



MANAGEMENT
SPEAK

CHAIRMAN'S STATEMENT



Dear Shareholder,

I am pleased to share that despite testing times, Cairn India delivered excellent operational results.

Global oil and gas industry is navigating a tough phase not seen in recent times. Cairn India saw this as a unique opportunity to further strengthen its business, optimize cost structure and capital spending. We adapted to the changing external environment to lay the foundation for a solid future thereby reinforcing our ability to deliver profitable and long-term growth.

The global recovery has further weakened with significant apprehensions on growth prospects. Amidst the current global uncertainties, however, India's growth story has largely remained intact. It has shown remarkable resilience and remains progressive. Per the IMF's latest World Economic Outlook (WEO) India remains a bright spot with strong growth and rising real incomes.



Cairn India, in line with global companies, has also achieved notable improvements in productivity which will aid future growth.



Low oil and gas prices made fiscal year 2015-16, one of the most demanding years for Cairn India and the entire sector.

Even as these historic low prices are adversely impacting oil producing nations, they can likely give a growth boost to large crude oil importing countries like India. From US\$ 113 billion in 2014-15, India's crude oil import bill has reduced by 43% to US\$ 64 billion in 2015-16. Reduction in the import bill has moderated India's trade and current account deficits, reduced inflation and helped contain the subsidy bill. This has supported the government's efforts to implement numerous developmental projects.

However, we as a nation should continue in our pursuit of higher domestic production of hydrocarbons; for all the future projections portend a steady increase in our dependence on foreign oil.

It is against this backdrop that one should assess your Company's role

in meeting India's oil needs. Through the year, Cairn India's operations reduced India's import bill by over US\$ 3 billion (more than ₹ 21,000 crore) and contributed over US\$ 1.6 billion (more than ₹ 10,000 crore) to the government exchequer.

Given this larger context, it is encouraging to see the government implementing numerous policy reforms which will likely spur investments and reinvigorate the Indian oil & gas sector. During the year, your Company successfully delivered key projects which will support medium and long term production.

One of the world's largest polymer flood projects at Mangala continued to yield positive results. Mangala enhanced oil recovery (EOR) 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 augurs well for the Rajasthan block. I am happy to share that Mangala EOR

performance reaffirms potential of the Rajasthan block.

During the year, your Company commissioned the Salaya Bhogat Pipeline (SBPL) storage terminal & marine export facilities at Bhogat. This is a significant first step, towards accessing larger market for Crude oil from the Rajasthan block.

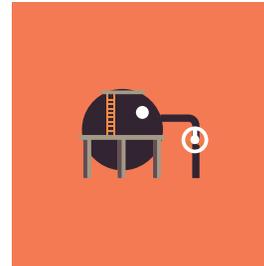
A continual enhancement in productivity has been one of the key factors for the resilience of U.S. production amidst historic low oil prices. I am happy to share that Cairn India, in line with global companies, has also achieved notable improvements in productivity which will aid future growth. For example, the expected ultimate recovery from the Raageshwari Deep Gas field has been upgraded by over 25% as a result of successful application of hydro frac technology and better reservoir characterisation. In the process, Cairn India also successfully placed the largest frac in India.

Leveraging gas potential of the





Despite one of the toughest operating conditions and uncertain economic environment, Cairn India is in a strong position to deliver on key projects



Rajasthan block is pivotal. We envisage quadrupling gas production which will support resource maximization from the block. Cairn India's success, over the years, has been underpinned by adoption and innovative application of technology. Together with enhanced focus on productivity, Cairn India is well placed to maximize its potential.

Despite a steep drop in crude oil prices, Cairn India adhered to its stated dividend policy. The dividend pay-out amounts to 31.6% of Cairn India's annual consolidated normalized net profit. Our relentless focus on improving efficiencies and minimising operating costs enabled free cash flow generation of over US\$ 350 million, which has resulted in a robust cash balance.

Cairn India's continuous drive to operate safely and responsibly sets us apart. This relentless focus has helped build an excellent HSES record over the years. We ensure a safe working environment by upholding the highest international standards.

Our 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 the areas where we operate through strategic investments which are aligned with country's social goals thereby impacting more than 800,000 people.

We continue to work closely with the Government of India and value their unrelenting support and collaborative approach for the growth and development of oil and gas sector in India.

I greatly value the support of the Government of India, the Government of Rajasthan, other State Governments and local communities with whom we share a deep and enduring relationship.

I would also like to thank the state and private companies who are our strategic partners, source of strength, and crucial to our success.

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 to Cairn India's success. Finally, I would like to thank our shareholders for their enduring support.

Your Company continues to work towards completion of merger with

Vedanta. The merger would generate value for the shareholders and de-risks Cairn India.

Over the years, time and again, 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, Cairn India 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 Cairn India will play a pivotal role in India's quest for energy security. Given the government's steadfast focus on higher domestic production, Cairn India is well placed to expeditiously ramp up production. Our long-standing track record in execution, applying leading technology together with strong balance sheet, would be key enablers for growth. Thus, Cairn India is uniquely placed to deliver enduring, sustainable shareholder value.

Navin Agarwal
Chairman

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