financial year by successfully executing Integrated Shot Hole Drilling and Seismic Job Services contract for Oil & Natural Gas Corporation Ltd. We efficiently met the deadline by completing the job in time.

Integrated shot hole drilling and Seismic job services contract, for ONGCL

Your Company received the contract to carry out Integrated Shot Hole Drilling and Seismic job services in Gujarat for one field seasons 2008-09. The project entailed execution of approximately 13,000 nos. of shots from February, 2008 to mid-June 2009. The project size was big but due to the delay in award of the job by ONGC the project could start only in the middle of the field season. The terrain was also extremely challenging involving lot of river crossing. We could achieve only half of the required production as the better half of the field season was not available for carrying out the work.



NOTICE

Notice is hereby given that 16th Annual General Meeting of Members of **Asian Oilfield Services Ltd.** will be held on Friday, 18th December, 2009 at 3.00 pm at the Auditorium of Vanijabhavan, Central Gujarat Chamber of Commerce, Race Course, Vadodara to transact the following business.

Ordinary Business :

1. To receive, consider and adopt the Audited Profit & Loss Account for the year ended 30th June, 2009 and Balance Sheet as of that date together with the reports of Directors and the Auditors thereon.
2. To appoint Director in place of Mr. Dali E. Ilavia, who retires by rotation and being eligible offers himself for reappointment.
3. To appoint Director in place of Mr. Satya Pal Talwar, who retires by rotation and being eligible offers himself for reappointment.
4. To appoint Auditors of the Company and to fix their remuneration.

Special Business :

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

"RESOLVED THAT Mr. Vikram Walia, a Director liable to retire by rotation, who does not seek re-election, be not re-appointed a Director of the Company."

"FURTHER RESOLVED THAT the vacancy, so created on the Board of Directors of the Company, be not filled."
6. To consider and if thought fit, to pass with or without modifications, the following resolution as a **Special Resolution**.

"RESOLVED THAT subject to the approval of Central Government u/s. 314 (1B) of the Companies Act, 1956, the consent of the Company be and the same is hereby accorded to Mr. Miten Manchanda, son of Mr. Avinash Manchanda, the Managing Director of the Company for holding and to continue to hold an office or place of profit as Vice President (Business Development) in the Company at a revised Salary of Rs.1,25,000 p.m. (Cost to Company) in aggregate, with effect from 1st July, 2009."

"FURTHER RESOLVED THAT this resolution shall be deemed to confer the necessary authority to the Board of Directors to sanction the increments and proper to promote him to any higher remuneration at their discretion in due course, as they may deem fit."

By order of the Board,

Date : 26-09-2009

Place : Vadodara

Mukesh Khanna

Company Secretary

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 THE PROXY NEED NOT BE A MEMBER.
2. Proxy, in order to be effective, should be lodged duly completed before 48 hours of the meeting.
3. Explanatory Statement pursuant to Section 173(2) of the Companies Act, 1956 in respect of Special Business enumerated at Item Nos. 5 & 6 is annexed herewith.
4. Register of Members and Share Transfer Register will remain closed from Saturday, the 12th December, 2009 to Friday, the 18th December, 2009, (both the days inclusive).
5. Shareholders are requested to:
 - (a) bring their copy of the Annual Report at the meeting.
 - (b) send all communications relating to their shareholding, quoting Folio No. / Client ID No. at Registered Office / at the office of the Registrar and Share Transfer Agents.
6. Information about directors retiring by rotation and being appointed is given in the Annexure to the notice.
7. Members desirous of obtaining any information in respect of Accounts of the Company are requested to send their queries in writing to the Company at it's registered office so as to reach at least seven days before the date of the meeting.