# "Cairn India Q1 FY2012-13 Results Conference Call"

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**Moderator:** Ladies and gentlemen, good day and welcome to the Cairn India Limited First Quarter Financial Year 2012-13 Analyst conference call. As a reminder, for the duration of this conference, all participants' lines will be in the listen-only mode, and there will be an opportunity for you to ask questions at the end of today's presentation. Should you need assistance during this conference call, please signal an operator by pressing "*" followed by"0" on your touchtone telephone. Please note that this conference is being recorded. At this time I would like to hand the call over to Mr. Anurag Pattnaik – DGM-Geology and Investor Relations. Thank you and over to you, sir.

**Anurag Pattnaik**: Thank you, Melissa. Good evening, everybody. This is Anurag from the Investor Relations team here at Cairn India. I take this opportunity to welcome you all to discuss the Cairn India's first quarter FY 2012-13 financial results for the period ended 30, June 2012. To lend us more insight into the quarter's performance and to answer your queries, joining us today on this call is our senior management team comprising our Managing Director and Chief Executive Officer – Mr. Rahul Dhir; who is joining us via a conference call, Deputy CFO – Mr. Sunil Bohra; Director Operations – Mr. Mark Blanche who is also joining us via a conference call; Director, Subsurface and New Ventures – Mr. David Ginger; Director, Projects – Mr. S. V. Nair and Director, Strategy and Business Services – Mr. P. Elango. We will now start with an overview of the performance followed by a discussion in the Q&A session. I would now request Rahul to take it forward.

**Rahul Dhir**: Thank you, Anurag. As Anurag explained, both Mark and I are in the US, so hopefully, the logistics should work fine. I am going to start and take you all through the broad highlights and then the rest of the team and my colleagues will walk you through more details around the business and the financials.

I think most of you know it has been three years since we began production from the Rajasthan block and we are very excited recently crossed cumulative oil production of 100 million barrels that is what we have now produced so far from the Rajasthan block. It is a major milestone for the ONGC-Cairn Joint Venture. Production, we are pleased, it sustained at 175,000 bpd now, and I think this quarter gross production in Rajasthan was close to 170,000 bopd. At these levels we are accounting for about fifth of our country's domestic oil production.

Well I am also proud to say is that to-date if you look at the cumulative production from Rajasthan, the 100 million barrels that helped us reduce oil imports by over $9 billion and our contribution to the exchequer is about $3 billion. That is a pretty significant impact on the nation.

I think if you remember last quarter, we talked about our resource base upgrade in Rajasthan and we had outlined an expected ultimate recovery of 1.7 billion barrels. A large part of this was due to an increase in the exploration potential in the block has more than doubled. The risk recoverable prospective resource to over 500 million barrels. David and his team will talk more about this. They have done a lot of technical work on the block and that helped us understand the basin potential and that is what is reflected in the resource potential. That ultimate recovery EUR of 1.7 billion that supports our vision of production potential of 300,000 bpd in the basin, which of course would then be a very significant contributor to energy security for the country.

We have been working very closely with ONGC on this to secure approvals to resume exploration in Rajasthan. ONGC is fully aligned with us. What has also been very helpful is that there is a very good understanding within the key stakeholders within the government, that future exploration in Rajasthan would have a very beneficial impact for all the stakeholders.

Just to give you a sense, the incremental production would add over $30 billion in terms of revenues to the government by way of royalty, cess, profit petroleum and taxes. So, we worked hard to make sure that all our stakeholders now understand that and with that I think there is a lot of support for resuming exploration and taking this forward. So, with that we are pretty confident we are entering into a new growth phase with a lot of focus in exploration, both within Rajasthan and elsewhere. So, accordingly, the CAPEX outlook as we see will have a much higher proportion of an exploration stand.

And just to give you an outline and Sunil will walk you through a bit more detail on this. But if you look at CAPEX over two years that this fiscal and the next fiscal, we are looking at about a $2 billion capital program net to us. With the expected approvals and the potential for Rajasthan, we are looking to spend about $600 million in Rajasthan exploration alone which is quite exciting, but that also hopefully gives you a sense of our comfort and confidence in the potential.

So just moving from the bigger picture, an exploration to near-term focus on production growth. Really, there the focus right now is on completion of the residual wells in Bhagyam. We got another 20% of drilling still to be done. A lot of focus on the augmentation of pipeline and processing capacity. Mark is going to talk about a very exciting technology where we are looking at implementing. This would help us augment the pipeline capacity in a very cost-effective manner. So, he will give you more details on that.

And then, the third aspect which is driving near-term production growth would be ramp-up of Aishwarya. With all the EPC contracts awarded and the rigs are getting into position, we have got a bit more definition on when this is going to come on stream and this is looking to start production at the end of the fiscal year rather than the end of the calendar year. I think last time we spoke we were looking to target end of calendar year but I think we are going to be slipping by a few months in that.

And then, last quarter we booked 70 million barrels from the EOR. So we booked as recoverable under 2P. Following that we have now submitted an FDP for the polymer flood on Mangala field to the OC. So that approval process has now started.

We are also in the final leg of the regulatory approvals for the internal reorg. That is if you remember the board had approved a dividend policy looking at a payout of around 20% of the annual consolidated net profit. And a requirement to that was we have the internal reorg complete. We have been hopeful of getting that done, it has taken a little bit longer than what we had expected, but we still believe it is imminent. Also, when the Board looked at the dividend policy the intent really has been to make sure that we got to balance a few stable payouts and while the trading financial flexibility for future growth. And as the business renews its focus towards exploration, both domestically and internationally obviously, we want to keep some financial flexibility. So, we have the ability to fund successful explorations and future developments.

Also, I think I flagged this last time that the Board may consider a maiden dividend payment as well once the completion of the corporate reorg happens. Elsewhere, on the exploration we are continuing our efforts in the Mannar basin offshore Sri Lanka and KG onshore block, David will give you more color on both of those.

When we look at the overall financial performance, obviously, this is one of the best quarters ever. Overall profits were over $700 million, which is about Rs 3,800 crores. And even if you take out the FX gain of about Rs 850 crores, we are still at the best quarterly profit ever we have had. Balance sheet is very strong. We have got net cash position of close to $2 billion and we continue our contribution. I talked about that to the exchequer. So last quarter, gross contribution was about $800 million. As I said earlier, it is very important because that recognition and delivery of that value to the government is really what we believe is helping us get better alignment with the government which provides a stimulus for us to resume exploration.

So, continuing with the conversation on the exploration activity, I will get David to provide any more color on this, so he will speak to you first about that, and then following that Mark will talk about projects and operation highlights and then Sunil eventually will take you to the financials. So, David, over to you please.

**David Ginger**: Thank you, Rahul. As mentioned earlier on, we remain focused on the continuous evaluation of blocks in our portfolio, fully applying all available technologies to enhance our progress area of exploration success. Our exploration strategy is based on building portfolio of high reward prospects across the risk spectrum in as many different basins as we can plays of course in an operating environment. In Rajasthan, in particular, following a comprehensive review of over resource potential of block which is we talked about before is involved, we interpreting and reprocessing all the available seismic data full basin model, interpreting data from at least 150 wells across the basin, also comparing a basin with global analogs where discoveries were made in the past and essentially, just reconstructing the whole history, structural impediment, logical history of the basin, we now identified an in-place risk resource of 3.1 billion barrels of oil equivalent. Obviously, that is a substantial increase we talked about last time over the earlier number. The ongoing analysis and evaluation work in Rajasthan has essentially doubled the risk recoverable volume into 530 million boe.

We are continuing to assess the existing and also generate new place and further prospects in the block but so far we have identified over 100 prospects which of course provide us with a significant exploration inventory in Rajasthan. The stage we are at now is that we are moving to a detailed well planning and preparation of well designs and also looking at an additional seismic data, and these combine will allow us to execute an aggressive exploration program once we get the approval, go-ahead from the government.

Overall India and of course, Sri Lanka, we now have portfolio of 9 blocks. These are located in three strategic focus areas. We did relinquish KK-DWN-2004/1 of the joint decision by ourself and the operator. But, this is all part of our normal portfolio of optimization.

In Sri Lanka, an update there, we successfully completed Phase I and we have moved down into Phase II. Early in the year we acquired 600 sq. km. of 3D data. That data is being processed, where we do have an early volume, we will be working on that throughout the rest of this year with a plan to drill during in the middle of next calendar year in 2013. We have already started looking for rigs and associated services in the government tendering process.

KG onshore, KG-ONN-2003/1, as we mentioned last time, we have had two discoveries in the block. They are essentially part of the same overall structure. We are planning further appraisal activity to fully evaluate the size, and importantly, the flow potential of the combined Nagayalanka discoveries. We do estimate that the gross in place resource for both discoveries is round about 550 mmboe which does make it the largest onshore oil discovery in the Krishna Godavari basin to-date. And a key area would be working on and looking at sustaining a commercial welded delivery as part of our appraisal program.

So that summary reiterates our commitment to exploration and our exploration capability and our strategy to set forth the building our solid platform for future exploration orientated growth in the near and longer-term future.

So, I will stop there and I hand over to Mark who will take us through the projects and operational highlights.

**Mark Blanche**: I will now try and walk you through some of our key projects and the operational developments that happened during the last quarter. We have been producing with 175,000 bpd since April. We are currently optimizing our production from four different reservoirs; Mangala, Bhagyam, Raageshwari and Saraswati fields, cumulatively reaching a production of 175,000 bpd. And as Rahul stated earlier, we currently crossed that magic figure of 100 million barrels cumulative oil from Rajasthan alone, which is really a great achievement. I think we are one of the first companies in both India and probably around the world to produce 100 million barrels in less than three years. So, really a good job to all our stakeholders and a lot of great alignment there.

One of the pillars we keep focusing on is high operating reliability. Since 2009, we have seen greater than 99%, we have had several quarters, where the Mangala plant has run almost 100%. So, the plant, the integrated facility with the plan in pipeline has done very well and that has really been a high achievement even to global standards.

Our operating expense something that we focus on and we will talk about a little bit in a few minutes. We kept it to approximately $2.30 per barrel that is including transportation, so for the quarter that has been a very, very good achievement.

Now, moving on to the project update. Mangala development drill, we got over 149 wells drilled to-date. 101 producers, 48 injectors, all these wells are completed and operational.

Moving on to some of the near to mid term growth, the enhanced oil recovery pilot, Mangala field continues to progress very well. Data's being managed and received on a daily basis. There is also a pilot who clearly has demonstrated their application of the polymer in Mangala field will result in an increase and an overall recovery from the field. And this has been per our previous expectations. So basin encouraging results from the pilot. We have submitted a FDP for the four field development to the operating committee. Several meetings have been had, everything is progressing very well. This would be the start of the process from monetizing EOR potential of the block. Also, planning for the commencement of the next phase of EOR pilot is the alkali-surfactant-polymer, which is a slight blend of surfwith the current polymer and this is currently underway as well.

Moving to Bhagyam, the development continues, 64 wells drilled to-date. The drilling at the residual wells, as Rahul mentioned earlier, about 20% of the wells in debottlenecking the pipeline is currently underway and we are currently producing Bhagyam at 25,000 bpd.

The Mangala processing terminal integrated production facility, support production was 175,000 bpd, is in line with the unified block off take capacity.

Aishwarya field development is underway. As Rahul said, all the EPC contracts are awarded and we expect to commence the production towards the financial year 2012-13. So, near-term production growth is being driven by the pipeline debottlenecking, Bhagyam additional drilling and the construction at Aishwarya.

Now, I would like to move you into the pipelines, we can discuss it for a few seconds. So, on the pipeline front, we have made intelligent pigging runs which we feel are beneficial to putting together a lifecycle integrity management plan. We shouldn't go on any mismanagement of our pipeline and it has been done very well. I think the intelligent pigging was a good financial investment and that is going to be used in a future again for integrity.

Now, Rahul mentioned the debottlenecking of the pipeline. This is an important part of our concept in the near-term production growth. What we have done recently is we have been testing a less capital-intensive approach to solving a pipeline bottlenecking with the use of drag reducing agents (DRAs), these materials have reduced the frictional pressure during a flow period in a pipeline. Using the DRAs allow us to increase our flow using the same amount of energy. In other words, we do not add pumps if we use a chemical. But, we do not have to add pumps to a certain rate. Thus with adding new additional pumping capacity this will allow us to ramp up to over 200,000 bpd. The initial trials have demonstrated positive results. We have done trials with multiple chemicals and are currently in the testing stage and the datas to-date is still preliminary. Our attempt is to try and mitigate some of the CAPEX. We think we can save approximately $100 million upfront and it will be charged pennies per barrel in the operating expenses.

We have also evaluated multiple vendors for this because what we have to have is competitive tenders in order to make sure operating expenses remain low as we stated earlier. So, once if it is done and allow the joint venture to do so for further adequacy studies, give the integrated facility at the twigging rates above the current level and probably defer some of the CAPEX in the future for the augmentation of the pipeline. Now, I do need to state that in order to get the 300,000 bpd pipeline capacity, we will make an additional CAPEX for some type of pumping stations. But this early results of drag reducing in some have been very promising and we think we will have some good results in the next several months.

Moving on to the mature assets at Ravva and Cambay, we have continued various interventions on a mature asset strategy. Our goal or we have two dedicated teams there at each asset to arrest the production decline, identify additional potential, adding incremental reserves, optimizing infrastructure, we are now processing gas to top these fields at Cambay, but both Ravva and CB continue to be our pillars of strength, we have a lot of recruitment that comes from those two teams into Rajasthan and highlight our ability to maximize recovery.

So that is it for the operations in projects. I would like to turn it over now to Sunil**.**

**Sunil Bohra**: Thank you, Mark . Before I take you through the highlights for the first quarter, as briefly touched upon by Rahul, let me provide you some more details on a capital allocation plan. With our increased focus on growth, we plan to incur the higher of capital expenditure on exploration-led activities. We have done a CAPEX of roughly around 2 billion for FY13 and FY14. That amount of 2 billion is broadly expected to be spent on RJ development exploration, which is around 60% of 2 billion which again it equally split between development and exploration which includes the Barmer Hill and EOR. The rest of the around 40% of the CAPEX is budgeted to be spent on other exploration, mature assets and new ventures. At this moment, let me also mention this 2 billion number is net to Cairn.

Now, let me talk something on the highlights for the Q1 results. As mentioned by Mark earlier, our gross production during the quarter was 206,963 boepd, including 167,146 barrels of oil produced from the RJ block. Our average price realization for the quarter was $101 bbl and US$99.3 boe. The crude oil from Rajasthan block realized us US$100 bbl, which was around 7.3% discount to Brent. However, as you might be aware of the current differential to spot is around 10%. Therefore, we continue to maintain our guidance of around 10-15% discount to Brent.

Our income from operations post profit sharing with the government and the Rajasthan royalty expense stands at Rs 4,440 crores. The profit petroleum sharing in the Development Area of which primarily comprises of Mangala of the Rajasthan block, net to the company was $126 million. The DA2 is currently under the cost recovery mode.

Now, as mentioned by Mark earlier, the RJ OPEX including our transportation cost is $2.3 barrels. We continue to maintain our RJ OPEX guidance on a long-term basis including transportation at $5 per barrel.

Our earnings before interest, tax and depreciation and amortization stands at Rs. 3,457 crores during the quarter. The depreciation and amortization cost on a per barrel basis for Rajasthan stood at around $7 per barrel during the quarter which is lower by around 18% compared to the previous quarter, which is primarily due to the higher production and some of the exchange impact which offsets the higher absolute DD&A cost.

As you all are aware the rupee has depreciated during the quarter which is over Rs. 5 per dollar, this has resulted into the FOREX gain of Rs. 866 crores. This FOREX gain is primarily on account of mark-to-market on the deposits we have in dollar and the receivables again are in dollar.

The total tax for the current quarter, MAT credit and deferred tax charge, all put together is 127 crores, which is around 3.2% of PBT but if we were to sort of exclude the mark-to-market impact on deposits the tax rate comes to around 4.2%. However, we expect the tax rate to remain in the range of 5-9% of PBT for this year.

As earlier mentioned by Rahul, our PAT was the highest quarter profit till date at Rs. 3,826 crores, resulting in EPS of over Rs. 20 per share. The profit after tax excluding the FOREX gain was Rs. 2,960 crores as compared to the Q4 of last year on an apple-to-apple basis, it is higher by around 23% which is broadly in line with the growth in volumes. Our gross cash and cash equivalents at the end of 30th June was 2.2 billion and net was around 1.96 billion. We have recently paid half of our borrowings, around Rs. 625 crores in July and the balance will be paid when it is due which is the next quarter. On a gross basis, we have spent cumulatively close to $3.5 billion on the RJ development, of which $58 million was spent during the quarter, including $20 million on DA2, which is Bhagyam.

So, these were the broad financial highlights and now I would like to open the floor for the question-and-answer session.

**Moderator**: Thank you. The first question is from the line of Giriraj Daga from Nirmal Bang Equities. Please go ahead.

**Giriraj Daga**: My first question is related to the CAPEX. You said you have put in 2 billion. So, is this all we have got the accruals or are there some accrual are pending on the 2 billion?

**Sunil Bohra**: This 2 billion number does factor in some assumptions for accruals. To answer your point, yes, this is subject to a few accruals in process.

**Giriraj Daga**: If you can give me the number, like this much we have got the accrual number, let us say, $1 billion, $1.5 billion or $500 million, would you be able to share that number?

**Rahul Dhir**: Let me answer it slightly differently. As Sunil said earlier, of this 2 billion, 600 million is Rajasthan exploration, so that is obviously, subject to government approvals. Then, there is another 600 million which is development, which is largely sort of I think without getting into specifics, but I would say that is all development expenditure, which would not have the same approval requirements. Outside of Rajasthan is a combination of mature stuff which will have ordinary course approvals, other exploration in Sri Lanka and KG, as well as new ventures which would be more contingent on commercial activity. So, specifically, what is contingent on the kind of government approval is the 600 million on Rajasthan. But I think as we have talked to you in the past also, our confidence in getting this process moving has increased and that is why we are sharing this with you today.

**Giriraj Daga**: My next question is related to FOREX gain. Like what is the tenure of our foreign deposits and you said foreign receivables also? I just want to understand, like how we have foreign receivables.

**Sunil Bohra**: No, it is not foreign receivables. To answer that point first, our sales are all invoiced in dollars. So, whatever we invoice to the IOC, Reliance or Essar or everybody, all receivable in dollars if we do not invoice in rupee. So, periodically, you have to do mark-to-market of that. That is one. And your earlier question was on the tenure of the deposits, right?

**Giriraj Daga**: Foreign deposits.

**Sunil Bohra**: Tenure ranges from something in liquid funds which can be redeemable on demand to a period up to 12 months.

**Giriraj Daga**: So, means we can largely assume that if the rupee stays at this level reasonable gain, we will be our booking apart from the normal interest gain, right?

**Sunil Bohra**: Yeah, that is right.

**Giriraj Daga**: And my next question is related to the dividend payment. The internal reorganization, like it is taking time. So is this intentional? Like once the parent demerger happens or the scheme of arrangement happens, then you will be able to come out with dividend or intentionally or the results are taking its own set of time?

**Rahul Dhir**: No, it is definitely not. I mean, our intent all along has been to get the reorg done as quickly as we can because I do not know if you remember this but our independent directors have committed and not taking any fees till the dividends are paid as well. So, there is absolutely no issue about the commitment of the company, its Board, major shareholders to get the dividend paid out. Like I said in my remarks earlier, it is a fairly routine process but it has taken a bit longer than we had anticipated.

**Moderator**: Thank you. The next question is from the line of Mayur Patel from Spark Capital. Please go ahead.

**Mayur Patel**: Just two questions. First on exploration, on Nagayalanka or Sri Lanka, can you give us some numbers, what is the CAPEX plan there?

**David Ginger**: As I said earlier, in Nagayalanka, we are evaluating, what to do next, we will develop an appraisal program which will be sort of similar to the one we have before. I think bring other wells and testing. And similarly, in Sri Lanka we are looking at all options, but we certainly have a commitment to drill one well and we may drill one or two rather depending on the results of the evaluation work that we did. Again, I would expect the cost to be so similar to what we have spent or up to what we have spent before.

**Mayur Patel**: It is too early to plan any numbers or what kind of CAPEX you can factor in for these two pockets?

**Rahul Dhir**: I think the way Sunil has described the capital allocation maybe was that we have put aside about $800 million which would cover the spend in three buckets, the mature assets which are Ravva and Cambay, ongoing exploration which is Nagayalanka, Sri Lanka and other blocks, and then we are going to find in some new ventures and all that sort of stuff. So, it will come in that bucket for the next, let us say, till the end of Fiscal 2014, then depending on the success of these, we would probably need more capital. That is what I said in my comments earlier that the Board will list the payout has preserverved some financial flexibility to be able to fund developments or successful exploration.

**Mayur Patel**: The reason why I am asking this is, doing some kind of rough math also, if we factor in $2 billion CAPEX and 20% dividend payout for next two years, it seems there is some more headroom left on the cash front. So, is there a possibility of upside to this $2 billion purely based on drivers like Sri Lanka and Nagayalanka?

**Rahul Dhir** : No, the big variables that we have on our CAPEX is exploration success and success in terms of forming into new ideas or acquiring additional exploration blocks. So, we are on purpose preserving some financial flexibility for that. So, there maybe some incremental requirements.

**Moderator**: Thank you. The next question is from the line of Kumar Manish from HSBC. Please go ahead.

**Kumar Manish**: I have two questions. First is related to the approval for exploration. If you could throw some light on where in the process you are. And the second question is on, in light of production profile of the two fields that are under production in Rajasthan, what is the exit production for current fiscal year and so, when do you think you will be able to touch on a rough basis 300,000 bpd?

**Rahul Dhir**: On the exploration, we have gone through two very critical steps so far with ONGC and with the government. The first one has been in terms of just developing a common understanding of the resource base and everybody recognizing that there is a lot of potential in Rajasthan through future exploration. The second, which has also been very critical is for the recognition that ultimately this is a national resource which will add significant value to the country. So the more we explore the more value we are going to create and I remarked on this earlier that we are looking at about a $35 billion gain to the government through the exploration program that we have. So, this is a very important principle to get an understanding on. And the third point is that we have always maintained along with ONGC that industry norms and the PSE itself are all supported of taking an exploration. So the government is examining that now. And normally, what we would expect is that some point they will come back to us and then accordingly, we will submit a work program and budget, and that is what David had talked about was that he has got a very high level of preparation ready for that. And in fact, we have mapped out an exploration inventory over several years and what we have shared with you is that what we would look to spend over the next year and a half or so. So, I think that is kind of where we are in the process. With these things you know better than I do, it is very hard to cap an exact timeframe within this phase will happen, but we are certainly are a lot more hopeful about making progress on this than we have in the past. So, that is why we going out today sharing with you a lot more specificity about our capital plans on exploration. In terms of the specific ramp-up I will get Mark to give you a more color on what we are doing. A few things, Manish, we will not be able to do is to give you an exact number as to what our exit is going to be for this fiscal and given that we do not know exactly when the government is going to come back to us on the exploration, we could not tell you when we will get the 300,000 bpd. So those two things that you have to bear with us but I will get Mark to give you a more color on the ramp-up and what are the things we are doing for the near-term production ramp-up.

**Mark Blanche**: Manish, your question is driving towards the near-term production growth, and again, I would like to reiterate we are doing three active projects to ensure that growth. So, we are very confident we can grow the production about 175,000 bopd through a comprehensive pipeline debottlenecking and again, the use of the drag reduce is going to save us quite a bit of capital expenses over $100 million so it is certainly something that will give us then probably a few more months giving our hedge around that to do it properly. We also have the rig deployed in Bhagyam, we will be drilling additional wells and we are going to continue our construction at Aishwarya. So, I believe the guidance has been that we will be a significant portion of 240,000 bopd in the calendar year 2013 and as Rahul stated on your first question for 300,000 bopd again I would like to fall back on the fact that we only have the capacity to do that through a very aggressive exploration program which of course does requires government approvals. So, with that I hope that answered your question?

**Kumar Manish**: A small clarification, if I heard you correctly and correct me if I am wrong that there is a possibility of reaching 240,000 bpd by the end of the year, is that the statement or…?

**Rahul Dhir**: Just to be clear, I think our vocabulary what we talked about is that we are hoping today it is just a distribution context, so Mangala, we have approval for 150,000 bpd, Bhagyam for 40,000 bpd and Aishwarya for 10,000 bpd, so that takes you to 200,000 bpd. And then our sense is that these three fields can produce more than 200,000 bpd potentially and so the vocabulary we used to systems have been that what I call 200,000 bopd plus or which is a substantial part of 240,000 bpd can come from these two fields. And so that is the kind of vocabulary we have been using. And I think what we are saying is that as Mark described that the debottlenecking is the key for us which is going to take us a couple of months longer than we had anticipated on the debottlenecking because this new technology with the drag reduces is a win system for us, it mitigates CAPEX and allows us to potentially eventually have a much higher capacity in the pipeline. And the other factors are that the ramp-up of Aishwarya which will take us to the end of the year and drilling of the residual Bhagyam well. So, if you look at it, these three things are really critical for us to get to the next level of ramp-up. And that is something I think which will take us the next few months to do.

**Moderator**: Thank you. The next question is from the line of Sujit Lodha from AMSEC. Please go ahead.

**Sujit Lodha**: Just wanted to ask that on the Bhagyam ramp-up schedule, what I understood last was that the ramp-up will schedule to 40,000 bpd during this quarter but it was not achieved, the production is still running at 25,000 bpd. So, this delay in ramp-up is largely because of some lack of infrastructure or is it a technical delay or was it what is this?

**Rahul Dhir**: What we said last time also is that essentially we had a number of wells to drill in Bhagyam, but the critical issue for us was pipeline capacity which was rated at 175,000 bpd and we needed to debottleneck that and what we are discussing right now we got very good plans to debottleneck that and I will get Mark to explain that to you.

**Mark Blanche**: Sujit, a good question, Bhagyam specifically, we have a regular field which just been deployed is that going to be drilled now. So, that part of the program we have a lot of confidence in. The second phase of getting integrated facility approved to process higher rates is debottlenecking the pipeline, that is one of our critical math. So, debottlenecking the pipeline, the one approach is to install additional pumps that is about an 18-month project, it will cost over $100 million. That is when several months ago we began testing these drag reducing agents that basically reduce the friction in the pipeline with the same pumping station. So, we are seeing very good results today from multiple vendors. So, we think we have a good technical solution that can also provide a good economic solution to the multiple vendors products working. So, all those together will allow us to achieve this higher goal and get the facility producing at a higher rate. So, again, and that is in the next calendar year.

**Sujit Lodha**: One more question, the recent news which came, that the extension of the MPT-Salaya pipeline through Bhogat now stands postponed indefinitely. So, any more upside, any schedule which you can share with us?

**S. V. Nair** Salaya-Bhogat pipeline have got three components. One is the pipeline itself and second is the terminal and third is the marine facilities. As we mentioned earlier, the marine facilities are ready for operations, the marine terminal activities are growing, there are no issues related to that. Salaya-Bhogat pipeline, yes, we still have some issues to get over it but as you know, as a part of the monsoon activities, we have stopped the work. What we are targeting now is planning to start the work post monsoon and there should not be any issue in completing the activities in the current year 2013.

**Sujit Lodha**: Does it have any off take issues because of this as in off taking from cost line, any plans getting impacted because of this?

**P. Elango** This is Elango. There is no off take issue. Currently, our demand from our existing customers is significantly higher than our production.

**Moderator**: Thank you. The next question is from the line of Rahul Singh from Standard Chartered. Please go ahead.

**Rahul Singh:** I had two questions. Firstly, on the exploration CAPEX of $600 million. How many of the 100 prospects which you mentioned initially is it covering and is it tackling the same 3.1 billion barrels of resources which we got an update on last quarter, that is number one? Number two is on the production, we were earlier under the impression that there is a little bit of flexibility in that 175,000 bpd pipeline capacity even without doing anything fancy. So, is that flexibility still there or are we stuck at 175,000 till the time the new technique which you are testing is implemented?

**Rahul Dhir:** Let me address the second question first and then I will get David to tell you kind of what we are planning to do on the exploration side. You are right absolutely, I think the pipeline itself has some flex. And so, I am just talking to you guys candidly, dilemma for us has been that we go for kind of short-term increase or do we find a kind of a longer-term more sustainable fix. And as Mark said, if we had gone with the pumps route which would have been a longer period, what we had looked for the short-term fix and then waited for the actual physical pumps to be installed. With the drag reducing agents we have an opportunity to actually get a more permanent enduring fix faster with less capital. So that means that the trade-off for us is that in the short-term we may cap ourselves at 175,000 bopd while we test all this out and then we get the technology and the plan approved through our JV and the government. So, that is the trade-off and the call we are taking is that it maybe a couple of months extra but what it allows us to do is to get to a higher pipeline capacity with less capital much faster. But then the trade-off is that we may in your short-term ramp-up might take a couple of months extra than what we had originally planned. So, that is on the pipeline and then David, do you want to just talk about how we are looking at our exploration inventory over the next few years and how that get sort of drilled out?

**David Ginger**: The $600 million we can discuss over the coming period includes not only drilling, substantial number of the prospects and acquiring additional 3D seismic. About two-thirds of the block of 3,100 sq. km. is covered with 3D data at the moment. The remaining areas only have a very relatively response greater 3D which we obviously want to try and in field and generate more potential, subject of course to the actual interpretation. So, some of the money is for that and then rest came up for a substantial drilling program which would access, starting obviously, almost interesting prospects and then of course the program that evolves depending on the results as we go through but the intention is that we would access a substantial part in this period and also we would, as said earlier we are beginning to preparing ourselves to do that on a fairly aggressive basis to get the results and then ramp up the production as quickly as we can following the approval that we need to do that.

**Moderator**: Thank you. The next question is from the line of Rakesh Sethia from Morgan Stanley. Please go ahead.

**Rakesh Sethia**: I had two questions. If you could provide your thoughts on possibility of a special dividend considering now you have about $2 billion of cash on balance sheet and is the Board likely to consider once all the approvals are in place? And in addition, if you could provide your thoughts on the timelines on that would be very helpful. Second question is what we understand is Rajasthan PSC life is till 2020 and the reserves are expected to last beyond that. If you could provide more color on what happens after that period?

**Rahul Dhir**: Rakesh, on the first one, maybe there is a vocabulary sort of thing, we talked about a maiden dividend and I think that commitment remains. The guidance we give into the market is around 20% and whether the Board actually takes a call where it is at the higher end of around 20% at the time I do not know. But that is something obviously, that one would consider. The second, I think one of your colleagues asked this question earlier was that we were at this time given the excitement around the exploration potential both in Rajasthan and elsewhere in the block and some of the other things that we are doing on the new venture side, we have taken a call that we want to preserve some financial flexibility. So, I think till that I just sort of settle itself out, we would probably refrain from doing a very substantial capital return over and above what we have already talked to you guys about. But, just to make sure that we are on the same page what we talked about last time also was the kind of a maiden dividend, which potentially could be more than kind of the normal stuff but I would not necessarily treat that as a big special dividend that it seems to. And then you asked a question on the license, you are right, the PSC term is still 2020, the resource base, actually we look at the economic life beyond 2040. There are very clear enabling provisions in the PSC which give us comfort that there is a potential to extend the life beyond 2020 pretty easily that is also part of an ongoing dialogue with government. I do not know if you guys have seen but recently the government has done an extension for a company account but I do not remember the name of the top of my head, so, there is a precedent also for doing it. My sense is overall that this is something that government is approaching in a fairly constructive manner as the kind of policy, which should be something which they should be doing for everybody where all producing blocks should get extensions till the economic life. So, I do not see that as a big issue.

**Moderator**: Thank you. The next question is from the line of Vinay Rachh from Angel Broking. Please go ahead.

**Vinay Rachh**: Your effective tax rate has gone down substantially on a QoQ basis. Any reason for that?

**Sunil Bohra:** In the current quarter we had made some provisions for the site restoration because of which there is a sort of deferred tax asset in the current quarter. And also, this FX gain on deposit has not been considered for tax. As I said that if you would have been sort of took it out, effective tax rate goes up from 3% to 4.2%.

**Vinay Rachh**: So going forward would it be like on a YoY basis it is flat, so can we assume it to be 3.2 around or it would again jump to say 5 or 6%?

**Sunil Bohra:** As I sort of mentioned earlier, we continue to maintain our guidance for the tax range of around 5 to 9%, it has been in that range.

**Moderator**: Thank you. The next question is from the line of Arya Sen from Jefferies. Please go ahead.

**Arya Sen**: My first question is out of the $2.1 billion of gross cash, how much is dollar denominated?

**Sunil Bohra**: $1.6 billion.

**Arya Sen**: Just to understand, your payments are dollar-denominated, but how much of it is actually in rupees versus dollars, what is the proportion?

**Sunil Bohra:** Our revenues are all in dollars.

**Arya Sen**: So you actually get paid in dollars, not in rupees at all?

**Sunil Bohra**: That is right.

**Arya Sen**: And secondly, now media reports seem to be suggesting that to go up to 300 kbpd you are asking for an extension of the PSC beyond 2020, is that correct or you would anyways go ahead with your CAPEX plan regardless of that extension?

**Rahul Dhir**: What we have been focused on, Arya, is that in order to reach 300,000 bpd, we need to develop the basin in its entirety and so therefore continuing exploration is critical for that. And that is the point I made earlier that we are pretty excited about the resource and we are outlining a capital program for the next two years for that. Naturally, the economics of that capital program would require that we are able to produce beyond 2020 and we are very comfortable with the provisions in the PSC for that, we are also reassured with the approach the government is taking and also most recently they have done, they have extended the license for one company, so there is precedent as well.

**Arya Sen**: Thirdly, you have talked about submitting the FDP for Barmer Hill, what is the timeline on that, when are you expecting to submit it?

**David Ginger**: We have been working on it, we are in discussions with our partners about it with ONGC, so we will take that forward as quickly as we can. It is partly tied up with some of the exploration approvals as well but we have a plan pretty much in place subject to the JV approval, like the exploration program will execute as quickly as we can once we get the approval , as we were saying, just to summarize, we have a planned FDP, we have sharing that with our partner and we will execute as quickly as we can once we have government approvals to do so.

**Arya Sen**: Also, you talked about sale of block to ONGC, 10% that you hold in 98/2. What is the timeline on that and what sort of valuation are you looking at it, what is it currently on your books, at what cost is it on your books?

**Sunil Bohra**: That 10% PI, as you know, we have been sort of non-operator and as a strategy, the board has decided to sell that to ONGC and the price was at par, there was no gain or loss on that transfer. This has been approved by the ONGC board and it is currently awaiting the approval from the DGH

**Arya Sen**: And lastly, I am a little confused, just to clarify, is there a possibility of two dividends in FY13, maiden one and then the usual one at the end of the year or will you just have one dividend?

**Sunil Bohra**: We would not like to sort of short guess on that, as Rahul mentioned earlier, let us wait for the reorg approval and thereafter Board will take it up appropriately.

**Moderator**: Thank you. The next question is from the line of Tarun Lakhotia from Kotak Securities. Please go ahead.

**Tarun Lakhotia**: I have two questions. One, could you throw some light on the lower production from Bhagyam field in the month of May? Are there any issues that you are facing there? And second question is, what are the reasons for delay in your guidance on start of production from Aishwarya field? Earlier, you were guiding at around 2H CY12, now you have moved it to the end of FY13.

**Mark Blanche**: On Bhagyam, what I would like to draw you back to is the attention that we are getting in the pipeline. Right now that is our current bottleneck. So, as I was saying the facility right now is approved at 175,000 bpd, that is the facility and pipeline. So until we get both of these debottlenecked, we cannot produce the rates above that. One thing I will tell you in Bhagyam is that we drilled 64 wells, the tank in place or the STOIIP we confirm that, we think there might be, we are currently investigating for a possible increase. Again, just like the 300 kbpd we see capacity, we just got to work out some short-term bottlenecks over the next six to eight months and then we will be able to increase production further. On Aishwarya guidance, that guidance has been changed due to the EPC contract like, SV gave you a little bit more color there but until we are awarded the contracts we are really at the constraints of the information.

**S. V. Nair**: We have awarded the EPC contracts for Aishwarya, the work has already commenced and based on the current indication it should be coming in towards the beginning of the first quarter next year and that is the reason we are stating now it is going to be the first quarter of next year. Work is progressing at site, rig has been mobilized and soon they will start drilling the wells there.

**Moderator**: Thank you. The next question is from the line of Bhaskar Chakravarty from IIFL. Please go ahead.

**Bhaskar Chakravarty**: How much was the royalty paid during the quarter?

**S. V. Nair** Around $160 million.

**Bhaskar Chakravarty**: And in this $600 million of development CAPEX, net to Cairn in Rajasthan over '13-14, how much of it is related to Barmer Hill where you need approvals?

**Sunil Bohra:** Yes, it is under an exploration so, as of now we will not be able to say exactly as to how much will be in the FY13-14.

**Bhaskar Chakravarty:** So no development CAPEX on Barmer Hill is considered in this CAPEX plan that you shared with us?

**Sunil Bohra:** It is considered. I was sort of more reacting on as you have asked if they are awaiting any approvals and how much of that CAPEX will be subject to these approvals that we allocated in '13-14. So, on that front what we have said is as David also mentioned earlier that on Barmer Hill we have been working with our JV partners and the CAPEX has been considered, but as you are aware of the process that it needs sort of an approval from the JV partners.

**Moderator:** Thank you. The next question is from the line of Rahul Bhangadia from Lucky Securities. Please go ahead.

**Rahul Bhangadia:** There have been some reports that the Chairman Mr. Anil Agarwal has met the Prime Minister and said that the capacity of this field can be 500,000 barrels and so on and so forth. So, could you care to enlighten us about what is the basis for these kind of reports?

**Rahul Dhir:** So, your question was about the potential. The way we look at it is that, there is an overall 7 billion barrels of oil in place and as the recovery factors as we do more work in terms of developing these resource, so the first step really in that is the exploration as David talked about we are allocating about $600 million over the next two years to do more seismic and then gel through a lot of inventory of prospects we have, but in that process what we are hoping to do because only 2/3rd of the block is covered with seismic so as we acquire more seismic and we drill more, You would expect given the prolific nature of the basin that we would expect that you may be able to identify additional resources and as you identify additional resources there may be a possibility that you will be able to produce more. It is hard to kind of quantify. So, I think the way what we set out is a vision for 300,000 barrels a day based on what is we understand is the potential both discovered and yet to be discovered today and to put in context when we started exploring in this block, I mean originally we thought the total block potential was 100-150,000 barrels, then we went up to 175, then we went up to 240 and now we are talking about 300,000 bopd, that is what we can today if you will quantity based on discovered and yet to find resources which are backed by **various** prospects.

**Rahul Bhangadia:** And for this basically we need the various government approvals at the various stages which in your estimate as of today there seems to be a reasonable expectation of cooperation from the government in giving us the exploration right?

**Rahul Dhir:** I think it is again to be very clear, what we have maintained all along is that the exploration is an integral part of the development of any oil field and if you can see so far over 80% of the value accrues to the government in various forms. So whatever risks capital we are putting up, it is disproportionately benefitting the county. It is a good thing and what we are excited about now is that more and more people are now recognizing that and they aren’t lot of approvals but it is kind of as long as we get an agreement with everybody that this is the right thing to do. The PSC itself has sufficient enabling resolution that it should not be an issue.

**Rahul Bhangadia:** And sir just another general question, in the sense that the Ravva field as where Cairn is also a partner, that is over the year it has been a very prolific field. So, eventually what is the kind of behavior of the field as of today? I mean is the field behaving well at this point of time. This is just a lay person’s question. So, if you can just explain a little about the actual production behavior of the field.

**Rahul Dhir:** If you look back like I said story in Rajasthan so far has been very interesting because we have grown regularly from about 2 billion barrels discovered now, this time it is over 7 billion barrels and we thought 150,000 barrels a day potential now we are seeing is 300,000 bopd. So that is it, I mean this is all kind of the fact that has been a pretty good story so far.

**Moderator:** Thank you. The next question is from the line of Saurabh Handa from Citigroup. Please go ahead.

**Saurabh Handa:** Just had a couple of questions. Firstly, on the pipeline when you said you would be looking at spending an additional $100 million to take the capacity up to 300,000. Would the capacity be maxing out at 300,000 or could there be further upside to that or would you need further CAPEX for that?

**Rahul Dhir:** Okay Saurabh, what we have talked about is, I just want to make sure we are not confusing with this We have talked about essentially debottlenecking of the pipeline capacity and augmenting it in two stages. One was that we called sort of getting us close to 240,000 bopd type of level and in the next step was to 300,000 bopd type of level. As Mark had explained earlier and I think I reiterated that out is that basically the first phase as we looked at it, would have costed us may be a $100 Plus million in capital which would have been easy funds and would have taken us sometime. Now we have come with an alternative plan which is using drag reducing agent which should allow us to do the same thing faster and with less capital, low capital. Little bit of incremental OPEX. The trade off is that may need to keep our capacity at 175,000 bopd so that couple of months longer than that we have anticipated. So that is the first stage of it. Now if you get to that 200,000 plus bopd capacity in the pipeline without an additional CAPEX, to get to 300,000 bopd we will need additional funds, because at least the technology that we have tested, would not get us to the 300,000 bopd without an additional pumping capacity, so that part will still be needed and in 300,000 bopd physical constraint or not historically we have sort of said that it is a little above 300,000 bopd what we have not tested right now and Mark you correct me if I am wrong is that with drag reducing agent what is the is the ultimate capacity, we don’t know the answer to that.

**Mark Blanche:** Let me start by saying I think we have told this to the analysts in prior meetings that pipelines of this equivalent diameter produce about 300,000 barrels per day. In fact I think a few weeks ago, I gave specific examples on pipeline we are operating. One was in the US, one was in Alaska. So I believe the pipeline is well matched to the capacity of the basins and like Rahul stated we see some upside to 300,000 bopd in this pipeline. Again, it is being done in other parts of the world.

**Saurabh Handa:** I have another question, on the Bhagyam development, as far as I understand you would look for maybe a few months production history before you look at filing a revised development plan, given that we have already we have 3 three months of history, could we look at may be the development plan being filed in the next one or two quarters?

**Rahul Dhir:** No I think we would need to get the rest of the wells and then look at it an entire field production history before we do that, so it will probably take more than one quarter to get to that right?

**Mark Blanche:** Yes, it will take a couple of quarters and like Rahul said we will really like to see the data from all of the wells. As you might recall in Mangala we saw increases in individual production that we also have many-many more wells online. So I think as a prudent operator it is best not to rush in to that. We also like to have more data and again we would also like to get this pipeline and facility issue behind us so we can move forward, so basically onset it.

**Saurabh Handa:** Sure and just a last question, just wanted to confirm the higher sales impact was taken for the entire quarter right?

**Rahul Dhir:** Yes, that is right.

**Moderator:** Thank you. The next question is from the line of Vikas Jain from CLSA. Please go ahead.

**Vikas Jain:** I had three questions, firstly staying with the DRA as the new technique that you are talking about an increasing pipeline capacity, since you mentioned that this would need some approval as in you will test this and will go back to the government and ONGC, what is the kind of timeline that we are looking at, number one. Number two, within the DRAs itself once you use this would this be sufficient to achieve you target of most of 240,000 bopd by 2013, or you will need an additional pump for that as well?

**Mark Blanche:** Yes the timeline on the DRAs ,we still have probably at least three months of testing and then working with our joint venture partner I will say today the joint venture partner has been very helpful, it was actually one of their ideas that we investigate these drag reducing agents, they are used very commonly in India but that will cost me much because they don't always work. So we are very excited to see whether it is working in our pipeline so that we can have a pipeline that is well matched to the capacity of the multiple fields and multiple reservoirs that are being produced in Rajasthan now and yes we think that a significant portion 240,000 bopd can be handled through the facilities once the debottlenecking has been complete.

**Vikas Jain:** Why I asked that is since you mentioned that you will take 18 months for that ,if you were to install pumps and it will of course involve an additional CAPEX, what I am coming on to is that say if you are trying to get to most of that 240,000 bopd we will not feel a pipeline constraint again in the next year, that is the what I am trying to get on to, so you are saying that there will not really be a constraint.

**Mark Blanche:** Correct, Once the pipeline will bottleneck we should not be at the constraint

**Vikas Jain:** Okay, the other bit was more on exploration. Essentially it is of course positive that both ONGC and government are also aligned with Cairn now. There is more of a worry that what is really being discussed with the government. Is there any chance that the government might do something like saying that there is slight change to the PSC and probably looking at a higher pit sharing for this incremental barrels, is that something which is also probably a possibility at this juncture since your discussions are going on?

**Rahul Dhir:** There is no discussion on changing the PSC terms per se. So we are not really expecting that, because that again would not be in line Vikas the way we are looking at the PSC. I think the government at the end of the day what they are concerned about is ensuring that their value is protected and they want to ensure that whatever capital spending that we are doing is prudent and is not sort of waste or not sort of directed at as you were diluting their profit patrolling and things like that. So that is it, so they are much more focused on I think at this stage on prudence and protecting their value rather than anything else.

**Vikas Jain:** Okay, just coming, since you have mentioned that of course this is approvals and you cannot really pick up timeline on the approval. So just to break this into this manner that assuming that you get the approval at the end of FY13, now that approval will allow you to develop the discovered part of reservoir of the block where you have not filed a development plan like Barmer Hill as well as fresh exploration. Now from the day zero that you get the approval, when you expect you can start production from the discovered parts of it and then from the fresh exploration parts of it. Just broad timelines, if you could help me with that.

**Rahul Dhir:** Okay, Vikas it is a very good question, because many of us thought about production increases going forward and kind of mega step changes. But, what you will end up seeing and hoping is that once you are through this kind of major getting item on exploration approvals then we can start putting together approvals for development plans for discovered resource and some of those you can start putting on stream relatively quickly. So, it would not be like somebody was asking me earlier that when we get 300,000 bopd, it won't be one step change I suspect what will happen given 12 - 18 months of the approval, maybe sooner, we will start to see a contribution from the discovering resource and they keep coming because there are a number of fields that has been discovered in Barmer Hill has got massive resource base So I think you are looking at a kind of 12-18 months' to the time frame and then we start adding to that so we will be one big sort of waterfall seems to be production and that is how we are looking at it right now.

**Vikas Jain:** I will just leave you with one last small one, with Bhagyam development is probably now you were some extent also linked to what happens with the DRA because that will only allow you to move up to that full 40 and since Bhagyam will be a higher increase in production than Mangala, you will have more detailed revised to field development plan, so what is your sense that you can probably do it quickly enough for you to get to that 240,000 bopd kind of number in 2013 itself because I mean it is given that you have already mentioned that you will file the revised planned in about next 6 months or so, would the approval be timely enough for you to do that?

**Rahul Dhir:** I think to get to a higher level of Bhagyam within in the next sort of 6 months will be difficult because as Mark said it, if you look at it right now it is kind of again explained our thinking is that if we are comfortable that we can get the drag reducing agents to work. In order to do that we may need to keep things flat for a bit longer than we had anticipated that means it pushes out our ramp up of Bhagyam by couple of months, that means we are pushing out the need to revise that TPM and we get the data. So, we are looking at a bit, may be couple of months more than what we are anticipated and that is the trade off as I explained earlier that we are consciously taking because it gives us in the long run a higher pipeline capacity with lower CAPEX much faster. So I think we need to take all that into account. I think it is unlikely that we are going to get to a level where you would have an approved FBT with new production from Bhagyam in the next 6 months, I think that is going to be difficult.

**Vikas Jain:** So basically what all of that implies is that most Fy13 will be close to 175,000 bopd number since you mentioned that anyways reaching to that you will take another 6 months to reach to the full level of Bhagyam which is currently approved because of the DRAs and everything.

**Rahul Dhir:** I think what we have said if you remember going back a couple of quarters we said that we were looking at guidance on 175,000 bopd and that we would keep trying around that, there was some flex at about 10% sort of flex around that, what we are saying now is that we are putting that flex on hold for couple of months. So, I would say to you that we are very careful because we end up micromanaging month to month production forecast which is very difficult to do. But I would say this calendar we would exit at 175,000 bopd, and I think that is probably we are all comfortable with that and as we said before also that we are conscious of the fact that we do want to make sure the resource are there. We are excited about that. If there is a way to product more and we can get flex in pipelining and all that we will do it, but I don’t want to do it at the cost of the longer term efficiency gain. I would say be comfortable with 175,000 bopd as a kind of an exit for this calendar and we will keep trying and if you want to be conservative you keep it flat that is fine too, but we will keep trying that is you know as well enough that we will keep doing that.

**Moderator:** Thank you. Ladies and gentlemen due to time constraints we will take the last question from the line of Vidyadhar Ginde from DSP Merrill Lynch. Please go ahead.

**Vidyadhar Ginde:** Couple of questions, one is on Rajasthan. I think my perception is that the earlier guidance was that the gross CAPEX on Rajasthan would be about $1 billion to $1.25 billion in FY13 and may be a similar one in FY14. So, given the numbers which were given today ,has the CAPEX expected number gone down and the second question is that now that you are suggesting that the exit in Calendar 12 could be 175, any further increase beyond that in the first quarter of Calendar

2013 is it more likely from Aishwarya than Bhagyam or Bhagyam could ramp up further beyond 25 as well as Aishwarya start in first quarter of 2013.

**Rahul Dhir:** I think on the second question, that you would expect may be some further increase will be from Bhagyam sooner than it would be in Aishwarya.

**Vidyadhar Ginde:** I thought the indication was that Aishwarya could start in the early part of the first quarter.

**Rahul Dhir:** No the guidance we are giving is that towards the end of the year fiscal year is when Aishwarya would come on stream. So, but again with Bhagyam, the main issue for us is when do we start to kind of feel comfortable with the pipeline capacity, sort of opening up and if the trade off is that we wait a couple of months and then we will get a higher level rather than producing 5,000 barrel more today, then I think we would make that trade off. So, it is bit of a dynamic sort of thing, but I thing that what we would expect is that we were comfortable with the chemicals and the stuff working as Mark has explained and then we would may be start the ramp up Bhagyam beyond 25,000 bopd sooner rather than later. So, it is the dynamic sort of thing, so just wanted to make sure we manage our expectations beyond that. So, that was one thing, the second is that on the broad CAPEX guidance, I think given the scale of the spend that we have guidance with the expectations that we would be doing more on the discovery is faster. So, I think the CAPEX will still be spent, it will probably be pushed back probably by about six months. So the slice that we have given you now is basically for the slice for FY13 and 14 and there is a spillover in to FY15, that is one and there is some CAPEX that is reduced because of the pipeline stuff.

**Vidyadhar Ginde:** Okay sir, clearly compared to what you were guiding on CAPEX couple of one or two quarters back. That number has gone down to a significant extent, it is a push over to 15.

**Rahul Dhir:** Other than the pipeline we are not spending the money that we have planned earlier, we are hoping not to spend the money you should say.

**Vidyadhar Ginde:** But is there a risk to the guidance which you have been giving off reaching 240,000 bopd at some stage in calendar ‘13 of these delays which we are talking off?

**Rahul Dhir:** No we are pretty comfortable that what we have said is a substantially do the major part of 240,000 bopd can be delivered from Mangala, Bhagyam and Aishwarya.

**Vidyadhar Ginde:** In 2013?

**Rahul Dhir:** Yes. So, we are comfortable with that because that near term production growth is driven by delivering the results in Bhagyam which is pretty straight forward, getting the Aishwarya sort of stuff done which is also pretty straight forward now because we got a definitive plan which Is why they are giving you specific sort of guidance on that and the pipeline ramp-up which has been always the question has to whether we go with historically what we were looking at the last quarter was new CAPEX with new pumps and stuff like that and now we have got a plan which is better, so we will take less time, so we are pretty comfortable with that. Those three pieces work together now.

**Vidyadhar Ginde:** Okay, one last question the annual reports mentioned that in the satellite fields the potential is higher that earlier expected. So is the sustainable production from these fields likely to be something significant a few thousands barrels per day or not that big?

**Rahul Dhir:** I think that the satellite fields will be in the order of few thousand barrels a day.

**Moderator:** Thank you. Ladies and gentlemen, that was the last question. I would now like to hand the floor back to the management for closing comments. Please go ahead sir.

**Rahul Dhir:** Thanks everybody for your time and your attention and your questions as always. We appreciate the understanding, I think there is an exciting time for the company, there is a lot of focus now and you will see this in the coming quarters, we have a shift in the dialogue a lot more through exploration, lot more to new ventures and of course all of that translates into a more sustained and a higher production growth and hopefully we can continue to deliver sort of growth that we have done so far to you. We are excited this has been a remarkable quarter for us, so it is the best ever and we are hoping that with your support we continue to kind of deliver. Thanks again and look forward to dialogue with you.

**Moderator:** Thank you gentlemen of the management. Ladies and gentlemen on behalf of Cairn India that concludes this conference call.