"Cairn India's Q1 FY 2013-'14 Earnings Conference Call"

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Moderator

Ladies and gentlemen, good day welcome to the Cairn India's 1st Quarter financial year 2013-'14 Earnings Conference Call. As a reminder all participants' lines will be in the listen only mode and there will be an opportunity for you to ask questions after the presentation concludes. Should you need assistance during the conference call, please signal an operator by pressing '*' then '0' on your touchtone phone. Please note that this conference is being recorded. I would now like to hand the conference over to Ms. Nidhi Aggarwal -- Head of Investor Relations at Cairn India. Thank you and over to Ms. Aggarwal.

Nidhi Aggarwal

Thank you Inba. My name is Nidhi Aggarwal, I am the new head of investor relations at Cairn India Ltd. I have with me the Cairn India's leadership team who most of you are already familiar with. They will discuss the highlights of the results for the quarter ended 30th June 2013 which were approved in our board meeting held earlier today. I hope you have had a chance to look at them. We will begin with Mr. P Elango our Whole Time Director, who will talk about the overall company strategy and the key developments. It will be followed by comments on operations from Mr. Suniti Bhat – Director of Rajasthan Operations and then Mr. Rich Paces – Director of Development will speak about our exploration activities. Mr. Sudhir Mathur – our CFO will round up with an update on the financial performance for the quarter. At the end of this presentation there will be a Q&A session where you would get an opportunity to ask questions. A reminder, some of the statements made in the call today could be forward-looking in nature and a detailed disclaimer in this regard has been included in the earnings presentation that has already been shared on our website. Please refer to it. The entire call is being archived and transcripts would be available on the company's website after the call. I will now hand over to Elango for his opening remarks.

P. Elango

First of all thank you for taking the time to join this call. We will start with slide 4 of the online presentation. We are very pleased to announce that Cairn India has reported its highest ever gross operated quarterly production of over 212,000 boepd. This has led to a high profitability with reported PAT of over Rs.31 billion, 22% growth over the previous quarter. This is a significant milestone. It highlights the continuing strong operational focus of the company. During the quarter we also witnessed gas sales from all of our 3 producing assets. Of the total production, over 173,000 boepd was contributed from our world-class acreage in Rajasthan. The exploration program here is delivering positive results with 3 explorations and appraisal wells drilled during the quarter and the 26th discovery made in the block. In our other producing block Cambay, in western part of

India, the success of the infill wells drilled earlier has resulted in almost doubling the oil production during the quarter. We continue to demonstrate top quartile HSE performance amongst peers and industry leading safety standards achieving over 10 million lost time injury free man hours during the quarter. Rajasthan is very much the heart of our business. And as part of our $3billion CAPEX program we will be drilling more than 450 wells over the next 3-years. Our aggressive exploration and appraisal drilling campaign targets over 530 million barrels of gross recoverable risk prospective resources including significant gas potential. This is one of the most aggressive work programs in the sector today and typifies Cairn India's focus to maintain the momentum of the incredible success we have enjoyed to-date and continue to creating value for shareholders and the nation.

On the regulatory side, we are excited that things are moving positively. We submitted a formal application for an extension of the license term for both Rajasthan and Ravva Production Sharing Contract (PSC). We understand the government has formed a committee to recommend a policy on the PSC extension. Additionally, we expect the government to issue a policy on an integrated development plan that will help in reducing the time from discovery to production. We welcome the government's decision on gas pricing that will lead to enhance investment in exploration and development of gas discoveries. We look forward to providing you with further positive news flow from across the portfolio in the months ahead. Thank you again. I would now request Suniti to provide you all with an operational update.

Suniti Bhat Thank you, Elango. Let me move to slide 5 of the presentation. Over the next few minutes I plan to cover the operational side of our business. But before I go into the details, I would like to highlight a few achievements. We remain one of the world's lowest cost producers with production cost within $3 per barrel in Rajasthan, this is the result of company's achievement of 10 million LTI free hours in our core Rajasthan operations and a very high facility uptime of 99.3%. As Elango mentioned, during the quarter we achieved highest ever gross operated production of 212,000 boepd which is a 5% increase on a quarter-on-quarter basis with Rajasthan contributing 173,000 barrels of oil production from 5 oil fields and one gas field. The current production from Rajasthan block has been ramped to over 180,000 barrels of oil per day with the existing producing fields and we look forward to bringing more fields on line during the current financial year. In Rajasthan, we have also accelerated our development and exploration drilling operations with the aim of further speeding up production growth. As you are aware with an increase in drilling activity around the world the demand for efficient rates is increasing and we are in competition with rest of the world to lease them. With our aggressive drilling program which will be supported by long-term contracts we have been able to attract leading international drilling contractors and expect to increase the rig count during the year. As at end of June quarter the development rig operating in Rajasthan has increased from 1 to 3 despite the fact that the new rigs that we have in Rajasthan operated only for part of the quarter, in the last quarter we were able to drill 16 development wells which helped us to ramp up production volumes from Rajasthan.

Moving to the field development plan – The field development plan approval for the full field implementation of Mangala EOR polymer is progressing well, our partner ONGC is fully aligned with us, and the contracting process for the same is in advanced stages. The full field implementation of this is expected in next fiscal year '14-'15. In addition to polymer flooding, we are also looking at ASP EOR technique. The pilot phase for the ASP program is expected to commence in Q2 of this fiscal year.

On the production front we have 5 oil fields producing and one gas field contributing to the volumes in Rajasthan. As mentioned we are currently doing more than 180,000 barrels. In addition to these producing blocks we are working towards monetizing 20 other existing discoveries in the Rajasthan block. The development plans for NI and NE fields and Barmer Hill formation has already been submitted to our JV partner and we are reaching alignment on how to develop them. The development plans for other satellite discoveries are internally being prepared. Approval dependent, production from Barmer Hill, NI and NE field is expected to commence in this fiscal year.

Shifting gears from Rajasthan, I want to come to our offshore producing assets. During the quarter, the Ravva field located in the Krishna-Godavari basin in Eastern India continued to see a strong production at 21,875 barrels of oil per day and 38 million standard cubic feet of per day average production. The plant uptime again was excellent at 99.8% with 0.58 million LTI free hours. To improve the recovery and produce bypassed oil in the Ravva main field an infill drilling campaign based on applying 4D seismic technology has been scheduled during the second half of this fiscal year.

Moving to our second offshore property which is CBOS-2 block located in the Cambay Basin in Western India, this particular property saw doubling of oil volumes driven in the last quarter following 2 new infill wells and one work-over well that we have brought into production. The block also had an uptime of more than 99.9%.

In summary we are pleased with our operation in all the three blocks during this quarter and believe that we are on track to meet our year end objectives of production. At this point I would like to hand over to Rich to talk about our exploration activities.

Rich Paces Thank you Suniti. We now move on to Slide #6 on our exploration strategy. As you are aware Cairn India recommenced its Rajasthan exploration drilling program in February 2013 post regulatory approvals. During the quarter we drilled 3 exploration and appraisal wells in the Rajasthan block. Results from these wells have further strengthened our view on the potential of the block. Drilling in the 4th well is currently in progress. The first exploration well Raageshwari S1 successfully discovered and flowed oil making it the 26th discovery in the block and opening up a new play. The second well in the sequence Tukaram 3, an appraisal well successfully delineated the oil-water contact to the original Tukaram field discovery. We also have seen encouraging results in the 3rd well Saraswati HW-1.

Looking ahead, we plan to drill a number of exploration and appraisal wells this fiscal year that would test about half of the 530 million barrels of oil equivalent gross recoverable risk resource volumes within the Rajasthan block. These resources are located within 20 different play types, of which 11 are already proven and 9 are unproven. We will be pushing forward with exploration over the next 3-years through the drilling of around 100 already identified prospects. Substantial progress has been made in acquiring land and constructing exploration well paths such that the land for 38 exploration prospects has been acquired and 23 drill sites are now ready. This will enable the drilling of a number of high impact exploration wells later this year. We were also awarded the contract for our 3D seismic survey which will cover 1,893 square kilometers. Acquisition of the new seismic data will improve imaging in the deeper prospective horizon and will provide coverage over a large part of the block where only limited 2D seismic data existed. This new data will help us further unlock the potential of the block and will likely add to our portfolio of exploration prospects for future drilling.

The recent cabinet committee policy decision to increase gas prices has made the exploration and development of gas very attractive. Our Rajasthan block has significant gas potential, particularly in the southern half of the block and in the deeper horizons. This potential exists in a variety of play types and to begin testing these plays, high impact prospects will be drilled later this year.

Moving on to our other Indian assets, in June 2013, the appraisal well Nagayalanka 1z-ST was spudded in the KG onshore block with the aim of evaluating the size and commerciality of the second deeper discovery. A second well will also be drilled to further evaluate the seismic strength of both discoveries. At Ravva we plan to drill a deep high value, high risk exploration well in the block in the second half of fiscal year '13-'14 which targets potential hydrocarbons in the Oligocene sands that underlie the producing Miocene sands.

Looking at the portfolio outside India, discussions with the Government of Sri Lanka regarding commercial terms in gas prices are progressing well and we continue to consider appraisal options for the two gas discoveries we made earlier. In the Orange Basin, South Africa, the 3D seismic acquisition program was completed in May 2013 and data processing is now underway. While these assets are part of the overall portfolio, our key focus remains on the Rajasthan block which we believe offers Cairn India significant potential and upside to continue to grow the business as one of the world's leading exploration and production companies. I would like to hand over to Sudhir to talk about the financial performance of our company.

Sudhir Mathur Thank you, Rich. We now move on to Slide 7 of the presentation. It was an eventful quarter for us with the company operating the highest ever gross operated daily production, an increase of 5% compared to the previous quarter. The average oil realization during the quarter was US$93.3 per barrel of oil equivalent. The crude oil from the Rajasthan block realized US$94.3 per barrel of oil which represents 8% discount to Brent. The company contributed a higher share of profit petroleum to the government in the Development Area 1 of the Rajasthan block. The share increased from 20 to 30% resulting in an additional payout of Rs.3.3 billion or US$57 million. This led to a revenue of Rs.40.6 billion or US$728million. Despite this the EBITDA was higher at Rs.29.1 billion rupees that is US$522 million with the margin for the quarter moving up to 72% from 66% last quarter.

Our financials for the quarter highlights the robust nature of our operations and we have maintained a comparative operating cost base as Suniti mentioned. Our Rajasthan OPEX including transportation was US$3 per BOE for the quarter. Last quarter's rupee depreciation also resulted in a FOREX gain of Rs.6.8 billion or US$122million for the quarter. The PAT for the quarter is Rs.31.3 billion i.e. US$561million and the EPS for the quarter is Rs.16.4. This quarter our cash flow from operations was Rs.24.5 billion i.e. $437 million. The net cash position as on 30th June 2013 stood at equivalent of US$3.2billion including a billion dollars in US deposits.

Moving on to Slide #8 – the company has spent US$110 million during the quarter. And more significantly has made commitments to an additional ~US$500 million. This is a part of our stated $3billion CAPEX program over the next 3-years. Of this we expect a capital expenditure of about US$1.6 billion on the development activities in the Rajasthan block. The aim of this development program is two-fold; one to accelerate the ramp up in production from the block, and the second is to ensure that we have adequate facilities in place to effectively manage that production increase. We also plan to spend over $750 million in the Rajasthan block over the next 3-years to drill 100 exploration and appraisal wells and also to acquire additional 3D seismic. The balance $600 million of CAPEX is expected to be spent in the 8 other blocks. We continue to retain our financial flexibility to deliver our capital expenditure program and to develop our asset base and support the future growth of the company. Now, we would like to open for question and answers.

Moderator Thank you very much sir. Ladies and gentlemen, we will now begin the question-and-answer session. Our first question is from Niraj Mansingka of Edelweiss Capital. Please go ahead.

Niraj Mansingka I just wanted to know the breakup of the production of Rajasthan, how much was from Mangala, how much was from Bhagyam and Aishwarya?

P. Elango Niraj, we have stopped giving breakup and we have started giving the overall production since we pointed out the production currently at 180,000 barrels per day.

Niraj Mansingka But can you give me a color of how you are standing in Mangala in terms of what their targets were in the past and how you would reach to 210,000, would that be easy to give sir?

Suniti Bhat The key thing is we are on track to deliver the production growth from Rajasthan. Compared to last time when we had this call, one more thing that has happened is we have managed to get the infill drilling approval at all levels, and as I said some moments before we also have high performance rigs already in the field where we had only one rig last time when we talked doing development drillings, today we have 3 rigs doing the development drilling. So we got in our kitty that we need to drill, we have got approvals in our kitty that will help us to do the wells, therefore we see ourselves delivering the volumes that are needed and keep on track as far as the production growth is concerned.

Niraj Mansingka Can you give a color on the Bhagyam as well because some time back you had discussed that you require some additional wells to be drilled. Wanted to have some color on how the performance of these fields are doing?

Suniti Bhat As I just said, we will be drilling infill wells in Bhagyam, Mangala all the fields because infill well drilling is how we keep production growing, this is how we keep on increasing reserve. And we are aligned with the partners and regulators on that particular way of managing the reservoirs and this is how we have managed even through mature assets. So through drilling additional infill wells in these fields for which we already have rigs, for which we already have approvals, we are on track to deliver the production volumes for the quarter.

Niraj Mansingka And the status on the Mangala EOR of that 48 wells?

Suniti Bhat You put two things in a single sentence. On Mangala 48 wells which is an infill well drilling program full alignment rig in place, all approvals in place, full steam going and they are doing it. On EOR I already said we have got full alignment with our partner technically, commercially on how to go ahead with it. I said previously when I was talking through the operation update, we are in advanced stages of contracts and contracting strategies for us to deliver the EOR project in fiscal year '14-'15.

Niraj Mansingka The reason I was asking the questions again because I think on the last quarter you have stopped giving field wise. Any color on the NI and NE fields?

Suniti Bhat One of the reasons we want everybody to move away from a field wise specific guidance is because we want to look at Rajasthan as a basin. We will have multiple fields, and we will be producing multiple fields. We will get fields into production, we will move it from field to field so that we continue delivering the production ramp up. NI, NE is one more thing including Barmer Hill that will be in my kitty to deliver the production ramp up. As far as the NIs are concerned like Barmer Hill they are with the JV partners, we are getting technical alignment on how to develop them, we will deliver them as the year pans out. Because the rigs are there and we are good to go, rigs ares the biggest issue. And we hope towards the end of this quarter we ramp up the rig count beyond what we today have.

Moderator Thank you very much Mr. Mansingka. We will take our next question from Avadhoot Sabnis of CIMB. Please go ahead.

Avadhoot Sabnis Yeah, I wanted to ask on the exploration side. You mentioned that currently one exploration rig, 3 more are expected by the end of the year. Would it be possible to give some color on the exact timing of these three additional rigs?

Rich Paces As you pointed out the additional three rigs will be here by the end of the calendar year. Now the exact timing is difficult to comment specifically on as it is a market where the rigs are all contracted but under those contracts, other operators have some options and may hold the rigs a little bit longer, they have to finish whatever they are on basically so.

Avadhoot Sabnis I am asking from the perspective of your target of drilling 34 Exploration & Appraisal sort of wells in this particular year. Out of the 34, only 3 have been done in the first quarter, so obviously this target of 34 is contingent on the remaining 3 rigs I presume coming on. So I wanted to get some color on how feasible would it be to achieve this 34 if there is a delay in getting this additional 3 rigs?

Rich Paces We certainly hope to achieve the 34. We will certainly achieve the highest impact wells that are part of that 34 and that is the key, it is going to deliver the exploration results that we are looking for in terms of proving up roughly half or 50% of the 530 million barrel oil equivalent in gross risk resource potentially.

Avadhoot Sabnis What is the target of number of wells for this second quarter?

P. Elango Avadhoot, our initial target was really during this year to drill out 50% of our 530 million barrels of oil equivalent target. So we will be still on track to achieve that objective. Whether we are able to achieve that through drilling 34 wells or less number of wells that is fine but we are on track to achieve that objective. And the most important thing is the initial three exploration wells drilled, as Rich pointed out, kind of reinforces our belief in the Rajasthan prospectivity. Virtually, all the three wells encountered hydrocarbons at some level so we are excited about achieving our primary target of 50% of the prospective resources during the first year.

Avadhoot Sabnis Still searching for a new CEO?

P. Elango Yes is the answer.

Moderator Thank you very much. Our next question is from Amit Shah of BNP Paribas. Please go ahead.

Amit Shah One is in the press release you mentioned that to expect routine down time of 3-5% how should we view that?

Suniti Bhat Routine down time is something that is needed to efficiently maintain the plant. It is not only yet here, it is a life cycle maintenance of the plants that is what gets us to an efficient cost base for it. So the guidance we are saying is 3-5% we will try always to minimize the down time but because we have a lot of projects coming in, we are planning that we might have around 3-5% downtime. But quarter-to-quarter we will come back with what the up time has been.

Amit Shah So is that a way for us to know that in a particular quarter you are going to expect that because you would probably know that, right, as to when that down time will go, almost like a gush wind is that maintenance going to happen?

Suniti Bhat No, it is a simpler way of answering that question, the reason being because we will all the time be optimizing our plants to make sure our uptime is maximum.

Amit Shah So this would be more sudden in nature?

Suniti Bhat No, this is not sudden in nature, it will be phased over quarters but talking about down time per quarter, it does not add any value.

P. Elango I will just clarify, this is not like refinery.

Amit Shah Can you just talk a little bit about the gas side of things, how do you plan and what kind of potential do you see there?

Rich Paces I think its early days to talk too much about it but we definitely see significant gas potential in the block, and our exploration program targets some of that potential this year.

Amit Shah But there would be no clarity from a numbers perspective right?

P. Elango No, not at this stage.

Amit Shah Okay and the CAPEX still remains at 2.4 billion?

P. Elango Yes, for the Rajasthan block.

Moderator Thank you. Our next question is from Rakesh Sethia of Morgan Stanley. Please go ahead.

Vinay Jaising This is Vinay Jaising – Rakesh just connected me. I have two questions from my side. The first you did mention the Barmer Hill asset requiring MC approval and you can produce this year. My question is your CAPEX for this year, what would be with or without Barmer Hill and ditto for the production? What I am trying to gauge is when you move from 30% to 40% in terms of what you have to pay the government, obviously if your CAPEX is more, you will delay the payment to the government in moving to the 40% cadre probably to the following year so that is what I am trying to gauge, any thoughts on that?

Sudhir Mathur We do not try and manage our payments to the government at 30 or 40 or something, it is a natural consequence of the way we do our business and our role really is to optimize production without affecting the reservoir. It is dependent on lots of things way beyond our control whether it is the crude price or rupee, not just on CAPEX or other things. You can be rest assured that we do not manage that part of our business.

Vinay Jaising Let me put it the other way around then, assuming the government does not give you the approval, what could be your CAPEX for this year for Barmer Hill?

Sudhir Mathur No we have stopped giving guidance on field-by-field in terms of CAPEX etc., and as Suniti pointed out it really does not add that much value.

P. Elango What we are really doing is one on Barmer specifically we have submitted the Field Development Plan and the indications are pretty positive on a technical alignment side. So one, we do not expect the government to reject it. We expect the approval to come. In parallel we are also working with the government on this integrated development policy which basically allows us to commence appraisal in production activities even before the FDP gets approved. So that is an important policy objective that we are very focused. So what we really see is Barmer Hill, this FDP is kind of a Phase-I of the FDP and further things would come in Barmer Hill.

Vinay Jaising Just putting the other way around, assuming that you get approval maybe in January or February of next year, you think still by March we will be increasing production, what I am trying to gauge at is how much time does it take post getting approval to get into the production stage?

Suniti Bhat Essentially Barmer Hill is about drilling wells and fracking them. Now the part of the Barmer Hill for which FDP has been put in with the government and which are really going to be infrastructure led part of Barmer Hill which is in the Mangala and around Aishwarya fields. So we do not see a huge difference between the approvals coming in and us delivering production from those fields. We got more rigs as I said and we will get more rigs as I go to the year end. It is about getting those rigs drilling these wells, fracking them and connecting them to existing Mangala infrastructure that I have. So that is not where the show stopper will come from and that is why when we started out we feel confident when we say that we are track of production growth as we are going through. And Barmer Hill itself apart from delivering production is going to open up how we will develop as Rich was talking about various things that will come to our play. That is why we want to move away from a field to field guidance and look at the basin as a whole because I will have many things to manage.

Vinay Jaising Any change in the dividend policy because this quarter again you had much more cash flow in as compared to CAPEX. it is still the 20%?

P. Elango No change in the policy, it remains at that level only.

Moderator Our next question is from Rahul Singh of Standard Chartered Securities. Please go ahead.

Rahul Singh My first question is on the 350 development wells which would be drilled over 3-year period. Is it possible to get a sense of how much of this would be infill versus Barmer satellite and others ?

Suniti Bhat The best way to look at an infill well program, we just talked about NI NE Barmer Hill, Mangala, Bhagyam, Aishwarya, those are the fields we have been talking about, but there will be a lot of fields. I know EOR itself, the implementation in all the fields is again about infill wells because EOR apart from chemical flooding is about reducing the wells space in reservoir, we are doing that. That is all the new projects that will come in is going to be a part of this going to be infilling the pattern, reducing the acreage that we have within the production injection pattern. Barmer Hill again is about wells. As we move away from Mangala, Aishwarya, Barmer Hills, more wells will come through. So 350 wells will be spread across that are going to lead to the production growth that we will have this year as we move forward.

Rahul Singh And this includes also any development or potential development of the exploration potential of the 530 million barrels of oil equivalent or it does not increase in number?

Suniti Bhat As I said we have 20 existing discoveries that need to be monetized and we will get more discoveries that are coming through. So it will span across various discoveries, they are all developing wells, they will not be restricted to just the 5 fields .

Rahul Singh The second question is on the net cash, just wanted to get a sense from Sudhir as to where all this is deployed and what is the kind of return we are generating on these?

Sudhir Mathur Rahul, from a returns point of view, our return on capital employed is roughly 28% on the business side. On the cash side, it is difficult to answer with the rupee depreciation going on, but I would imagine it is close to 9 or 10% on both dollars if we take depreciation into account. The intention is to still retain the financial flexibility and to answer the dividend question as well as Elango mentioned out we do have a $3 billion program, 750 million in Rajasthan exploration as well as exploration in other blocks. It would take us, as Rich mentioned, another 12 odd months, by the time we figure out what the exact potential of Rajasthan block is and the development cost associated with that will be a consequence of that. That doesn't figure in the 3-billion block. We would be able to take a much better call on our capital spent and therefore cash utilization going forward, but at this point of time we want to retain the elbow room to come back to all of you for another 3 to 4 quarters.

Moderator Our next question is from Bhaskar Chakraborty of IIFL. Please go ahead.

Bhaskar Chakraborty My first question is that out of the 530 million barrels of potential exploration up side, does any of it come from area that is already relinquished to the Government of India?

P. Elango The answer is no.

Bhaskar Chakraborty This $2.4 billion of CAPEX that you have guided for over the next 3 years on the Rajasthan block, do we need to give any kind of production guidance to the government in order to get the approval for this kind of CAPEX? I am basically coming from the point of the view of the fact in $3.9 billion you have developed a production capability of 175000 barrels and now you are almost doubling that CAPEX, but you are not giving a clear picture on where this production could head to over the next 3 years based on this CAPEX, so how is that?

P. Elango I think the way to kind of look at it for each of the three producing fields, we have an approved FDP, investments and production rate. What you are saying is to continue to sustain the production levels and overall enhance the recovery of the reserves from both these fields as well as new, we would require this level of investment, which means the going forward program the cost of the individual wells and the third -part is production sustenance, 40% of the CAPEX guided is for production sustenance and we are saying about 15% is for additional production that will come from fields like Barmer Hill and satellite fields and about 25% is for Rajasthan exploration that is how we have guided. So we do not see an issue in securing government approval. It follows a routine process of work program and budget approval. Because any incremental investment is going to result in incremental revenue both to us and to the government.

Bhaskar Chakraborty For this 15% additional for Barmer Hill and satellite, is there a production guidance that you provide to the government?

P. Elango As part of the field development plan we do provide as and when we submit the field development plan.

Bhaskar Chakraborty That you have already included in your FDP which is at the OC level. So is that a number that you can share with us?

P. Elango Not at this stage.

Moderator Our next question is from Harshad Borawake of Motilal Oswal. Please go ahead.

Harshad Borawake Can you tell us the number of wells currently under production in Rajasthan and also the average or range of per well production deliverability?

Suniti Bhat As of today, at a high level we have 159 wells producers and injectors drilled in Mangala and are operational. We have 74 Bhagyam wells that are processing and injecting currently and we have got around 13 Aishwarya wells. The key point is that all the wells, average of the field depend on many things, so it doesn't have anything if I give you an average well rate, because it is a field dependent thing, but all the wells are contributing towards the production. I talked about we are producing 180000 plus today and we will get on to delivering of our production targets.

Harshad Borawake The guidance of reaching 200 to 215 by March, so critical for you is to get a Barmer Hill and satellite discovery approval by the government. If it doesn't come through, is there a possibility of change in guidance?

P. Elango At this moment, the way we kind of look at is together as all the fields that are under production and the program we have, we are quite comfortable to meet that range of guidance that we have given. So the range should take care of any unexpected development.

Harshad Borawake Is it fair to say that even if the approvals get delayed, still you can achieve the given guidance, is that right way to look at it?

P. Elango Yes, that is right way to look at it within the range.

Harshad Borawake The last question is 16 development wells that you have drilled in this quarter, can you just give in whether it is in Mangala or Bhagyam, which field it was?

P. Elango It was in all the fields.

Moderator Our next question is from Mayur Patel of Spark Capital. Please go ahead.

Mayur Patel First question is on gas fields, can you share what would be the pricing you are getting on this gas fields?

P. Elango We have not really, Mayur, disclosed the pricing.

Mayur Patel Because in the sector lot of thing is changing and you know lot of new reforms are setting in.

P. Elango Our volume is very small and what is interesting is the government has announced effective 1st April 2014, whatever price that government has fixed would be applicable in all producing fields which is clearly an attractive one. Between now and then I can assure you we have got a good price.

Mayur Patel So this would be somewhere in the range of the existing NELP or somewhere between NELP and APM, some ideas if you can give?

P. Elango That will make a difference, it is small, and it is not material because the volume is small.

Mayur Patel You emphasized that gas potential is significant in the larger block, so can it be a good part of your reserves or production in future? Are you hopeful or are there any reasons or observations giving you that kind of confidence or conviction?

P. Elango It is difficult to give any breakup.

Mayur Patel No, not on numbers, but overall.

P. Elango Overall, I think Rich pointed out was based on the studies done so far, we see a good prospect for gas and in the light of the current gas sales going as well as the pricing that is coming up, we see it as very attractive proposition.

Mayur Patel Just help me with a couple of approval details, this 48 infill well program in Mangala, is it approved by MC?

P. Elango Yes, it is approved by MC.

Mayur Patel We were looking to drill more wells in Bhagyam beyond whatever around 30 wells which we have for approval in place, is there any progress on that front?

P. Elango It is progressing well within the JV.

Moderator Our next question is from Probal Sen of IDFC Securities. Please go ahead.

Probal Sen Just one small thing on the tax rate, obviously it is sort of sustained at very low level of 2% primarily due to the MAT adjustments, any clarity on sort of what we need to build in for the next two years in terms of effective tax rate?

Sudhir Mathur We have given out a guidance of 5 to 10% over a long term and at this time we would maintain that.

Probal Sen 5 to 10% is what we should be working with, because the effective tax rate for the last couple of quarters at least has been actually far lower that?

P. Elango Yes, that is right.

Probal Sen The second question was around the OPEX, the number of $3 that has been mentioned includes the pipeline OPEX, correct?

Management Correct.

Probal Sen And when can we actually start to see the additional OPEX coming through due to the infill drilling that were happen at Mangala as well as the commencement of the EOR?

What I am essentially asking is the run rate of $3 is going to increase by the second half of the year?

Suniti Bhat After we implement EOR, you would see some increase in the full incremental volume, increase in operating costs until then I think we remain with the guided range of $5, below 5.

Probal Sen At least for this financial year that is the kind of run rate we should be looking at?

Suniti Bhat Yes.

Moderator Our next question is from Vikas Jain of CLSA. Please go ahead.

Vikas Jain Firstly it is the other income, why has it seems to be a pretty low number with implied cash yield of less than 3%, any particular reason for that this particular quarter?

Sudhir Mathur Yes, it came out of more of a rejuggling of our investments in this volatile market, and at this point of time, we have invested in instruments in which we will book to P&L the income at the time of maturity, so we accrue it at that point of time.

Vikas Jain The second question was the guidance that you have given of 200 to 215,000, is that after adjusting the downtime, I mean what I am assuming is this 180,000 that we talk about currently, will that become 200,000 to 210,000 or is it like 200,000 to 210,000 then 5% downtime minus?

P. Elango The guidance we have given is an exit rate of 200,000 to 215,000 as we exit, this is an exit rate.

Vikas Jain That means that will be the reported production at exit?

P. Elango It is actual production - it is net of downtime.

Vikas Jain I understand 48 infill wells in Mangala approved till MC, last time you said Bhagyam extra 18 wells also approved till MC, other than that for EOR for Mangala, there is an OC approval which you are seeking an MC approval, is that correct?

P. Elango That is correct.

Vikas Jain And after that if we look at the Barmer Hill and NI, NE for that there is an OC approval also, right?

P. Elango That is in the OC approval stage.

Vikas Jain That is in the OC approval stage and thirdly the remaining satellite, you are yet to file even for the OC, right so you are working with the FDP?

P. Elango Absolutely.

Vikas Jain Finally on Aishwarya, the talk of increasing from 10 to 25000 barrels per day, by when should we expect that to happen, is it likely in FY14 itself?

Suniti Bhat Yes, in case of Aishwarya our intent is to increase the production as soon as our reservoir behavior demonstrates it and as soon as we are there we will get technical alignment with the partners and regulator to do it just like we did it in Mangala.

P. Elango And the intention is to get it done this year definitely.

Vikas Jain From my understanding since it has become little difficult to track because now you don't give individual field production, the previous thing was that if Aishwarya produces at the approved peak level for some time and after that you file for the approval, so that is what I am trying to gauge that, this is likely to happen very well in FY14, the filing for the increase as well as the approval?

P. Elango Only thing is that you have to see the whole approval environment is really getting much, much better than what it used to be. So we are also kind of changing with that. And I would say that we are on track for the increase in the Aishwarya production levels by seeking the required approvals.

Moderator We will take our next question Arya Sen of Jefferies. Please go ahead.

Arya Sen Firstly, just wanted to understand the FOREX gains that you have reported. Is it is just translation gains on your dollar deposits or is there anything else as well and how much is your dollar deposits?

Sudhir Mathur Translations on deposit as well as on working capital on trade receivables as you are aware that you know all our income is US dollar based.

Arya Sen But it is all translation income, translation gain there is nothing else, right?

Sudhir Mathur Yes, it is all translation.

Arya Sen Secondly, what is the guidance on Cambay production going forward what was the exit rate for this quarter?

P. Elango We have doubled the production from the last year to about 9000 barrels now. We expect to maintain that.

Arya Sen Lastly, what is the exit rate for Raageshwari gas field and again what is the guidance for full year production?

P. Elango We haven't given any guidance on that. As I said, because multiple small fields will continue to get added, we want to stay at the Rajasthan block level and we are on track for that to deliver that growth.

Moderator Our next question is from Rohit Ahuja of ICICI Securities. Please go ahead.

Rohit Ahuja Just need some clarity on the CAPEX guidance that you have given over the next 3 years, $3 billion, we are seeing you are doing a lot exploration, successes you are having already 3 wells that turn out to be good, do you see an upside probability to this guidance because I believe the guidance you have given does not include development of discoveries that are going to be coming in the next year or two, so can you throw some light on precisely what does this CAPEX include only the approved plan and the exploration approvals and successes would add to that, that would be helpful?

Suniti Bhat Other than taking the new discoveries to production, the CAPEX related to that it includes pretty much all the CAPEX. If you go back to Slide #8, so it talks about $450 million going into Barmer Hill as well as satellite fields taking them to production, about $1.2 billion going into EOR and infill drilling in the our existing fields there Mangala, Bhagyam, and Aishwarya to hold an increased production, sustain increased production, that is what it is going into, but the overall objective is to get to 300,000 in the next 4 to 5 years.

Rohit Ahuja This number, could we see a change next year when you have guidance for FY15-16 production levels?

Suniti Bhat Absolutely, we are eagerly looking to changing our guidance based on exploration success.

Rohit Ahuja Because I am coming from that into guidance that you have given and your cash flows that can be expected assuming FY13 levels continue still there is a lot of possibility of surplus cash and even after excluding dividends needed some comfort on that. Second question on your PSC, can you throw some light on I referred that possible extension of PSC that you have been asking the government for. If you can just clarify your existing PSC is till what here and what is the natural extension and beyond that what is the approval required for that would be helpful?

P. Elango The Rajasthan PSC term is up to 2020 and generally the government had followed a virtually automatic extension for a 5-year period based on the precedence that they have done in respect of another operator. What we have done is to seek the extension under an enabling provision which is, if there is a commercial gas sales associated with this block, then the extension applicable is 10-year period. So the application we have filed is seeking an extension of 10-year period, but as the government looks at the uniform extension policy, one of the things that we are submitting is based on the global risk practices which is extended up to the economic life of the field which is the global best practice. So that is where it stands. We are very positive that the government has taken the initiative to set up a committee, industries feedback has been sought for, so we remain confident.

Rohit Ahuja Your incremental CAPEX would it be contingent to you getting the extension of the PSC or would you discontinue with the CAPEX?

P. Elango No, I think we would continue, we have always believed in working with the government as a partner

Moderator Thank you. We will take our next question from Vidyadhar Ginde of DSP Merrill Lynch. Please go ahead.

Vidyadhar Ginde One is in terms of reserves update especially in Rajasthan, should we expect it only by the end of the year or could our reserves update be given at some stage during the year especially if there is a significant increase?

P. Elango Generally we are expecting to give it at the end of the year.

Vidyadhar Ginde It will be at the end of the year even if there is a significant rise?

P. Elango The aim is to do it at the end of the year and then we will take a call.

Vidyadhar Ginde One last question, in case of Aishwarya ramp up, until now things have moved pretty smoothly and you are not encountering any kind of problems you have in Bhagyam, how is the ramp up until now?

P. Elango Aishwarya is behaving very well, reasonably well. We are happy with the ramp up of Aishwarya and we are not seeing any issues.

Vidyadhar Ginde Is it similar to Mangala or not as good? The well deliverability was very good in Mangala.

P. Elango All fields are different but we are not encountering any production issues or productivity issues in Aishwarya at all.

Moderator We will take our next question from Raj Gandhi of Principal Mutual Fund. Please go ahead.

Raj Gandhi Just directionally is it possible to let us know if Bhagyam contributed significantly to this ramp up to 180,000?

P. Elango Bhagyam, Mangala, and Aishwarya all contributed to this ramp up. Bhagyam will continue to contribute to the ramp up of 200 to 215000 barrels of production as we exit this particular year. In Bhagyam we're still drilling well, it will be there and Bhagyam will come on, Bhagyam will ramp up.

Moderator Our next question is from Saurabh Handa of Citi Group. Please go ahead.

Saurabh Handa Just two short questions, firstly can you confirm that Mangala is still sustaining the plateau at 150 and you haven't changed your view on ending the year at 150?

P. Elango We have not changed our view on the production guidance that we have given you from Rajasthan block as such.

Saurabh Handa Because last time you had spoken about Mangala will sustain plateau at 150, I just wanted to check if that remains unchanged?

P. Elango With infill drilling going on and with the EOR event being implement in the field, we will as a prudent reservoir management practice look at sustaining plateaus from all fields, not just Mangala, it is not just Mangala specifics, so that overall the production growth is on track.

Saurabh Handa There is a mention in your press release, its at a corporate level this question, on shares being pledged by foreign promoters, any comments you can make on that?

Sudhir Mathur Yeah, you can address the issue to Vedanta but yeah, they did pledge the shares they hold at Cairn levels to refinance the acquisition financing they have done for Cairn.

Saurabh Handa And this happened in the previous June quarter?

Sudhir Mathur That is right, in the bond issue two months back.

Moderator Thank you. The next question is from Amit Rastogi of Antique. Please go ahead.

Amit Rastogi Could you explain that how the exploration cost gets recovered? ONGC we are seeing that it is and how the separate FDPs will be treated, like NI and NE will be treated as a separate FDP for cost recovery purposes?

P. Elango The exploration cost would be borne by Cairn under the terms of PSC, ONGC has right to join on commerciality. And these costs are cost recovered at an approval of commerciality. That is under the new February 2013 policy of the government.

Amit Rastogi So after commerciality is approved, will you be able to recover the cost for existing MBA fields?

P. Elango We will be able to recover the cost of all the fields as and when we will get the FDP**.**

Amit Rastogi And the second point about this exploration, NI and NE FDPs that they will be treated separately for FDP purposes, cost recovery purposes?

P. Elango They will be linked to one of the development areas. We have got three development areas in the block. Each of these field development plan will be linked to one of the development areas and will be governed by the Production Sharing Contract

Moderator Thank you. Ladies and gentlemen, due to time constraints that was the last question. I would now like to hand the floor back to the company management for closing comments.

P. Elango Thank you again for joining the call. I just like to conclude that number one, would like to assure that we are on track for our production growth, we are seeing an improved regulatory environment, where policies and approvals are coming faster than it used to be. We are also adding increased number of rigs to our kitty which would allow us to deliver the number of wells we are planning to do. Overall, the initial exploration efforts have kind of reinforced our belief in the prospectivity of this block and we do see potential for gas in the block, and we continue to maintain financial flexibility for our new discovery development from Rajasthan as well as any new ventures that we wish to do. In the other blocks we have accelerated our exploration efforts with appraisal drilling commencing in KG onshore block, options to monetize gas discoveries in Sri Lanka is under evaluation and processing of 3D seismic data in South Africa underway. Overall, I am very confident that the strong operational performance, supportive regulatory environment and a robust balance sheet, we will deliver consistent long-term growth and value to all our stakeholders.

Moderator Thank you very much members of the management team. Ladies and gentlemen, on behalf of Cairn India, that concludes this conference.