

report on corporate governance

COMPANY'S PHILOSOPHY ON CORPORATE GOVERNANCE

Transparency, integrity, professionalism and accountability are the cornerstones of Cairn India Limited's ("Cairn India's" or "the Company's") value system. These guide the Company's management in all aspects of business conduct, and in creating value for all its stakeholders, including its shareholders, customers, employees and the community in which it operates.

In India, corporate governance standards for listed companies are regulated by the Securities and Exchange Board of India (SEBI) through Clause 49 of the Listing Agreement of the Stock Exchanges. This chapter, along with those on Management Discussion and Analysis and Additional Shareholders Information, reports Cairn India's compliance with the Clause 49.

BOARD OF DIRECTORS

COMPOSITION OF THE BOARD

As on 31 December 2007, the Company's Board comprised nine Directors, including six non-executive Directors, three of whom are also independent. The Chairman of the Board is a non-executive Director. All the non-executive Directors are professionals who bring with them rich experience in a wide spectrum of functions including management, finance, economics, oil and gas exploration and general administration.

The composition of the Board is in conformity with Clause 49 of the listing agreement, which stipulates that 50 per cent of the Board should comprise non-executive Directors, and if the Chairman is non-executive, one-third of the Board should be independent.

As mandated by the revised Clause 49, the independent Directors on Cairn India's Board:

- Apart from receiving Director's remuneration, do not have any material pecuniary relationships or transactions with the Company, its promoters, its Directors, its senior management or its holding company, its subsidiaries and associates which may affect independence of the Director.
- Are not related to promoters or persons occupying management positions at the Board level or at one level below the Board.
- Have not been executives of the Company in the immediately preceding three financial years.
- Are not partners or executives, or were not partners or executives, during the preceding three years of the:
 - ▶ Statutory audit firm or the internal audit firm that is associated with the Company
 - ▶ Legal firm(s) and consulting firm(s) that have a material association with the Company
 - ▶ Are not material suppliers, service providers or customers or lessors or lessees of the Company which may affect independence of the Director.
 - ▶ Are not substantial shareholders of the Company i.e. do not own two percent or more of the block of voting shares.

During the course of the year there were changes in the composition of the Board.

- Ms Jann Brown resigned from the Board with effect from 12 March 2007.
- Mr Indrajit Banerjee, CFO of the Company was appointed as Director on the Board from 26 February 2007, and as Executive Director from 01 March 2007.
- Mr Hamish M. Grossart relinquished the office of Non-Executive Director with effect from 20 September 2007, and was appointed as Alternate Director to Mr Malcolm Shaw Thoms on the same date.
- Mr Malcolm Shaw Thoms, who had been appointed as Alternate Director to Mr Hamish M Grossart from 26 February 2007, ceased to be so from 20 September 2007, when he was appointed as Additional Director on the Board.

The composition of the Board as on 31 December 2007 is given in Table 1. As mandated by the Clause 49, none of the Directors are members of more than ten Board level committees of public limited Indian companies; nor are they Chairman of more than five committees in which they are members. Moreover, none of the Directors of the Company is related to the other, nor to any other employees of the Company.

TABLE 1 COMPOSITION OF THE BOARD AS ON 31 DECEMBER 2007

S.No.	Name of the Director	Executive/ Non-Executive	No of other directorships		Memberships/ Chairmanships of Board- level Committees*
			Indian	Foreign	
1	Sir William B.B. Gammell	Chairman, Non-Executive Director	-	30	-
2	Norman L. Murray	Non-Executive Director	-	5	1
3	Rahul Dhir	Managing Director and CEO	-	1	1
4	Malcolm Shaw Thoms	Non-Executive Director	-	30	-
5	Aman Mehta	Non-Executive and Independent Director	6	3	Chairman: 3 Member: 5
6	Naresh Chandra	Non-Executive and Independent Director	11	1	Chairman: 2 Member: 8
7	Omkar Goswami	Non-Executive and Independent Director	8	-	Chairman: 2 Member: 7
8	Indrajit Banerjee	Executive Director and CFO	-	15	-
9	Lawrence W. Smyth**	Executive Director and COO	-	2	-

NOTE * Only the Audit Committee and the Shareholders' / Investors' Grievance Committee of Indian public limited companies have been considered.

** Resigned from the Company and its Board with effect from 21 January 2008.

On 21 January 2008, Mr Lawrence Smyth, Executive Director and Chief Operating Officer, resigned from the Company and simultaneously ceased to be a member of the Board of Directors.

NUMBER OF BOARD MEETINGS

During 2007 the Board of Directors met nine times. The dates of the Board meetings were: 12 January 2007, 26 February 2007, 12 March 2007, 27 April 2007, 28 June 2007, 30 July 2007, 20 September 2007, 25 October 2007 and 12 December 2007. The maximum gap between any two meetings was less than four months.

DIRECTORS' ATTENDANCE RECORD

Table 2 gives the Director's attendance in board meetings and the AGM during their tenure as members of Cairn India Limited's Board.

TABLE 2 DIRECTOR'S ATTENDANCE RECORD FOR 2007

Name of the Director	No. of meetings held during the period the director was on Board	No of meetings attended	Presence at the last AGM
Sir William B. B. Gammell	9	6	Yes
Norman L. Murray	9	5	Yes
Rahul Dhir	9	9	Yes
Malcom Shaw Thoms			
From 26 Feb 2007 to 19 Sep 2007, as the Alternate Director to Hamish M. Grossart	5	2	Yes
From 20 Sep 2007 to 31 Dec 2007, as an Additional Director	3	3	
Aman Mehta	9	8	Yes
Naresh Chandra	9	7	Yes
Omkar Goswami	9	6	Yes
Indrajit Banerjee	7	7	Yes
From 26 Feb 2007			
Lawrence W. Smyth*	9	9	Yes

NOTE *Lawrence W. Smyth resigned from the Company and its Board with effect from 21 January 2008.

INFORMATION SUPPLIED TO THE BOARD

The Board has complete access to all information with the Company. Among others, the following information is regularly provided to the Board as a part of the agenda papers normally well in advance of the Board meetings or, on occasions, tabled in the course of the meeting.

- Annual operating plans and budgets and any update thereof.
- Capital budgets and any updates thereof.
- Quarterly results for the Company, its operating divisions and business segments.
- Minutes of the meetings of the Audit Committee and other Committees of the Board.
- Information on recruitment and remuneration of senior officers just below the level of Board, including the appointment or removal of Chief Financial Officer and Company Secretary.
- Materially important show cause, demand, prosecution notices and penalty notices.
- Fatal or serious accidents, dangerous occurrences, any material effluent or pollution problems.
- Any material default in financial obligations to and by the Company, or substantial non-payment for goods sold by the Company.
- Any issue, which involves possible public or product liability claims of substantial nature, including any judgement or order which, may have passed strictures on the conduct of the Company or taken an adverse view regarding another enterprise that can have negative implications on the Company.
- Details of any joint venture or collaboration agreement.
- Transactions that involve substantial payment towards goodwill, brand equity or intellectual property.
- Significant labour problems and their proposed solutions. Any significant development in human resources / industrial relations front like signing of wage agreement, implementation of voluntary retirement scheme, etc.
- Sale of material nature of investments, subsidiaries, assets, which is not in the normal course of business.
- Quarterly details of foreign exchange exposures and the steps taken by management to limit the risks of adverse exchange rate movement, if material.
- Non-compliance of any regulatory, statutory nature or listing requirements and shareholders service such as non-payment of dividend, delay in share transfer, etc.

The Board periodically reviews Cairn India's compliance reports of all applicable laws as well as steps taken by the Company to rectify instances of non-compliances, if any. Minutes of the Board meetings of the Company's unlisted subsidiaries and a statement of all significant transactions and arrangements entered into by the unlisted subsidiary companies are also placed before the Board.

REMUNERATION PAID TO THE DIRECTORS

Table 3 lists the remuneration paid or payable to Directors. The Non-Executive Directors do not have any pecuniary relationship or transactions with the Company, other than sitting fees. Although the shareholders of the Company had, in the Annual General Meeting held on 20 September 2007 approved payment of commission to the Non-Executive Directors up to 1% of net profits as permitted by the Companies Act, 1956, no Non-Executive Director has been paid such commission for 2007. Therefore, the only payment to the Non-Executive Directors has been their sitting fees.

TABLE 3 DETAILS OF DIRECTOR'S REMUNERATION IN 2007

Name of the Director	Sitting Fees	Total Salaries	Retirement Benefits and Perquisites	Commissions	Total
Sir William B. B. Gammell	Nil	Nil	Nil	Nil	Nil
Norman L. Murray	Nil	Nil	Nil	Nil	Nil
Rahul Dhir*	Nil	56,654,534	11,652,522	Nil	68,307,056
Malcom Shaw Thoms	Nil	Nil	Nil	Nil	Nil
Aman Mehta	280,000	Nil	Nil	Nil	280,000
Naresh Chandra	340,000	Nil	Nil	Nil	340,000
Omkar Goswami	260,000	Nil	Nil	Nil	260,000
Indrajit Banerjee**	Nil	15,112,932	480,000	Nil	15,592,932
Lawrence W. Smyth***	Nil	48,228,004	4,522,206	Nil	52,750,210

NOTE* Rahul Dhir was paid salary of Rs.2,400,000 by Cairn India Limited and Rs.54,254,534 by Cairn Energy India Pty Limited (CEIL, incorporated in Australia), excluding one time incentive of Rs.45,238,134. In addition, he was paid retirement benefits / perquisites of Rs.11,652,522 by CEIL, excluding tax. ****** Indrajit Banerjee was paid salary of Rs.3,571,820 by Cairn India Limited as well as Rs.96,000 as retirement benefits / perquisites. In addition, he was paid a salary of Rs.11,541,112 by CEIL, as well as retirement benefits / perquisites of Rs.384,000 by CEIL. ******* Lawrence W. Smyth, who resigned from the Company and the Board on 21 January 2008, was paid salary of Rs.1,800,000 by Cairn India Limited. In addition, he was paid a salary of Rs.46,428,004 by CEIL, excluding one time incentive of Rs.22,277,930, as well as retirement benefits / perquisites of Rs.4,522,206 by CEIL, excluding tax.

The Executive Directors have been appointed for a term of five years, barring Lawrence W. Smyth, who had a three-year contract. Their service contract can be terminated with a notice period of six months.

In addition to salaries and perquisites, the Executive Directors of Cairn India were granted employee stock options as given below:

UNDER THE CAIRN INDIA SENIOR MANAGEMENT PLAN, 2006 (CISMP)

Rahul Dhir	6,714,233 options at a strike price of Rs.33.70 per share
Lawrence W. Smyth	1,584,480 options at a strike price of Rs.33.70 per share

UNDER THE CAIRN INDIA PERFORMANCE OPTION PLAN, 2006 (CIPOP)

Rahul Dhir	239,288 options at a strike price of Rs.10 per share These options were subsequently cancelled.
Lawrence W. Smyth	242,243 options at a strike price of Rs.10 per share These options were subsequently cancelled.
Indrajit Banerjee	214,045 options at a strike price of Rs.10 per share.

CODE OF CONDUCT

Cairn India's Board of Directors has laid down a Code of Ethical Conduct for all Board members and designated senior management of the Company, which was adopted in the Board Meeting held on 21 September 2006. For details, see www.cairnindia.com.

COMMITTEES OF THE BOARD

To facilitate expeditious decision making with focused attention on the affairs of the Company, the Board has constituted the following committees with distinct roles, accountabilities and authorities:

- a) Audit Committee of the Board
- b) Investors' Grievances Committee
- c) Remuneration Committee
- d) Nomination Committee

A) AUDIT COMMITTEE

The Company has an adequately qualified and independent Audit Committee. As on 31 December 2007, the Committee comprised four non-executive Directors: Mr. Aman Mehta (Chairman), Mr. Naresh Chandra, Mr. Norman L. Murray and Dr. Omkar Goswami. Three of the four members are independent. All members have the financial knowledge and expertise mandated by Clause 49 of the Listing Agreement,

Mr. Rahul Dhir, Managing Director and CEO, Mr. Indrajit Banerjee, Director and CFO, Mr Raj Agarwal, Partner SR Batliboi and Associates and Mr Raman Sobti, Director KPMG are invitees to the Meetings of the Audit Committee. Mr. Marshall Mendonza, Company Secretary is the Secretary to the Committee.

The current Charter of the Audit Committee is in line with international best practices as well as the regulatory requirements mandated by SEBI and Clause 49 of the Listing Agreements with the stock exchanges on which Cairn India is listed. The brief terms of reference of the Company's Audit Committee are listed below.

TERMS OF REFERENCE

- Overseeing the Company's financial reporting process and the disclosure of its financial information to ensure correct, sufficient and credible financial information;
- Recommending to the Board the appointment, re-appointment or replacement of statutory auditors and the setting of audit fees;
- Approval of payment to statutory auditors for any other services rendered by the statutory auditors;
- Reviewing, with management, the annual financial information before submission to the Board for approval, with particular reference to:
 - (i) matters required to be included in the Directors' Responsibility Statement in the Board's report pursuant to clause (2AA) of Section 217 of the Companies Act;
 - (ii) changes, if any, in accounting policies and practices and reasons for such changes;
 - (iii) major accounting entries involving estimates based on the exercise of judgement by the Company's management;
 - (iv) any significant adjustments made in the financial information arising out of audit findings;

- (v) compliance with listing and other legal or regulatory requirements relating to financial information;
 - (vi) disclosure of any 'related party transactions' as such term is defined in Accounting Standard 18, Related Party Transactions, issued by the Institute of Chartered Accountants of India; and
 - (vii) any qualifications in the draft audit report.
- Reviewing, with management, the quarterly financial information before submission to the Board for approval;
 - Reviewing, with management, the performance of statutory and internal auditors, and the adequacy of the internal control systems of the Company;
 - Approving the appointment, removal and terms of remuneration of the chief internal auditor;
 - Reviewing the adequacy of the internal audit function, if any, including the structure of the internal audit department, staffing and seniority of the official heading the department, reporting structure coverage and frequency of internal audit;
 - Discussing with internal auditors any significant findings and following up on any such significant findings;
 - Reviewing the findings of any internal investigation by internal auditors into matters relating to irregularities, fraud, or a failure in internal control systems of a material nature, and reporting such matters to the Board;
 - Having pre-audit discussions with the statutory auditors as to the nature and scope of the audit, and post-audit discussions to ascertain any areas of concern;
 - Looking into the reasons for any substantial defaults in payments to debenture holders, shareholders (in case of the non-payment of declared dividends) and creditors;
 - Reviewing the Company's financial and risk management policies;
 - Monitoring the utilisation of funds to be raised pursuant to a public issue; and
 - Carrying out any other function as the Board may from time to time refer to the Audit Committee.
 - Reviewing the statements of significant related party transactions;
 - Reviewing the Management Discussion and Analysis of the financial conditions and result of operations.

During 2007, the Audit Committee met four times: on 12 March 2007, 27 April 2007, 30 July 2007 and 25 October 2007. The attendance record of the Audit Committee is given in Table 4.

TABLE 4 ATTENDANCE RECORD OF CAIRN INDIA'S AUDIT COMMITTEE FOR 2007				
Name of the member	Position	Status	No. of meetings held	No. of meetings attended
Aman Mehta	Independent Director	Chairman	4	4
Naresh Chandra	Independent Director	Member	4	4
Omkar Goswami	Independent Director	Member	4	3
Norman L Murray	Non-executive Director	Member	4	2

The Chairman of the Audit Committee as well as all other members were present at the Company's last Annual General Meeting held on 20 September 2007.

B) SHAREHOLDERS' / INVESTORS' GRIEVANCES COMMITTEE

As on 31 December 2007, the Committee comprised three Directors: Dr. Omkar Goswami (Chairman), Mr. Naresh Chandra and Mr. Rahul Dhir. Two of these members, including the Chairman, are independent. Mr. Marshall Mendonza, Company Secretary, is the Compliance Officer of the Company and the Secretary of the Committee. The Committee met three times: on 12 March 2007, 27 April 2007 and 25 October 2007. Table 5 details the attendance record of the Committee.

TABLE 5 ATTENDANCE RECORD OF CAIRN INDIA'S SHAREHOLDERS' / INVESTORS' GRIEVANCES COMMITTEE				
Name of the member	Position	Status	No. of meetings held	No. of meetings attended
Omkar Goswami	Independent Director	Chairman	3	2
Naresh Chandra	Independent Director	Member	3	3
Rahul Dhir	Managing Director and CEO	Member	3	3

The status of complaints received during the 12-month period ended 31 December 2007 by the Company and the Registrar and Share Transfer Agents is given in Table 6.

TABLE 6 NATURE OF COMPLAINTS RECEIVED AND ATTENDED TO DURING 2007			
Nature of Complaint	No of Complaints		
	Received	Attended	Pending
Non-receipt of refund order/allotment advise	1615	1604	11
Non-receipt of credit	5170	5167	3
DD case/Non-receipt of refund orders sent for corrections	1916	1907	9
SEBI	924	924	Nil
Stock Exchanges	91	91	Nil

NOTE None of the complaints as listed above were pending as on 29 April 2008.

C) REMUNERATION COMMITTEE

As on 31 December 2007, the Committee comprised five non-executive Directors: Mr. Naresh Chandra (Chairman), Sir William B.B. Gammell, Mr. Malcolm Shaw Thoms, Mr. Aman Mehta and Dr. Omkar Goswami. Three of these members are independent. Mr. Malcolm Shaw Thoms joined the Committee on 20 September 2007. Mr. Marshall Mendonza, Company Secretary, is the Secretary of the Committee.

The broad terms of reference of the Remuneration Committee are:

- Determining remuneration packages payable to Executive Directors of the Company, including pension contributions and compensation payments
- Determining remuneration packages payable to key managerial personnel of the Company

During 2007, three meetings of the Remuneration Committee were held: on 27 April 2007, 28 June 2007 and 20 September 2007. The attendance record of the Remuneration Committee is given in Table 7.

TABLE 7 ATTENDANCE RECORD OF CAIRN INDIA'S REMUNERATION COMMITTEE				
Name of the member	Position	Status	No. of meetings held	No. of meetings Attended
Naresh Chandra	Independent Director	Chairman	3	3
Sir William B.B. Gammell	Non-Executive Director	Member	3	3
Omkar Goswami	Independent Director	Member	3	2
Aman Mehta	Independent Director	Member	3	2
Malcolm Shaw Thoms (joined on 20 Sep 2007)	Non-executive Director	Member	1	0

D) NOMINATION COMMITTEE

As on 31 December 2007, the Nomination Committee comprised four Directors: Sir William B.B. Gammell (Chairman), Mr Rahul Dhir, Mr Norman L. Murray and Mr Malcolm Shaw Thoms.

The functions of the Nomination Committee are:

- Reviewing the structure, size and composition of the Board, with a view to ensuring the continued ability of the Company to compete effectively in the marketplace, and make recommendations to the Board with regard to any changes;
- Identifying and nominating, for the approval of the Board, appropriate individuals to fill Board vacancies as and when they arise;
- Evaluating the balance of skills, knowledge and experience of the Board and, in the light of this evaluation, preparing a description of the role and capabilities required for particular appointments; and then identifying suitable candidates for the Board;
- Reviewing time required from each Non-Executive Director and assessing whether s(he) has given sufficient commitment to the role;
- Considering succession planning in the course of its work, taking into account the challenges and opportunities facing the Company, and what skills and expertise are needed from members of the Board in the future; and

- Ensuring that on appointment to the Board, the Non-Executive Directors receive a formal letter of appointment setting out clearly what is expected of them in terms of time commitment, committee service and involvement outside Board meetings.

There being neither the cause to review the working of the Board of the Company nor the need to add new Directors during the year, no meeting of the Nomination Committee was held during 2007.

MANAGEMENT

MANAGEMENT DISCUSSION AND ANALYSIS

This Annual Report has a detailed chapter on Management Discussion and Analysis.

DISCLOSURES

Cairn India follows the accounting standards and guidelines laid down by the Institute of Chartered Accountants of India (ICAI) in preparation of its financial statements. No material, financial and commercial transactions were reported by the management to the Board, in which the management had any personal interest that either had or could have had a conflict with the interest of the Company at large.

There were no transactions with the Directors or Management, their associates or their relatives etc. that either had or could have had a conflict with the interest of the Company at large.

ANY NON-COMPLIANCE BY THE COMPANY

There was no non-compliance during the year by the Company on any matter related to capital market. Consequently, there were neither penalties imposed nor strictures passed on the Company by Stock Exchanges, SEBI or any statutory authority

CODE FOR PREVENTION OF INSIDER TRADING PRACTICES

In compliance with the SEBI regulation on prevention of insider trading, the Company has instituted a comprehensive Code of Conduct for its management and staff. The Code lays down guidelines which advises management and staff on procedures to be followed and disclosures to be made while dealing with shares of company, and cautions them of the consequences of violations.

WHISTLE BLOWER POLICY

Though there is no formal Whistle Blower Policy, the Company takes cognizance of the complaints made and suggestions given by the employees and others. Complaints are looked into and whenever necessary, suitable corrective steps are taken. No employee of the Company has been denied access to the Audit Committee of the Board of Directors of the Company.

RISK MANAGEMENT

Cairn India follows well-established and detailed risk assessment and minimisation procedures, which are periodically reviewed by the Board.

CEO/ CFO CERTIFICATION

The CEO and CFO certification of the financial statements for the year is enclosed at the end of the report.

SHAREHOLDERS

REAPPOINTMENT OR APPOINTMENT OF DIRECTORS

Brief profiles of the persons to be appointed/re-appointed as Director on the Annual General Meeting of the Company are given below:

Rahul Dhir, Managing Director and Chief Executive Officer

Rahul Dhir, age 42, joined Cairn India in May 2006 and was appointed Chief Executive Officer on 22 August 2006. He was educated at the Indian Institute of Technology, Delhi (Bachelor of Technology), the University of Texas at Austin (M.Sc) and at the Wharton Business School in Pennsylvania (MBA). Mr. Dhir started his career as an oil and gas reservoir engineer before moving into investment banking. He has worked at SBC Warburg, Morgan Stanley and Merrill Lynch, where he managed a team advising several major oil companies and a number of independent E&P companies on merger and acquisition and capital market related issues. Before joining Cairn India, he was Managing Director and Co-Head of Energy and Power Investment Banking at Merrill Lynch. Mr Dhir holds directorship in Cairn India Holdings Limited.

Naresh Chandra, Independent Non-Executive Director

Naresh Chandra, age 73, was appointed an Independent Non-Executive Director of the Company on 21 September 2006. He is a post graduate (MSc in Mathematics) from Allahabad University and retired IAS Officer. Previously, Mr. Chandra was Chairman of the Committee on Corporate Governance, India's Ambassador to the US, Advisor to the Prime Minister, Governor of Rajasthan, Cabinet Secretary to the Government of India, and Chief Secretary of Rajasthan. A reputed administrator and diplomat, Mr. Chandra serves as an Independent Director on the boards of a number of companies, such as Tata Consultancy Services Limited, Vedanta Resources plc, Hindustan Motors Limited, Bajaj Auto Limited and Electrosteel Castings Limited, Balrampur Chini Mills Limited, G4S Corporate Services (India) Pvt. Limited, ACC Limited, Linde Process Technologies India Private Limited, AVTEC Limited, VIS Legis Consult Pvt. Limited and Great Offshore Limited.

Malcolm Shaw Thoms, Non-Executive Director

Mr. Malcolm Shaw Thoms, age 52, holds a degree in BSc. Hons. in Physics from Edinburgh University and an MBA from Heriot-Watt University. He started his career as a field engineer with Schlumberger and subsequently became manager of the businesses in Qatar and Brunei. He joined Cairn Energy PLC in 1989, and has held a number of senior management positions prior to his appointment as an Executive Director in 2000. Mr. Shaw is also a Non-Executive Director of Revus Energy AS. Mr. Thoms was appointed as an Additional Director of the Company on 20 September 2007. Mr Thoms holds directorship in Dog House Properties Limited, VFE Partners Limited, Revus Energy A.S., Frederick House (Charlotte) Limited, Cairn Energy PLC, Cairn Energy Gujarat Block 1 Limited, Cairn Energy Nepal Holdings Limited, Cairn Energy Dhangari Limited, Cairn Energy Lumbini Limited, Cairn Energy Malangawa Limited, Cairn Energy Birganj Limited, Cairn Energy Karnali Limited, Capricorn Exploration Limited, Cairn Energy Hydrocarbons Limited, Cairn Energy Discovery Limited, Cairn Petroleum India Limited, Cairn Energy Exploration And Production Company Limited, Cairn Exploration (No.1) Limited, Cairn Exploration (No.2) Limited, Cairn Exploration (No.4) Limited, Cairn Exploration (No.6) Limited, Cairn Exploration (No.7) Limited, Cairn UK Holdings Limited, Capricorn Energy Limited, Cairn Energy Australia Pty Limited and CEH Australia Limited.

Rick Bott, Executive Director and Chief Operating Officer

Rick Bott, age 48, was appointed as Additional Director on 29 April 2008 and will assume office of Executive Director and Chief Operating Officer with effect from 15 June 2008. Rick Bott holds a BSc in Marine Sciences and a Masters in Geology from Texas A & M. He Joins Cairn India from Devon Energy's International division where he was vice president responsible for developing and implementing business growth and exploration strategy for assets in 12 countries outside of North America focusing on the deepwater, West Africa, South America and the Middle East/Asia. Previously he served as President of Ocean Egypt Companies and as President of Ocean Yemen Corporation. He also served in a number of international management and technical positions with British Gas and Tenneco and has extensive global exploration and production experience with more than 20 years in the industry leading integrated organisations, developing new business and focusing on cross-cultural leadership development. Mr Bott does not hold directorship in any other company.

GENERAL BODY MEETINGS

The Company in its brief history has had one Annual General Meeting (AGM). The second AGM is scheduled to take place on 25 June 2008. The details are given below:

FINANCIAL YEAR	CATEGORY	LOCATION OF THE MEETING	DATE	TIME
2006	AGM	Birla Matushri Sabhagar, 19 New Marine Lines, Mumbai	20 Sep 2007	11:00 AM
2007	AGM	Birla Matushri Sabhagar, 19 New Marine Lines, Mumbai	25 June 2008	11:00 AM

SPECIAL RESOLUTIONS

In the previous AGM on 20 September 2007, the following special resolutions were passed:

- Keeping register of members and other related documents.
- Issue, offer and allotment of ADRs/GDRs.
- Remuneration to Non-Executive Directors.

POSTAL BALLOT

Cairn India passed a special resolution through a postal ballot, where the shareholders provided their consent to the Board of Directors to sell, lease or otherwise dispose off an undertaking of the Company and/or create charge and/or mortgage on the assets of the Company in favour of lenders. The Company followed a transparent postal ballot process, where all members and/or beneficiaries on the books as of 10 August 2007 were sent a postal ballot form along with postage pre-paid business reply envelope. All replies received up to close of working hours on 29 September 2007 were considered. All postal forms were kept in the control of the scrutiniser, Mr. Surjan Singh Rauthan, a practicing Company Secretary. The postal ballots were opened on 1 October 2007 under the scrutiny of Mr. Rauthan. Table 8 shows the details of the voting pattern.

TABLE 8 VOTING PATTERN OF SPECIAL RESOLUTION THROUGH POSTAL BALLOT

Particulars	No. of Postal Ballot Forms	No. of Shares	% of total paid-up equity shares
Total Postal Ballot forms received (A)	1,694	1,269,256,086	71.90%
Less: Invalid Postal Ballot forms (B)	156	39,596	0.00%
Net Valid Postal Ballot forms (A-B)	1,538	1,269,216,490	71.90%
Postal Ballot forms with assent for the resolution	1,477	1,264,818,560	71.65%
Postal Ballot forms with dissent for the resolution	61	4,397,930	0.25%

ADDITIONAL SHAREHOLDER INFORMATION

ANNUAL GENERAL MEETING

DATE 25 June 2008	TIME 11:00 AM	VENUE Birla Matushri Sabhagar, 19, New Marine Lines, Mumbai 400 020.
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FINANCIAL CALENDAR

Financial year: 1 January to 31 December

For the year ended **31 December 2007**, results were announced on:

- 27 April 2007: First quarter
- 30 July 2007: Half yearly
- 25 October 2007: Third quarter
- 31 March 2008: Fourth quarter and full year's results

For the year ending **31 December 2008**, results will be announced by

- 29 April 2007: First quarter
- Last week of July 2007: Half yearly
- Last week of October 2008: Third quarter
- Last week of March 2009: Fourth quarter and full year's results.

BOOK CLOSURE The dates of book closure are from 17 June 2008 to 25 June 2008, inclusive of both days.

LISTING

The equity shares of Cairn India are listed on the Bombay Stock Exchange Limited (BSE) and the National Stock Exchange of India Limited (NSE). The annual listing fee for the financial year 2007 has been paid to BSE and NSE.

TABLE 1 CAIRN INDIA'S STOCK EXCHANGE CODES

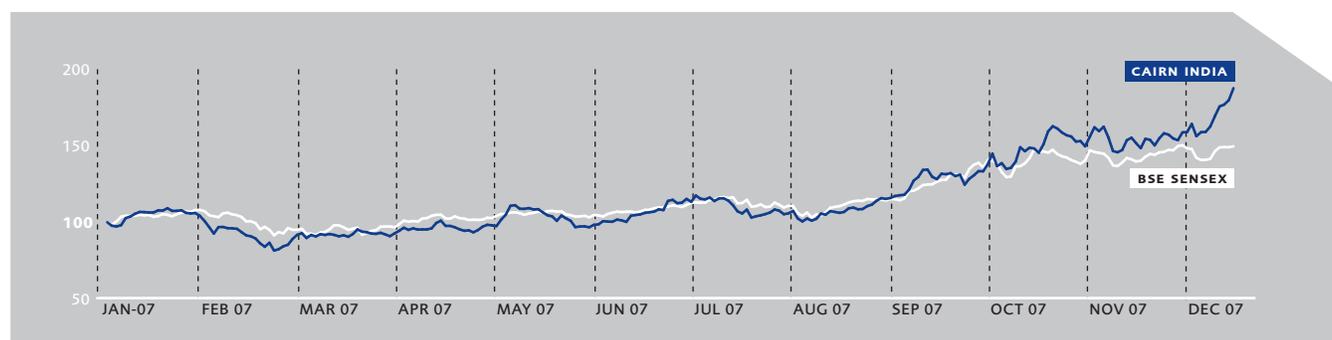
Name of the Stock Exchange	Stock Code
The National Stock Exchange of India Limited	CAIRN
Bombay Stock Exchange Limited	532792

STOCK MARKET DATA Table 2 and Chart A gives the details.

TABLE 2 HIGH, LOW AND VOLUME OF COMPANY'S SHARES FOR 2007 AT BSE AND NSE

Date	High (Rs.)		Low (Rs.)	
	BSE	NSE	BSE	NSE
January 2007	155.00	162.00	128.65	128.80
February 2007	149.70	151.00	111.00	115.00
March 2007	134.00	135.00	111.20	111.00
April 2007	141.90	141.90	124.00	123.55
May 2007	156.20	156.00	128.00	127.70
June 2007	147.50	147.50	131.30	131.00
July 2007	164.50	164.70	140.70	140.70
August 2007	151.90	152.00	134.60	134.50
September 2007	187.90	187.85	147.50	147.60
October 2007	216.80	217.00	161.10	165.10
November 2007	230.00	230.00	193.00	192.50
December 2007	259.45	259.60	205.25	205.05

Note: High and Low are in Rupees per traded share. Volumes is the total monthly volume of trade in number of Cairn India's shares



CAIRN INDIA'S SHARE PERFORMANCE ON BSE VERSUS BSE SENSEX

DISTRIBUTION OF SHAREHOLDING

Tables 3 and 4 lists the distribution of the shareholding of the equity shares of the Company by size and by ownership class as on 31 December 2007.

TABLE 3 | SHAREHOLDING PATTERN BY SIZE, AS ON 31 DECEMBER 2007

Number of shares	No of shareholders	% of shareholders	Total shares	% of shares
Up to 5,000	223362	90.56	30129811	1.69
5,001-10,000	20080	8.14	11514588	0.65
10,001-20,000	1497	0.61	2144949	0.12
20,001-30,000	483	0.20	1220268	0.07
30,001-40,000	243	0.10	873046	0.05
40,001-50,000	197	0.08	943119	0.05
50,001-100,000	310	0.12	2324313	0.13
100,001 and above	480	0.19	1729249326	97.24
Total	246,652	100.00	1,778,399,420	100.00

TABLE 4 | SHAREHOLDING PATTERN BY OWNERSHIP, AS ON 31 DECEMBER 2007

	No. Of Equity Shares (Face Value Rs. 10/- Each)	Shares Held (%)
A. Promoters Holding		
Indian Promoters	0	0.00%
Foreign Promoters	1,226,843,785	68.99%
Persons acting in concert	0	0.00%
B. Non-Promoters Holding		
a) Banks, Financial institutions, Insurance Companies (Central / State Gov Institutions / Non-government, Institutions)	69,996,903	3.94%
b) Foreign Institutional Investors	194,144,391	10.92%
c) Foreign Company	183,581,473	10.32%
d) Indian Public	50,502,623	2.84%
e) Mutual Funds	28,814,353	1.62%
f) NRIs	706,941	0.04%
g) NRI (Non-Repatriable)	241,292	0.01%
h) Corporate Bodies	22,369,491	1.26%
i) Foreign Directors	3	0.00%
j) Foreign National (Non-Director)	3	0.00%
Clearing Member	1,189,776	0.07%
Trusts	8,386	0.00%
Grand Total	1,778,399,420	100.00%

report on corporate governance continued

DEMATERIALISATION OF SHARES

As on 31 December 2007, over 99.99% shares of the Company were held in dematerialised form. The shares of Cairn India are permitted to be traded only in dematerialised form under ISIN No. INE910H01017.

OUTSTANDING EMPLOYEE STOCK OPTIONS AS ON 31 DECEMBER 2007

Under Cairn India Senior Management Plan: 8,298,713

Under Cairn India Employee Stock Option plan: 8,545,710

Under Cairn India Performance Option Plan: 47,55,244

DETAILS OF PUBLIC FUNDING OBTAINED IN THE LAST THREE YEARS

Cairn India's Initial Public Offering (IPO), which closed on 15 December 2006, of 328,799,675 equity shares was fully subscribed aggregating Rs.52,608 million at the issue price of Rs.160. Cairn India also placed Rs.33,547 million through a pre-IPO placement and exercised its Green Shoe Option for 13,085,041 shares. The total proceeds aggregated Rs.88,249 million.

SHARE TRANSFER SYSTEM

Cairn India has appointed Intime Spectrum Registry Limited as its Registrar and Transfer Agent with effect from 1 January 2008. All share transfers and related operations are conducted by Intime Spectrum, which is registered with the SEBI. The Company has an Investors' Grievances Committee for redressing shareholders' and investors complaints.

INVESTOR CORRESPONDENCE SHOULD BE ADDRESSED TO EITHER:

Intime Spectrum Registry Limited (Unit: Cairn India Limited) C-13, Pannalal Silk Mills Compound L.B.S Marg, Bhandup (West) Mumbai 400 078, India helpline@intimespectrum.com rnt.helpdesk@intimespectrum.com	OR	Mr. Jayesh Thakor Cairn India Limited 101, West View Veer Savarkar Marg Prabhadevi Mumbai 400 025, India Jayesh.thakor@cairnindia.com	Tel: 91-22-24376136 91-22-24338306 91-9323696248
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OPERATIONAL LOCATIONS

Cairn India's oil and gas fields are located at:

- Ravva (Andhra Pradesh)
- Cambay Basin (Gujarat)
- Barmer (Rajasthan)

REGISTERED OFFICE ADDRESS

Cairn India Limited
101, West View
Veer Savarkar Marg
Prabhadevi
Mumbai 400 025
India

CORPORATE OFFICE ADDRESS

Cairn India Limited
3rd & 4th Floors
Vipul Plaza
Suncity, Sector- 54
Gurgaon 122 002
India

CERTIFICATION BY THE CHIEF EXECUTIVE OFFICER AND CHIEF FINANCIAL OFFICER OF THE COMPANY

We, Rahul Dhir, Chief Executive Officer, and Indrajit Banerjee, Chief Financial Officer, of Cairn India Limited hereby certify to the Board that:

- We have reviewed financial statements and the cash flow statement for the year and that to the best of our knowledge and belief:
 - These statements do not contain any materially untrue statement or omit any material fact or contain statements that might be misleading;
 - These statements together present a true and fair view of the Company's affairs and are in compliance with existing accounting standards, applicable laws and regulations.
- There are, to the best of our knowledge and belief, no transactions entered into by Cairn India Limited during the year which are fraudulent, illegal or violative of the Company's Code of Conduct.
- We are responsible for establishing and maintaining internal controls for financial reporting in Cairn India Limited, and we have evaluated the effectiveness of the internal control systems of the company pertaining to financial reporting. We have disclosed to the auditors and the Audit Committee, deficiencies in the design or operation of such internal controls, if any, of which we are aware and the steps we have taken or propose to take to rectify these deficiencies.

- d. We have indicated to the auditors and the Audit committee
- i. Significant changes in internal control over financial reporting during the year;
 - ii. Significant changes in accounting policies during the year and the same have been disclosed in the notes to the financial statements; and
 - iii. Instances of significant fraud of which we have become aware and the involvement therein, if any, of the management or an employee having a significant role in the company's internal control system.
- e. We affirm that we have not denied any person access to the Audit Committee of the Company (in respect of matters involving alleged misconduct)
- f. We further declare that all Board members and senior management have affirmed compliance with the Company's Code of Conduct for the current year.

For Cairn India Limited
RAHUL DHIR
Managing Director and CEO

For Cairn India Limited
INDRAJIT BANERJEE
Executive Director and CFO

CITY NEW DELHI
DATE 29 APRIL 2008

S. RAJWANSHI & CO.

Company secretaries
487/39, Second floor, National Market, Peera Garhi, New Delhi 110087
011-42341099, 93125-93114, 98111-93114, 98117-93114
sharadrajwanshi@airtelmail.in

COMPLIANCE CERTIFICATE

To,
The Members,
Cairn India Limited,
Mumbai.

We have examined the Compliance of conditions of Corporate Governance by Cairn India Limited, ("the Company") for the year ended on 31st December 2007, as stipulated under Clause 49 of the Listing Agreement of the Company with the stock exchanges.

The compliance of conditions of Corporate Governance is the responsibility of the Management of the company. Our examination has been limited to review of the procedures and implementation thereof, adopted by the Company, for ensuring the compliance with the conditions of Corporate Governance. It is neither an audit nor an expression of opinion on financial statements of the Company.

In our opinion and to the best of our information and according to the explanations sought and replies given to us by the Company, its Directors and Officers, we certify that the Company has complied with the conditions of Corporate Governance as stipulated in Clause 49 of the Listing Agreement.

We further state that such compliance is neither an assurance as to the future viability of the Company nor the efficiency and nor the effectiveness with which the management has conducted the affairs of the Company.

For S.Rajwanshi & Co.
Company Secretaries
(SHARAD RAJWANSHI)
M.No.FCS 5025
CoP No. 3621

PLACE GURGAON
DATE APRIL 29, 2008