



**SELAN EXPLORATION TECHNOLOGY LIMITED**

**ANNUAL REPORT 2006 – 2007**

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**ANNUAL REPORT**

**SELAN**

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**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

**CORPORATE ADVISORS**

Dr. D. J. Corbishley

Mr. C. Ratnam

**COMPANY SECRETARY**

Ms. Gunjan Jain

**AUDITORS**

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

**BANKERS**

Corporation Bank • Yes Bank • ICICI Bank

**REGISTERED OFFICE**

3, The Green, Rajokri, New Delhi – 110 038

**REGISTRARS AND SHARE TRANSFER AGENTS**

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

# SELAN EXPLORATION TECHNOLOGY LTD.

Regd. Office : 3, The Green, Rajokri, New Delhi – 110 038

## NOTICE

NOTICE is hereby given that the Twenty Second Annual General Meeting of Selan Exploration Technology Limited will be held at Ashok Country Resort, Rajokri Road, Kapashera, New Delhi – 110 037 on Monday, 24 September 2007 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 2007 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. Aroon Mahajan, who retires by rotation and being eligible for re-appointment, offers himself for re-appointment.
3. To appoint a Director in place of Dr. B. K. Barman, 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.

## SPECIAL BUSINESS

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

### As Special Resolution :

#### 5. Alteration of Articles of Association

“RESOLVED THAT the Articles of Association of the Company be altered pursuant to Section 31 of the Companies Act, 1956, in the manner as set out below :

- (a) Delete the last paragraph from Article 12 (a)

“Notwithstanding anything contained hereinabove the Board may refuse application for split / sub – division of Equity and preference share certificates into denominations of less than 100 equity shares except when such split / sub-division is required to be made to comply with a statutory order or an order / decision of a competent court of law or under exceptional circumstances as the Board may deem fit and proper”.

- (b) Insert a new Article 16A after Article 16 as follows :

“The option or right to call of shares shall not be given to any person except with the sanction of the Company in general meeting”.

- (c) Insert new Article 28 as follows :

“Notwithstanding Article 30 contained hereinafter, the registration of transfer shall not be refused on the ground of the transferor being either alone or jointly with any other person or persons indebted to the Company on any account whatsoever”.

#### 6. Appointment of Managing 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 Managing Director of the Company for a period of five years with effect from 1 April 2007 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.

FURTHER RESOLVED 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 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.

FURTHER RESOLVED 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 Managing 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 Managing Director.

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

By Order of the Board  
for SELAN EXPLORATION TECHNOLOGY LTD.

31 July 2007  
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 17 September 2007 to 24 September 2007 (both days inclusive).
- 4) At the ensuing Annual General Meeting, Mr. Aroon Mahajan and Dr. B. K. Barman 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. Aroon Mahajan** is a distinguished businessman and Non-Resident Indian having extensive business and investment interests in the U.S.A. and the U.A.E.; member of the Board of Directors of SELAN.
  - (b) **Dr. B. K. Barman** holds a Ph.D. in Fuel Technology, Sheffield University, England and is widely experienced in the petroleum industry in India and U.K. He was Chief Executive for India of Castrol Ltd. for several years. He has served as a consultant to the United Nations for Petroleum Industry & Conservation of Energy Resources and as member ANZ Grindlays Bank Advisory Committee and a member of the Board of Directors of SELAN.

- 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.

## EXPLANATORY STATEMENT

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

### Item No. 5

In view of the Listing requirements of the National Stock Exchange of India Ltd. (hereinafter referred to as "NSE") the Articles of Association of your Company need to be suitably altered. The alterations proposed are in order to meet the various requirements and rules, regulations and policies as applicable to widely held listed public companies.

NSE has vide their e-mail dated 22 August 2006 advised your Company to provide for these items in the Articles of Association for the purpose of listing with them.

Pursuant to our confirmation dated 30 August 2006 stating that the proposed amendments would be done in the next general meeting of shareholders, the shares of your Company have been listed on NSE w.e.f. 26 September 2006.

Your Directors recommend the special resolution for approval.

### Item No. 6

#### 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 two financial years after receipt of mining lease from the State Govt.

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

(Rs. Millions)	2004-05	2005-06	2006-07
Sales	104	187	262
Cash Profit	42	160	204
RoE *	7%	40%	36%
RoAE *	6%	26%	23%

\*After adding back Deferred Tax

#### 2. Information about the appointee

Mr. Rohit Kapur, aged about 52 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 Managing 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 section 198 and 309 of the Companies Act, 1956.

In addition to the salary, perquisites and allowances as above, the Managing 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 Managing 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 Mr. Rohit Kapur is interested is in receipt of Rs. 1.38 million as rent in respect of premises given on lease to the Company during the financial year 2006 – 07.

### **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 Ltd. 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.

As the company has to statutorily have a Manager or a Managing Director, the appointment of the Manager under the Companies Act, 1956 shall automatically stand terminated on the appointment of Mr. Rohit Kapur becoming effective in accordance with the provisions of Section 197A of the Companies Act, 1956.

Your Directors recommend the special resolution for approval.

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

**31 July 2007**  
**New Delhi**

**GUNJAN JAIN**  
**Company Secretary**



**DIRECTORS' REPORT****SELAN**

Your Directors have pleasure in presenting the Annual Report for the year ended 31 March 2007.

During the year the international crude oil prices continued to remain high causing concerns of high energy costs in various sectors. But, for the oil industry sector, 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 five new wells have been drilled during the year. The production testing of these wells has been encouraging and four of the five wells have yielded good production levels. The Company has been analyzing the well logging data from the newly drilled wells to further identify prospective drilling locations which would be taken up for drilling in the fiscal year 2007-08.

**FINANCIAL REVIEW**

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

(Rs. Millions)	2004-05	2005-06	2006-07
Sales	104	187	262
Cash Profit	42	160	204
RoE *	7%	40%	36%
RoAE *	6%	26%	23%

\*After adding back Deferred Tax

Total Reserves and Surplus of the Company have increased from Rs 194.49 million to Rs. 300.08 million as on 31 March 2007.

**OPERATIONS REVIEW**

Crude oil production during the financial year 2006 - 07 was 100,963 barrels cumulatively from its three fields (viz. Bakrol, Indrora and Lohar) as compared to 73,875 barrels produced in the previous year 2005 - 06. 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 crude oil production.

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 accordingly has taken up the matter with MoEF for seeking its clearances. Now drilling activities would accordingly be undertaken in 2007-08 after obtaining the requisite EC.

Mining Lease for Ognaj Oilfield is still awaited from the Government of Gujarat. On follow-up with Government of Gujarat (GoG), it is learnt that GoG is awaiting a prior clearance from the Ministry of Petroleum and Natural Gas (MoPNG). On receiving the clearance from MoPNG, Mining Lease for Ognaj is expected to be issued to SELAN. Once the Mining Lease is obtained, the Ognaj oilfield block would be handed over to the Company by ONGC. The development activities would thereafter be initiated in the block.

**DIRECTORS' REPORT (CONTD...)****SELAN****PAYMENT OF ADHOC AMOUNT TO THE GOVERNMENT OF INDIA**

In one of the Company's oilfields, Lohar, the investment multiple has exceeded the stipulated figure for sharing of profit petroleum with the Government of India at the end of 2005-06, affecting the year 2006-07.

However, an inordinate delay in the grant of Mining Lease prevented the Company from developing Lohar field in a timely manner and from recovering Cost Petroleum. This matter and other disputes have, on the basis of legal advice received by the Company, been referred to Arbitration.

In the interim, as a matter of abundant caution, the Company has, without prejudice to its rights under the PSC, made an adhoc payment of Rs. 1.60 crores in April 2007 to the Government of India towards its purported claim of Profit Petroleum.

No provision for the said payment has been made in the accounts of the Company for the year ended 31 March 2007.

**BOARD OF DIRECTORS**

During the year, Mr. R. Mathrani has resigned from the Board of Directors w.e.f. 12 February 2007. The Company wishes to thank Mr. Mathrani for his insight and contribution during his tenure as a Director of the Company.

Dr. B. K. Barman and Mr. A. Mahajan retire by rotation at the ensuing Annual General Meeting and being eligible, offer themselves for re-appointment.

**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 the Directors' Report. A declaration by the CEO (Manager) regarding the compliance with the Code of Conduct also forms part of this Annual Report.