



“Cairn India Limited Annual Results Conference Call”

May 27, 2010



**MODERATORS: MR. RAHUL DHIR - MANAGING DIRECTOR & CEO,
CAIRN INDIA
MR. INDRAJIT BANERJEE - EXECUTIVE DIRECTOR
AND CHIEF FINANCIAL OFFICER, CAIRN INDIA
MR. RICK BOTT - EXECUTIVE DIRECTOR AND CHIEF
OPERATING OFFICER, CAIRN INDIA
MR. ANURAG MANTRI - GROUP FINANCIAL
CONTROLLER, CAIRN INDIA**



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Moderator

Ladies and gentlemen, good evening and welcome to the Cairn India Limited Annual Results Conference call. For the duration of this presentation, all participants' lines will be in the listen-only mode. After the presentation the question and answer session will be conducted first for participants in India and then for international participants. Should you need assistance during this conference call, please signal an operator by pressing '**' and then '0' on your touchtone telephone. Please note that this conference is being recorded.

I would now like to hand the conference over to Mr. Anurag Mantri, Group Financial Controller. Thank you and over to you, Mr. Mantri

Anurag Mantri

Thanks, Rochelle. Good afternoon ladies and gentlemen and very good morning to our guests in UK. I take this opportunity to welcome you all to discuss the Cairn India financial results for the 12-month period ended 31st March, 2010. Last year has been a year on delivery for us. We started production from Mangala field on 29th August 2009 and today we have crossed 4 million barrel mark of the production as on date.

Joining us today on this call are our Managing Director and CEO, Mr. Rahul Dhir, our Executive Director and Chief Financial Officer Mr. Indrajit Banerjee and our Executive Director and Chief Operating Officer Mr. Rick Bott.

We will now start with an overview of our performance for the last financial year followed by a discussion in the Q&A session. I would now request Mr. Rahul to take it forward.

Rahul Dhir

Thank you, Anurag and on behalf of all my colleagues here, I like to once again extend a very warm welcome to each and every one of you. Since the last time we spoke, just a few months ago, there is a lot that has been achieved. We have now produced another 2 million barrels. The second processing Train #2 is up and running. The first one, the construction is completed where maybe done with the commissioning and we expect that will be up and running relatively soon. Rick will tell you more about that. The pipeline between Barmer to Salaya is completed. It is operational now and in preparation for sale. So if you look back, for us, the whole year really was a major transition from the development phase to the production phase. So we have started our production now. We are today really at the threshold of some very significant production growth period which is several years of growth period.

And perhaps let me just run through some key events from last year to put all this in context for you. So as I said in the last quarter alone we produced over 2 million barrels over the year in Rajasthan since the field start up in August we have produced now 4 million barrels. The entire pipeline section as I said from Barmer to Salaya is now operational and it is in preparation for sale. That is a remarkable achievement



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given that it was done in less than two years. In about 22 months actually to be precise.

As you know, back in October last year, the team had put together the \$1.6 billion financing. And that was pretty unique because it is happened to a consortium of banks both domestically and internationally and also the team won the "Oil and Gas Deal of the Year Award" by PFI.

If you remember back in March, we had set out our vision and we had given you an overview of the resource base and that supports our vision of the 240,000 barrels a day. Of course, all of that is subject to Government of India in partner approval and will require some incremental investments. So I hope you agree, certainly we are excited about where we are today, having delivered most of the critical infrastructure needed for achieving the production growth.

We are excited about where we are today having defined the resource space and the potential for sustainable growth from the space for the foreseeable future and we are excited here today because we see remarkable opportunities that ahead of us with the very strong balance sheet. And we remain pretty focused on implementing our growth strategy and we believe we are very well placed for that. So with that overview I will hand it up to Indrajit and he is going to walk you through the financials and then Rick will walk you through the operational highlights. And following that we will of course spend some time with the questions. So, Indrajit, over to you.

Indrajit Banerjee

Thank you Rahul. Good evening to everyone in India and good afternoon to our colleagues in UK. You have just seen the results which we have released a few hours back and I will just run through some of the salient aspects of it.

Our operating revenues in the current quarter is at INR 6,928m (USD 151m), which is higher by about 40% as compared to the previous quarter, principally, the reason is as you can all guess is the Rajasthan additional volumes. We have sold more than 1.5 million barrels to MRPL and Reliance in the current quarter.

In terms of gross production we produced about 68,960 barrels of oil per day versus 66,843 in the previous quarter. The production is ramping up in Rajasthan and gross production for the quarter there was 17,530 barrels per day which is a total of 1.6 million barrels. Working interest production was higher by about 7% at 26,330 barrels versus 24,600 barrels in the previous quarter as a result of higher percentage of production, as a result of our higher percentage share in Rajasthan.

The average price realization for the quarter was at \$65 of barrels of oil equivalent which is at similar levels as in the previous quarter. The Rajasthan crude price realization during the quarter was at \$67 a barrel which is roughly about 12% discount to Brent during the quarter, Brent was \$76.24 during the quarter.



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We spent about \$2.292 billion to-date on the Rajasthan development, of which \$934 million was spent during the financial year 2009-10. As at 31st March 2010, we had cash and cash equivalents of about \$583 million. The Rajasthan development for the quarter was funded principally by debt which is currently at \$751 million as well as from internal accrual. We are now in a net debt situation which is \$168 million.

Cash flow from operations, the yardstick that we always use for the purpose of evaluating our cash generation from operations was at Rs. 3,474 million which is \$76 million for the quarter which happens to be 25% more than in the previous quarter.

Profit after tax stands at \$2,452 million for the quarter which is \$53 million, which is lower by about 16% compared to that in the previous quarter, primarily on account of the higher exploration costs that we have charged off in our P&L in this quarter. Exploration costs during the quarter were at Rs. 1,319 million, \$26.6 million, which is higher than the \$10 million that we spent in the previous period. The increase is on account of higher exploration activity in terms of wells, wells drilling and pipeline activity.

During the year we had arranged \$1.6 billion facility, back in October 2009 through a combination of domestic and international borrowing which was the major highlight of our financing activity during the year. And the quarter under review we also obtained an AAA rating by CARE in India for our domestic borrowing program which reflects upon the confidence that the rating agency has in our borrowing programs.

As you all know we started the restructuring exercise to bring the E&P asset of some of our subsidiary back into Cairn India Limited, the main holding company. And that process is going just fine, we got the stock exchange approval, we got of course the shareholders approval, and we have also got the Chennai High Court's approval and we are awaiting the Bombay High Court's approval soon.

With that I would like to hand it over to Rick, for him to give the operational review.

Rick Bott

Thank you, Indrajit. So I would like to give you a little bit of detail around operational highlights for the year. I think we sit today having completed the first phase of a very large and complex project and I think it is important to note that we have worked over 90 million man hours within this project. And as we approach to end the project we are on track to have achieved a global top quartile HSE performance ranked against global benchmarks. It is also important to note that its one of the fringe benefits of our focus on HSE and our commitment to developing a local workforce is that we have trained over 60,000 people in HSE awareness and specific skill set.

With respect to our drilling program, we have 65 development wells that have been drilled in Mangala, and 51 of those have been completed to support our production



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ramp up over the next several quarters. The well results confirm excellent quality reservoir and high deliverability potential for the Fatehgarh Formation.

We continue to optimize our hydrofracking design in Raageshwari and we have carried out another test in the second well which achieved ~21 million cubic feet a day, which is the highest record for the field and is four to five times what we anticipated from the original designs, therefore, demonstrating we have a lot of potential to recover original reserves from the wells that we drill, as well as apply the same technology to other formations within the basin.

We drilled eight horizontal wells and six of those wells have been completed. They have an average production rate of 11,500 barrels a day for those wells. Those wells are very, very high rate wells and we are very pleased with those results.

The EOR pilot as we talked about in March has been kicked off in Mangala field and three of the wells have been completed so far. Current resource space we are trying to access and trying to optimize on the best methodologies to recover those reserves to roughly 300 million barrels of the incremental oil from Mangala bagh and Aishwarya fields.

With respect to construction, as Rahul mentioned, the 590-kilometer pipeline for Barmer to Salaya has been completed and is operational and preparation for sales. To ensure gas supply, to heat the pipeline and provide the power of MPT there are ten rigs where gas wells have been drilled and completed.

Train #2 commenced production in May. Train #3 and the ancillary facilities and systems to support Train #3 will be ready this quarter by the end of June as we talked about to you in March. That provides us with the total capacity produced 130,000 barrels a day as we talked about for the completeness of our Phase I deliveries. Train #4 will be delivered in 2011, which will take our capacity to crude 175,000 barrels a day.

With respect to operations, we are currently producing roughly 60,000 barrels of oil per day with an average production, if you average over the whole year of 14,861 barrels of oil per day for this year from Rajasthan.

We successfully delivered eight parcels to MRPL and 11 parcels to Reliance in the year and discussions are in progress with the Government of India for additional options on crude off take.

The decision for phased delivery of the Rajasthan project has allowed us to have tight controls on our expenses and costs optimization. And our operating costs associated with the company's existing properties as well as Rajasthan are one of the lowest



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amongst global industry standards and we aim to build on this performance as we move forward in our operations in Rajasthan.

So in closing I would like to leave one comment. I want to make sure that we take this opportunity to thank the team in Rajasthan and Gurgaon who have delivered these projects over the past couple of years. I think it is a major milestone for the organization and I want to make sure that we recognize their contribution. So I will turn it back over to Rahul.

Rahul Dhir Okay, thank you, we will open up the questions.

Anurag Mantri We now open up for the Q&A session, Rochelle.

Moderator Thank you very much sir. Ladies and gentlemen we will now begin the question and answer session. At this time participants who would like to ask questions, may please enter * followed by 1 on their touchtone telephone. If you decide to withdraw your question from the questioning queue please press * followed by 2. You are requested to use your handsets while asking a question. We will first take questions from participants in India. To ask a question please enter * followed by 1 at this time. Our first question is from the line of Kirtan Mehta of HSBC. Please go ahead.

Kirtan Mehta Could you give us more insight on the current Rajasthan OpEx level? Second question was, could you also let us know about the ordering status for Bhagyam and Aishwariya field? And the third question was that you had earlier mentioned that the total exploration potential from your entire portfolio was at 1.4 billion boe. While you had provided us the update on the Rajasthan exploration potential you had not given a corresponding number at the portfolio level. Is now the exploration detail at the portfolio level available?

Rahul Dhir Okay. So Kirtan, Indrajit will start with the Rajasthan OpEx update and then we can take from there.

Indrajit Banerjee The total Rajasthan OpEx cost for the year FY '09-10 was \$4.84 a barrel. Transportation cost was about \$8.8 a barrel. So these two together makes the total OpEx costs for \$13.6 a barrel.

Rahul Dhir Then I think in terms of the next phase, what we are really saying is that we are targeting 175 some time next year. The sequencing is going to be Bhagyam first and then Aishwariya. The third question you had in terms of the exploration potential. What we gave you last year was a un-risk perspective resource in the entire portfolio. Then what we gave you in March was a slice of that. And just to remind you we gave you two sets of numbers. We gave you 2.5 billion barrels which was an in-place number and then out of that we gave you a risked number which was 250 million barrels. That was a risk number, recoverable number. So you cannot really compare the 250 to the



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1.4. And what we have not given you is a risk number for the rest of the portfolio. That is a work in progress. Kirtan, because we have got seismic interpretation underway in Sri Lanka. We have just finished seismic in Palar. There is a lot of change happening in the portfolio. We have got two new blocks potentially awarded in the NELP VIII. So what I would like you to kind of bear with us is that once we have a consolidated view on all of these things then we can give you an updated picture. What I think we would like to do is to give you a risk view of the entire portfolio. But that is work in progress because different bits of data coming in and different blocks are coming in. So bear with us in that.

Kirtan Mehta

Can I have one more follow up question on the ordering status of Bhagyam and Aishwariya? What I was interested in is to know if you have completed your detailed engineering, have you placed your major lead items or long lead items order and at what stage of the implementation are you currently on with Bhagyam and Aishwariya?

Rahul Dhir

I think I will get Rick to give you an update on that.

Rick Bott

Let me just give that at a high level. It is again a Phase II is quite a number of projects. You mentioned Bhagyam, Aishwariya, there is also the pipeline extension at marine facilities and then the Train #4 all coming together, so we are at various stages, but the long lead items for most of those have yet been reported. Detailed engineering is in progress. On most of those it is further along on the pipeline, the marine facility is on Train #4. Work on the well pads and other things and Bhagyam have commenced.

Kirtan Mehta

Right, thanks for these updates.

Moderator

Thank you, Mr. Mehta. Our next question is from the line of Amit Shah of BNP Paribas. Please go ahead.

Amit Shah

Hi. Good evening. Just a couple of questions. The first one is on the CapEx plan, can you just kind of refresh our memory as to for FY11, what is the expected CapEx as well as for FY12? And on the balance sheet, there were investments of roughly 300 million, if you can probably say what that is in regards to that would be very helpful. And lastly, what is the current OpEx of Rajasthan for the fourth quarter?

Rahul Dhir

In terms of guidance of capital expenditure for the year 2010- 2011, that is the way we give the guidance and that is more or less coincide with the completion of our Phase II and all the other things. It is about \$1.7 to \$2 billion of gross CapEx which moved to about 1.2 billion to 1.4 billion of net CapEx for us. That is the guidance. In terms of Q4, OpEx is about \$6 a barrel. Higher costs associated with the ramp-up and all that, \$6 a barrel in the fourth quarter. Transportation cost was lower. \$8.3 a barrel considering year's average.



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- Rahul Dhir** Amit, to put this in perspective we have given you guidance of about \$3.50 and that is still correct and that is what we would expect once we have reached steady state. In the early days I think we have spent perhaps not last call but the one before that you will get some initial sort of one-off start-up cost that get amortized over the volume. So you would expect it to be higher, but our guidance on the longer-term numbers remains unchanged.
- Amit Shah** Okay. And on the investment front, the \$300 million that is on the balance sheet?
- Indrajit Banerjee** The way we reprocess is that we get the cash from our earlier equity issue and all that and internal accruals is a part, that has a deposit, and we use the bonds funds for the purpose of meeting our capital expenditure and other stuff.
- Amit Shah** So these will be like cash and cash equivalents, these are not investments made in some kind of hard assets somewhere?
- Rahul Dhir** It is cash and cash equivalents. It is held in the form of liquid, marketable securities.
- Amit Shah** Okay, great. Thanks all.
- Moderator** Thank you Mr. Shah. Our next question is from the line of Vidhyadhar Ginde of DSP Merrill Lynch. Please go ahead.
- Vidhyadhar Ginde** Just wanted to ask you any color on the exploration program for FY11, especially in Rajasthan after you told us about the big potential there in March?
- Rahul Dhir** Hi, Vidhyadhar. I think there is focus, let me just give you first kind of a broader overview and then I will bring you back to kind of what we are doing in Rajasthan. In Sri Lanka, I think, as I said earlier, we basically finished 3D seismic program, it is nearly sort of 2,000 square kilometer that was done. Two blocks provisionally awarded in NELP VIII, we are just waiting for the government to kind of clear us on that. On the Palar, we finished about 800 square kilometers of 3D seismic. And then we drilled a few wells where we were going through a program right now on the Ravva offshore, which is off the KG onshore blocks. We will probably give you guys an update in that in a few months. In Rajasthan we have done a couple of exploration, I do not think we have actually made public in the announcement but the results are consistent with our prognostication. We have identified in Rajasthan specifically Vidhyadhar, we have identified about 100 prospects and leads. What we are going through right now is and I may have said this in the last call or maybe at an investor conference that we have got three rigs working in Rajasthan and what we are really trying to figure out is the priority between development and exploration. So for the short-term, what we are seeing is that a very significant focus on drilling the development wells and the associated wells in Raageshwari and focusing on the EUR Pilot well. So we have consciously at least for the very short-term prioritized development activities over



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exploration activities sometime but towards the end of this year we will start to shift some of the capacity into exploration, but we do not have the exploration program defined at this stage. So we have not defined exploration program at this stage, but what I wanted to kind of explain to you is that I just wanted to give you the context, one is that there is a very large number of prospects indeed inventory that is being defined. Number two is that for the short-term the focus is on generating the production and sales ramp up that you and your investors are looking for and then we will prioritize exploration.

Vidhyadhar Ginde Would you require more rigs in Rajasthan, is that being considered?

Rahul Dhir Do not know yet. I think it really depends on how we look to prioritize because we have four different buckets, you have got the Mangala development wells, you have got Bhagyam development wells, you have got Aishwariya coming after that, you have Raageshwari deep gas ground and then you have got EOR Pilots, potentially Barmer Hill Pilot and you have got exploration, there is a fair bit of different things on table. What we have not decided is the phase at which we want to bring in some of the other things but right now, we have just focused on three rigs. I do not know if that exact gives you, perhaps more information.

Vidhyadhar Ginde Any timeframe on when you would hope to drill the top 35 prospects which were mentioned in the March call?

Rahul Dhir Like I said it is not a near-term, it is not from a news flow point of view because it probably would not be for the next six months. I would like to come back to you guys probably in about six months to give you a sense of how we see the exploration specific of drilling, because consciously we have not prioritized that.

Vidhyadhar Ginde But is it more like two years, three years thing or a longer timeframe in that?

Rahul Dhir No, it is something we have got to start doing soon. It is simply that this year now we are focused on development because you guys kept telling us that we need to deliver production and cash flows.

Vidhyadhar Ginde Thanks.

Moderator Thank you. Ladies and gentlemen, we will now take questions from international participants. Our first question is from the line of Nathan Piper of RBC. Please go ahead.

Nathan Piper Hi, good morning, guys. I guess a couple of questions. First of all, on the pipeline. How much oil are you going to require to do line packing on the pipeline? And then secondly, on the two Rajasthan wells successes you had what was kind of scale of the price in those wells in Rajasthan?



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- Rahul Dhir** Nathan, the pipeline is about a million barrels is the total volume. On the two wells we have drilled, two and which was the evaluation that was done in Southeast One, they both, like I said were consistent. What we have not done is we have not defined a scale of those. That evaluation process is still going on. But they both encountered Hydro carbons in multiple horizons so just leave it at that for the time being.
- Nathan Piper** Okay. But just to get a sense of scale consistent with Mangala?
- Rahul Dhir** I wish. If it was consistent in Mangala then we would have certainly been fast tracking. Look, I think the whole exploration potential in the basin is very, very exciting and it is really much more complex than the big structural plays that were there early on. And what we are trying to do right now is a lot more scientific so we are trying to define the opportunities, understand sort of connectivity that is before we go out and sort of share stuff with you that gets you excited. What I can tell you is that it is consistent with what we are expecting. And it encourages us to continue focusing on exploration. So I will leave it at that.
- Nathan Piper** Okay. One final just clarification point towards if we can know in barrels packed till now in the pipeline, I mean are you ready to go, I am just trying to understand the final bid before you can start selling oils to the pipeline?
- Rahul Dhir** The molecules are on their way. And they will get to the customers soon. We do not want to give you a specific date because you are going through the first stage of the pipeline, but we are now counting days rather than months.
- Nathan Piper** Okay. Thanks very much, guys.
- Moderator** Thank you. Our next question is from the line of Haythem Rashed of Morgan Stanley. Please go ahead.
- Haythem Rashed** I think one of my questions already been answered, but perhaps you can give us some more color on your discussions with the Government of India around additional volume off take, in terms of how that is progressing and do you think you will be placing some of the production you will be expecting to reach in the second half of this year, 125,000 barrels per day to overseas requirements? Thank you.
- Rahul Dhir** Haythem, just to give you the full picture, we have approvals for 175,000 barrels a day from three fields, Mangala, Bhagyam, Aishwariya. 125,000 barrels a day from Mangala, 40,000 barrels a day from Bhagyam and 10,000 barrels a day from Aishwariya. What we have said to you guys in the past is that based on reservoir performance from the wells that have been drilled so far in Mangala, we are pretty confident that we feel can deliver a plateau in Mangala of 150,000 barrels a day. Those discussions are underway with the government. I would not want to handicap with timeframe or an outcome on that. The Aishwariya, we had outlined to you guys



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sometime ago that the assessment of the oil in place than supported production rates of 20,000 barrels a day, maybe 25,000 barrels a day, that would require a new FDP and new FDPs being prepared, that will go through a process, probably will take us through next year when we get the approval for the incremental volumes in Aishwariya. Bhagyam, we are going to wait and see once we drill the first few wells as to what the outcome of that is going to be but we are pretty confident that the reservoirs are certainly consistent with our understanding. So that is kind of the way we look at. So on Mangala, sorry, I cannot give you timing or an outcome, but I can tell you that we are convinced just the right thing to do, we think it is the right thing to do for the country, it does not require any incremental investment, but it is a question of working through with our JV partner and the government to get their approval on that.

Haythem Rashed

Okay, thank you.

Moderator

Thank you. Our next question is from the line of Laura Loppacher of Macquarie. Please go ahead.

Laura Loppacher

Hi, guys, thanks for the update. Just a quick question on the Barmer Hills and the Pilot program there. You mentioned in your release that a declaration of commerciality has been submitted and FDP is under preparation. Can you give us sort of the outline of how that fits in with getting your pilot results which you are talking about getting later and what you will need to prove in order to show that the Barmer Hills can be commercial?

Rahul Dhir

Let us do this in two parts. I will give you a quick overview on the regulatory stuff and I hand over to Rick to give you more of an overview of the questions that one would look to address in the pilot program. The process, is that we go through and we submit a declaration of commerciality once we get that we look at kind of one of a phase development program because of the "un-permission" nature of this. So I think you asked the most relevant question which is what questions are we going to sort of one of the things we are going to test in the pilot program. And frankly, the outcome of that is going to then define what are the fees we submit and when. So maybe I will get Rick to answer what are the key questions that need to be addressed in the Barmer Hills pilot.

Rick Bott

Certainly, Laura. If you take it from a basin perspective as Rahul mentioned it is an unconditional reservoir and it is low permeability so the key for us is based on the age and the theology of the reservoir and the proxy type. The key for us is to try to; we really spent some time, understanding where the sweet spots are, within the basin, in terms of deliverability. So this is really all question about deliverability per well and we have several different things that we want to test and that we have encouragement from already. First of all, there are several key elements to horizontal drilling and how much of the reservoir you can actually access that will be considered. The second point then is can you expand the amount of frac through hydrofracking techniques and



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be able to get the oil out economically, essentially what is your per well recovery for a given cost within those areas that to be termed sweet spots. And then the final point is then trying to make sure that we understand the completion so that we make sure that we minimize the amount of water we produce in the overall system. So those three things is essentially we need to be decided in quite a number of various areas. Good thing about the Barmer Hills we have a lot of knowledge and that knowledge because of the drilling we have done in the basin but that knowledge is also really more looking at from a conventional perspective so there are a number of these things that we need to test. We are very, very encouraged about our fracking results in Raageshwari and the modeling that we used ahead of time to get to those results and design those frac. And the quality of the results has given us quite a lot of encouragement that we could see similar scale results when we apply those technologies to the Barmer Hills. The second thing is micro seismic imaging which is a methodology used quite extensively in North America and it has really taken off within the past five years to try to monitor when you are actually doing the frac so you can predict where the fracs are going and what part of the reservoir you are accessing. And so we have also used that technology in Raageshwari, have been able to predict where we direct the fracs and get them to go where we want them to. So both are keys to our operational ability to be able to access more reserves, producibility and drag down the costs long-term to bring those, currently uneconomic reserves and make them economic. The other last point is that we will leverage the existing infrastructure that is already there. Much of the Barmer Hills just sits above the main Fatehgarh and so we can drill those wells essentially from the same well pad and therefore make the economic viability much more, much more robust than if we were doing at that under design.

Laura Loppacher

Obviously, clearly understand that we do get a little more data on this. Would you be doing one FDPs for each field like you did for Mangala, or would you be doing smaller FDPs or what is the kind of timing that we can expect on that?

Rick Bott

I think what we are doing is working with our joint venture partner right now to determine what is the best approach and any of those options are options that we can consider. I think the main thing from an investor perspective is that it would be a staged approach. A staged approach to try to make sure that you are applying appropriate technology and getting the results that would then justify and move to the next stage.

Laura Loppacher

Okay. Thank you very much.

Moderator

Thank you. Our next question is from the line of Jonathan Copus of Deutsche Bank. Please go ahead.

Jonathan Copus

Yeah, hi there, guys. I was wondering if you can give us a bit more detail on the sales. I mean you say you are producing 60,000 to-date. Could you give us an idea what is currently being sent to the pipeline? And then when you do get into the sales, based



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on the pipeline, is 60,000 a day an appropriate level to assume total sales going forward, or maybe you can give us an idea of the 143,000 barrels of sales if you sign for in terms of the pipeline.

Rahul Dhir Jonathan, Rick is going to cover that. Just to step that we have not given a public breakdown of the 1.43 by individual customer. We are giving you an aggregate because our customers have requested us not to do that. But Rick can walk you through what is going on pipeline, trucking and obviously sales

Rick Bott Yeah, Jon, we are currently producing about 20,000 barrels a day to 25,000 barrels a day through Train 1, it is being trucked, and that trucking is going to Kandla and being delivered in our existing sales arrangements via Kandla. Train 2, production is both going into storage to continue to deliver oil down the pipeline as well as to drill well down the pipeline. And so when we start delivering to the buyers, the ramp up profile will be essentially in accordance with their willingness and desire to take so the sales arrangements are in place but we will ramp up as we talked about before over the remainder of the year to that currently approved production profile of 125,000 barrels a day and at the same time that is going to be contingent on when the buyers infrastructure and the amount that they want to take within the various refiners.

Rahul Dhir And so, capacity wise, Jonathan, we have got now in both the trains 80,000 barrels a day of processing capacity, we are producing around 60,000 barrels a day right now. With train 3, being completed we will get to the processing capacity of 130,000 barrels a day and then if you remember back in January, just to put some realism in your ramp up is that we got basically all of bits of infrastructure at all completed, all the buyers infrastructure are done, it is now a question of as the guy takes the crude into the refineries how quickly they can ramp up.

Jonathan Copus Okay. Just a clarification. Is it considerable that we could drop below 60,000 barrels a day you are selling through the pipeline?

Rahul Dhir No, I do not think so. I would not worry about that. I think it is simply like that. As I said, regulatory approval is really 125,000 barrels a day. We would like to go higher than that. But let us just take 125,000 barrels a day as the kind of that is the line that we are getting to. And our sales arrangements are in excess of that. It is just a question of how quickly the refiners get used to that. And that is because it is a new crude so we do not want to come out and tell you look, on the 22nd of July we are going to do X, Y, and Z so it will take time. So I think let us come back to you guys as we get feedback from the refiners.

Jonathan Copus Okay. Thanks very much.

Moderator Thank you. Our next question is from the line of Gundeep Singh of Kotak. Please go ahead.



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- Gundeep Singh** Yeah, thank you, just a couple of questions. Firstly on the cost realization from the Rajasthan block, is it at \$67 per barrel?
- Rahul Dhir** The realization is about \$67 that is for this quarter. So that is going to be about 12% discount I think which is the guidance that we have given you guys.
- Gundeep Singh** If I recollect correctly, this was around \$72 per barrel in the last quarter. So why has it declined given that crude prices are of quarter-on-quarter?
- Indrajit Banerjee** I think that we mentioned on a different basis that was on our working interest basis, what we are now saying is in an entitlement interest basis, it is far more accurate to look at it this way and we will be reporting it in this manner henceforth.
- Gundeep Singh** So will it be possible to have the working interest basis so that we can draw comparison as to what is happening there?
- Anurag Mantri** Gundeep, just to explain you the methodology which we did earlier is that basically in the initial year of Rajasthan the entire exploration cost was incurred by us and because with production we are recovering the past exploration costs our entitlement interest is higher than the working interest. Hence the actual price realization for the year is \$67.
- Rahul Dhir** And this is compared with \$66 of the previous quarter. It is a little higher than the previous quarter.
- Gundeep Singh** Like-to-like comparison is \$66 you are saying?
- Rahul Dhir** Yeah, that is right.
- Gundeep Singh** Okay. Secondly, on this exploration costs written-off during the quarter which seems to be quite a high number, if you could give some guidance as to what exactly is it, I mean some breakdowns what wells were written-off or something like that?
- Rahul Dhir** Of course, The way we look at it is that we charged off the expenses as and when there is a study costs we write-off, there is a well cost then we write it off well, we know the results of that well, so that is the way we do it. And so of the total expenses that we have charged off, much of it has been the expenses of the studies and the seismic cost because there is a lot of seismic that was done in this quarter, right. We finished the state Sri Lanka, we finished the Palar, we finished it Ravva, 4D seismic and we are doing Basel programming in KG onshore, we drilled exploration, so it is a busy quarter from an activity point of view.
- Gundeep Singh** So most of it is seismic you are saying?



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- Rahul Dhir** Seismic and plus we drill some wells in Rajasthan as well as KG and so given that we even write-off the intangible part anyway.
- Gundeep Singh** Okay, thank you.
- Moderator** Thank you Mr. Singh. Our next question is from the line of Sandeep Verma of IIFL. Please go ahead.
- Sandeep Verma** Hi, Rahul, this is Sandeep. Good afternoon. I was just looking at the production numbers. For this quarter it is 17.5 kbpd. If I just recollect from the last quarter the production had already reached 20 kbpd at that time. So can we understand the reason as to why the production was not carried forward for the whole quarter at 20 kbpd.
- Rahul Dhir** The quarter has its production if about 17,500. It is really driven by both buyers and also a number we had been using a tanker from Kandla to the various parts, sometimes you get constraints that the buyers facilities as well with the tanker unloading, so it is really driven by that.
- Sandeep Verma** So you mean to say that because of the buyer facility constraint the production could not actually be sustained at 20 kbpd what it has reached at the end of last quarter?
- Rahul Dhir** Correct.
- Sandeep Verma** Okay. And the follow-up question was on the previous question, that you said that the production from the Train #2 will be kept in the store till the time the pipeline is ready.
- Rahul Dhir** No. I think what Rick was saying was that if you take the production from the second train part of that is going into the pipeline, remember, if you are billing up the pipeline and your are billing at a particular rate. And the second train has a capacity of maybe 50,000 barrels per day. So we are not putting 50,000 into the pipeline, we are probably putting in more like 30,000, 35,000 per pipeline and the rest is going into storage.
- Sandeep Verma** And they still continue till the start of the delivery in the end of June?
- Rahul Dhir** Till start of delivery and then as I said to one of the analysts earlier and to then the feedback from the buyers to say when will they start to penetrate more. Our plan all along is that if you remember going back to the conversation we had in January which is that we want to get everything ready by the second half of this calendar year. We are going to be ready with that. And then as the buyers increase and all the contractual arrangements are in place, as the buyers increase their appetite, we will be in a position to keep ramping up the production.



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Sandeep Verma Rahul, just to summarize if I understood correctly even if the production will be at 60,000 barrels per day for the next quarter, but the sales actually might be only limited to probably 40,000 barrels per day up to 45,000 barrels per day.

Rahul Dhir In that scenario, I think what happen is that your production gap will be synchronized with the sales. That is the simplest way to think about it. So what I had said to you guys in the past is that we are going to have a gradual ramp up. We said to you guys we were looking at probably sometime in the fourth quarter a ramp up to the plateau level. I think that still we are pretty comfortable with that. It could be plus that also but let just say that use that as a base things. And the production simply we synchronize with that. We will have capacity obviously in excess of that. That has always been our strategy.

Sandeep Verma Okay. That is all from my side. Thanks a lot.

Moderator Thank you Mr. Verma. Our next question is from the line of Phil Corbett of RBS. Please go ahead.

Phil Corbett At various points have we talked about the speculation that you guys might be look to leverage the skills to learn on the Rajasthan project outside of India. I am just wondering obviously there is pretty much focus in near term and getting up to about 240,000 barrels a day aspiration, just in terms of opportunities outside India, are you tracing anything at the moment both in terms of acreage or maybe call for acquisitions?

Rahul Dhir No. Obviously, what we have outside of India is Sri Lanka and there is a focus on that. But I think we said to you guys in March our vision for the basin and I think you will agree with us that we are not opportunity constraint for the foreseeable future. I think if you look at, and Rick alluded to this earlier when he was talking about the Barmer Hills, if you look at the incremental returns from investment in the basin for us, having established the infrastructure there is in the whole lot that compares to that because it is just so phenomenal, because we have invested, I said this in the past also that the big thing for us has been to invest and put in place of world-class infrastructure. That is there now. And the next phase of that is coming. So even if you find a barrel of oil I mean the marginal value of that is so significant for us because we really sort of doing it over an amortized infrastructure. So I think for the time being the focus very much remains on that. We have got our hands full with what we are doing and the most interesting thing for you guys is that we have demonstrated that there is a sustainable potential and the returns from that I think are going to be phenomenal.

Phil Corbett I guess maybe one thing I was getting is obviously, you are very concentrated on one particular country and one particular region within that country, I am not suggesting that is any sort of risk I can see from corporate structure point of view do you think you



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are very comfortable with that focus at the moment relative maybe diversifying in the areas of wells or whatever?

Rahul Dhir

I think for now we are pretty comfortable, I think we had very good support from the state government, I think we have established ourselves and really we are part of the industrial fabrics here. So what people perhaps from the outside might see as risk I mean we really see it as an opportunity and so we are pretty comfortable. You have been with the journey for long time. So if you look back sort of four years, the kind of binary risks that faced us versus where we are today, I am sure you will agree I mean it is a transform sort of position. So we are pretty comfortable with that.

Phil Corbett

Okay. That is great. Thank you.

Moderator

Thank you, Mr. Corbett. Ladies and gentlemen that was the last question. As there are no further questions at this time I now hand the floor back over to the company management for their final remarks.

Rahul Dhir

Well, just want to thank you all for your support, your interest. It is a time of celebration and reflection for us. It has been a long journey and it will take some promise to fill that. Now we have got world-class infrastructure in place. The resource base is very, very exciting and we are looking forward to various periods of possible drill as to enjoy some of the return of the investments we have made so far. So we appreciate your time you guys have taken to understand what there is and the focus to working this year during the next phase of our group.

Anurag Mantri

Okay. Thanks, everybody. And you shall find the copy of today's transcript in our web site in a due course. Thank you and good evening.

Moderator

Thank you very much, gentlemen of the management team. Ladies and gentlemen, that concludes this conference call. Thank you for joining us and you may now disconnect.