



# Chairman's Speech at Cairn India's 9<sup>th</sup> Annual General Meeting

## **Good Morning Ladies and Gentlemen,**

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

Thank you for joining us today.

The oil and gas sector plays an important role in the Indian economy as the sector is one of the largest contributors to the Government of India's revenues.

Numerous resource rich countries offer useful lessons for India to translate resource wealth into broader economic development. Given their significant economic linkages, natural resources sector can be used as a platform for socio-economic development.

The United States of America offers an excellent example. Its oil production growth in 2014 was highest in more than 100 years. U.S. is redefining the global energy landscape. Such turnaround in hydrocarbon sector offers constructive lessons for energy import dependent countries like India.

Our nation is blessed with significant untapped oil and gas resources. However, the sector needs encouragement to maximize this potential. We need policies that are tailored to reflect and respond to India's status of an oil and gas importer.

Investment climate and governance are key drivers for investments. A stable and predictable investment regime and a consistency in policy will help enhance confidence besides attracting domestic as well as foreign investments in the oil and gas sector.

An oil and gas regime that integrates these philosophies, will not only spur domestic exploration and production activities, it will significantly reduce our dependence on expensive imports.

## **Your Company's role in achieving Energy Security for the Nation — a strategic perspective**

The Indian economy is highly dependent on oil and gas imports. During last fiscal, over 78% of oil and over 36% of gas consumption of India was met by imports at a cost of over US\$ 110 billion. Given the growth projections, this demand supply gap is expected to grow. International Energy Agency's World Energy Outlook 2014 indicates that India's annual net fossil fuel import bill will be over US\$ 500 billion in 2040. Clearly, this has serious ramifications for the Indian economy.

It was thus heartening to learn that the Hon'ble Prime Minister of India called upon all stakeholders to increase the domestic



production of Oil and Gas to reduce import dependence from 78 % to 67% by the year 2022. Our Prime Minister emphasized cooperation as a means to achieve energy security in India, a vision, we also share.

As one of the largest crude oil producers in India, your Company assumes a very important and responsible role in reducing the dependence on oil imports.

Over the last many years, Cairn India has played a pivotal role in meeting the country's energy needs. For instance, in FY2015, Cairn India's operations reduced the Nation's crude oil import bill by over Rs. 38,500 crores (over US\$ 6 billion).

You will be happy to learn that during FY2015, your Company made a significant gross contribution to the Government Exchequer – Rs. 19,047 crores (US\$ 3.1 billion) thereby making your Company the single largest private sector contributor from the hydrocarbon sector.

We look forward to an encouraging business environment and policies from a progressive government to maximise the potential of the sector, which in turn will help enhance our efforts and contribution to nation building.

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

After a relatively stable oil price at around US\$ 100 per barrel, the price came down sharply, during the period starting June 2014 and continues to remain low.

However, your Company's inherent strengths and proactiveness helped it report a resilient performance.

We reshaped our strategy which will not only help us face the present downturn, but will also enable us to emerge as a progressive, growing and even more efficient business in future.

## **Our Assets**

Our Oil and Gas fields, including Rajasthan, are assets of national importance contributing over 27% of India's domestic oil production in the last fiscal. During the year, the Rajasthan block also witnessed an increase in commercial production and sales of natural gas as our core fields continue to perform well.

The block has significant potential and we are committed to maximize economic recovery to enhance stakeholder value.

FY2015 saw many firsts for the Rajasthan block. Your Company executed the largest exploration and appraisal programme till date in a year by drilling 34 wells. Nine out of 12 exploration wells drilled during the year encountered hydrocarbons.

Similarly, your Company started polymer injection in Mangala field in Rajasthan. Mangala Enhanced Oil Recovery (EOR) project is amongst the largest polymer flood EOR programmes anywhere in the world. This indeed is a significant achievement for your Company and is a testament of your Company's strong capability and technical expertise.

In addition, the year saw successful completion of ASP (Alkaline-Surfactant-Polymer flooding) pilot at Mangala, debottlenecking and connection of Mangala Processing Terminal to the national grid.

Your Company received regulatory approval for the development plan to enhance production at Raageshwari Deep Gas field. Natural Gas in the Rajasthan block represents a good opportunity and we are well positioned to leverage this prospect.

Coming to our other producing assets, both our offshore blocks improved their performance during the year. They remain excellent examples of what Cairn India can accomplish through its prudent reservoir management practices and innovative



application of technologies. Ravva block boasts of a recovery factor of approximately 50%, compared to general recovery rate of around 30% in similar kind of fields across the world.

You will be happy to learn that through application of high-end technologies, Ravva block saw an increase in oil production in the 20th year of its operations.

### **HSE and Community engagement**

Your company is committed to maintain the highest international standards of Health, Safety, and Environmental performance. The health and safety of our employees and contractors remains at the center of everything we do.

All our producing sites are compliant with internationally accepted environment, health and safety standards. The company has maintained an impressive Health Safety and Environment record over this year, as in the previous years. Our Ravva asset, Raageshwari Gas Terminal and Cambay block received awards under various categories from the Directorate General of Mines Safety as well as from various industry associations.

With expanding scale of operations, we will continue to accord even greater importance to our HSE standards and strive for continuous improvement.

The company received the 'Institute of Public Enterprise Excellence Award' in the development sector for contributing to the society at large. This is a testimony of our continuing efforts towards empowering local communities in our operational areas. Through our engagement programmes, we touch and have positive impact on around 700,000 community members. We continue to expand the coverage of our community partnerships through strategic, wider and more inclusive programmes.

I am happy to share that despite the fall in oil prices, which impacted revenues, your Company remained focused on its drive to continuously improve efficiencies and minimize operating costs. Thus, we were able to pay the highest dividend in the Company's history during the year, amounting to approximately 45% of annual consolidated net profit.

### **Corporate Merger**

In line with the objective of simplifying the group structure, on 14<sup>th</sup> June 2015 Vedanta Limited and Cairn India announced a merger between the two companies. The Boards of Vedanta and Cairn India have unanimously recommended the merger, which we are confident will benefit the shareholders of both the companies.

This is a significant milestone in your Company's journey. Not only will this merger de-risk earnings through increased diversification from exposure to a larger commodity mix, it will also help garner benefits of increased economies of scale. You will get access to Vedanta's tier-one metals and mining assets, which are well-invested, low cost and have a long life.

We are also committed to sustain and enhance the Cairn India Brand and maximize its potential. This merger offers long term sustainable value enhancement for all shareholders.

### **The path ahead — Technology will continue to play a key role in Cairn's growth**

Continual investment is a key element of our growth strategy. We are committed to strategic investments in the sector to help increase domestic production of oil and gas.

The adoption of technology and the innovative application of techniques has been a cornerstone of Cairn India's successful strategy for many years. You will be happy to learn that your company was the first Indian company to deploy latest unconventional drilling techniques that are being used in North America. This includes drilling of horizontal wells in complex



geology – to maximise recovery over the economic life of fields.

Going forward, early and innovative technology infusion will continue to remain a key element of our growth strategy.

It will play a major role in the development of the Barmer Hill formation in Rajasthan and increasing gas production at the Raageshwari Deep Gas field. Given their significant growth potential for business, both Barmer Hill Formation and Raageshwari Deep Gas field are a priority for us. We have an excellent suite of world-class assets and we will continue to operate our assets efficiently, execute the strong pipeline of projects and focus on growing our oil and gas portfolio.

We will continue to strengthen operational efficiencies to improve overall costs and follow a Sustainable Development Model that focusses on Environment, Safety, Communities and best in class Governance Practices.

### Acknowledgements

I would like to welcome Mayank Ashar, who joined Cairn India as Managing Director and Chief Executive Officer in November 2014. A veteran in Oil and Gas sector, Mayank has held top leadership roles in global organizations and brings with him a wealth of experience spanning over 3 decades. I am confident that Mayank will play an important role in shaping our business.

As I conclude, on your behalf, I would like to thank all the employees of Cairn India for their strong focus, commitment and contribution to the success of your Company. The leadership team is supported by a talented and dedicated set of professionals who continue to make a difference and create value for the company.

The support of the Government of India, State governments, ONGC and our other joint venture partners, business partners and local communities has played a significant role in our success. On behalf of all of us, I thank them for their collaborative approach and constant support.

I remain confident that your Company will play an increasingly crucial role in reducing our Nation's dependence on costly imports and thereby enhance energy security for the Nation and play a transformational role in the nation's development and in the process, deliver long-term value for shareholders.

On behalf of the Board of Directors and the employees of Cairn India, I once again thank you for your enduring support.

Navin Agarwal  
Chairman, Cairn India Limited

July 21, 2015