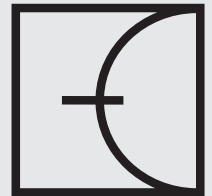


**ANNUAL REPORT 2018-19**



**Late Mr. R. N. Kapur**

*Founder and Former Chairman*

**BOARD OF DIRECTORS**

Mr. R. Kapur, Chairman

- Mr. T. Currimbhoy • Dr. D. J. Corbishley
- Mr. R. S. Sidhu • Ms. S. Bhagwati Dalal • Mr. M. Singh

**CHIEF OPERATING OFFICER**

Mr. Arunabh Parasher

**CHIEF FINANCIAL OFFICER**

Mr. Vijay Kirpal

**COMPANY SECRETARY**

Ms. Pooja Agnihotri

**STATUTORY AUDITORS**

J. A. Martins & Company, Chartered Accountants, New Delhi

**COST AUDITOR**

Mr. R. Krishnan

**BANKERS**

State Bank of India • Corporation Bank • Kotak Mahindra Bank

**REGISTERED OFFICE**

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

**REGISTRAR AND SHARE TRANSFER AGENTS**

MCS Share Transfer Agent 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 2019.

## Financial Review

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

	(in ₹ lakhs)		
	2016-17	2017-18	2018-19
Net Sales	5,584	7,661	9,333
EBIDTA	4,311	5,448	7,470
EBIDTA / Net Sales	77%	71%	80%

Total Reserves and Surplus of the Company have increased from ₹ 278 crores to ₹ 310 crores as on 31 March 2019. The Board has not recommended any transfer to General Reserves from the profits during the year under review.

## Review of Operations

The Company has significantly increased profitability and cash flow from operations year over year, due to increased focus on optimizing capital investment in production enhancement, reservoir management, operational excellence supported by improved hydrocarbon prices.

The Company had also submitted its applications for a 10-year extension upto March-2030 of its Production Sharing Contracts for Bakrol, Indrora and Lohar oilfields to DGH as per Ministry of Petroleum and Natural Gas guidelines. Towards this end, the Company is pleased to inform that it has recently received the extension for 10 years for Lohar and Bakrol field. For Indrora field, the extension proposal is under discussion between the Company and DGH.

Organizational enhancement with internationally accomplished management and technical advisory team has been the key factor in delivering these results, with demonstrable improvement in operational execution, better understanding of reservoir geology and production potential as well as more effective deployment of capital.

This helps the Company focus on production enhancement as well as encourages collaboration among the industry, investors, service providers and consultants to bring in new technology, cost and operational efficiency. Towards this end, the Company is working for a robust production optimization exercise to further enhance production from drilling campaigns for significant increases in production. In this regard, the Company is in the process of obtaining detailed approvals for the Bakrol and Karjisan field, and is in ongoing discussions with the DGH towards this end.

Government remains committed to making sustained and significant efforts aimed at liberalizing the sector by simplifying processes, increasing market access and bringing developments in the technology domain with the aim to enhance the efficiency of our oil and gas industry.

Please also refer to the Management Discussion and Analysis section of the Annual Report for further clarification regarding Company's operations and policies.

## Final Dividend

The Directors are pleased to inform that in the financial year 2018-19, the Board of Directors have declared an interim dividend of 50% i.e. ₹ 5/- per share, which shall be declared as final dividend for the year 2018-19 subject to approval by the shareholders of the Company in the forthcoming AGM. The dividend together with dividend distribution tax resulted in cash outlay of ₹ 988.55 lakhs.

## Transfer to IEPF

Pursuant to applicable provisions of the Companies Act, 2013 ("Act") read with the Investor Education and Protection Fund Authority (Accounting, Audit, Transfer and Refund) Rules, 2016 and subsequent amendments thereto ("IEPF Rules"), all unpaid or unclaimed dividends are required to be transferred by the Company to the Investor Education and Protection Fund ("IEPF" or "Fund") established by the Central Government, after completion of seven years from the date of dividend

becoming unpaid / unclaimed. Further, according to the Rules, the shares in respect of which dividend has not been paid or claimed by the members for seven consecutive years or more shall also be transferred to the demat account created by the IEPF Authority.

The Company had sent individual notices and also advertised in the newspapers seeking action from the members who have not claimed their dividends for seven consecutive years or more.

During the year, an amount of ₹ 1,804,429 being unclaimed dividend for the Financial Year 2011-12 alongwith 28,658 equity shares were duly transferred to the Fund established by the Central Government.

Members /claimants whose shares and/or unclaimed dividend, have been transferred to the IEPF Demat Account or the Fund, as the case may be, may claim the shares or apply for refund by making an application to the IEPF authority in Form IEPF-5 (available on <http://www.iepf.gov.in>) along with requisite fee as decided by the IEPF authority from time to time. The member/claimant can file only one consolidated claim in a financial year as per the IEPF Rules.

Members are requested to ensure that they claim the dividends and shares referred above, before they are transferred to the said Fund. Details of shares/shareholders in respect of which dividend has not been claimed, are provided on our website at [www.seloil.com](http://www.seloil.com). The shareholders are encouraged to verify their records and claim their dividends of all the earlier seven years, if not claimed.

Year	Amount	Due date for transfer of unclaimed/unpaid amount of Dividend to IEPF
2012 - 13	1,762,570	07 April 2020
2013 - 14	1,567,280	06 April 2021
2014 - 15	1,567,055	06 April 2022
2015 - 16	1,626,385	10 April 2023
2016 - 17	2,090,215	09 April 2024
2017 - 18	1,540,520	25 March 2025
2018 - 19	1,203,475	23 February 2026

## Buyback Of Equity Shares

The Board of Directors at its meeting held on 27 December 2018 unanimously approved the Buyback of fully paid-up equity shares of ₹ 10/- each (hereinafter referred to as "Buyback") at a price not exceeding ₹ 300/- per equity share, payable in cash, upto an aggregate amount not exceeding ₹ 25 crores, representing approximately 8.66 % of the Company's total paid-up Equity Capital and Free Reserves as on 31 March 2018.

Pursuant to the aforesaid Buyback offer, the Company had made a Buy Back of 570,000 equity shares upto 31 March 2019 of which 500,000 equity shares were extinguished as at 31 March 2019 and remaining 70,000 equity shares were extinguished in the month of April 2019. Consequent to the Buyback, the paid-up equity share capital of the Company as on 31 March 2019 has been reduced to 1.59 crores equity shares of ₹ 10/- each. The Buyback Committee constituted by the Board oversees all matters pertaining to the Buyback of equity shares of the Company.

## Meetings of the Board & Committees

Please refer the Corporate Governance Report of the Annual Report.

## Declaration of Independence by Directors and statement on compliance of Code of Conduct

Declaration given by Independent Directors meeting the criteria of Independence as provided in section 149(6) of the Companies Act, 2013 and regulation 25(8) of the SEBI (LODR) Regulations, 2015 is received and taken on record. The Independent Directors have complied with Code for Independent Directors prescribed in Schedule IV of the Act.



## Directors Responsibility Statement

In accordance with the provisions of Section 134(5) of the Companies Act, 2013, 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 proper and sufficient care for the maintenance of adequate accounting records in accordance with the provisions of Companies Act, 2013, 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. The Directors have laid down internal financial controls to be followed by the Company and such Internal financial controls are adequate and operating effectively. Lastly, the Directors have devised proper systems to ensure compliance with the provisions of all applicable laws and such systems were adequate and operating effectively.

## Policy on Directors' Appointment and Remuneration

Considering the requirement of skill set on the Board, eminent people having an independent standing in their respective field / profession and who can effectively contribute to Company's business and Policy decisions are considered by Nomination and Remuneration Committee for appointment as Independent Director on the Board. The Committee considers ethical standards of integrity, qualification, expertise and experience of the person for appointment as Director and is not disqualified under Companies Act, 2013 and rules made thereunder and accordingly recommend to the Board his / her appointment.

Remuneration to Whole-Time Director is governed under the relevant provisions of Companies Act, 2013 and rules made thereunder. Independent/ Non-Executive Directors excluding Promoter Directors are paid sitting fees for attending the meetings of the Board / Committees thereof.

The Nomination and Remuneration Committee recommends the remuneration of Directors and Key Managerial Personnel, which is approved by the Board of Directors, subject to approval of shareholders where necessary. The level and composition of remuneration so determined shall be reasonable and sufficient to attract, retain and motivate Directors and Senior Management to run the Company. The objective and broad framework of the Remuneration Policy is to consider and determine the remuneration, based on the fundamental principles of payment for performance, for potential and for growth. The Nomination and Remuneration Policy as approved by the Board may be accessed on Company's website at [www.seloil.com](http://www.seloil.com). The Board considers the Nomination and Remuneration Committee's recommendations and takes appropriate decision.

## Contracts / Arrangements with Related Parties

All the related party transactions are entered on arm's length basis in the ordinary course of business and are in compliance with the applicable provisions of the Companies Act, 2013 and the SEBI (LODR) Regulations, 2015. Details of all related party transactions are reported to the Audit Committee for scrutiny / review and referred for approval of the Board on a quarterly basis. There are no materially significant related party transactions made by the Company with Promoters, Directors or KMP etc. which may have potential conflict with the interest of the Company at large which warrants the approval of shareholders. Accordingly, the disclosure of related party transactions as required under Section 134 (3)(h) of the Companies Act, 2013 in Form AOC-2 is not applicable to the Company. Omnibus approval is obtained for the transactions which are foreseen and repetitive in nature. Transactions with related parties are conducted in a transparent manner with the interest of the Company as utmost priority. Details of such transactions are given in the accompanying Financial Statements. The Company's

policy on Related Party Transactions is available at our website [www.seloil.com](http://www.seloil.com).

## Whistle Blower Policy

The Company has adopted a Vigil Mechanism / Whistle Blower Policy to provide a formal mechanism to the Directors and employees to report their concerns about unethical behavior, actual or suspected fraud or violation of the Company's Code of Conduct or Policy. This Policy provides for adequate safeguards against victimization of employees who avail of the mechanism and also provides for direct access to the Chairman of the Audit Committee. It is affirmed that no personnel of the Company has been denied access to the Audit Committee. This policy is available on the Company's website at [www.seloil.com](http://www.seloil.com).

## Risk Management

Risk Management is a formal and disciplined practice for addressing risk. Selan has in place comprehensive risk assessment and minimization procedures, which are reviewed by Board periodically. The objective of risk management in the Company is to act as an enabler in maintaining its knowledge edge, sustaining and expanding the business, being competitive and ensuring execution of projects within budgeted cost, time and quality, resulting in improved turnover and profitability. The Company has laid down a well defined risk management mechanism covering the risk mapping and trend analysis, risk exposure, potential impact and risk mitigation process. It includes identifying risks, assessing their probabilities and consequences, developing management strategies and monitoring their state to maintain situational awareness of changes in potential threats.

## Board Evaluation

In compliance with the provisions of the Companies Act, 2013 and Regulation 17(10) of the SEBI (LODR) Regulations, 2015, the Board has carried out an Annual Performance Evaluation of its own performance, Directors individually and that of its Committees. During the year, a Separate Meeting of Independent Directors was held to assess the performance of Non-Independent Director, the Chairperson of the Company as well as the Board as a whole. Performance Evaluation is based on their contribution to Company's objectives and plans, efficient discharge of their responsibilities, participation in Board / Committee meetings and other relevant parameters.

## Board of Directors and KMP

During the year under review, Mr. N. Sethi, President & CEO resigned effective 15 January 2019. The Company expresses its appreciation to Mr. Sethi and wishes him the best for the future.

With effect from 01 April 2019, the Board of Directors have appointed Mr. Vijay Kirpal as Chief Financial Officer of the Company in place of Mr. A. K. Maurya.

Ms. Pooja Agnihotri, has been appointed as Company Secretary and Compliance Officer with effect from 20 May 2019 in place of Ms. Meenu Goswami. The Board places on record its appreciation for the services rendered by Ms. Goswami.

## Statutory Auditors

M/s J. A. Martins & Co., Chartered Accountants (FRN:010860N), Statutory Auditors of the Company, were appointed in the 32<sup>nd</sup> AGM to hold office until the conclusion of 37<sup>th</sup> AGM.

There are no qualifications or reservations or adverse remarks or frauds reported by the Auditors in their Report.

## Cost Auditor

In terms of Section 148 of the Companies Act, 2013, the Company is required to have the audit of its cost accounting records conducted by a Cost Accountant. The Board of Directors have on the recommendation of Audit Committee, approved the appointment of Mr. R. Krishnan, Cost Accountant (Membership No. 7799) as the Cost Auditor of the Company



for the Financial Year 2019-20 at a remuneration of ₹ 120,000/- per annum. The proposed remuneration of the Cost Auditor shall be ratified by the members in the ensuing AGM. The Cost Audit for the year ended 31 March 2018 was carried out by Mr. R. Krishnan and the report was filed on 23 August 2018. There are no qualifications or reservations or adverse remarks or frauds reported by the Auditors in their Cost Audit Report.

#### **Secretarial Auditor**

The Board of Directors of the Company had appointed M/s Nityanand Singh & Co., (CP : 2388), Company Secretaries for Secretarial Audit of the Company for financial year 2018- 19. In terms of provisions of section 204(1) of the Companies Act, 2013, a Secretarial Audit Report forms part of this Annual Report as Annexure-A. There are no qualifications or reservations or adverse remarks or frauds reported by the Auditors in their Secretarial Audit Report.

#### **Internal Auditor**

In compliance with the provisions of Section 138 of the Companies Act, 2013, M/s V. Sankar Aiyar & Co., (FRN :109208W) Chartered Accountants were appointed as Internal Auditors for the Financial Year 2018-19 to conduct the internal audit of the functions and activities of the Company. They have submitted their Report to the Chairman of the Audit Committee and this was further reviewed by the Management and taken on record.

#### **Corporate Governance Report**

Corporate Governance stems from the belief and realization that corporate citizenship has a set of responsibilities, which must be fulfilled for a company to progress and succeed over the long term. In compliance with the SEBI (LODR) Regulations, 2015, 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 Manager regarding the compliance with the Code of Conduct also forms part of this Annual Report.

#### **Annual Return**

Relevant Extract of the Annual Return is given in Annexure-B to this Report. A copy of the Annual Return is placed on the website of the Company at [www.selanoil.com](http://www.selanoil.com).

#### **Loans, Guarantees or Investments**

The Company has not given any loan or guarantee or provided securities during the year under report attracting the provisions of Section 186 of the Companies Act, 2013, however details of Investments covered under the provisions of Section 186 of the Companies Act, 2013 form part of the notes to the Financial Statements provided in this Annual Report.

#### **Deposits**

The Company has not accepted any deposits during the year under report nor did any deposits remain unpaid or unclaimed at the end of the year.

#### **Internal Financial Controls and their adequacy**

As per Section 134(5)(e) of the Companies Act, 2013, the Directors have an overall responsibility for ensuring that the Company has implemented robust system and framework of Internal Financial Controls. This provides the Directors with reasonable assurance regarding the adequacy and operating effectiveness of controls with regard to reporting, operational and compliance risks. The Company has devised appropriate systems and framework including proper delegation of authority, policies and procedures, effective IT systems aligned with business requirements, risk based internal audits, risk management framework and whistle blower mechanism. These are routinely tested and certified by Statutory as well as Internal Auditors. The Audit Committee evaluates the internal financial control systems periodically.

#### **Significant and Material orders passed by the Regulators, Courts, Tribunals, Statutory or Quasi- Judicial bodies**

No significant or material orders were passed by the Regulators or Courts or Tribunals or Statutory or Quasi- Judicial bodies which impacts the going concern status and Company's operations in future.

#### **Women Empowerment**

SELAN has always believed that appropriate standard of conduct should be maintained by the employees in their conduct and that there should be a safe, indiscriminatory and harassment free (including sexual harassment) work environment for every individual working in the Company. SELAN's 'Policy on Prevention of Sexual Harassment of Women at Workplace' is in line with the provisions of the Sexual Harassment of Women at Workplace (Prevention, Prohibition and Redressal) Act, 2013 and the Rules made thereunder which provides for protection against sexual harassment of women at workplace and for prevention and redressal of such complaints received by the Company. Internal Complaints Committee has been set up to redress complaints, if any, received regarding sexual harassment. During the year under review, the Company has not received any complaint of sexual harassment from any of the woman employee of the Company.

#### **Audit Committee**

The Audit Committee comprises of four members, out of which three are Non-Executive and Independent Directors including the Chairman. The Audit Committee's composition, powers and role are included in Corporate Governance Report. All the recommendations made by the Audit Committee were accepted by the Board of Directors.

#### **CEO / CFO Certification**

Mr. R. Kapur, Whole- Time Director and Mr. V. Kirpal, CFO of the Company have certified to the Board that all the requirements of the SEBI (LODR) Regulations, 2015, *inter alia*, dealing with the review of Financial Statements and Cash Flow Statement for the year ended 31 March 2019, transactions entered into by the Company during the said year, their responsibility for establishing and maintaining internal control systems for financial reporting and evaluation of the effectiveness of the internal control systems and making of necessary disclosures to the Auditors and the Audit Committee have been duly complied with.

#### **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 134(3)(m) of the Companies Act, 2013, 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. 50 of the Notes forming Part of the Accounts.

#### **Material Changes and Commitments**

There have not been any material changes and commitments affecting the financial position of the Company between the end of the Financial year of the Company as on 31 March 2019 and the date of this report.

#### **General Information**

Please refer to the Management Discussion and Analysis section of the Annual Report.

#### **Capital Structure**

Pursuant to Buyback of equity shares of the Company, the Company had made a Buy Back of 570,000 equity shares upto 31 March 2019 of which 500,000 equity shares were extinguished as at 31 March 2019 and remaining 70,000 equity shares were extinguished in the month of April 2019. Consequent to the Buyback, the paid-up equity share capital of the Company as on 31 March 2019 has been reduced from 1.64 crores to 1.59 crores equity shares of ₹ 10 /- each.

The Company has not issued any equity shares or preference shares or any securities which carry a right or option to convert such securities into shares, employee stock options, debentures, bonds or any non-convertible securities, warrants, etc.

### Corporate Social Responsibility

The Company has in place CSR Policy in line with Schedule VII of the Companies Act, 2013 which is available at our Company's website [www.selanoil.com](http://www.selanoil.com). Selan is committed to driving societal progress, while fulfilling its business objectives. With safety, health and environment protection high on its corporate agenda, Selan is committed to conduct business with a strong environmental conscience, so as to ensure sustainable development, safe work places and enrichment of life of employees, clients and the community. The Corporate Social Responsibility Committee comprises of five members, out of which four are Non-Executive and Independent Directors including the Chairman. Brief details about the CSR Policy developed and implemented by the Company on CSR initiatives taken during the year is given in Annexure-C to this Report.

### Compliance with Secretarial Standards

The Company is in compliance with the applicable Secretarial Standards issued by the Institute of Company Secretaries of India.

### GENERAL DISCLOSURES

1. Your Directors state that no disclosure or reporting is required in respect of the following items as there were no transactions on these items during the year under review:
  - (a) Issue of shares or other convertible securities.
  - (b) Issue of equity shares with differential rights as to dividend, voting or otherwise.
  - (c) Issue of equity shares (including sweat equity shares and employee stock options) to employees of the Company, under any scheme.
  - (d) Issue of debentures, bonds, warrants or any other non-convertible securities.
2. The Company does not have any subsidiaries. Hence, Whole-time Director of the Company did not receive any remuneration or commission during the year, from any of its subsidiaries.
3. The Company has not revised its Financial Statement and Report during the three preceding financial years.
4. There are no applications filed for corporate insolvency process, by a financial or operational creditor or by the Company itself under the Insolvency and Bankruptcy Code, 2016 before the NCLT.
5. The Company has not obtained any credit rating from any credit rating agency.
6. Disclosures relating to Subsidiaries, Associates and Joint Ventures – Not Applicable.

7. The Company has not commenced any new business nor discontinued / sold or disposed off its existing business.
8. Currently, the Company operates in only one Business Segment that is Production of Crude Oil and Natural Gas. There is no change in the status of the Company and financial year.
9. The Company has not made any acquisition, merger, expansion, modernization or diversification and there is no development or acquisition or assignment of material Intellectual Property Rights.
10. No material event has taken place which has impact on the affairs of the Company.
11. During the financial year ended 31 March 2019, securities of the Company have not been suspended from trading on any of the Stock Exchanges where they are listed.

### Personnel

The information required pursuant to Section 197 read with Rule 5 of the Companies (Appointment and Remuneration of Managerial Personnel) Rules, 2014 in respect of employees of the Company is provided in Annexure -D.

### Acknowledgements

Your Directors would like to express their earnest appreciation for the valuable efforts of every employee at all levels for their hard work, dedication and commitment without which the Company would not have been able to undertake the challenging targets in all areas of operations. The Company believes in empowering its employees through greater knowledge, team spirit and developing greater sense of responsibility. 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 also wish to place on record their deep sense of appreciation for the committed services by all 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 particularly, wish to acknowledge and place on record the continuous support and guidance of all the shareholders and, more importantly, for the confidence reposed in the Company's management.

*For and on behalf of the Board*

Place : New Delhi  
Date : 29 May 2019

R. KAPUR  
Chairman  
(DIN : 00017172)





## 1. Industry Structure and Developments

India will be the biggest contributor to energy growth demand globally in the years to come and Hydrocarbon is an important component of India's energy basket in future. By 2035, India is likely to be among the fastest growing oil and gas markets, with oil demand almost doubling to ~10 million barrels per day and gas demand tripling over the same period. India today stands strong as one of the fastest growing major economy in the world and will remain so for years to come. The value addition is made through improvements in process capability, casting yields, resource utilization, efficiency and development of new business opportunities. The Company focusses on production enhancement as well as encourages collaboration among the industry, investors, service providers and consultants to bring in new technology, cost and operational efficiency. Selan has invested actively in technology field interventions and personnel over the last two years which has not only reversed the natural decline of its fields but also increased production. Selan is committed to active development of its field operations and maximize its ultimate recovery. During the year, the Company also participated in Bidding under Discovered Small Field Policy Round-II by DGH.

The Government has approved the Policy framework on reforms in exploration and licensing sector for enhancing domestic exploration and production of oil and gas. The decision signals a paradigm shift in the core goal of the Government, moving from revenue-maximization to production-maximization, with focus on exploration. This will incentivize increased investment and production. In order to meet the exploding energy needs of its vast population, India imports a large proportion of its crude oil and gas requirements. It is in this context and in line to the vision of our Hon'ble Prime Minister to cut down India's import dependence for domestic energy needs by 10% in the near future, the Ministry has introduced landmark changes in the Indian Upstream E&P sector by launching a slew of policy initiatives. The launch of Discovered Small Fields (DSF) Policy and Hydrocarbon Exploration and Licensing Policy are a few to name. These new policy framework is characterized by progressive features such as uniform license for all forms of hydrocarbons, low regulatory burden through revenue sharing model, easy entry through DSF, marketing and pricing freedom for all the oil and gas produced so as to ensure a level playing field for the global investor community. Continuing reforms in the oil and gas sector includes further simplification of approval processes, with measures to be initiated for promoting ease of doing business through setting up coordination mechanism and simplification of approval of DGH, alternate dispute resolution mechanism etc.

At Selan, we view these developments positively and consider them to be opportunities for us to leverage our potential and contribute to Nation's energy security in a meaningful way.

## 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 most recently received 10 years extension of Production Sharing Contracts of Bakrol and Lohar oilfields. The application for Indrora is currently under review with DGH. The Company has also made ongoing efforts to strengthen its management team.

Selan is committed to making investments in technology and drilling in a phased manner. The Company is actively pursuing various reservoir engineering and production engineering technologies across the globe in an effort to find the most appropriate completions for the new wells being drilled. These can add to the production / life cycle of the wells and help the Company in achieving its volume growth objectives in the coming years.

## 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 technologically advanced software and equipment which is highly capital intensive and is largely prone to obsolescence. Therefore, the data is constantly being reanalyzed and reinterpreted with modern software and technology to help improve recovery of oil and gas reserves. The interpretation of data is done by using highly sophisticated and technologically advanced systems. However, the results may still be quite unpredictable.

A key aspect of oil and gas Company's strategic planning and decision making is the varying amounts of risk inherent in the available asset investment options. Extending the production of old fields often entails making significant investment in existing pipelines, platforms and hubs to extend their lives. This is also an issue for many new small fields, which require access to existing infrastructure if they are to be economic to develop. Without investment, this key infrastructure will be decommissioned earlier than necessary, potentially meaning recoverable resources are left stranded.

The entire oil and gas value chain requires much more capital than labour to produce results, so it is termed capital-intensive industry. Oil and gas production is highly capital intensive and so the tax treatment of capital expenditure is a key element of the regime.

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. The uneven nature of production is part of what makes the prices of oil and gas so volatile. Other economic factors also play into this, as financial crisis and macroeconomic factors can dry up capital or otherwise affect the industry independently of the usual price risks.

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

The developmental efforts of the Company are also being delayed / hampered due to certain 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 service suppliers as much as a year in advance in order to execute its scheduled drilling programmes. The cost of operating in the basin have risen significantly over recent years.

Complying with international tendering procedures, import from abroad of long lead items and lining up of rig and allied services represents a challenging time line.

Another area of concern is urbanization and the delay in land acquisitions, which affects the various development and production activities to be implemented. In view of the rapid town planning and urbanization activities in and around Ognaj block area and consequent impossibility to gain access to land, it has become impossible for the Company to undertake any further operations in the block.

Any unanticipated delays in receiving timely clearances from MoEF and in mobilizing the drilling rig and associated oilfield service is a potential project constraint for the Company.

(iii) Financial, Legal and Contractual Risks

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

## 6. Opportunities and Threats

Government has taken a series of policy decisions to promote exploration and production of oil and gas. They include reassessment of hydrocarbon resources, survey of un-appraised areas of sedimentary basins, setting up of National Data Repository, Hydrocarbon Exploration Licensing Policy, Discovered Small Field Policy, Policy for early monetization of coal bed methane, Policy for exploration and exploitation of unconventional hydrocarbons, Policy to promote and incentivize enhanced oil discovery methods, Reforms in gas pricing, marketing and pricing freedom etc. These policy reforms have been taken by the Government to remove obstacles to investment and incentivize oil and gas sector on the lines of ease of doing business, 'minimum government, maximum governance' and promote Make in India initiative. The oil and gas industry represents one of the most important and complex industry segments in the market and is ready to meet the nation's future energy needs aided with the support of Government. Our focus on efficiency, cost control and operational excellence will yield results during the year as we build a strong foundation for our next phase of growth. New methods and new sources of oil and gas are driving productivity in the Oil and gas industry. Despite the risks, there is still a very real demand for energy and this sector fills part of that demand.

## 7. Internal Control Systems and their Adequacy

Internal Control is an integral component of an organization's management that provides reasonable assurance of the effectiveness and efficiency of operations, reliability of financial reporting and compliance with applicable laws and regulations. Together, our management systems, organizational structures, processes, standards and Code of Conduct and Ethics form the system of internal control that governs how the Company conducts its business and manages the associated risks. The Board has ultimate responsibility for the management of risks and for ensuring the effectiveness of internal control systems. This system forms an integral part of the entire cycle of planning, budgeting, management, accounting and auditing. It supports the effectiveness and the integrity of every step of the process and provides continuous feedback to management. The Company carefully considers the appropriate balance between controls and risk in their programs and operations. The internal controls are designed to ensure that financial and other records are reliable for preparing financial information and other data and for maintaining accountability of assets. We treasure integrity and transparency as the core value in all our business dealings. We have dedicated Internal Auditors who make sure that transactions taking place under due authority / power are received and reported in a prudent manner. 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. Internal and external audits are conducted on a regular basis to ensure transparency and statutory compliance. During the year, due care has been exercised by the Company with respect to all the requirements of the Company Law and SEBI (LODR) Regulations, 2015.

## 8. Human Resources Development / Industrial Relations

Human Resources is Company's greatest strength and foundation for long-term success. SELAN has always considered its employees as its key resource and the major driving force behind the performance and success of the Company. Selan promotes a good work morale and encourages its employees to show their co-workers and others appropriate respect, tolerance and a pleasant manner. Building of managerial and technical competencies is an area of constant focus. 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. Our Company believes that it is the quality and dynamism of its Human Resource that will enable it to make a significant contribution in creating enlarged societal value and this is an integral part in charting the success story of the Company. The Company has a total strength of 29 employees as on 31 March 2019. We constantly strive to improve our operations, integrate our business through the value chain and optimize our performance through operational efficiencies and innovative technological solutions. We employ these tools to further ensure that our operations have a positive impact on our stakeholders and, more broadly, society.

The Company continues to set a fine record of industrial harmony with positive outcomes of effective performance. For now, and hopefully in the future, the Company foresees no major internal or external developments in this area which shall adversely affect the business of the Company.

## 9. Disclosure of Accounting Treatment

The Financial Statements have been prepared in accordance with the Companies (Indian Accounting Standard) Rules, 2015 (Ind AS) prescribed under Section 133 of Companies Act, 2013 and other recognized accounting practices and policies to the extent applicable.

## 10. Details of significant changes in Key Financial Ratios, alongwith detailed explanations, therefore, including:

Particulars	2019	2018
Current Ratio	27.15x	17.99x
Average Collection Period (in days)	70	73
Inventory Turnover Ratio	10.46x	7.42x
Operating Margin (%)	48.12%	36.98%
Net Profit Margin (%)	53.30%	27.41%
Basic Earning Per Share	31.54	13.45
PE Ratio	5.7	14.1

- Current Ratio has increased on account of increase in fair market value of current financial assets (investment in mutual funds) and liquidity generated in the form of cash profits during the year.
- Inventory Turnover Ratio has increased due to lower average inventory of crude oil in fiscal 2019 as compared to fiscal 2018.
- Current year's operating revenue at ₹ 9,663.82 Lakhs was 20% higher compared to last year's ₹ 8,046.82 Lakhs due to increase in Crude price in international market and US \$ appreciation in terms of Indian Rupee resulting in profits from continuing operations (EBIT) at ₹ 4,650.58 Lakhs being 56% higher than previous year's ₹ 2,975.63 Lakhs.
- Net profit after tax at ₹ 5,151.16 Lakhs was 133.54 % higher as compared to previous year's ₹ 2,205.67 Lakhs due to increase in revenue from operations, income on account of changes in value of current investment and reversal of Deferred Tax Liabilities during the year.
- Price Earning ratio is computed as share price divided by basic earnings per share. PE ratio has decreased on account of decrease in market price of share and increase in Basic EPS on fiscal 2019 to fiscal 2018.

## 11. Details of any change in Return on Net Worth as compared to the immediately previous financial year along with a detailed explanation thereof.

Particulars	2019	2018
Return on Net Worth	16.6%	7.7%

Return on net worth is computed as net profit by average net worth. Net Profit has increased from ₹ 2,205.67 Lakhs to ₹ 5,151.16 Lakhs. Additionally, the buyback has resulted in an increase in return on net worth.



# CORPORATE GOVERNANCE



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

Selan is committed to good Corporate Governance and endeavors to implement the Code of Corporate Governance in its true spirit, which goes beyond mere regulatory compliances. Our Philosophy on Corporate Governance is based on formulation of Integrity, Excellence and Ethical values which have been in practice since inception. The Company has in place processes and systems whereby the Company complies with the requirements of Corporate Governance under the SEBI (LODR) Regulations, 2015.

## 2. Board of Directors

### a) Composition of Board

The Board of Directors of the Company comprises of :

- One Executive Director
- Five Non – Executive Independent Directors

Name of Director	Executive/ Non-Executive/ Independent	Number of Committee Memberships in other Companies		Attendance in Board Meetings	Attendance in Last AGM
		Chairman	Member		
R. Kapur DIN:00017172	Chairman and Whole-Time Director	-	-	07	Yes
M. Singh DIN:07585638	Non – Executive and Independent Director	-	-	07	Yes
T. Currimbhoy* DIN:00729714	Non – Executive and Independent Director	-	-	03	No
R. S. Sidhu DIN:00121906	Non – Executive and Independent Director	-	-	06	Yes
D. J. Corbishley* DIN:06515723	Non – Executive and Independent Director	-	-	01	Yes
S. Bhagwati Dalal DIN:01105028	Non-Executive and Independent Director	-	02	01	No

\* Foreign Directors.

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

- None of the Director is related to the other Directors.

### b) Core skills / expertise / competencies identified by the Board of Directors as required in the context of its business(es) and sector(s) for it to function effectively and those actually available with the Board are as follows

- Vision: The Company's Directors are visionary leaders who always see the big picture. They are able to inspire the employees to emulate them and perform at optimum levels.
- Calculated Risk Factor: The Directors have the ability to recognize when it makes sense to take a risk, and when that risk can be worth it.
- The Directors are open to learn and implement new things.
- Keen observation.
- The Directors have effective leadership qualities.
- They are Action oriented.
- The Company has Board with strong ethics.

In the opinion of the Board, the Independent Directors fulfill the conditions specified in SEBI (LODR) Regulations, 2015 and are independent of the management.

No Independent Director has resigned before the expiry of his tenure.

### c) Number of Board Meetings held and the dates on which held

There were seven Board Meetings held during the financial year 2018-19. The dates on which the meetings were held are : 15 May 2018, 12 July 2018, 08 August 2018, 01 November 2018, 27 December 2018, 31 January 2019 and 27 February 2019. Maximum time gap between two consecutive meetings did not exceed 120 days. The necessary quorum was present for all the meetings.

### d) Directors' Shareholding

Details of Directors' Shareholding in the Company as on 31 March 2019 are as follows:

Name of Director	Number of Shares
R. Kapur, Whole -Time Director	86,846

### e) Other listed entities where Director of the Company is a Director

Name of Director	Name of other listed entities
S. Bhagwati Dalal	Greenply Industries Limited (Non – Executive and Independent Director)
	Greenlam Industries Limited (Non – Executive and Independent Director)

### f) Familiarisation Programme for Independent Directors

The Company's Policy of conducting the Familiarisation Programme and the details of Familiarisation Programmes imparted to Independent Directors during Financial Year 2018-19 have been disclosed on the website of the Company at <http://www.seloil.com/wp-content/uploads/2019/04/FAMILIARIZATION-PROGRAMME-FOR-INDEPENDENT-DIRECTORS.pdf>

## 3. Committees of the Board

The Company has constituted various Committees for smooth functioning of the Board. The composition of all the Committees is in accordance with provisions of the Companies Act, 2013 and SEBI (LODR) Regulations, 2015.

### (a) Audit Committee

The Audit Committee comprises of four members, out of which three are Non-Executive and Independent Directors, including the Chairman. Four meetings of Audit Committee were held during the year viz. on 15 May 2018, 13 July 2018, 01 November 2018 and 31 January 2019. The composition of the Committee and details of their attendance at the meetings is as follows:

Name of Director	Number of Meetings	
	Held	Attended
D. J. Corbishley	4	1
M. Singh (Chairman)	4	4
R. Kapur	4	4
T. Currimbhoy	4	3

Brief description of terms of reference:

- Review of the financial reporting process and the Company's financial statements.
- Review of the adequacy of accounting records as maintained in accordance with the provisions of the Companies Act, 2013.
- Review of the adequacy of internal control systems.

- The detailed terms of reference of Audit Committee covers the areas mentioned under Part C of Schedule II of the SEBI (LODR) Regulations, 2015 as well as Section 177 of the Companies Act, 2013.

**(b) Nomination and Remuneration Committee**

The Nomination and Remuneration Committee assists the Board in overseeing the method, criteria and quantum of compensation for Directors and Senior Management based on their performance and defined assessment criteria. The detailed terms of reference of the Committee covers the areas mentioned under Part D of Schedule II of SEBI (LODR) Regulations, 2015 as well as Section 178 of the Companies Act, 2013. The Committee met twice during the year on 15 May 2018 and 27 December 2018. The composition of the Committee and details of their attendance at the meeting is as follows:

Name of Director	Number of Meetings	
	Held	Attended
M. Singh	2	2
R. Kapur	2	2
D.J. Corbishley (Chairman)	2	-
T. Currimbhoy	2	1

**Performance Evaluation**

As stipulated by the Code of Independent Directors under the Companies Act, 2013, and the SEBI (LODR) Regulations, 2015, Annual Evaluation was conducted by the Board of its own performance and that of its Committees and Individual Directors. A Separate Meeting of Independent Directors was held on 31 January 2019 to assess the performance of Non-Independent Director and the Chairperson of the Company and the Board as a whole. The performance evaluation of all the Independent Directors was conducted by the entire Board, excluding the Director being evaluated. The overall consensus was the performance of Directors, which was significant and it clearly met the guidelines issued by SEBI. Performance Evaluation is based on their contribution to Company's objectives and plans, efficient discharge of their responsibilities, participation in Board / Committee meetings and other relevant parameters.

**Remuneration of Directors**

- There was no pecuniary relationship or transaction between the Non-Executive Directors and the Company during the Financial Year 2018-19 excluding Dr. D. J. Corbishley, Non-Executive Director who was paid Consultancy Fee as disclosed in Note No. 45.
- Independent / Non-Executive Directors excluding Promoter Directors of the Company are paid Sitting fee for attending the meetings of the Board / Committees subject to ceiling / limits as provided under Companies Act, 2013 and rules made thereunder.
- Payment of remuneration to Whole - Time Director is governed by the terms and conditions of his appointment as recommended by the Nomination and Remuneration Committee and approved by the Board subject to the approval of Shareholders and the Central Government, where applicable. The Whole-Time Director was paid remuneration during the year as disclosed in Note no. 45 of Notes on Accounts. Details of remuneration of Directors for the year ended 31 March 2019 are as follows:

Name of Director	Salary, Allowances & Perquisites	Sitting Fees paid	Total
D. J. Corbishley	-	100,000	100,000
M. Singh	-	750,000	750,000
R. S. Sidhu	-	650,000	650,000
S. Bhagwati Dalal	-	100,000	100,000
T. Currimbhoy	-	350,000	350,000

**(c) Stakeholders Relationship Committee**

The terms of reference of this Committee are wide enough covering the matters specified under the SEBI (LODR)

Regulations, 2015 and the Companies Act, 2013. The Committee met four times during the year on 14 May 2018, 13 July 2018, 07 August 2018 and 26 December 2018. The Committee comprises of Mr. M. Singh (Chairman, Non-Executive and Independent Director), Mr. R. Kapur, Dr. D.J. Corbishley and Mr. R. S. Sidhu.

Particulars	As on 31 March 2019
No. of shareholders' complaints received	04
No. of complaints not solved to the satisfaction of Shareholders	Nil
No. of pending complaints	Nil

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 the SEBI (LODR) Regulations, 2015.

*Compliance Officer*

Name : Ms. Pooja Agnihotri  
Designation : Company Secretary  
E-mail Id : investors@selanoil.com

**(d) Corporate Social Responsibility Committee**

Please refer to the Annexure-C of this Report.

**(e) Buyback Committee**

The Board has established a Buyback Committee comprising of Mr. M. Singh as Chairman and Mr. R. Kapur, Mr. R. S. Sidhu and Mr. V. Kirpal as members to review the Buyback programme undertaken by the Company. The Committee met once during the year on 28 December 2018 and Mr. M. Singh and Mr. R. S. Sidhu were present at the meeting.

**4. General Body Meetings**

- a) Location and time for last three Annual General Meetings were :

Year	AGM	Location	Date	Time
2015-16	AGM	Ashok Country Resort, New Delhi	28.09.2016	10:00 a.m.
2016-17	AGM	Ashok Country Resort, New Delhi	10.08.2017	10:00 a.m.
2017-18	AGM	Ashok Country Resort, New Delhi	12.07.2018	10:00 a.m.

- b) Whether any Special Resolutions (SR) passed in the previous three AGMs : Yes
- c) Whether any Special Resolution passed last year through postal ballot : None
- d) Whether any Special Resolution is proposed to be conducted through postal ballot : No

**5. Means of Communication**

a) Quarterly Results	Published in the newspapers every quarter
b) Newspapers wherein results normally published	Financial Express and Jansatta
c) Any website, where results are displayed	www.selanoil.com
d) Whether it also displays official news releases	Yes
e) Presentations made to institutional investors or to the analysts	A Corporate presentation is available on website of the Company
f) NEAPS and BSE (listing centre)	Periodical and event based compliance filings
g) SCORES	Portal for investors' complaints