



SELAN EXPLORATION TECHNOLOGY LIMITED

ANNUAL REPORT 2010 – 2011

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

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 & 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 2011.

FINANCIAL REVIEW

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

<u>(Rs.)</u>	<u>2009-10</u>	<u>2010-11</u>
Net Sales	708,046,954	709,490,752
EBIDTA	589,877,960	627,824,389
EBIDTA / Net Sales	83%	88%

Total Reserves and Surplus of the Company have increased from Rs. 1281.07 million to Rs. 1,526.17 million as on 31 March 2011.

REVIEW OF OPERATIONS

During the year, the Company continued with its efforts to complete the seismic programmes being undertaken in all our fields.

The Company expects that reservoir simulation and modeling work should be largely completed during this fiscal year.

In addition, drilling activities for the development of our oilfields has begun with development wells being drilled successfully in the Lohar oilfield. This will be followed with similar activities in our other oil and gas fields.

The Company also continues to be actively engaged in obtaining necessary approvals from various Central and State agencies for the extensive drilling activities being planned.

For a detailed review of the Company's operations and plans, please refer to the Management Discussion and Analysis section on page 4 of this Annual Report.

LOHAR ARBITRATION / PAYMENT OF PROFIT PETROLEUM

The matter of payment of Profit Petroleum for Lohar oilfield is still the subject of judicial review. Please refer to Note 2 of the Notes on Accounts section of this Annual Report for more details.

FINAL DIVIDEND

The Directors are pleased to inform that in the F.Y. 2010-11, the Board of Directors have declared two interim dividends of 15% each, which shall be declared as final dividend for the year 2010-11 subject to approval by the shareholders of the Company in the forthcoming AGM.

BOARD OF DIRECTORS

Mr. T. Currimbhoy retires by rotation at the ensuing Annual General Meeting and being eligible, offers himself 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, and for the purpose the Directors have selected the necessary accounting policies and applied them consistently and made judgments / 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, also that the Directors have taken proper and sufficient care for the maintenance of adequate accounting records in conformity with the provisions of Companies Act, 1956, for safeguarding the assets of the Company and for preventing and detecting fraud and other irregularities, and lastly 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. The Auditors' Report forms a part of this Annual Report.

CORPORATE GOVERNANCE REPORT

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 scope of disclosure of particulars under Section 217(1)(e) of the Companies Act, 1956, to the extent where 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 names and particulars of the employees required to be disclosed, in terms of the provisions of Section 217(2A) of the Companies Act, 1956, read with the Companies (Particulars of Employees) Rules, 1975, as amended, forms part of the annexure to the Directors' Report. However, in terms of Section 219(1)(b)(iv) of the Companies Act, 1956, the Annual Report excluding the aforesaid annexure is being sent to the shareholders of the Company and others entitled thereto. Any member interested in obtaining a copy of the said annexure may write to the Company Secretary at the registered office of the Company.

ACKNOWLEDGEMENTS

The accretion of a sincere and motivated team of personnel is exceedingly valuable in the progress of a Company. Your Company is fortunate to have a team whose endeavors have laid a strong foundation for the success of the organization as a whole. Your Directors acknowledge the exemplary contribution made 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 support, cooperation and guidance. The Directors value the trust shown by the shareholders in their ability to manage the Company. We expect that with the ongoing encouragement and support of our shareholders, we shall be successful in achieving the desired objectives in the near future.

For and on Behalf of the Board

20 July 2011
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 would result in expansion of the industry along with creation of new employment opportunities in the oil industry. The Private Sector with its Joint Ventures has contributed significantly in discovering an impressive amount of oil and gas (onshore / offshore), leading to improved exploitation of existing oil reserves in the Country. As a result, the domestic crude oil production is improving visibly with regular contributions of crude production from private operators, thus reducing foreign exchange outflow on crude imports. Oil sector, today, is one of the most booming 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 has laid down various development plans for its oil and gas fields; which shall lead to increase in production of crude oil / gas thereby benefiting the country & its environment. The Company plans to adopt newer technologies along with the guidance of experienced professionals for its planned growth and success.

Seismic data acquisition and workover of existing wells with drilling of new wells is being undertaken to give effect to the aforesaid plans. The Company shall, with the application of appropriate Reservoir Engineering and Production Engineering technologies suitable for the full scale development of the Company's oil and gas fields, aim at achieving the monetization of the Company's significant reserves base.

3. Segment-wise performance

Currently, the Company operates 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 latest software technology and advanced equipment which is capital intensive in nature and, therefore, prone to obsolescence along 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 overlooked and therefore drilling activity poses an enormous 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 unpredictability of profits in this industry.

(ii) Project Constraints

Shortage of drilling rigs and associated oilfield services has been a major problem in the region where the Company operates. Due to the limited number of service providers available, the Company is required to tie-up with oilfield services suppliers as much as a year in advance in order to execute its scheduled drilling programmes.

The approval process at Ministry of Environment and Forests (MoEF) also requires considerable time and effort because as per the revised procedure, any new drilling activity requires their prior clearance.

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.

The Arbitral Tribunal declared the Award for Lohar Arbitration in May 2010. The Government of India is contesting the Award in the Delhi High Court and the matter is still sub-judice.

6. Internal Control Systems and their Adequacy

SELAN has ensured proper and adequate Internal Control system, so that all its assets are safeguarded and protected against loss due to unauthorised use / disposition and that transactions take place under due authority and are received and reported in a prudent manner. Internal Control System is designed in such a manner that financial and other records are reliable and authentic for preparing financial statements and for maintaining proper accountability for assets. The internal control systems are reviewed by the Audit Committee in its quarterly meetings and suggestions are given to strengthen and regularly improve their application, keeping in view the dynamic business environment.

7. Human Resources Development / Industrial Relations

SELAN is proud to have an efficient, dedicated and hardworking team which has lead to optimum business returns for the Company. It has a simple hierarchy system, due to which the decision making process becomes quicker and simpler, mitigating the losses due to lengthy and time-consuming decision making processes.

During the year, the Company was able to maintain harmonious and successful industrial relations. For now, and hopefully in the future, the Company foresees no major internal or external developments which shall adversely affect the business of the Company.