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SELAN EXPLORATION TECHNOLOGY LIMITED

ANNUAL REPORT 2007–2008

ANNUAL REPORT

SELAN

Late Mr. R. N. Kapur
Founder and Former Chairman

BOARD OF DIRECTORS

Mr. R. Kapur *Chairman*

Mr. A. Mahajan

• Dr. B. K. Barman

Mr. S. K. Singh

•

Mr. T. Currimbhoy

•

Mr. V. B. Mahajan

PRESIDENT & CEO

Dr. M. N. Prasad

CORPORATE ADVISOR

Dr. D. J. Corbishley

COMPANY SECRETARY

Ms. Gunjan Jain

AUDITORS

V. Sankar Aiyar & Company, Chartered Accountants, New Delhi

BANKERS

Corporation Bank • Yes Bank • ING Vysya Bank • State Bank of India

REGISTERED OFFICE

J-47/1, Shyam Vihar, Dindarpur, Najafgarh, New Delhi-110 043

REGISTRARS AND SHARE TRANSFER AGENTS

MCS Ltd., Sri Venkatesh Bhawan, W – 40, Okhla Industrial Area Phase – II, New Delhi – 110 020

ECS MANDATE FORM/BANK ACCOUNT DETAILS FOR PAYMENT OF DIVIDEND ON THE EQUITY SHARES OF

SELAN EXPLORATION TECHNOLOGY LTD.

(To be filled up by the shareholder, certified by the bank concerned and submitted to MCS Limited
(Unit- Selan Exploration Technology Ltd.) Shri Venkatēsh Bhawan, W-40, Okhla Industrial Area, Phase II, New Delhi
110020)

(In case of demat holding, please advise your DP to Take note of your Bank Account Details/ECS Mandate.)

Dear Sirs,

ECS MANDATE FORM / BANK ACCOUNT DETAILS

I hereby authorize Selan Exploration Technology Ltd to credit the dividend amount directly to my Bank account through the
Electronic Clearing Service.

OR

In case ECS facility is not available for any reason, I hereby authorize Selan Exploration Technology Ltd./MCS Limited to
incorporate the Account details furnished below in the dividend warrant.

The details of my holding are as follows:

Name of the first holder	
Address	
Folio No. (if shares held in physical form)	
DP ID No.(if shares held in demat form)	
Client ID No.	
Number of equity shares held	
Telephone Number	

The details of my bank account to which credit may be given through ECS/Bank Account details, are as follows.

Name of the Bank	
Name of the Branch	
Address of the Branch (in case of ECS only)	
Type of Account (Please tick appropriately)	Saving / Current / Cash Credit / Others (specify)
Bank Account Number	
9 digit MICR code number of the Bank and Branch appearing on the MICR cheque issued by the bank	

I hereby declare that the details given above are complete and correct.

If the credit is delayed or not effected at all due to incomplete or incorrect information, I shall not hold Selan Exploration Technology Ltd. responsible.

I hereby attach a blank cancelled cheque (photocopy/original) issued by my bank for verification purposes.

Place :

Date :

Signature of Sole / First Shareholder

Certified that the particulars furnished above are correct as per our records.

Place :

Date :

Signature of the Manager of the
Bank concerned with stamp

Notes :

1. The shareholders are advised to note that the ECS facility is available only at certain centres specified by RBI and is implemented as per the rules and regulations framed by RBI in this regard.
2. Please furnish one mandate for one folio/DPID/ Client ID.
3. The form may be used either for communication for the first time or making changes in the existing instructions/mandate.

SELAN EXPLORATION TECHNOLOGY LTD.

Regd. Office : J-47/1, Shyam Vihar, Dindarpur, Najafgarh, New Delhi – 110 043

NOTICE is hereby given that the Twenty Third Annual General Meeting of Selan Exploration Technology Limited will be held at Ashok Country Resort, Rajokri Road, Kapashera, New Delhi – 110 037 on Wednesday, 17 September 2008 at 10 : 00 A.M. to transact the following business :

ORDINARY BUSINESS

1. To receive, consider and adopt the Audited Balance Sheet as at 31 March 2008 and Profit and Loss Account for the year ended on that date alongwith the Reports of the Directors' and Auditors' thereon.
2. To appoint a Director in place of Mr. T. Curimbhoy , who retires by rotation and being eligible for re-appointment, offers himself for re-appointment.
3. To appoint a Director in place of Mr. S. K. Singh , who retires by rotation and being eligible for re-appointment offers himself for re-appointment.
4. To appoint M/s V. Sankar Aiyar & Co., Chartered Accountants, as Auditors, who shall hold office from the conclusion of this Annual General Meeting until the conclusion of the next Annual General Meeting, on such remuneration as may be fixed by the Board of Directors of the Company.
5. To declare final dividend for the year 2007-08.

SPECIAL BUSINESS

To consider and if thought fit, to pass, with or without modification(s) the following resolutions :

AS SPECIAL RESOLUTION

6. APPOINTMENT OF MANAGER

“RESOLVED THAT in accordance with the provisions of Sections 198, 269, 384, 385, 386, 388, Schedule XIII and other applicable provisions, if any, of the Companies Act 1956, the appointment of Mr. P. S. Oberoi as a Manager of the Company for a period of three years with effect from 1 October 2008 on such remuneration, including perquisites, as per Schedule XIII of the Companies Act 1956, as amended from time to time and such other guidelines as may be issued hereinafter in this regard, and as per terms specified in the agreement placed before the meeting, and initialed by the Director for the purpose of identification, be and is hereby approved.

RESOLVED FURTHER THAT the Board of Directors (hereinafter referred to as “the Board” which term includes any Committee which the Board may constitute to exercise the powers, including the powers conferred by this resolution) be and is hereby authorised to take all steps for the purpose of giving effect to these resolutions, including the execution of the agreement and that they are empowered to increase, alter and vary the terms and conditions of the said appointment / remuneration as may be deemed proper and fit.

RESOLVED FURTHER THAT the appointment of Mr. Rohit Kapur as Managing Director under Section 197A of the Companies Act, 1956 stands withdrawn from the date that this Resolution for the appointment of Mr. P. S. Oberoi as Manager becomes effective.”

7. APPOINTMENT OF WHOLE-TIME DIRECTOR

“RESOLVED THAT in accordance with the provisions of Sections 198, 269, 309, 310, 311, Schedule XIII and other applicable provisions, if any, of the Companies Act 1956, and subject to approval of Central Government / Ministry of Company Affairs (MCA), if required, the appointment of Mr. Rohit Kapur as Whole-Time Director of the Company for a period of five years with effect from 1 October 2008 on a remuneration, including salary, commission and perquisites, as per Part II of Schedule XIII of the Companies Act 1956, as amended from time to time and such other guidelines as may be issued hereinafter in this regard, and as per terms and conditions specified in the draft agreement placed before the meeting, be and is hereby approved.

RESOLVED FURTHER That such payment may be made by way of a monthly remuneration or otherwise as legally permissible and that the Remuneration Committee of the Board be and is hereby fully empowered to make these payments within the overall ceilings stipulated by law.

RESOLVED FURTHER THAT the payment of commission be permitted in accordance with Section 309, Schedule XIII and other applicable provisions, if any, of the Companies Act 1956, in addition to the salary and perquisites as spelt out in Categories A, B and C of Part II of the Schedule XIII and within the limits therein stipulated and also to such other benefits such as reimbursement of reasonable repairs and maintenance of his residence as may be permitted by circulars or prevailing laws.

RESOLVED FURTHER THAT notwithstanding anything to the contrary contained herein, in the absence or inadequacy of profits, the payment of a minimum remuneration of Rs. 300,000 (Rupees Three Lacs only) per month to Mr. Rohit Kapur be and is hereby approved, with the stipulation that variation to this amount be and are hereby also approved, such variations being caused by changes in the amount of minimum remuneration specified in this schedule or due to the change in the amount of effective capital of the Company.

RESOLVED FURTHER THAT the Board of Directors (hereinafter referred to as "the Board" which term shall include any duly authorised committee thereof, which the Board may constitute to exercise its powers, including the powers conferred by this resolution) be and is hereby authorised to do all such acts, deeds, matter and things for the purpose of giving effect to this resolution, including but not limited to the execution of the agreement between the Company on one part and the Whole-Time Director on the other part and the compliance of the requirements of Section 302 of the Act, filing of e-forms as per the provisions of the Companies Act, 1956, and that the Board is further empowered to, alter, vary and modify the terms and conditions of the said appointment /remuneration, as may be deemed fit, proper and expedient or as may be necessary to comply with any conditions that the authorities may stipulate in their approval.

RESOLVED FURTHER THAT the arrangement / agreement entered between Mr. Rohit Kapur and the Company pursuant to the authority conferred by this resolution shall, notwithstanding any prior resolution / agreement / arrangement, be the full and complete arrangement in regard to appointment and remuneration of Mr. Rohit Kapur as Whole-Time Director."

**By Order of the Board
for SELAN EXPLORATION TECHNOLOGY LTD.**

29 July 2008
New Delhi

GUNJAN JAIN
Company Secretary

NOTES :

- 1) A member entitled to attend and vote is entitled to appoint a proxy and such proxy need not be a member of the Company. The instrument appointing proxy may be sent in the form enclosed and in order to be effective must reach the Registered Office of the Company at least 48 hours before the Meeting.
- 2) Members are requested to notify change in their address, if any, quoting their folio number to the Registrar and Share Transfer Agents, MCS Ltd., Unit : Selan Exploration Technology Ltd., Sri Venkatesh Bhawan, W - 40, Okhla Industrial Area Phase - II, New Delhi - 110 020.
- 3) Register of Members and Share Transfer Books of the Company will remain closed from 6 September 2008 to 17 September 2008 (both days inclusive). The final dividend on equity shares, as recommended by the Board of Directors, subject to the provisions of Section 206A of the Companies Act, 1956, if approved by the members at the Annual General Meeting, will be paid on or after 19 September 2008 to the members or their mandates whose names appear in the Company's Register of Members on 6 September 2008 in respect of physical shares. In respect of dematerialized shares, the dividend will be payable to the "beneficial owners" of the shares whose names appear in the Statement of Beneficial Ownership furnished by National Securities Depository Ltd. and Central Depository Services (India) Ltd. at the close of business hours on 5 September 2008.
- 4) At the ensuing Annual General Meeting, Mr. T. Currimbhoy and Mr. S. K. Singh retire by rotation and being eligible offer themselves for re-appointment. The information or details to be provided in respect of aforesaid Directors under Code of Corporate Governance is as under :
 - (a) Mr. Tarik Currimbhoy is a leading architect and non-resident Indian, living and practicing in New York. Mr. Currimbhoy did his post graduate studies from Cornell University. He is well known to the Indian community in the US and the Middle East.
 - (b) Mr. S. K. Singh has 43 years of extensive experience in the Oil Industry in Senior Management positions starting with Burmah - Shell followed by Shell and B.P Zambia Ltd.; Bharat Petroleum Corporation Ltd. and as advisor to Essar Oil Ltd. before joining Selan as a member of the Board of Directors.

- 5) Memorandum & Articles of Association of the Company and documents related to the Resolutions will be available for inspection at the Registered Office of the Company between 11: 00 a.m. and 1: 00 p.m. on all working days except Saturdays and will also be available at the meeting.
- 6) The members are requested to send their queries, if any, on accounts or proposed resolutions at least 48 hours in advance of the meeting to the Company, so that the same may be answered satisfactorily at the meeting.
- 7) Members/ Proxies should bring the Attendance slip duly filled-in for attending the meeting.
- 8) Members are advised to submit their Electronic Clearing System (ECS) mandates, to enable the Company to make remittance by means of ECS. Those holding shares in physical form may send the ECS Mandate Form to Registrar & Share Transfer Agent of the Company, i.e, at MCS Limited Unit : Selan Exploration Technology Ltd., Sri Venkatesh Bhavan, W-40, Okhla Industrial Area Phase - II, New Delhi - 110020.
- 9) Those holding shares in Electronic Form may obtain and send the ECS Mandate Form directly to their Depository Participant (DP). Those who have already furnished the ECS Mandate Form to the Company / Registrar & Share Transfer Agent/ DP with complete details need not send it again.
- 10) The shareholders who do not wish to opt for ECS facility may please mail their bankers' name, branch address and account number to MCS Limited, Registrar & Share Transfer Agent of the Company to enable them to print these details on the dividend warrants.

EXPLANATORY STATEMENT

(Under Section 173 (2) of the Companies Act, 1956)

Item No. 6

Mr. P. S. Oberoi was appointed as Manager with effect from 1 October 2003 for a period of three years and then re-appointed again for a period of 3 years in 2006. However, his appointment as Manager was terminated in 2007 as per the provisions of Section 197A of the Companies Act, 1956.

Mr. P. S. Oberoi is working in the Company since August 1997 and has been involved in bringing about the expansion in the business of the Company over the years. The Company's foray into development of oil fields has been supported by the foresight and technical acumen of Mr. P. S. Oberoi. Professionally an Operations Manager, he has vast experience of more than 30 years at ONGC, with respect to handling drilling, production and workover services in various capacities at different places.

As the Company has to statutorily have either a Manager or a Managing Director in terms of Section 197A, the appointment of Mr. Rohit Kapur as Managing Director shall automatically stand terminated on the appointment of Mr. P. S. Oberoi as Manager becoming effective.

Your Directors recommend the resolution for approval.

Item No. 7

1. GENERAL INFORMATION

Your Company is primarily engaged in the business of exploration and production of Oil and Natural Gas. The Government of India has considerably liberalised the oil sector in recent years and a number of production and exploration blocks have been awarded to private sector oil companies under New Exploration Licensing Policy (NELP) and Coal Bed Methane (CBM) projects.

SELAN has signed three Production Sharing Contracts in 1995 with Government of India for Bakrol, Indrora and Lohar oilfields. The Company has also been awarded Karjisan Gasfield and Ognaj Oilfield in Gujarat. The Mining Lease for Karjisan has been received in 2005 whereas the Mining Lease for Ognaj is still awaited.

The Company has been drilling new wells in the last three financial years after receipt of mining lease from the State Government. The Company achieved the following results over the past three years :

(Rs. Millions)	2005-06	2006-07	2007-08
Net Sales	187	262	361
EBIDTA	163	213	266
RoE *	40%	36%	32%
EBIDTA / Sales	75%	81%	77%

*After adding back Deferred Tax

2. INFORMATION ABOUT THE APPOINTEE

Mr. Rohit Kapur, aged about 53 years, has held senior management positions with American Cyanamid Inc., a Fortune 100 Company, including General Manager of one of its worldwide subsidiaries. A graduate of Columbia College (BA) and Columbia Business School (MBA), he has been actively involved with SELAN since its inception.

The broad particulars of remuneration payable to and terms of the appointment of Mr. Rohit Kapur are as under :

The Whole-Time Director shall be entitled to the salary and perquisites and allowances of Rs. 400,000 (Rupees Four Lacs only) per month, leave travel allowance for self and his family including dependents, club fees, medical insurance, telephone expenses and such other perquisites and/or allowances, subject to overall ceiling of remuneration stipulated in Sections 198 and 309 of the Companies Act, 1956. In addition to the salary, perquisites and allowances as above, the Whole-Time Director shall also be entitled to receive commission in terms of Section 309, or any other provisions of the Companies Act, 1956.

Notwithstanding anything to the contrary contained herein, where in any financial year during the currency of tenure of Mr. Rohit Kapur, the Company has no profits or profits are inadequate, the Company will pay remuneration of Rs. 300,000 (Rupees Three Lacs only) by way of Salary, besides perquisites and allowances as minimum remuneration, with the stipulation that variation to this amount be and are hereby also approved, such variations being caused by changes in the amount of minimum remuneration specified in this schedule or due to the change in the amount of effective capital of the Company. The Whole-Time Director shall also be allowed compensation for loss of office to the extent permissible u/s 318 of the Companies Act, 1956.

The Draft Agreement including other terms and conditions of employment to be entered into between the Company and Mr. Rohit Kapur are available for inspection at the Registered Office of the Company on any working day excluding Saturday, upto the date of the General Meeting between 11.00 am and 1.00 pm.

The terms and conditions set out for appointment and payment of remuneration herein and/or in the Agreement may be altered, varied and modified from time to time by the Board of Directors of the Company or a duly appointed Committee thereof, as may be deemed fit, proper and desirable, so as not to exceed the limits specified in Schedule XIII to the Companies Act, 1956 (including any statutory modification or re-enactment thereof, for the time being in force) or any amendments made thereto.

The above remuneration of Mr. Rohit Kapur is approved by the Remuneration Committee of Board of Directors, subject to the approval of the members in General Meeting, after taking into account the remuneration profile with respect to nature of industry, size and activities of the Company and suitability of the incumbent.

In this respect, it is disclosed that a private limited Company in which the Whole-Time Director is interested is in receipt of Rs. 2.08 million as rent in respect of premises given on lease to the Company during the financial year 2007-2008.

3. OTHER INFORMATION

In terms of Schedule XIII of the Companies Act, 1956, the Company may have inadequate profits in the coming years due to a number of outstanding issues / project constraints with the Government of India (GOI), its nominee and Government of Gujarat. The sales realizations are subject to fluctuations both due to changes in international oil price and the dollar to rupee exchange rate.

The Company supplies all the crude produced to the nominee of the Government of India, Indian Oil Corporation. In this manner the Company contributes to the national cause by helping to reduce dependence on oil imports and foreign exchange outflow on import of crude.

The above details of remuneration of Mr. Rohit Kapur (given in para 2) may also be treated as an Abstract and Memorandum of the terms of the contract between the Company and Mr. Rohit Kapur under Section 302 of the Companies Act, 1956. Once GOI approval is received (if required), any change necessitated in the terms of appointment by such approval shall also be made known to the members by a notice/letter to comply with the requirements of Section 302.

Your Directors recommend the special resolution for approval.

**By Order of the Board
for SELAN EXPLORATION TECHNOLOGY LTD.**

29 July 2008
New Delhi

GUNJAN JAIN
Company Secretary

DIRECTORS' REPORT**SELAN**

Your Directors have pleasure in presenting the Annual Report for the year ended 31 March 2008.

During the year, international crude oil prices reached new highs and, for the oil industry, it served as an impetus to increase drilling and production activities. With increase in cash realizations, oil companies across the world maximized their drilling activities to take advantage of high crude prices. Keeping in line with this trend, your Company has also taken initiatives for increasing production in its oilfields significantly.

In this regard, your Company has taken significant steps in terms of further development of Bakrol, Indrora and Lohar oilfields where seven new wells have been drilled in the drilling campaign which commenced in the last quarter of F.Y. 2007-08. The production testing of these wells has been encouraging and they have yielded good production levels. The Company has been analyzing the well logging data from the newly drilled wells to further identify 8-10 prospective drilling locations which would be taken up for drilling in the fiscal year 2008-09.

FINANCIAL REVIEW

The Company achieved the following results over the past three years :

(Rs. Millions)	2005-06	2006-07	2007-08
Net Sales	187	262	361
EBIDTA	163	213	266
RoE *	40%	36%	32%
EBIDTA / Sales	75%	81%	77%

*After adding back Deferred Tax

Total Reserves and Surplus of the Company have increased from Rs 300.08 million to Rs. 403.26 million as on 31 March 2008.

OPERATIONS REVIEW

The Proven and Probable Reserves of Bakrol Oilfield have been upgraded from the previous 43.22 mmbbls to 73.30 mmbbls after the completion of the current drilling campaign in Bakrol Oilfield.

Crude oil production during the financial year 2007-08 was 120,226 barrels cumulatively from its three fields (viz. Bakrol, Indrora and Lohar) as compared to 100,963 barrels produced in the previous year 2006-07. The Company has been taking steps to develop its oil and gas fields so that production from the fields can be enhanced. Further, prospective drilling locations are also being identified on an ongoing basis for developing the oilfields and enhancing production in a phased manner.

In view of the revised guidelines from Ministry of Environment and Forests (MoEF), all new drilling activities can now be taken up only after obtaining Environment Clearance (EC) from MoEF. The Company has already obtained the EC's for Bakrol, Indrora, Lohar and Ognaj in 2007-08. The EC for Karjisan has also subsequently been approved by MoEF in the Expert Advisory Committee (EAC) meeting held on 10 June 2008 and issued to the Company.

Mining Lease for Ognaj Oilfield is still awaited from the Government of Gujarat. Once the Mining Lease is obtained, the Ognaj oilfield would be handed over to the Company by ONGC. The development activities would thereafter be initiated in the oilfield.