



SELAN EXPLORATION TECHNOLOGY LIMITED

ANNUAL REPORT 2009 – 2010

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

BOARD OF DIRECTORS

Mr. R. Kapur *Chairman*

Mr. T. Currimbhoy • Mr. V. B. Mahajan • Mr. S. K. Singh

HEAD – STRATEGY DEVELOPMENT

Mr. Shiv Kapoor

COMPANY SECRETARY

Ms. Gunjan Jain

AUDITORS

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

BANKERS

Yes Bank • State Bank of India • Corporation Bank

REGISTERED OFFICE

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

REGISTRARS AND SHARE TRANSFER AGENTS

MCS Ltd., F - 65, First Floor, Okhla Industrial Area Phase – I, New Delhi – 110 020

Your Directors have pleasure in presenting the Annual Report for the year ended 31 March 2010.

FINANCIAL REVIEW

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

(Rs. Millions)	2007-08	2008-09	2009-10
Net Sales	361	1059	733
EBIDTA	266	839	590
EBIDTA / Sales	77%	84%	83%

Total Reserves and Surplus of the Company have increased from Rs. 833.80 million to Rs. 1280.92 million as on 31 March 2010.

OPERATIONS REVIEW

During this Financial Year, the Company has not undertaken any new drilling activities. However, 3D seismic data acquisition, processing and interpretation (API) activity in Bakrol and Indrora oilfields is underway. This shall give us a fair idea of the locations in which drilling campaign can be started in the second half of the current fiscal year.

The aggregate production from our fields has been 238,140 barrels in 2009-10 as compared to 282,745 barrels in 2008-09.

We are also pleased to inform you that the Company has commenced commercial sale of Associated Natural Gas, though on a small scale, w.e.f. F.Y. 2009-10.

FIELD DEVELOPMENT REVIEW

The developmental activities, alongwith, maybe lower crude oil prices and the natural depletion in production from existing wells will temporarily result in somewhat lower levels of production and profits during 2010-11. However, our cash reserves and cash generation have made it possible for us to plan / undertake and generally complete these Seismic and testing activities in a short period of time.

As a result, we now believe that the Company will shortly be able to establish significant / additional levels of proven and recoverable reserves in our oilfields and hopefully this, in turn, will lead to your Company emerging with significant oil and gas volume growth within the next one to two years.

LOHAR ARBITRATION / PAYMENT OF PROFIT PETROLEUM

The Arbitration Tribunal constituted for determining the payment of Profit Petroleum to the Government of India, has given its Award on 3 May 2010. Please refer to Note 2 of the Notes on Accounts section of this Annual Report for more details. The amount paid to Government of India for the period April 2007 upto December 2009, approximately USD 1,674,002, is a contingent asset, pending refund by the Government of India.

FINAL DIVIDEND

The Directors are pleased to inform that in F.Y. 2009-10, the Company had paid an interim dividend of 15%, which shall be declared as final dividend for the year 2009-10, subject to approval by the shareholders of the Company in the forthcoming AGM.

BOARD OF DIRECTORS

Mr. S. K. Singh retires by rotation at the ensuing Annual General Meeting and being eligible, offers himself for re-appointment.

Mr. A. Mahajan, a member of the Board of Directors, resigned as a Director of the Company, with effect from 6 May 2010. The Directors wish to acknowledge the contribution made by him to the Company over the years.

DIRECTORS' RESPONSIBILITY STATEMENT

In accordance with the provisions of Section 217(2AA) of the Companies Act, 1956, the Board of Directors do hereby confirm that in the preparation of the Annual Accounts, the applicable Accounting Standards have been duly followed, that the Directors have selected such accounting policies and applied them consistently and made judgments and estimates that are reasonable and prudent so as to give a true and fair view of the state of affairs of the Company at the end of the financial year and of the profit or loss of the Company for that period, that the Directors have taken proper and sufficient care for the maintenance of adequate accounting records in accordance with the provisions of Companies Act, 1956, for safeguarding the assets of the Company and for preventing and detecting fraud and other irregularities, and that the Directors have prepared the annual accounts on a going concern basis.

AUDITORS AND THEIR REPORT

The Auditors, M/s V. Sankar Aiyar & Co., Chartered Accountants, retire at the ensuing Annual General Meeting and being eligible, offer themselves for re-appointment.

CORPORATE GOVERNANCE

Pursuant to Clause 49 of the Listing Agreement, Management Discussion and Analysis and a Report on Corporate Governance alongwith certificate from Auditors regarding compliance of conditions of Corporate Governance is annexed to Directors' Report. A declaration by the CEO (Manager) regarding the compliance with the Code of Conduct also forms part of this Annual Report.

CONSERVATION OF ENERGY, TECHNOLOGY ABSORPTION, FOREIGN EXCHANGE EARNINGS AND OUTGO

The activities undertaken by your Company do not fall under the purview of disclosure of particulars under Section 217(1)(e) of the Companies Act, 1956, in so far as it relates to the conservation of energy and technology absorption. Particulars with regard to foreign exchange outgo appear as point no. 15 of the Notes forming Part of the Accounts.

PERSONNEL

The Company has only two employees whose name and particulars are required to be disclosed as per the provisions of Section 217 (2A) of the Companies Act, 1956, read with Companies (Particulars of Employees) Rules, 1975, as amended.

Name	Age	Designation	Remuneration Received	Nature of Employment	Qualification	Experience (in years)	Employment Commencement Date	Last Position Held
Mr. Rohit Kapur	55	Whole – Time Director	Rs. 23 million	Contractual	MBA	31	1 October 2008	MD, Selan Exploration Technology Ltd.
Dr. M. N. Prasad	60	President & CEO	Rs. 2.10 million	Contractual	Ph.D. (Petroleum Geology), M.Sc., B.Sc.	37	1 April 2008	CEO, Prize Petroleum

Notes : 1. Gross remuneration as above includes salary, taxable allowances, Company's contribution to Provident Fund, Gratuity paid (but excludes Company's contribution to Gratuity Fund), and taxable value of perquisites. 2. Mr. Rohit Kapur was in employment for the full financial year 2009-10. Dr. Prasad was in employment till September 2009. 3. Mr. Rohit Kapur is a Promoter of the Company. 4. Mr. Rohit Kapur holds 1,697,133 shares in the Company. Dr. M. N. Prasad does not hold any shares in the Company.

ACKNOWLEDGEMENTS

The contribution of a dedicated and motivated team of personnel is extremely valuable in the growth of a Company. Your Company is fortunate to have a team whose endeavors have laid a strong foundation for the growth of the organization as a whole. Your Directors acknowledge the exemplary service provided by the employees of the Company.

On behalf of the Company, we wish to convey our thanks to Ministry of Petroleum and Natural Gas (MoPNG), Directorate General of Hydrocarbons (DGH), Ministry of Environment and Forests (MoEF), Government of India and the Bankers of the Company for their continuous cooperation, support and guidance. The Directors value the faith reposed by the shareholders in their ability to manage the Company. We expect that with the continuous support and encouragement of our shareholders, we shall be successful in achieving key milestones in the near future.

For and on Behalf of the Board

21 July 2010
New Delhi

R. KAPUR
Chairman

1. Industry Structure and Developments

Government has awarded and signed a number of Production Sharing Contracts with Private Sector Oil Companies for Exploration Blocks under New Exploration Licensing Policy (NELP) and Coal Bed Methane (CBM) Projects. Further, the Government is expected to launch new E & P blocks under Open Acreage Bidding. This could result in expansion of the industry alongwith creation of new employment opportunities in the oil industry. The Private Sector with its Joint Ventures has contributed significantly in exploitation of existing oil reserves in the country with the striking of huge discoveries of oil and gas (onshore / offshore) within the Country. As a result, the domestic crude oil production is continuously improving with significant contributions of crude production from private operators, thus reducing foreign exchange outflow on crude imports. Oil sector, today, is one of the most prospective sectors where newer growth avenues for business and employment are opening up, nevertheless, crude oil still represents India's single largest item of import.

2. Outlook

Production Sharing Contracts (PSCs) with the Government of India were signed by SELAN in 1995 for Bakrol, Indrora and Lohar oilfields. Further, the Company was also awarded Contracts for the Karjisan Gasfield and the Ognaj Oilfield with the Ministry of Petroleum and Natural Gas (MoPNG) in 2004.

The Company is in the process of executing elaborate plans for the development of its oil and gas fields. This is expected to increase the production of crude oil / gas by implementation of the new technology coupled with services of experienced professionals for managing its oil and gas assets.

Efforts are also being made in terms of seismic data acquisition, workover of existing wells and drilling of new wells to provide accelerated thrust to the production of crude oil.

3. Segment-wise performance

Currently, the Company is engaged in only one Business Segment that is Production of Crude Oil and Natural Gas.

4. Operations and Financial Review

The operations and financial review is covered in the Directors' Report and is to be read as a part of this report itself.

5. Risks and Concerns

(i) Business Risks

Oil sector is a high risk and high return sector. Data acquired for seismic evaluation of oilfields & reservoir modeling involves interpretation by advanced software technology and equipment which is capital intensive in nature and therefore prone to obsolescence coupled with uncertainty in results.

The Drilling Activities are carried out using advanced drilling rigs and ancillary rig equipments. Further, necessary safety and security measures have to be employed prior to any drilling activity.

However, the inherent risks of dealing with nature cannot be completely mitigated and that is why drilling activity poses a great challenge and risk. The fluctuation in international oil prices as well as in the dollar value of the rupee is another factor which adds to the uncertainty of profits in the oil industry.

(ii) Project Constraints

The Company did not undertake any new drilling activities during the financial year 2009-10. By and large, the Company did not face any project constraints during the year under review.

A recent notification from Ministry of Environment and Forests (MoEF) states that any new drilling activity requires its prior clearances. The approval process at MoEF also requires considerable time and effort.

Any unexpected delay in getting the timely clearances from MoEF and in mobilizing the drilling rig and associated oilfield services is a potential project constraint for the Company.

(iii) Financial, Legal and Contractual Risks

SELAN carries a minimum financial risk. Currently, the Company has the policy of using debt financing only for short term requirements besides using its own internal accruals.

Since 2007, arbitration proceedings for the Lohar oilfield were underway. The Arbitral Tribunal has now declared its Award on 3 May 2010.

6. Internal Control Systems and their Adequacy

SELAN has ensured proper and adequate system of Internal Control so that all assets are safeguarded and protected against loss from unauthorised use / disposition and that transactions are authorized, received and reported in a prudent manner. Internal Control System is designed to ensure that financial and other records are reliable for preparing financial statements and for maintaining accountability for assets. The internal control systems are reviewed by the Audit Committee in its quarterly meetings and suggestions are given to strengthen the internal control measures and procedures keeping in view the changing business scenario. Efforts are in progress to strengthen the internal control measures and procedures on a continuous basis as per the existing business scenario.

7. Human Resources Development / Industrial Relations

SELAN considers its employees as its key resource and the major driving force behind the performance and success of the Company. SELAN has a flat and lean management structure which results in quick and efficient decision making. The number of employees of the Company are less than 30. People are mostly employed on contractual basis which, given the nature of the Industry, is the right approach in view of the management.

Industrial relations have remained cordial throughout the year. Operations went on smoothly during the year and there were no material developments that could adversely impact the operations.