

CORPORATE GOVERNANCE

BOARD'S REPORT

The Members,

Your Directors are pleased to present the tenth annual report on the business and operations of your Company along with the audited financial statement for the financial year ended 31 March, 2016.

COMPANY'S PERFORMANCE

During the year under review, Cairn India delivered total revenue of ₹ 10,634 crore (including other income). This was lower on account of significant decline in crude oil prices, with gross operated production at 74.6 million barrels of oil equivalent for the fiscal. Together with its JV partners, Cairn contributed about 27% to the domestic crude production target of Government for financial year 2015-16, thus helping strengthen the energy security of the country. During the year, the Company executed multiple projects in Rajasthan block including one of the world's largest polymer flood EOR program at Mangala. Cairn continues

to be one of the low cost producers in the world resulting in EBITDA margin of 41% and strong cash flow from operations of ₹ 4,134 crore for the year.

Since resumption of exploration in March 2013, Cairn India has established 1.7 billion boe of hydrocarbon in place by delivering a rapid exploration and appraisal drilling program.

CONSOLIDATED FINANCIAL STATEMENTS

In compliance with provisions of Section 129 (3) of the Companies Act, 2013 read with Companies (Accounts) Rules, 2014, the Company

has prepared Consolidated Financial Statements as per the Accounting Standards on Consolidated Financial Statements issued by the Institute of Chartered Accountants of India. The Audited Consolidated Financial Statements along with the Auditors' Report thereon forms part of this Annual Report. Further, a statement containing salient features of the financial statements of the subsidiary companies is disclosed separately and forms part of this Annual Report.

FINAL DIVIDEND

Your Directors are pleased to recommend a dividend amounting to ₹ 3 per equity share of face value of ₹ 10 each for the year ended 31

FINANCIAL HIGHLIGHTS				(in ₹ crore)	
Particulars	Standalone		Consolidated*		
	For the financial year ended		For the financial year ended		
	31 March, 2016	31 March, 2015	31 March, 2016	31 March, 2015	
Total income	5,653	8,855	10,634	16,455	
Total Expenditure	4,479	5,005	8,395	8,713	
Profit before tax and exceptional items	1,174	3,850	2,239	7,742	
Exceptional item	281	2,256	11,674	2,633	
Profit before tax	893	1,594	(9,435)	5,109	
Taxes	40	274	(3)	629	
Profit/ (loss) for the year	854	1,320	(9,432)	4,480	

* Cairn India Limited with its subsidiaries

March, 2016, subject to approval of shareholders at the forthcoming annual general meeting of the Company.

The final dividend, if approved by the shareholders at the ensuing annual general meeting, shall be paid to those members/beneficial owners whose names appear on the register of members/depository records as at the closing hours of business on Monday, 11 July, 2016.

TRANSFER TO RESERVES

During the year, your Company has transferred ₹ 14.9 crore (net of tax) to general reserve on account of expiring unexercised stock options.

MERGER/ SCHEME OF ARRANGEMENT

During the year under review, the Board of Directors of the Company at its meeting held on 14 June, 2015, has approved a Scheme of Arrangement in terms of Sections 391-394 read with Sections 100-103 of Companies Act, 1956 and Section 52 of Companies Act, 2013 involving merger of Cairn India Limited with Vedanta Limited. The said scheme is conditional upon approval of the respective shareholders & creditors, concerned Hon'ble High Courts and other regulatory and statutory approvals as applicable.

BOARD OF DIRECTORS, ITS COMMITTEES AND MEETINGS THEREOF

The Company has a professional Board with right mix of knowledge, skills and expertise with an optimum combination of executive, non-executive and independent Directors including one woman Director. The Board provides strategic guidance and direction to the Company in achieving its business objectives

and protecting the interest of the stakeholders. The Board is also supported by five Committees viz. Audit Committee, Nomination & Remuneration Committee, CSR Committee, Stakeholders' Relationship Committee and Risk Management Committee of Directors.

One meeting of the Board of Directors is held in each quarter. Additional meetings of the Board/ Committees are convened as may be necessary for proper management of the business operations of the Company. Separate meeting of independent Directors is also held at least once in a year to review the performance of non-independent Directors, the Board as a whole and the Chairman.

The annual calendar of meetings of the Board/Committees is usually finalised well before the beginning of the year after seeking concurrence of all the Directors. In case of inability of any of the Directors to attend the meeting in person, the Directors endeavor to participate in the meeting through video conferencing or other audio visual means. In addition, if required, the Board/ Committees also approve resolutions by way of circulation between two successive meetings.

During the year ended 31 March, 2016, the Board of Directors met five times viz. on 23 April, 2015, 14 June, 2015, 21 July, 2015, 21 October, 2015 and 22 January, 2016. The maximum gap between any two meetings was not more than one hundred and twenty days.

A detailed update on the Board & its Committees, composition thereof, number of meetings held during financial year 2015-16 and attendance of the Directors at such meeting is provided in the Report on Corporate Governance.

APPOINTMENT AND DECLARATION OF INDEPENDENT DIRECTORS

The Board of the Company comprises eight Directors, out of which four Directors are independent.

All independent Directors of the Company have declared and confirmed that they meet with the criteria of independence, as prescribed under Section 149(6) of the Companies Act, 2013 and Regulation 16(b) of the Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015.

During the financial year under review, no new independent Director was appointed on the Board by the Company.

DIRECTORS'/ KEY MANAGERIAL PERSONNEL (KMP) APPOINTMENT OR RESIGNATION

Pursuant to the provisions of Section 203 of the Companies Act, 2013, Mr. Mayank Ashar - Managing Director & Chief Executive Officer, Mr. Sudhir Mathur - Chief Financial Officer, Ms. Neerja Sharma - Director Assurance & Communication and Company Secretary are the KMPs of the Company.

In accordance with Section 152 of the Companies Act, 2013 and Articles of Association of the Company, Ms. Priya Agarwal (DIN 05162177), shall retire by rotation as Director at the ensuing annual general meeting and being eligible, offers herself for re-appointment. A brief profile of Ms. Agarwal has been provided in the Report on Corporate Governance and in the notice of the annual general meeting.

During the year under review, there was no change in the position of



Demonstrating best HSE practices during operations



improving quality of life of the communities in its operational areas.

The Company has a duly constituted CSR Committee, which is responsible for fulfilling the CSR objectives of the Company. As on 31 March, 2016, the Committee comprised three Directors viz. Mr. Naresh Chandra, Mr. Aman Mehta and Mr. Tarun Jain. Mr. Naresh Chandra, Chairman of the Committee is an independent Director.

CSR Policy

The Company has in place a CSR policy which lays down its philosophy and approach towards CSR commitment. The CSR activities of the Company are implemented in accordance with the core values viz. protecting stakeholder interests, proactive engagement with the local communities and striving towards inclusive development.

The CSR activities are focused on the following five broad themes with goals to improve overall socio-economic indicators of Company's area of operation:

- Promoting healthcare, sanitation and making safe drinking water available;
- Employment enhancement through training and vocational

Directors/ KMPs of the Company.

AUDIT COMMITTEE

The Company has a duly constituted Audit Committee in line with the provisions of the Companies Act, 2013 and Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015.

As on 31 March, 2016, the Committee comprised five non-executive Directors viz. Mr. Aman Mehta (Chairman), Mr. Naresh Chandra, Mr. Tarun Jain, Dr. Omkar Goswami and Mr. Edward T. Story. Except for Mr. Tarun Jain, all other Committee

members are independent. All members of the Committee are financially literate and have accounting or related financial management expertise.

Detailed information pertaining to Audit Committee has been provided in the Report on Corporate Governance.

CORPORATE SOCIAL RESPONSIBILITY (CSR)

The Company is committed to conduct its business in a socially responsible, ethical and environmental friendly manner and to continuously work towards

- skill development;
- Income enhancement through farm based and other livelihood opportunities;
- Promoting education and sports; and
- Ensuring sustainable environment.

The annual report on CSR containing particulars specified in Companies (CSR Policy) Rules, 2014 including an update on the CSR initiatives taken by the Company during the year is given in Annexure I and is also provided in the management discussion & analysis section of this report.

The CSR policy of the Company is enclosed as Annexure II to this report and is also placed on the website of the Company viz. www.cairnindia.com

POLICY ON DIRECTORS' APPOINTMENT & REMUNERATION

The Company endeavors to have an appropriate mix of executive, non-executive and independent Directors, so as to have independence on the Board and separate its function of governance from that of management.

The selections and appointments on the Board of the Company are done on the recommendation of the Nomination & Remuneration Committee. The appointments are based on meritocracy and the candidates are considered against objective criteria, having due regard to the benefits of diversity on the Board.

In considering potential candidates for appointment to the Board, the Nomination & Remuneration Committee, amongst others, considers the parameters of highest level of personal and professional

ethics, standing, integrity, values and character, report on credentials of the candidates for the executive positions, appreciation of the Company's vision, mission, values and loyalty to the interests of the Company and its stakeholders, prominence in business, institutions or professions, financial literacy and such other competencies and skills as may be considered necessary.

While evaluating the candidature of an independent Director, in addition to above, the Committee abide by the criteria for determining independence as stipulated under Companies Act 2013 and Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015.

In case of re-appointment of independent Directors, the Board shall take into consideration the results of the performance evaluation of the Directors and their engagement level.

The Company's remuneration policy for Directors, KMPs and other employees represents the overarching approach of the Company and is directed towards rewarding performance based on review of achievements periodically.

The copy of the policy is attached as Annexure- III to this report.

PERFORMANCE EVALUATION OF BOARD, COMMITTEES & INDIVIDUAL DIRECTORS

A formal evaluation of the performance of the Board, it's Committees, the Chairman and the individual Directors was carried out for the year 2015-16. Led by the Nomination & Remuneration Committee, the evaluation was done using individual questionnaires covering amongst others composition

of Board, conduct as per company values & beliefs, contribution towards development of the strategy & business plan, risk management, receipt of regular inputs and information, codes & policies for strengthening governance, functioning, performance & structure of Board Committees, skill set, knowledge & expertise of Directors, preparation & contribution at Board meetings, leadership etc.

As part of the evaluation process, the performance of non-independent Directors, the Chairman and the Board was done by the independent Directors. The performance evaluation of the respective Committees and that of independent and non-independent Directors was done by the Board excluding the Director being evaluated. The Directors expressed satisfaction with the evaluation process.

EMPLOYEE STOCK OPTION SCHEMES

Your Company has in place share incentive schemes viz. Cairn India Performance Option Plan (CIPOP) and Cairn India Employee Stock Option Plan (CIESOP) pursuant to which selected employees and executive Directors of the Company and its subsidiaries may be granted stock options. The said schemes are in compliance with applicable Regulations.

On exercise of the options so granted, the paid-up equity share capital of the Company will increase in terms of the stock option plans mentioned above. No stock options were however granted to the employees of the Company and its subsidiaries under CIPOP & CIESOP schemes during the financial year 2015-16.

The details of stock options granted by the Company in previous

years are set out in Annexure IV to this Report in compliance with Regulation 14 of the Securities and Exchange Board of India (Share Based Employee Benefits) Regulations, 2014 and Rule 12(9) of Companies (Share Capital and Debentures) Rules, 2014. Necessary disclosure is also available on the Company's website viz. <https://www.cairnindia.com/investors>

CHANGES IN CAPITAL STRUCTURE

During the financial year under review, 9,729 equity shares of ₹ 10 each were allotted on exercise of employee stock options by the employees of the Company. Consequently, the issued and paid up capital of the Company as on 31 March, 2016 was ₹ 18,748,624,810 divided into 1,874,862,481 equity shares of ₹ 10 each.

The Company has not issued any equity shares with differential rights, sweat equity shares or bonus shares. The Company has only one class of equity shares with face value of ₹ 10 each, ranking pari-passu.

LOANS AND INVESTMENTS BY THE COMPANY

Details of loans and investments by the Company to other body corporates or persons are given in notes to the financial statements.

MANAGEMENT DISCUSSION AND ANALYSIS

The management discussion and analysis report on the operations of the Company as required under the Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015 has been given separately and forms part of this report.

RISK MANAGEMENT

The Board of Directors is overall responsible for identifying, evaluating and managing all significant risks faced by the Company. The Risk Management Policy approved by the Board acts as an overarching statement of intent and establishes the guiding principles by which key risks are managed across the organisation.

The Board monitors and reviews the implementation of various aspects of the Risk Management policy through a duly constituted Risk Management Committee (RMC). The RMC assists the Board in its oversight of the Company's management of key risks, including strategic and operational risks, as well as the guidelines, policies and processes for monitoring and mitigating such risks under the aegis of the overall Business Risk Management Framework. Further, the Company has a dedicated risk assurance team to facilitate risk reporting and updates, risk policy compliances and provide overall guidance and support to business risk owners.

The Company follows well-established and detailed risk assessment and minimisation procedures, which are periodically reviewed by the Board. The Company's Business Risk Management Framework helps in identifying risks and opportunities that may have a bearing on the organization's objectives, assessing them in terms of likelihood and magnitude of impact and determining a response strategy.

The following risks are considered to have a potential bearing on the performance of the Company:

- Unfavorable changes in Production Sharing Contract ("PSC") terms or failure to extend the PSC for Rajasthan block after

the expiry of PSC in May, 2020 could have a material adverse impact on Company's operations and financial condition.

- The performance of the Company has been and is expected to continue to be substantially dependent on the reserves and production of the Rajasthan block and any interruption in the exploration, development, production operations at the existing oil and gas fields for any reason (including force majeure conditions) could have a material effect on the results of our operations and financial condition.
- Inability/substantial delay in reserves replacement along with natural decline in the producing fields could lead to decline in company's overall production in future, which could materially and adversely affect results of operations and financial condition and therefore, sustenance of Company's operations in the longer term.
- International prices for oil and gas are volatile and such volatility could have a significant effect on Company's revenue and profits. In case there are substantial and/ or extended declines in international crude oil prices, it may have an adverse effect on Company's business, results of operations and financial condition.
- The Company operates under regulatory uncertainties driven by political developments by the central, state, local laws and regulations such as changes in taxes, royalties and other amounts payable to various governments or their agencies. A tax demand of approximately ₹ 20,495 crore (comprising tax of approximately ₹ 10,248 crore and interest of approximately ₹ 10,247 crore) has been made in relation to retrospective tax

legislation for alleged failure to deduct withholding tax on alleged capital gains in the hands of erstwhile parent, Cairn UK Holdings Limited. The Company's parent, Vedanta Resources Plc. has filed a notice of claims against GoI under the UK-India bilateral investment treaty challenging the tax demand, seeking resolution through international arbitration. The Company has filed a Writ Petition with the Hon'ble Delhi High Court praying for quashing/ setting aside the order passed by the Tax Authorities. Further, the Company has also filed an appeal before Commissioner Appeals. Although considered unlikely, if enforced, such tax demand would have a material adverse effect on the business and financial condition of the Company.

INTERNAL FINANCIAL CONTROLS AND ITS ADEQUACY

As per the provisions of Section 134(5)(e) of the Companies Act, 2013, the Directors have an overall responsibility for ensuring that the Company has implemented robust systems/ framework of internal financial controls to provide them with reasonable assurance regarding the adequacy and operating effectiveness of controls with regards to reporting, operational and compliance risks. To enable the Directors to meet these responsibilities, the Board has devised systems/ frameworks which are operating within the Company. In line with best practice, the Board regularly reviews the internal control system to ensure that it remains effective and fit for purpose. Where weaknesses are identified as a result of the reviews, new procedures are put in place to strengthen controls and these

are in turn reviewed at regular intervals.

The systems/ frameworks include proper delegation of authority, policies and procedures, effective IT systems aligned to business requirements, internal audit framework, ethics framework, risk management framework and adequate segregation of duties to ensure an acceptable level of risk. Your Company has a documented Standard Operating Procedures (SOPs) for procurement, project/ expansion management capex, human resources, sales and marketing, finance, treasury, compliance and (HSE) Health, Safety and Environment.

Your Company's management has established and maintained internal financial controls based on the internal control over financial reporting criteria established in the integrated framework issued by the Committee of Sponsoring Organisations of the Treadway Commission (2013 Framework) (the COSO criteria), which considers the essential components of internal control stated in the Guidance Note on Audit of Internal Financial Controls over Financial Reporting issued by the Institute of Chartered Accountants of India. These responsibilities include the design, implementation and maintenance of adequate internal financial controls that were operating effectively for ensuring the orderly and efficient conduct of its business, including adherence to the 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, as required under the Companies Act, 2013.

Based on information provided, nothing has come to the attention of Directors to indicate that any material breakdown in the function of these controls, procedures or systems occurred during the year under review. There have been no significant changes in our internal financial controls during the year that have materially affected, or are reasonably likely to materially affect, our internal financial controls.

There are inherent limitations to the effectiveness of any system of disclosure controls and procedures, including the possibility of human error and the circumvention or overriding of the controls and procedures. Accordingly, even effective disclosure controls and procedures can only provide reasonable assurance of achieving their control objectives. Further, in the design and evaluation of our disclosure controls and procedures, our management was necessarily required to apply its judgment in evaluating the cost-benefit relationship of possible controls and procedures.

The Company has a Chief Internal Auditor with a dedicated internal audit team which is commensurate with the size, nature & complexity of operations of the Company. Internal audit reports functionally to Audit Committee of Board which reviews and approves risk based annual internal audit plan. Audit Committee periodically reviews the performance of internal audit function.

The Company has a detailed business planning framework to define targets and metrics for its operations and an extensive review mechanism enabled performance monitoring for ensuring strategic corrective actions for achievement of business targets. The Audit Committee reviews adherence to internal control



World's largest centralised polymer mixing facility in Barmer, Rajasthan

systems and internal audit reports. Further, the Board annually reviews the effectiveness of the Company's internal control system.

VIGIL MECHANISM

The Company has in place a whistleblower policy, to support the Code of Business Ethics. This policy documents the Company's commitment to maintain an open work environment in which employees, consultants and contractors are able to report instances of unethical or undesirable conduct, actual or suspected fraud or any violation of Company's Code of Business Ethics at a significantly senior level without fear of intimidation or retaliation. The policy enables reporting of any such complaint and is supported by an independent review process managed by the Ethics Committee.

The Ethics committee comprises of four members including the Company Secretary, Chief Internal Auditor, Chief Financial Officer and a senior functional head. The committee is authorised by the Board of Directors of the Company for the purpose of receiving all complaints under the policy and in ensuring appropriate action. The concern can be reported by sending an e-mail message at the dedicated address viz. *ethicscounsellors@cairnindia.com*. Individuals can also raise their concerns directly to the CEO or the chairman of the Audit Committee of the Company.

Any allegations that fall within the scope of the concerns identified

are investigated and dealt with appropriately. All reported complaints are reviewed and investigated by the Ethics Committee, and periodically reported to the Audit Committee. Further, during the year, no individual was denied access to the Audit Committee for reporting concerns, if any.

Details of the vigil mechanism are available at the website of the Company viz. www.cairnindia.com

SUBSIDIARY COMPANIES

During the financial year under review, in continuation of the efforts to realign the group structure and consolidate the multi layered structure, Cairn Exploration (No. 6) Limited was dissolved effective 5 January, 2016. Subsequent to close of financial year Cairn Exploration (No. 7) Limited was dissolved effective 19 April, 2016.

The Company now has 12 subsidiaries including indirect subsidiaries. All these companies are incorporated outside India and are 100% beneficially owned by Cairn India Limited. The Company regularly monitors the performance of such companies.

The Company shall make available the annual accounts of the subsidiary companies to any member of the Company who may be interested in obtaining the same. The annual accounts of the subsidiary companies will also be kept open for inspection at the registered office of the Company and respective subsidiary companies. Further, the annual accounts of the subsidiaries are also available on the website of the Company viz. www.cairnindia.com. The consolidated financial statements presented by the Company include the financial results of its subsidiary companies.

REPORT ON PERFORMANCE & FINANCIAL POSITION OF SUBSIDIARIES

Following are the highlights on performance and financial position of your Company’s subsidiaries:

- **Cairn India Holdings Limited:** The company is incorporated in Jersey and its principal business is holding investments. The company did not have any operations during the year, apart from its shareholding in various subsidiary companies and other investments. During the year ended 31 March, 2016, the company made a profit of ₹ 2,419.58 crore.
- **Cairn Energy Hydrocarbons Limited:** The company is incorporated in Scotland and its principal business is exploration and production of oil and gas. The company holds interest in the producing block RJ-ON-90/1 in India. During the year ended 31 March, 2016, the company made a profit of ₹ 26.29 crore. Average gross production from the Rajasthan block for the year ended 31 March, 2016 was 169,609 boepd and the company’s working interest production was 59,363 boepd.
- **Cairn Energy Holdings Limited:** The company is incorporated in Scotland and its principal business is holding investments. The company did not have any operations during the year. During the year ended 31 March, 2016, the company made a profit of ₹ 0.62 crore. The management intends to liquidate the company in near future and the liquidation process has been initiated.
- **Cairn Exploration No. (2) Limited:** The company is incorporated in Scotland and its principal business is exploration and production of oil and gas. The company did not have any operations during the year 2015-16. During the year ended 31 March, 2016, the company made a profit of ₹ 0.18 crore.
- **Cairn Exploration No. (7) Limited:** The company is incorporated in Scotland and its principal business is exploration and production of oil and gas. The company did not have any operations during the year 2015-16. During the year ended 31 March, 2016, the company incurred a loss of ₹ 0.05 crore. The company has been dissolved effective 19 April, 2016.
- **Cairn Energy Gujarat Block 1 Limited:** The company is incorporated in Scotland and principal business is exploration and production of oil and gas. The company did not have any operations during the year 2015-16. During the year ended 31 March 2016, the company made a profit of ₹ 0.11 crore.
- **Cairn Energy Discovery Limited:** The company is incorporated in Scotland and its principal business is exploration and production of oil and gas. The company did not have any operations during the year 2015-16. During the year ended 31 March 2016, the company incurred a loss of ₹ 0.10 crore.
- **Cairn Energy Australia Pty Limited:** The company is incorporated in Australia and its principal business is holding investments. The company did not have any operations during the year, apart from its investment in subsidiary company. During, the year ended 31 March, 2016, the company incurred a loss of ₹ 0.31 crore.

■ **Cairn Energy India Pty Limited:**

The company is incorporated in Australia and its principal business is exploration and production of oil and gas. The company did not have any operations during the year 2015. The operating profit/loss after income tax expense of the company is nil.

■ **Cairn South Africa Proprietary Limited:**

The company holds a 60% participating interest in the exploration right in Block-1, Orange Basin offshore South Africa. The work programme commitments for the first phase have been completed. Detailed interpretation of the 3D and 2D seismic data for outboard and inboard areas was carried out. Petroleum Agency SA (PASA) has granted interim hiatus to the 2nd phase renewal pending clarification on fiscal stability. During the year ended 31 March 2016, the company incurred a loss of ₹ 21.44 crore.

■ **CIG Mauritius Holding Private Limited:**

The company is incorporated in Mauritius and its principal business is holding investments. During the year ended 31 March 2016, the company incurred a loss of ₹ 264.42 crore which was mainly on account of impairment of its investment in its subsidiary company, CIG Mauritius Private Limited.

■ **CIG Mauritius Private Limited:**

The company is incorporated in Mauritius and its principal business is holding investments. The company did not have any operations during the year 2015-16, apart from its investment in subsidiary company. During the year ended 31 March 2016, the company incurred a loss of

₹ 264.39 crore which was mainly on account of impairment of its loan given to its subsidiary company, Cairn Lanka Private Limited.

■ **Cairn Lanka Private Limited:**

The company is incorporated in Sri Lanka and its principal business is exploration and production of oil and gas. The company held a 100% participating interest in the exploration area of block SL-2007-01-001 in Sri Lanka. During the year ended 31 March, 2016, the company incurred a loss of ₹ 14.16 crore. On 15 October 2015, at the expiry of second phase of extension of the company has relinquished the said block.

CORPORATE GOVERNANCE

Your Company strives to ensure that best corporate governance practices are identified, adopted and consistently followed. Your Company believes that good governance is the basis for sustainable growth of the business and for enhancement of stakeholder value.

A detailed report on corporate governance forms an integral part of Annual Report and is set out as separate section therein. The certificate of S. R. Batliboi & Co. LLP, chartered accountants, the statutory auditors of the Company certifying compliance with the conditions of corporate governance as stipulated in the Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015 is annexed with the Report on Corporate Governance.

RELATED PARTY TRANSACTIONS

The Company has adequate procedures for purpose of identification and monitoring of related party transactions. All

transactions entered into with related parties during the financial year were on arm's length basis. All related party transactions are periodically placed before the Audit Committee and the Board for review and approval, as appropriate. For details on related party transactions, members may refer to the notes to the standalone financial statement.

The Company's policy for related party transactions regulates the transactions between the Company and its related parties. The said policy is available on the Company's website viz. www.cairnindia.com

There were no materially significant related party transactions made by the Company with promoters, Directors, key managerial personnel or other designated persons which may have a potential conflict with the interest of the Company at large. Details of such transactions are given in the Annexure V to this report.

SECRETARIAL AUDIT

Pursuant to the provisions of Section 204 of the Companies Act, 2013 and the Companies (Appointment and Remuneration of Managerial Personnel) Rules, 2014, M/s Sanjay Grover & Associates, a firm of company secretaries in practice, was appointed to conduct the Secretarial Audit of the Company for the financial year 2015-16.

The Secretarial Audit Report is annexed to this report as Annexure VI. The Secretarial Auditors' report is self-explanatory and therefore does not require further comments and explanation.

AUDITORS & AUDITORS' REPORT

S. R. Batliboi & Co. LLP, chartered accountants, statutory auditors of the Company, hold office till the

conclusion of the ensuing annual general meeting. Further, they have confirmed that they are not disqualified for re-appointment as auditors of the Company under the Companies Act, 2013, the Chartered Accountants Act, 1949 and the rules or regulations made thereunder.

The Audit Committee at its meeting held on 22 April, 2016 has recommended the re-appointment of S. R. Batliboi & Co. LLP as statutory auditors of the Company. Your Directors also recommend their reappointment from the conclusion of this annual general meeting till the conclusion of the next annual general meeting of the Company.

Auditors' report is self-explanatory and therefore does not require further comments and explanation.

COST AUDITORS

In terms of the Section 148 of the Companies Act, 2013 read with Companies (Cost Records and Audit) Rules, 2014, the Company is required to maintain cost accounting records and get them audited every year.

The Board appointed M/s. Shome & Banerjee, cost accountants, as cost auditors of the Company for the financial year 2016-17 at a fee of ₹ 885,000 (Rupees eight lacs eighty five thousand only) plus applicable taxes and out of pocket expenses subject to the ratification of the said fees by the shareholders at the ensuing annual general meeting.

The cost audit report would be filed with the Central Government within prescribed timelines.

DEPOSITS

The Company has not invited any deposits from the public under Section 73 of the Companies Act, 2013.

HUMAN RESOURCES

Company's industrial relations continued to be harmonious during the period under review.

PARTICULARS OF EMPLOYEES

In accordance with the provisions of Section 197(12) of the Companies Act, 2013 and Rule 5(2) of Companies (Appointment and Remuneration of Managerial Personnel) Rules, 2014, the names and other particulars of employees are set out in the annexure to this report. In terms of the provisions of Section 136(1) of the Companies Act, 2013, the Board's Report is being sent to the shareholders without this annexure. Shareholders interested in obtaining a copy of the annexure may write to the Company Secretary.

MATERIAL AND SIGNIFICANT ORDERS PASSED BY REGULATORS & COURTS

No significant and material orders have been passed by any regulators or courts or tribunals against the Company impacting the going concern status and Company's operations in future.

However, as informed in the previous report, the Company had received an order from the Income Tax Department for an alleged failure to deduct withholding tax on alleged capital gains arising during the year 2006-07 in the hands of Cairn UK Holdings Limited (CUHL), Company's erstwhile parent company, a subsidiary of Cairn Energy Plc. This was in respect of the transaction of CUHL transferring the shares of Cairn India Holdings Limited to Cairn India Limited as part of internal group reorganization in 2006-07 to facilitate the IPO of Cairn India Limited. A demand of approximately ₹ 20,495 crore (comprising tax of

approximately ₹ 10,248 crore and interest of approximately ₹ 10,247 crore) is alleged to be payable. The Company has filed a Writ Petition with the Hon'ble Delhi High Court praying for quashing/ setting aside the aforesaid order and is pursuing all possible options to protect its interest. Further, the Company has also filed an appeal before Commissioner Appeals. The Company's parent, Vedanta Resources Plc. has filed a notice of claims against GoI under the UK-India bilateral investment treaty challenging the tax demand, seeking resolution through international arbitration.

CONSERVATION OF ENERGY, TECHNOLOGY ABSORPTION AND FOREIGN EXCHANGE EARNINGS AND OUTGO

Information on conservation of energy, technology absorption and foreign exchange earnings and outgo is given in Annexure VII to this report.

DIRECTORS' RESPONSIBILITY STATEMENT

Pursuant to Section 134 of the Companies Act, 2013, the Directors confirm that:

- a. in the preparation of the annual accounts, the applicable accounting standards have been followed along with proper explanation relating to material departures;
- b. appropriate accounting policies have been selected and applied consistently and have made judgments and estimates that are reasonable and prudent so as to give a true and fair view of the state of affairs of the Company as at 31 March, 2016 and of the profit of the Company for the year ended 31 March, 2016;

- c. proper and sufficient care has been taken for the maintenance of adequate accounting records in accordance with the provisions of the Companies Act, 2013 for safeguarding the assets of the Company and for preventing and detecting fraud and other irregularities;
- d. the annual accounts have been prepared on a going concern basis;
- e. internal financial controls have been laid down to be followed by the Company and such internal financial controls are adequate and were operating effectively;
- f. proper systems have been devised to ensure compliance with the provisions of all applicable laws and that such systems were adequate and operating effectively.

REMUNERATION

Disclosure pursuant to Section 197(12) of Companies Act, 2013 and Rule 5 of Companies (Appointment and Remuneration of Managerial Personnel) Rules, 2014 is provided below:

- i) the ratio of the remuneration of each Director to the median remuneration of the employees of the Company for the year 2015-16

Directors	Nature of Directorship	Ratio
Mr. Navin Agarwal	Chairman & Non-executive Director	0.2:1
Mr. Tarun Jain	Non-executive Director	0.4:1
Ms. Priya Agarwal	Non-executive Director	0.1:1
Mr. Aman Mehta	Non-executive independent Director	4:1
Mr. Naresh Chandra	Non-executive independent Director	4:1
Dr. Omkar Goswami	Non-executive independent Director	4:1
Mr. Edward T. Story	Non-executive independent Director	4:1
Mr. Mayank Ashar	Managing Director & Chief Executive Officer	74:1

- ii) the percentage increase in remuneration of each Director, Chief Financial Officer, Chief Executive Officer, Company Secretary in the financial year:

The remuneration of non-executive Directors comprises of sitting fees at the rate of ₹ 50,000 for each Board/ Committee meetings attended by them along-with profit linked commission payable annually. During the year 2015-16, there was no change in the said remuneration.

Further, there is no change in the remuneration paid to Mr. Mayank Ashar, Managing Director & Chief Executive Officer other than the performance bonus of ₹ 2.41 crore paid during the year 2015-16.

The percentage increase in the remuneration of Mr. Sudhir Mathur, Chief Financial Officer is 6.7%. The remuneration of Ms. Neerja Sharma, Director Assurance & Communication and Company Secretary increased by 21.8% due to change in bonus entitlement as per Company policy.

- iii) the percentage increase in the median remuneration of employees in the financial year: 10.4%
- iv) the number of permanent employees on the rolls of Company: 1,490 (One thousand four hundred and ninety), as on 31 March, 2016.
- v) the explanation on the relationship between average increase in remuneration and Company performance:

The average increase in remuneration of the employees was 10.4%. The increase in remuneration is closely linked to and driven by achievement of annual corporate goals and overall business, financial and operational performance of the Company.

- vi) comparison of the remuneration of the key managerial personnel against the performance of the Company:

During the year, the gross operated production was 74.6 million barrels of oil equivalent. Together with its JV partners, Cairn contributed about 27% to the domestic crude production target of Government for financial year 2015-16 and thus helping strengthen the energy security of the country. Cairn continues to be one of the low cost producers in the world resulting in EBITDA margin of 41% and strong cash flow from operations of ₹ 4,134 crore for the year. The remuneration of Key Managerial Personnel (KMP) amongst others is closely linked to and driven by achievement of annual corporate goals and overall business, financial and operational performance of the Company. The average increase in the remuneration of KMP's was 12.1% over the previous year.

- vii) variations in the market capitalisation of the Company, price earnings ratio as at the closing date of the current financial year and previous financial year and percentage increase over decrease in the market quotations of the shares of the Company in comparison to the rate at which the Company came out with the last public offer:

The Company had allotted shares under its IPO in December, 2006 at the price of ₹ 160 per equity share. The market quotations/price of the shares of the Company as at 31 March, 2016 on NSE compared to the IPO price was lower by 3.8%.

Particulars	As at 31 March, 2016	As at 31 March, 2015	Variation (%)
Closing Share Price on NSE (₹)	153.85	213.85	(28.1)
Market Capitalisation (₹ crore)	28,845*	40,094*	(28.1)
P/E Ratio** (Consolidated)	13.45	6.14	119

*Total number of shares as on 31 March, 2016 and 31 March, 2015 are 1,874,862,481 and 1,874,852,752 respectively.
** P/E ratio is calculated using basic earnings per share excluding exceptional items.

- viii) average percentile increase already made in the salaries of employees other than the managerial personnel in the last financial year and its comparison with the percentile increase in the managerial remuneration and justification thereof and point out if there are any exceptional circumstances for increase in the managerial remuneration:

The average increase in the remuneration of employees was 10.4%. There is no change in the remuneration paid to Mr. Mayank Ashar, Managing Director & Chief Executive Officer other than the performance bonus of ₹ 2.41 crore paid during the year.

- ix) comparison of the each remuneration of the Key Managerial Personnel against the performance of the Company:

The increase in the remuneration of Mr. Sudhir Mathur, Chief Financial Officer and Ms. Neerja Sharma, Director - Assurance & Communication and Company Secretary is 6.7% and 21.8% respectively. The comparison of the remuneration against the performance of the Company is detailed in clause (vi) above. Further, there is no change in the remuneration paid to Mr. Mayank Ashar, Managing Director & Chief Executive Officer other than the performance bonus of ₹ 2.41 crore paid during the year 2015-16.

- x) the key parameters for any variable component of remuneration availed by the Directors:

The variable component of remuneration of the executive Director comprises of annual performance bonus which is linked to achievement of corporate KPIs & individual goals and the long term incentives in the form of stock or cash options/award. The non-executive Directors of the Company are entitled to annual commission linked to the performance and profit of the Company.

- xi) the ratio of the remuneration of the highest paid Director to that of the employees who are not Directors but receive remuneration in excess of the highest paid Director during the year: Not applicable.

- xii) Affirmation that the remuneration is as per the Remuneration Policy of the Company:
The remuneration is as per the Remuneration Policy of the Company.

BUSINESS RESPONSIBILITY REPORT

The Business Responsibility Report for the financial year 2015-16 forms part of the annual report.

KEY AWARDS AND RECOGNITIONS

Cairn India has been winning accolades for its unique innovations and contributions to the stakeholders & society. Such recognitions are a testimony to the growth, emphasis on being a safe operator and commitment towards delivering value to our people, investors and stakeholders.

During the year, your Company received the following awards:

- Golden Peacock Award for Risk Management 2015
- CII-ITC Sustainability Award 2015 for Excellence in CSR
- Best Anganwadi Center Award for three Anganwadi Centers at S' Yanam
- Gold (first prize) in the large scale category at the 5th FICCI Safety Systems Excellence Awards for Manufacturing in respect of Mangala field. Further, Bhagyam, Aishwariya and Pipeline Operations, have won the certificate of appreciation for good practices at the said awards of FICCI
- EHS excellence award by CII, Southern Region, 2014 for Ravva location
- Director General of Mines & Safety award for longest incident free period category in respect of Ravva location
- Oil Industry Safety Award for best gas processing plant category in respect of Ravva location
- Award for best minor port -2015 by Government of Andhra Pradesh
- Highest Tax payer award from Central Excise Department, Jaipur in respect of Rajasthan block for payment of Cess and National Calamity and Contingency Duty

DISCLOSURE UNDER THE SEXUAL HARASSMENT OF WOMEN AT WORKPLACE [PREVENTION, PROHIBITION AND REDRESSAL] ACT, 2013

Your Company has always believed in providing a safe and harassment free workplace for every individual working in Cairn India's premises through various interventions and practices. The Company always endeavors to create and provide an environment that is free from discrimination and harassment including sexual harassment.

The Company has in place a robust policy on prevention of sexual harassment at workplace. The policy aims at prevention of harassment of employees as well as contractors and lays down the guidelines for identification, reporting and prevention of sexual harassment. There is an Internal Complaints Committee (ICC) which is responsible for redressal of complaints related to sexual harassment and follows the guidelines provided in the policy. ICC has its presence at corporate office as well as at site locations.

During the year ended 31 March, 2016, the ICC received four complaints pertaining to sexual harassment. Detailed investigations were carried out and appropriate action was taken by the ICC.

RELEVANT EXTRACT OF THE ANNUAL RETURN

Pursuant to Section 134(3)(a) and Section 92(3) of the Companies Act, 2013 read with Rule 12 of the Companies (Management and Administration) Rules, 2014, relevant extract of annual return for the financial year 2015-16 is given in Annexure VIII to this report.

MATERIAL CHANGES & COMMITMENTS

No material changes and commitments, affecting the financial position of the Company have occurred after the end of the financial year 2015-16 and till the date of this report.

APPRECIATION

Your Directors wish to place on record their sincere appreciation to employees at all levels for their hard work, dedication and commitment towards Company's operations and performance. Your Directors also wish to place on record their gratitude for the valuable assistance and co-operation extended to the Company by the Central Government, State Governments, joint venture partners, banks, institutions, investors and customers.

For and on behalf of the Board of Directors

Navin Agarwal
(DIN No.-00006303)
Chairman

Place: Gurgaon
Date: 22 April, 2016

