



Chairman's Speech at Cairn India's 10th Annual General Meeting Mumbai Thursday, July 21, 2016

Good Morning Ladies and Gentlemen,

On behalf of the Board of Directors, I am delighted to welcome you all to the Tenth Annual General Meeting of your Company.

Thank you for joining us today.

The oil and gas sector plays a pivotal role in global growth due to its strong economic linkages.

The oil and gas industry is navigating a tough phase. Excess oil supplies have taken the inventory levels to a historic high, even though strong oil demand has persisted.

The oil exporting economies have seen dwindling profits from oil production, even as the oil importing economies are benefiting from lower energy costs.

India, as one of the largest oil importers, witnessed lower trade and current account deficits, reduced inflation and lower subsidy bill.

India has shown remarkable resilience and remains progressive. As per IMF's latest World Economic Outlook, India is a bright spot with strong growth and rising real incomes.

Cairn India for an energy secure nation

India's crude oil import bill reduced from US\$ 113 billion in FY 2015 to US\$ 64 billion in FY 2016, a reduction of 43%.

It is important that as a country, we do not take this reduction for granted, because all projections indicate an increasing dependence on oil and gas imports. As per the IEA's World Energy Outlook, by the year 2040, 91% of India's demand for oil and 49% demand for gas would be met by imports. This high dependence would entail significant cost to the economy.

Thus, every effort should be made to enhance domestic hydrocarbon production.

In this context, it is heartening to see the government introduce various policy reforms, which will attract investments and encourage the domestic oil & gas sector.

We are confident that the government will continue this momentum and in the next phase of reforms, introduce policy measures to facilitate existing producers to increase domestic hydrocarbon production.

As the largest private crude oil producer in India, your Company assumes a very significant and responsible role in reducing India's import dependence.

Your Company operates over 27% of domestic crude oil production. During the year, Cairn India's operations helped reduce India's import bill by over INR 21,000 Crore and its gross contribution to the government exchequer was over INR 10,000 Crore.

With this larger context, let me now talk about your Company's performance.



During the year, despite one of the lowest oil price scenario, your Company successfully delivered key projects. This will support medium and long term production. Your company continues to be in a strong position to grow further.

Assets

The Rajasthan block, a world class asset has significant national importance. It has considerably helped reduce country's crude oil imports.

Cairn India's success, over the years, has been reinforced by innovative application of technology. This DNA has enabled early adoption of technology including Enhanced Oil Recovery in the Rajasthan field.

One of the world's largest polymer flood projects at Mangala, continued to yield positive results. The project contributed an average of 14,000 barrels of oil equivalent per day, during FY2016.

Excellent performance by Mangala EOR and encouraging upside from Aishwariya infill programme augur well for the Rajasthan block. I am happy to share that Mangala EOR performance reaffirms the potential of the Rajasthan block.

Our continued efforts have improved the viability of polymer flood in Bhagyam and Aishwariya as the development and operating cost per barrel is reduced by 25-30%. The Field Development Plan for Aishwariya EOR is proposed to be submitted in the current quarter and the revised FDP for Bhagyam EOR is expected to be submitted to our JV partner, in 1H 2017.

With a large exploration potential, Barmer Hill offers an excellent growth opportunity. Development of Aishwariya Barmer Hill is envisaged in stages, and production from Stage 1 is expected to commence, in the current fiscal.

To finalise the development plan for Mangala Barmer Hill, appraisal, internal studies and field pilots are being carried out.

During the year, your Company commissioned the Salaya Bhogat Pipeline storage terminal & marine export facilities at Bhogat. This is a significant first step towards accessing larger market as it allows us to ship out crude oil from the Rajasthan Block to refineries, across the country.

A continual enhancement in productivity has been one of the key factors for the resilience of U.S. production during historic low oil prices.

I am happy to share that your company, in line with the current global practices, has also achieved notable improvements in productivity, which will aid future growth.

For example, the expected ultimate recovery from the Raageshwari Deep Gas field has been upgraded by over 25%. This was a result of successful application of hydro frac technology and better reservoir management. With this, your Company successfully placed the largest frac in India.

India is gradually moving to a gas based economy, where-in, gas will play an increasingly important role, in the overall energy mix.

Your Company is leveraging gas potential of the Rajasthan block, which is important for future growth. We envisage multiplying our gas production by four times, which will support resource maximization from the block.



Ravva and Cambay, our offshore blocks are excellent examples of innovative reservoir management and production optimisation practices. They are delivering best-in-class recovery that is far greater than the initial resource estimates.

Your Company's success, over the years, was achieved by focussing on adoption and innovative application of technologies. For example, EOR, Hydraulic Fracturing and state-of-the art seismic imaging are leading to enhanced hydrocarbon recovery. Together with greater focus on productivity, we are well placed to maximize the resource potential.

Adapting to new environment, leading to free cash flow and planned dividend

In the low oil price environment, our focus was to make the organisation adapt to a new way of working. This was achieved through a multi-pronged focus on optimising costs, building talent and capabilities from within, and keeping employees focussed on goals and priorities of the organisation.

This has enabled free cash flow generation of over US\$ 637 million and a robust cash balance.

I am happy to share that despite a steep drop in crude oil prices, your Company adhered to its stated dividend policy. The dividend pay-out amounts to 31.6% of Cairn India's annual consolidated normalized net profit.

Health, Safety, Environment and Community Engagement

Your Company is committed to sustainable development that involves integrating economic health, safety and environmental aspects into our business decisions.

Safety is non-negotiable at Cairn. Continuous drive to operate safely and responsibly, sets your Company apart. This relentless focus has helped build an excellent safety record over the years. For instance, we have clocked more than 70 million LTI free man-hours, last year. We ensure a safe working environment for all, by upholding the highest international standards.

Your Company's focus on shared prosperity through empowerment and development enables us to forge a lasting relationship with the communities.

We continued our contribution to the social and economic progress in education, health, livelihood, water & sanitation.

Our strategic investments are aligned with country's social goals, thereby enabling us to positively impact around one million people.

Our efforts to bring a holistic development of the local communities were recognised when your company received the CII-ITC Sustainability Award for 'Excellence in CSR'.

Merger

Your Company continues to work towards completion of merger with Vedanta. The merger would generate value for the shareholders and de-risk your company.

Your Company will get access to Vedanta's tier-one metal and mining assets, which are well-invested, low cost and have a long life.



The Path Ahead

Over the years, Cairn India has delivered through its targeted investments, consistent focus on efficiency, execution and reliability.

Thus, going forward, despite one of the toughest operating conditions and uncertain economic environment, your company is in a strong position to deliver on key projects.

We will continue to invest in our existing assets to increase production and maximize economic recovery.

I remain confident that your company will play a pivotal role in India's quest for energy security.

The key enablers for our growth would be our strength in 'execution', technology along with a strong balance sheet.

Your Company is well placed to expeditiously ramp up production and thus deliver enduring, sustainable shareholder value.

Now I would like thank Mr Mayank Ashar for his commitment and contributions. I wish him every success in his future endeavours.

We greatly value the support of the Government of India, State governments, ONGC, joint venture and other business partners and local communities for their collaborative and enduring relationship.

Our world class talent pool is helping us achieve our business goals successfully. On behalf of the entire Board, I deeply appreciate all our employees for their resilience and continued support.

I also take this opportunity to thank my Board colleagues for their valuable guidance and active support.

Finally, on behalf of the Board of Directors and the employees of your company, I would like to thank YOU, our shareholders for your enduring support.

Navin Agarwal
Chairman, Cairn India Limited