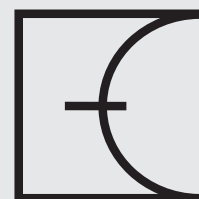


# ANNUAL REPORT 2011-12



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

## COST AUDITOR

S. N. Balasubramanian

## 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



## DIRECTORS' REPORT

Your Directors have pleasure in presenting the Annual Report for the year ended 31 March 2012.

### Financial Review

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

	2009-10	2010-11	2011-12 (₹)
Net Sales	708,046,954	709,490,752	927,295,571
EBIDTA	589,877,960	627,824,389	838,514,401
EBIDTA / Net Sales	83%	88%	90%

**Total Reserves and Surplus of the Company have increased from ₹1,526,173,790/- to ₹1,905,738,773/- as on 31 March 2012.**

### Review of Operations

A significant development during the year has been the successful completion of Public Hearings in several of our oilfields for obtaining the necessary environmental permissions for the well drilling campaigns.

The Company continues to work closely with the Ministry of Petroleum and Natural Gas and the Directorate General of Hydrocarbons in an effort to obtain approvals for extensive drilling campaigns in our oil and gas fields.

It now seems likely that any agreement in this regard would require the Company to drill wells in a phased manner, thus extending the period over which development activities in the fields are completed.

The Company's reservoirs are known, in technical terms, as depletion drive reservoirs, resulting in declining rates of production over time. It is, therefore, necessary that additional wells continue to be drilled so as to achieve higher rates of recoverable reserves as well as production.

Seismic and reservoir work continues at an accelerated pace, and significant additional information is being regularly generated to meet the requirements of various agencies. These studies continue to also provide greater insight into the company's reservoirs so as to enable us to employ the best methods to increase production levels.

The fundamental nature of the approval process has changed considerably over the last two years, thus resulting in significantly lower levels of drilling activity than was earlier anticipated. It is hoped that this process could gain some impetus during the current fiscal year, as the government looks to accelerate investment in all sectors, including oil and gas.

For further details regarding the Company's operations, please refer to the management analysis and discussion section of the Annual Report.

### Final Dividend

The Directors have pleased to inform that in F.Y. 2011-12, the Board of Directors have declared an interim dividend of 30%, i.e. ₹3/- per share, which shall be declared as final dividend for the year 2011-12 subject to approval by the shareholders of the Company in the forthcoming AGM.

### Board of Directors

Mr. V. B. Mahajan 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 complied with, and the Directors have selected the necessary accounting policies and applied them consistently.

Judgments / estimates have been made that are evenhanded and prudent, so as to give an accurate and rational view of the affairs of the Company at the end of the financial year and of the profit or loss of the Company for that period. The Directors have also taken ample care for the maintenance of adequate accounting records in conformity with the provisions of the Companies Act, 1956, for upkeep of 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. 40 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 contribution of a sincere and motivated team of personnel is extremely important for the growth and advancement of a Company. We are fortunate to have such 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 appreciation to the 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*

05 May 2012  
New Delhi

R. KAPUR  
Chairman

## MANAGEMENT DISCUSSION AND ANALYSIS

### 1. Industry Structure and Developments

The oil and gas industry is passing through a difficult period at the present time, with great concern for the level of risk companies can undertake in trying to achieve their business plans.

The government is in the process of moving towards an environment in which there is far greater accountability with respect to the activities of the private sector companies operating in the country.

The process of obtaining necessary approvals for investment programs has become more difficult and is taking longer periods of time. However, the higher oil prices prevalent for the past two to three years have provided significant opportunities for investment in India and abroad.

In addition, certain high profile arbitration cases currently in progress at the present time, could have far reaching implications for all the companies operating in the industry.

### 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 diverse growth and expansion plans for its oil and gas fields; which shall lead to higher production of crude oil / gas. The Company plans to implement newer technologies along with the supervision and direction 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 yielding sector that involves equally high risks. 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 alongwith 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 basic environmental & natural risks cannot be completely overlooked and therefore drilling activity poses an enormous challenge. The ebb and flow 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

There are various project constraints which add on to the risk factors of the Company. Drilling rigs and associated oilfield services have been a major problem in the region where the Company operates. With 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 unanticipated delays in receiving 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

Currently, the Company has a policy of using debt financing only for short term requirements besides using its own accumulated reserves.

### 6. Internal Control Systems and their Adequacy

SELAN ensures proper and adequate Internal Control systems at all times, so that all its assets and resources are safeguarded and protected against loss due to unofficial or illicit use / disposition. Transactions take place under due authority / power and are received and reported in a prudent manner. Our Internal Control System is designed in such a manner that financial and other records are completely reliable and authentic for preparing financial statements and for maintaining proper accountability for assets. These 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 takes full pride in acknowledging its efficient, dedicated and hardworking team which has led 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.



# CORPORATE GOVERNANCE

## 1. SELAN's philosophy on Code of Governance

At SELAN, we consider that Corporate Governance (as envisaged in Clause 49 of the Listing Agreement with the Stock Exchanges) is the foundation for building and sustaining growth and achieving success. SELAN follows the policy of full and fair disclosures in all its transactions, communications and dealings to all its shareholders, employees, creditors and government authorities. SELAN believes in advocating the highest standards of Corporate Governance on a best efforts basis.

SELAN makes a concerted and conscious effort to achieve maximum possible utilization of resources and funds thereby enhancing and sustaining long term shareholders' wealth.

Ethical business conduct is the basis for efficient Corporate Governance. SELAN has a prescribed Code of Conduct which is displayed on the website of the Company. It is mandatory for the Board of Directors and Key Management Personnel to affirm compliance with this code on an annual basis. A declaration to this effect by the CEO (Manager) of the Company also forms part of the Annual Report 2011 -12.

## 2. Board of Directors

### i. Composition of Board

The Board of Directors of the Company comprises of :

- One Executive Director.
- Three Non – Executive Independent Directors.

Name of Director	Executive/ Non-Executive/ Independent	Number of Other Directorships	No. of Committee Memberships in other Companies		Attendance in Board Meetings	Attendance in Last AGM
			Chairman	Member		
R. Kapur *	Chairman and Whole-Time Director	-	-	-	09	Yes
S. K. Singh	Non – Executive and Independent Director	-	-	-	09	Yes
T. Currimbhoy *	Non – Executive and Independent Director	-	-	-	01	No
V. B. Mahajan	Non – Executive and Independent Director	-	-	-	09	Yes

\* Non – Resident Directors

Note: Directorships in Foreign Body Corporates, Private Limited Companies and Associations are excluded.

### ii. Number of Board Meetings held and the dates on which held

There were 09 Board Meetings held during the financial year 2011–12, as per the provisions of Clause 49 of the Listing Agreement. The dates on which the meetings were held are : 14 May 2011, 20 July 2011, 23 July 2011, 08 November 2011, 21 December 2011, 16 January 2012, 31 January 2012, 09 February 2012 and 01 March 2012.

## 3. Audit Committee

As per the provisions of the Listing Agreement. the Audit Committee of the Company was constituted on 09 May 2000. The Committee now comprises of three members, out of which two are non-executive and independent directors. The Chairman of the Committee is also a non-executive and independent director, as per the requirements of the Listing Agreement. The Constitution of the Committee is as follows : Mr. V. B. Mahajan (Chairman), Mr. R. Kapur and Mr. S. K. Singh, Members.

*Brief description of terms of reference :*

1. Review of the financial reporting process and the Company's financial statements.
2. Review of the adequacy of accounting records as maintained in accordance with the provisions of the Companies Act, 1956.
3. Review of the adequacy of internal control system.
4. Such other powers and role as stipulated under Clause 49 of the Listing Agreement and Section 292 (A) of the Companies Act, 1956.

The Committee met four times during the financial year 2011-12 (on 14 May 2011, 20 July 2011, 27 October 2011 and 24 January 2012). All the Committee members were present at all the meetings.

## 4. Remuneration Committee

Constitution of Remuneration Committee is a non – mandatory requirement under the Listing Agreement with the Stock Exchanges. However, it has been made mandatory under Schedule XIII of the Companies Act, 1956. Therefore, a Committee of Independent Directors was constituted to determine the remuneration package of Executive Directors and Senior Management Personnel as and when appointed. The Committee comprises of : Mr. S. K. Singh (Chairman) , Mr. V. B. Mahajan and Mr. Rohit Kapur. The Chairman of the Committee is an independent director. The Committee met twice during the year (10 May 2011 & 23 July 2011) and all the members were present at these meetings.

### Disclosure of Remuneration to Directors

Non-Executive Directors were not paid any remuneration except sitting fees (for attendance at each meeting of Board of Directors or Committee thereof). The Whole-Time Director was paid remuneration during the year as disclosed in Note 34 & 36 of Notes on Accounts. The other Non-Resident Director was not paid any remuneration or sitting fee during the year.

## 5. Shareholders Committee

The Board has also established a Shareholders / Investors Grievances Committee under the chairmanship of Mr. V. B. Mahajan with Mr. R. Kapur and Mr. S. K. Singh as Members for the specific purpose of redressal of shareholders / investors grievances and complaints etc. The committee met four times during the year. All the members of the Committee were present at these meetings. There were no pending shareholders complaints / grievance and transfer of shares as on 31 March 2012.

The Company has designated an e-mail id of the Compliance Officer, specifically, to look after investor grievances and to resolve them in a speedy manner, in compliance with Clause 47 (f) of the Listing Agreement.

### Compliance Officer

Name : Ms. Gunjan Jain  
Designation : Company Secretary  
E-mail Id : investors@selanoil.com

## 6. General Body Meetings

Location and time for last three Annual General Meetings were :

Year	AGM	Location	Date	Time
2008-09	AGM	Ashok Country Resort, New Delhi	08/09/2009	10 : 00 a.m.
2009-10	AGM	Ashok Country Resort, New Delhi	15/09/2010	10 : 00 a.m.
2010-11	AGM	Ashok Country Resort, New Delhi	23/09/2011	10 : 00 a.m.

## 7. Disclosures

- i. Disclosures on materially significant related party transactions i.e. transactions of the Company of material nature, with its promoters, the directors or the management, their subsidiaries or relatives, etc. that may have potential conflict with the interests of the company at large :

Mr. R. Kapur, the Whole-Time Director was paid remuneration during the year as disclosed in Note 34 & 36 of Notes on Accounts.

- ii. Details of non-compliance by the Company, penalties, strictures imposed on the Company by stock exchanges or SEBI, or any statutory authority, on any matter related to capital markets, during the last three years :

None.

- iii. Disclosure on number of shares and convertible instruments held by non – executive directors :

Mr. S. K. Singh : 1,100

Mr. V. B. Mahajan : 6,248

## 8. Means of Communication

As per the requirements of the Listing Agreement, the Half Yearly and Quarterly results are published within 48 hours after the Board Meeting held to consider and take them on record, in leading national newspapers; and intimated to the Stock Exchanges (BSE / NSE). The quarterly results, shareholding pattern and the Annual Report are also available on the Company's website [www.selanoil.com](http://www.selanoil.com)

A Management Discussion and Analysis Report has been attached and forms part of this report.

## 9. General Shareholder Information

- i. Annual General Meeting :

- Date and Time : To be decided

- Venue : To be decided

- ii. Calendar for financial year 2012-13 (Tentative) :

Annual General Meeting : To be decided

Results for quarter ending June 30, 2012 : Fourth week of July, 2012

Results for quarter ending September 30, 2012 : Second week of November, 2012

Results for quarter ending December 31, 2012 : Second week of February, 2013

Results for quarter ending March 31, 2013

Second week of May, 2013

- iii. Book Closure Date :

To be decided

- iv. Dividend :

During the year 2011-12, the Board of Directors of the Company had declared an interim dividend of 30% i.e. ₹3/- per share. This has been paid to the shareholders on 29 February 2012. This is now being put for approval of the shareholders as final dividend for the year 2011-12 at the forthcoming AGM.

- v. Listing of Equity Shares on Stock Exchanges :

Bombay Stock Exchange (BSE) and National Stock Exchange (NSE).

- vi. Stock Code :

Scrip Code on Bombay Stock Exchange : 530075

Scrip Code on National Stock Exchange : SELAN (Equity)

- vii. Stock Market Data:

Bombay Stock Exchange (BSE)				
MONTH	SHARE PRICE (IN ₹)		SENSEX	
	HIGH	LOW	HIGH	LOW
Apr 2011	377.00	333.50	19,811.14	18,976.19
May 2011	360.00	324.00	19,253.87	17,786.13
Jun 2011	348.50	279.00	18,873.39	17,314.38
Jul 2011	360.90	283.20	19,131.70	18,131.86
Aug 2011	356.35	264.15	18,440.07	15,765.53
Sep 2011	315.00	273.35	17,211.80	15,801.01
Oct 2011	309.40	278.50	17,908.13	15,745.43
Nov 2011	309.80	240.00	17,702.26	15,478.69
Dec 2011	282.85	221.20	17,003.71	15,135.86
Jan 2012	288.70	226.70	17,258.97	15,358.02
Feb 2012	311.00	273.00	18,523.78	17,061.55
Mar 2012	288.00	255.00	18,040.69	16,920.61

- viii. Registrar and Transfer Agents :

MCS Limited

F – 65, First Floor, Okhla Industrial Area Phase – I  
New Delhi – 110 020

Tel # 011 - 4140 6149, Fax # 011 - 4170 9881

- ix. Share Transfer System :

Share transfer requests received in physical form with demat requests are registered within an average of 15 days from the date of receipt. Share transfer requests received in physical form without demat requests are registered within an average of 20 days.



x. Distribution of shareholding as on 31 March 2012:

Category	No. of Shares Held as on 31.03.2012	% Holding
Promoters :		
- Indian	2,745,386	16.162
- Foreign	4,349,216	25.603
Mutual Funds / UTI	42,020	0.247
Foreign Institutional Investors	31,355	0.185
Private Corporate Bodies	983,435	5.789
Indian Public	7,274,071	42.821
Trusts and Foundations	55,715	0.328
NRIs / OCBs	1,505,845	8.865
GRAND TOTAL	16,987,043	100.000

xi. Dematerialisation of shares :

95.18 % of the outstanding shares have been dematerialized upto 31 March 2012.

Trading in equity shares of the Company is permitted only in dematerialized form w.e.f. 25 September 2000 as per notification issued by the Securities and Exchange Board of India (SEBI).

xii. Liquidity :

The shares of the Company are listed on Bombay Stock Exchange (BSE) and the National Stock Exchange of India (NSE). The shares of the Company are adequately liquid.

xiii. Field Locations :

Bakrol, Indrora and Lohar oilfields in the State of Gujarat. The Company also has Ognaj oilfield and Karjisan gasfield situated in the State of Gujarat.

xiv. (i) For transfer / dematerialisation of shares, payment of dividend on shares, interest and redemption of debentures, and any other query relating to the shares and debentures of the Company :

MCS Limited  
Unit : Selan Exploration Technology Ltd.  
F – 65, First Floor, Okhla Industrial Area, Phase – I  
New Delhi – 110 020

(ii) Any query on the Annual Report :

Company Secretary  
Selan Exploration Technology Ltd.  
J-47/1, Shyam Vihar, Dindarpur, Najafgarh  
New Delhi – 110 043

## AUDITOR'S REPORT ON CORPORATE GOVERNANCE

To the Shareholders of

Selan Exploration Technology Ltd.

1. We have examined the compliance of conditions of corporate governance by Selan Exploration Technology Ltd. for the year ended 31 March 2012, as stipulated in Clause 49 of the listing agreement of the Company with stock exchanges.
2. The compliance of conditions of Corporate Governance is the responsibility of the management. Our examination was limited to procedures and implementation thereof, adopted by the Company for ensuring the compliance of the conditions of the Corporate Governance. It is neither an audit nor an expression of opinion on the financial statements of the Company.
3. In our opinion and to the best of our information and according to the explanations given to us, we certify that the Company has complied with the conditions of Corporate Governance as stipulated in the abovementioned listing agreement.
4. We further state that such compliance is neither an assurance as to the future viability of the Company nor the efficiency or effectiveness with which the management has conducted the affairs of the Company.

for V. SANKAR AIYAR & CO.  
Chartered Accountants  
(Firm's Regn. No. 109208W)

Place : New Delhi  
Date : 05 May 2012

M. S. Balachandran  
Partner  
Membership No. 024282

## DECLARATION REGARDING COMPLIANCE BY BOARD MEMBERS AND SENIOR MANAGEMENT PERSONNEL WITH THE COMPANY'S CODE OF CONDUCT

This is to confirm that the Company has adopted a Code of Conduct for its Board of Directors and Senior Executives. The above mentioned code is available on the website of the Company.

I confirm that the Company has in respect of the financial year ended 31 March 2012 received from the senior management team of the Company and the members of the Board a declaration of compliance with the Code of Conduct as applicable to them.

05 May 2012  
New Delhi

P. S. Oberoi  
Manager

PERSONS CONSTITUTING GROUP COMING WITHIN THE DEFINITION OF 'GROUP' FOR THE PURPOSE OF REGULATION 3(1) OF THE SECURITIES AND EXCHANGE BOARD OF INDIA (SUBSTANTIAL ACQUISITION OF SHARES AND TAKEOVERS) REGULATIONS, 1997, INCLUDE THE FOLLOWING

1. Winton Roavic Associates (pending incorporation)
2. Winton Roavic Associates, LLP (pending incorporation)