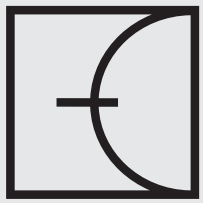
www.selanoil.com

# ANNUAL REPORT 2015-16



SELAN EXPLORATION TECHNOLOGY LIMITED

Late Mr. R. N. Kapur

*Founder and Former Chairman*

## BOARD OF DIRECTORS

Mr. Rohit Kapur, *Chairman*

Mr. T. Currimbhoy • Mr. V. B. Mahajan • Mr. S. K. Singh • Dr. D. J. Corbishley • Mrs. R. Kapur

## AUDITORS

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

## CHIEF FINANCIAL OFFICER

Mr. A. K. Maurya

## COMPANY SECRETARY

Ms. Meenu Goswami

## 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

## REGISTRAR AND SHARE TRANSFER AGENTS

MCS Share Transfer Agent Limited
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 2016.

**Financial Review**

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

(₹)

| | 2013-14 | 2014-15 | 2015-16 |
|---|---|---|---|
| Net Sales | 1,012,697,496 | 792,893,686 | 620,268,715 |
| EBIDTA | 945,836,453 | 687,216,394 | 476,101,134 |
| EBIDTA / Net Sales | 93% | 87% | 77% |

Total Reserves and Surplus of the Company have increased from ₹ 2,639,208,773 to ₹ 2,669,821,290 as on 31 March 2016. During the year under review, an amount of ₹ 100,000,000 transferred to General Reserves and ₹ 623,000 transferred to Site Restoration Fund.

**Review of Operations**

The Company continued its operations in a smooth and efficient manner and the Company achieved overall increases in production volumes from its oilfields during the year. However, due to the continued significant decline in oil prices, the overall profitability of the Company was lower than in the previous year.

The drilling campaign continued in 2015-16, although at a lower pace keeping NPV and RoE requirements in mind for new investments. The assessment of the complex geology formation of our oil and gas fields was also carried out during the year and significant progress was made with respect to Bakrol and Karjisan fields. The Technical operation and production challenges were being constantly evaluated with various service providers across the globe.

Overall cash flows from operations remained healthy and the Company increased its Net Current Assets properties in comparison with the previous year.

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 2015-16, 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 2015-16 subject to approval by the shareholders of the Company in the forthcoming AGM.

**Transfer to IEPF**

During the year, in accordance with the provisions of section 205C of the Companies Act, 1956 an amount of ₹ 659,585 and ₹ 729,681 being Unclaimed Dividend for the financial year 2007-08 and 2008-09 respectively were transferred to the Investor Education and Protection Fund established by the Central Government.

**Number of Meetings of the Board**

There were seven Board Meetings held during the financial year 2015-16. Details of the same forms part of the Corporate Governance Report.

**Declaration of Independence by Directors**

Declaration given by Independent Directors meeting the criteria of Independence as provided in sub-section (6) of Section 149 of the Companies Act, 2013 is received and taken on record.

**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 ample care for the maintenance of adequate accounting records in conformity with the provisions of Companies Act, 2013, for upkeep of 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. And 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 Board considers the Nomination and Remuneration Committee's recommendation 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 Listing Regulations. 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. All related party transactions are presented to the Audit Committee and the Board. 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.selanoil.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.selanoil.com.

**Risk Management**

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. The Company's risk identification and assessment process is dynamic and hence it has been able to identify, monitor and mitigate the most relevant strategic and operational risks, both during periods of accelerated growth and recessionary pressures.

**Corporate Social Responsibility**

Selan is committed to operate and grow in a socially responsible way. With Safety, health and environment protection high on its corporate agenda, Selan is committed to conduct business with a strong environment conscience, so as to ensure sustainable development, safe work places and enrichment of life of employees, clients and the community. 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.

**Board Evaluation**

In compliance with the provisions of the Companies Act, 2013 and Regulation 17(10) of the SEBI (Listing Obligations and Disclosure Requirements) 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 and 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**

Mrs. R. Kapur retires by rotation at the ensuing Annual General Meeting.

**Auditors and Their Report**

M/s V. Sankar Aiyar & Co., Chartered Accountants, Statutory Auditors of the Company hold office upto the conclusion of 32nd AGM, who were appointed in the 29th AGM to hold office until the conclusion of 32nd AGM. Therefore, ratification of appointment of Statutory Auditors is being sought from the members at the ensuing AGM.

There are no qualifications or reservations or remarks made by the Auditors in their Report.

Furthermore, it is proposed to appoint M/s J.A. Martins & Co., Chartered Accountants as the Joint Auditors of the Company for a term of five years from the conclusion of this 31st AGM till the conclusion of 36th AGM, subject to ratification of appointment at every AGM hereinafter. The Company has received confirmation from M/s J.A. Martins & Co. to the effect that their appointment, if made, would be within the prescribed limits under Section 141(3)(g) of the Companies Act, 2013 and that they are not disqualified for appointment. The Company has received a Special Notice from a member u/s 140(4) of the Companies Act, 2013 for the appointment of M/s J.A. Martins & Co., Chartered Accountants as the Joint Statutory Auditors of the Company. The appointment of M/s J.A. Martins & Co. will provide smooth transition to the existing auditors i.e. M/s V. Sankar Aiyar & Co., Chartered Accountants as their term expires on the 32nd Annual General Meeting and they are not eligible for further re-appointment as per the provisions of Companies Act, 2013.

**Cost Accounting Records**

The Board of Directors has on the recommendation of Audit Committee, approved the appointment of Mr. S. N. Balasubramanian, Cost Accountant as the Cost Auditor of the Company for the financial year 2016-17 at a remuneration of ₹120,000 per annum. The proposed remuneration of the Cost Auditor would be ratified by the members in the ensuing AGM. The Cost Audit for the year ended 31 March 2015 was carried out by the same Auditor and the report was filed on 29 September 2015.

**Secretarial Audit Report**

Secretarial Audit Report confirming compliance to the applicable provisions of Companies Act, 2013, Listing Agreement, SEBI guidelines and all other related rules and regulations obtained from our Secretarial Auditors, M/s Nityanand Singh & Co., Company Secretaries forms part of this Annual Report as Annexure-A.

**Internal Auditor**

In compliance with the provisions of Section 138 of the Companies Act, 2013 M/s S.N. Nanda & Co. were appointed as Internal Auditors for the Financial Year 2015-16 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**

In compliance with the SEBI (Listing Obligations and Disclosure Requirements) 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.

**Extract of the Annual Return**

Relevant Extract of the Annual Return is given in Annexure-B to this Report.

**Loans, Guarantees or Investments**

The Company has not given any loan or guarantee nor has made any investment during the year under report attracting the provisions of Section 186 of the Companies Act, 2013.

**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**

The Directors had laid down internal financial controls to be followed by the Company and such policies and procedures were adopted by the Company for ensuring the orderly and efficient conduct of its business, including adherence to Company's policies, the safeguarding of its assets, the prevention and detection of frauds and errors, the accuracy and completeness of the accounting records, and the timely preparation of reliable financial information. The Audit Committee evaluates the internal financial control system periodically.

**Significant and Material orders passed by the Regulators/ Courts/ Tribunals**

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

**Women Empowerment**

SELAN is fully committed to uphold and maintain the dignity of every woman employee working with it. It believes that every woman shall have the right to work in an environment free from any form of Sexual Harassment. SELAN has a 'Policy on Prevention of Sexual Harassment of Women at Workplace' which provides for protection against sexual harassment of women at workplace and for prevention and redressal of such complaints. 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 five members, out of which four 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. Rohit Kapur (Whole Time Director) and Mr. A. K. Maurya, Chief Financial Officer of the Company have certified to the Board that all the requirements of the Listing Obligations, inter alia, dealing with the review of financial statements and Cash flow statement for the year ended 31 March 2016, 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 system 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. 42 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 2016 and the date of this report.

**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, will be provided upon request. In terms of Section 136 of the Act, 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**

Your Directors place on record their gratitude and express their earnest appreciation for the valuable efforts of every employee of the organization 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 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*

Place : New Delhi
Date : 20 May 2016

ROHIT 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 Company is taking effective steps to improve operational efficiency to maintain the earnings. The Company is in the process of executing elaborate plans for the development of its oil and gas fields. Efforts are made in terms of enhancement of production from existing pay zones, workover of existing wells and drilling of new wells.

The Industry is expecting significant changes with new oil and gas policies introduced by the Government which will lead to easy approval processes and easy implementation of business plans. The Government has been reviewing its E&P Policy from time to time for intensifying exploration activities and investments therein.

During the year, there has been a steep fall in global crude oil prices thus adversely affecting the exploration and drilling activities world over. Numerous trends are driving the market and the fall in oil prices has not yet recovered. This has significantly impacted the profits of the Company. The issue of revenue loss is being constantly monitored for its bearing on the future plans of the Company and for purposes of ongoing cost containment.

**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 received certain environmental and drilling approvals during the year. However, the approvals are now valid only for the fiscal year in which they are received, irrespective of how late in the fiscal year they are received. As such, the process is ongoing and unpredictable.

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.

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*

Fluctuations in oil prices creates uncertainty in deciding future plans for the Company and in the minds of the investing public. Prolonged volatility will adversely affect all companies in the industry.

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.

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 the delay in land acquisitions, which affects the various development and production activities to be implemented.

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**

The growth of the Company is subject to opportunities and threats as are applicable from time to time. The Industry is expecting significant changes with the new Hydrocarbon Exploration and Licensing Policy introduced by the Government. The Government is making serious efforts in order to enhance domestic oil and gas production, bring substantial investment, enhance transparency and reduce administrative discretion. This will promote the government's initiative 'Ease of Doing Business'. 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. 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**

Regular Internal audits and checks are carried out to provide assurance that adequate systems are in place and that the responsibilities at various levels are discharged effectively. These systems are designed to ensure that all assets of the Company are safeguarded and protected against any loss and that all transactions are properly authorized, recorded and reported. 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.

**8. Human Resources Development / Industrial Relations**

SELAN believes that the quality of its employees is the key to success. The Company deeply appreciates the spirit and commitment of its employees and takes full pride in acknowledging its 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. 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. The Company has a total strength of 28 employees as on 31 March 2016.

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 Company has followed the Accounting Standards issued by the Institute of Chartered Accountants of India (ICAI) in preparation of its Financial Statements.

# CORPORATE GOVERNANCE

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

We believe that good Corporate Governance emerges from the application of the best and sound management practices and compliance with the laws coupled with adherence to highest standards of transparency and business ethics. It is SELAN's belief that good ethics make good business sense and our business practices are in keeping with this spirit of maintaining the highest level of ethical standards. The Company has in place processes and systems where by the Company complies with the requirements of Corporate Governance under the Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015.

**2. Board of Directors**

a) Composition of Board

The Board of Directors of the Company comprises of :

- One Executive Director
- Four Non – Executive Independent Directors
- One Non – Executive Director

| Name of Director | Executive/ Non–Executive/ Independent | Number of other Director-ships | Number of Committee Memberships in other Companies | | Attend-ance in Board Meetings | Attend-ance in Last AGM |
|---|---|---|---|---|---|---|
| | | | Chairman | Member | | |
| Rohit Kapur* | Chairman and Whole-Time Director | - | - | - | 07 | Yes |
| S. K. Singh | Non – Executive and Independent Director | - | - | - | 04 | No |
| T. Currimbhoy* | Non – Executive and Independent Director | - | - | - | 02 | No |
| V. B. Mahajan | Non – Executive and Independent Director | - | - | - | 06 | Yes |
| D. J. Corbishley* | Non – Executive and Independent Director | - | - | - | 02 | Yes |
| R. Kapur | Non-Executive Director | - | - | - | 01 | No |

** Non – Resident Directors*

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

*None of the Director is related to the other Directors except, for Mrs. R. Kapur (Promoter Director), who is the wife of Mr. Rohit Kapur (Promoter Director)*

b) Number of Board Meetings held and the dates on which held

There were seven Board Meetings held during the financial year 2015-16. The dates on which the meetings were held are : 30 May 2015, 14 August 2015, 07 November 2015, 15 January 2016, 06 February 2016, 11 February 2016 and 10 March 2016.

c) Directors' Shareholding

Details of Directors' Shareholding in the Company as on 31 March 2016 are as follows :

| Name of Director | Number of Shares |
|---|---|
| Mr. Rohit Kapur, Whole -Time Director | 466,846 |
| Mr. V.B. Mahajan, Non-Executive Independent Director | 6,248 |
| Mr. S.K. Singh, Non-Executive Independent Director | 1,100 |
| Mrs. R. Kapur, Non- Executive Director | 1,400,000 |

d) 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 2015-16 have been disclosed on the website of the Company at www.selanoil.com/familiarisation_Programme_details_2016.pdf

**3. Audit Committee**

The Audit Committee comprises of five members, out of which four are non-executive and independent directors, including the Chairman. Four meetings of Audit Committee were held during the year viz. on 26 May 2015, 13 August 2015, 05 November 2015 and 06 February 2016. The composition of the Committee and details of their attendance at the meetings is as follows :

| Name of Director | Number of Meetings | |
|---|---|---|
| | Held | Attended |
| Mr. V.B. Mahajan (Chairman) | 4 | 4 |
| Mr. S.K. Singh | 4 | 3 |
| Dr. D.J. Corbishley | 4 | 2 |
| Mr. T. Currimbhoy | 4 | - |
| Mr. Rohit Kapur | 4 | 4 |

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 system.
- The detailed terms of reference of Audit Committee cover the areas mentioned under Part C of Schedule II of the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015 as well as Section 177 of the Companies Act, 2013.

**4. 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 cover the areas mentioned under Part D of Schedule II of SEBI (Listing Obligation and Disclosure Requirements) Regulations, 2015 as well as Section 178 of the Companies Act, 2013. The Committee met one time during the year (on

10 August 2015). The composition of the Committee and details of their attendance at the meeting is as follows:

| Name of Director | Number of Meetings | |
|---|---|---|
| | Held | Attended |
| Mr. S.K. Singh (Chairman) | 1 | - |
| Mr. V.B. Mahajan | 1 | 1 |
| Mr. T. Currimbhoy | 1 | - |
| Mr. Rohit Kapur | 1 | 1 |

**Performance Evaluation**

As stipulated by the Code of Independent Directors under the Companies Act, 2013, and the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015, Annual Evaluation was conducted by the Board of its own performance and that of its Committee and Individual Directors. A Separate Meeting of Independent Directors was held on 08 February 2016 to assess the performance of Non-Independent Directors and the Chairperson of the Company and the Board as a Whole. Performance Evaluation of Independent Directors was also conducted during the Financial Year 2015-16. 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.

**5. Remuneration of Directors**

a) There was no pecuniary relationship or transaction between the Non-Executive Directors and the Company during the Financial Year 2015-16.

b) Independent/Non-Executive Directors excluding Promoter Directors of the Company are paid Sitting fees for attending the meetings of the Board/ Committees subject to ceiling/ limits as provided under Companies Act, 2013 and rules made thereunder.

c) 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. 33 & 35 of Notes on Accounts. Details of remuneration of Directors for the year ended 31 March 2016 are as follows:

(in ₹)

| Name of Director | Salary, Allowances & Perquisites | Sitting Fees paid | Total |
|---|---|---|---|
| Mr. V.B. Mahajan | - | 1,000,000 | 1,000,000 |
| Mr. S.K. Singh | - | 600,000 | 600,000 |
| Dr. D.J. Corbishley | - | 200,000 | 200,000 |
| Mr. T. Currimbhoy | - | 100,000 | 100,000 |

**6. Stakeholders Relationship Committee**

The terms of reference of this Committee are wide enough covering the matters specified under the Listing Regulations and the Companies Act, 2013. The Committee is headed by Mr. V.B. Mahajan (Non-Executive and Independent Director).

| Particulars | As on 31 March 2016 |
|---|---|
| No. of shareholders complaints received | 05 |
| 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 Listing Regulations.

*Compliance Officer*

Name : Ms. Meenu Goswami
Designation : Company Secretary
E-mail Id : investors@selanoil.com

**7. General Body Meetings**

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

| Year | AGM | Location | Date | Time |
|---|---|---|---|---|
| 2012-13 | AGM | Air Force Auditorium, New Delhi | 05.08.2013 | 10:00 a.m. |
| 2013-14 | AGM | Ashok Country Resort, New Delhi | 07.08.2014 | 10:00 a.m. |
| 2014-15 | AGM | Ashok Country Resort, New Delhi | 11.08.2015 | 10:00 a.m. |

b) Whether any Special Resolutions (SR) passed in the previous three AGMs : Yes *

| Year | SR content |
|---|---|
| 2014 | • Increase in NRI Investment limit under Portfolio Investment Scheme of FEMA<br>• Re-appointment of Manager |

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

**8. 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 | No presentation has been made during the year |

**9. General Shareholder Information**

a) Annual General Meeting :

- Date and Time To be decided
- Venue To be decided

b) Financial Year :

The Financial Year under review covers the period from 01 April 2015 to 31 March 2016.

Calendar for financial year 2016-17 (tentative) :

| | |
|---|---|
| Annual General Meeting | To be decided |
| Results for quarter ending 30 June, 2016 | Second week of August, 2016 |
| Results for quarter ending 30 September, 2016 | Second week of November, 2016 |
| Results for quarter ending 31 December, 2016 | Second week of February, 2017 |
| Results for quarter ending 31 March, 2017 | Fourth week of May, 2017 |

c) Dividend :

During the year 2015-16, the Board of Directors of the Company had declared an interim dividend of 50% i.e. ₹ 5/- per share. This has been paid to the shareholders on 11 March 2016. This is now being put for approval of the shareholders as final dividend for the year 2015-16 at the forthcoming AGM.

d) Listing of Equity Shares on Stock Exchanges :

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

The Company had paid Annual Listing Fees for the Financial Year 2015-16.

e) Stock Code :

Scrip Code on National Stock Exchange : SELAN

Scrip Code on Bombay Stock Exchange : 530075

f) Stock Market Data :

| National Stock Exchange (NSE) | | | | |
|---|---|---|---|---|
| MONTH | SHARE PRICE (IN ₹) | | NIFTY | |
| | HIGH | LOW | HIGH | LOW |
| Apr 2015 | 299.00 | 228.10 | 8844.80 | 8144.75 |
| May 2015 | 272.40 | 242.10 | 8489.55 | 7997.15 |
| Jun 2015 | 334.00 | 238.45 | 8467.15 | 7940.30 |
| Jul 2015 | 309.25 | 261.00 | 8654.75 | 8315.40 |
| Aug 2015 | 277.70 | 202.65 | 8621.55 | 7667.25 |
| Sep 2015 | 244.40 | 205.20 | 8055.00 | 7539.50 |
| Oct 2015 | 258.80 | 213.00 | 8336.30 | 7930.65 |
| Nov 2015 | 261.90 | 228.35 | 8116.10 | 7714.15 |
| Dec 2015 | 249.25 | 200.05 | 7979.30 | 7551.05 |
| Jan 2016 | 215.50 | 167.00 | 7972.55 | 7241.50 |
| Feb 2016 | 193.90 | 149.00 | 7600.45 | 6825.80 |
| Mar 2016 | 186.70 | 151.25 | 7777.60 | 7035.10 |

g) During the period i.e. 01 April 2015 to 31 March 2016, Selan's stock prices on NSE fell by 28.51% and 27.96% on BSE, whereas NSE (NIFTY) fell by 9.87% and BSE (Sensex) fell by 10.33%.

h) Registrar and Transfer Agents :

MCS Share Transfer Agent Limited
F – 65, First Floor, Okhla Industrial Area Phase – I
New Delhi – 110 020
Tel # 011 - 4140 6149 Fax # 011 - 4170 9881
E-mail : helpdeskdelhi@mcsregistrars.com

i) Share Transfer System :

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

j) Distribution of shareholding as on 31 March 2016 :

| Category | No. of Shares Held as on 31.03.2016 | % Holding |
|---|---|---|
| Promoters : | | |
| - Indian | 4,107,000 | 25.04 |
| - Foreign | 2,535,989 | 15.46 |
| Mutual Funds / UTI | 193,238 | 1.18 |
| Financial Institution / Banks | 11,886 | 0.07 |
| Foreign Institutional Investors | 134,734 | 0.82 |
| Private Corporate Bodies | 872,733 | 5.32 |
| Indian Public | 7,173,979 | 43.75 |
| Trusts and Foundations | 715 | 0.01 |
| NRIs / OCBs | 1,369,726 | 8.35 |
| GRAND TOTAL | 16,400,000 | 100.00 |

k) Dematerialisation of shares :

96.22% of the outstanding shares have been dematerialized upto 31 March, 2016.

l) 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.

m) Outstanding ADRs / GDRs / Warrants or any convertible instruments, conversion date and likely impact on equity :

Not Applicable

n) Commodity price risk / foreign exchange risk and hedging activities :

The selling price of Crude oil is determined at the prevailing international market rates in US Dollars. Fluctuations in the international price of crude oil and Dollar vs. Rupee Exchange rates, affect the profitability of the Company. However, the Company has not undertaken any hedging activities.

o) 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.

p) Address for Correspondence :

- For transfer of physical shares, request for dematerialisation of shares, change of mandates / address or any other query:

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

- Any query on the Annual Report :

  E-mail : investors@selanoil.com

**10. Other Disclosures**

a) Disclosures on materially significant related party transactions that may have potential conflict with the interests of the company at large :

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. Mr. Rohit Kapur, the Whole-Time Director was paid remuneration during the year as disclosed in Note No. 33 & 35 of Notes on Accounts.

b) 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

c) 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.

d) The Company has complied with all the mandatory requirements specified in the regulations.

e) Web link where policy for determining 'material' subsidiaries is disclosed : Not Applicable

f) Web link where policy on dealing with related party transactions is disclosed : The Related Party Transactions Policy is uploaded on the Company's website at : http://selanoil.com/RELATED_PARTY_TRANSACTIONS_POLICY.pdf.

g) Disclosure of Commodity price risks and commodity hedging activities : The Company has not undertaken any hedging activities.

11. There has been no instance of non-compliance of any requirement of Corporate Governance Report.

12. Non-mandatory requirements:

- The Chairman of the Company is an Executive Director.
- The Company does not send Half-yearly declaration of financial performance to each household of shareholders. Quarterly financial results are displayed on the Company's website and therefore Half-yearly declaration is not sent.
- There are no audit qualifications for the year under review.
- The Internal Auditor reports directly to the Audit Committee.

13. The Company has complied with all the mandatory requirements specified in Regulations 17 to 27 and clauses (b) to (i) of sub-regulation 2 of Regulation 46 of the Listing Regulations.

14. Disclosure with respect to demat suspense account / unclaimed suspense account : Not Applicable

## 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, 2016 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.

Place : New Delhi
Date : 20 May 2016

P. S. Oberoi
Manager

## AUDITORS' CERTIFICATE ON CORPORATE GOVERNANCE

To the Members of Selan Exploration Technology Ltd.

1. We have examined the compliance of conditions of Corporate Governance by Selan Exploration Technology Ltd. ("the Company") for the year ended on 31 March 2016, as stipulated in Chapter IV of Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015.

2. The Compliance of conditions of Corporate Governance is the responsibility of the management. Our examination was limited to review of procedures and implementation thereof, adopted by the Company for ensuring the compliance of the conditions of 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 above mentioned 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 : 20 May 2016

(M. S. Balachandran)
Partner
(Membership No. 024282)