

## RESULT UPDATE

### LARGE CAP

#### Share Data

Reuters code	CAIR.BO
Bloomberg code	CAIR IN
Market cap. (US\$ mn)	10,676
6M avg. daily turnover (US\$ mn)	28.1
Issued shares (mn)	1,897
Target price (Rs)	207

Performance (%)	1M	3M	12M
Absolute	2	13	131
Relative	7	7	30

#### Valuation ratios

Yr to 31 Mar	FY10E	FY11E
EPS (Rs)	20.3	35.1
+/- (%)	453.2	73.5
PER (x)	12.8	7.4
PBV (x)	8.2	6.9
EV/Sales (x)	6.3	3.8
EV/EBITDA (x)	8.3	5.0

#### Major shareholders (%)

Promoters	65
FII's	9
MF's	2
BFST's	4
Public & Others	21

#### Financial highlights

(Rs mn)	1QFY09	2QFY10	YoY (%)	1QFY10	QoQ (%)	FY09 (15)	FY10E	YoY (%)	FY11E	YoY (%)
Net Sales	3,206	2,298	(28.3)	2,050	12.1	22,651	70,459	211.1	115,475	63.9
Total Expenses	1,007	1,082	7.5	1,037	4.3	9,585	17,434	81.9	26,732	53.3
EBITDA	2,199	1,216	(44.7)	1,012	20.1	13,066	53,025	305.8	-	(100.0)
EBITDA Margin (%)	68.6	52.9	-	49.4	-	52.1	57.7	-	75.3	-
Other Income	2,055	1,056	(48.6)	1,290	(18.1)	-	-	-	-	-
Interest	5	9	87.2	7	20.5	-	-	-	-	-
Depreciation	650	391	(39.9)	413	(5.5)	3,686	8,238	123.5	12,455	51.2
PBT	3,600	3,510	(2.5)	244	1336.0	9,380	44,786	377.5	76,288	70.3
Provision For Tax	667	(1,185)	(277.7)	(210)	464.5	2,437	6,378	161.7	9,645	51.2
Tax as % of PBT	18.5	(33.8)	-	(85.9)	-	18.7	26.0	-	14.2	-
PAT	2,933	4,695	60.1	454	933.3	6,943	38,408	453.2	66,644	73.5
Reported PAT	2,933	4,695	60.1	454	933.3	6,943	38,408	453.2	66,644	73.5
Margin (%)	91.5	204.3	-	22.2	-	56.4	30.7	-	54.5	-
EPS (Rs)	1.6	2.5	59.9	0.2	933.3	3.66	20.25	453.2	35.14	73.5
P/E (x)	-	-	-	-	-	64.1	12.8	-	7.4	-

## Cairn India

Maintain Underperformer

Price: Rs 266

BSE Index: 16,053

29 October 2009

### 2QFY10 Result – Revenues from Mangla to begin from October 2009

#### Operational highlights

- **Mangla field has started producing crude oil from 29<sup>th</sup> August. Average gross production for 33 days were 5,991 bopd. Currently, field production is 10,000 bopd. First sale of the crude has taken place on 9<sup>th</sup> October to MRPL. Hence no impact of Mangla field sales on 2Q revenue.**
- **Train two and train three of production capacity of 50,000 bopd each is expected to ready by early 2010 and 1HCY10, respectively.**
- **Crude evacuation pipeline from Mangla to Salaya has been laid 560 km out of 590 km.**
- **Government has agreed for private refiners to qualify for offtake of additional Rajasthan crude.**
- **Gross production of the operating units was 60,480 boepd in 2Q (including production from Mangla) against 65,566 boepd in 2Q/FY09.**

#### Financial highlights

- During the quarter, the company has completed financing arrangement of US\$ 1.6 bn out of which half would be used to retire existing debt and rest would be used to develop other explorations areas in Rajasthan

#### Valuation

We value Cairn at Rs 207/share assuming long-term crude price at US\$ 70/bbl, 15% discount to Brent and cess of Rs 2,575/tonne. Maintain Underperformer.

### Financial highlights

- Unlike subdued earnings in previous quarters, it has reported PAT of Rs 4.7 bn driven by (i) Other income of Rs1 bn from exchange gain and investment income, (ii) Reversal of non-recurring item of Rs 1.6 bn for the ONGC carry case and (iii) Reversal of deferred tax liability by Rs 2.6 bn due to consideration of field life instead as per production sharing contract instead of economic useful life.
- Crude oil and gas realisation for the quarter for Ravva and Cambay stand at US\$ 69.1/ bbl and US\$ 3.9/mscf.

### Valuation

Particulars	GHIIP mnboe	Cairn share	2P Gross mnboe	2P Net mnboe	Modeled mnboe	Recovery (%)	1 year forward		
							Value US\$ mn	EV/BOE US\$/boe	Value/share INR
Developing field									
Rajasthan MBA field	2054	70%	993	695	691	48	6,186	8.9	160
Producing field									
Ravva (main + satellite)	584	22.5%	82	18	19	5	115	14.0	3
Cambay block	116	40%	25	10	10		52	7.2	1
Exploration fields									
Rajasthan smaller field	300	70%	12	9	9	4	75	8.3	2
Rajasthan other fields	1397	70%	72	51	51	5	423	8.3	11
KG-DWN-98/2	950	10%	353	35	14	15	55	3.80	1
<b>Gross</b>	<b>5401</b>		<b>1537</b>	<b>818</b>	<b>795</b>		<b>6,905</b>		<b>178</b>
<b>Less : Net cash as on date (debt)</b>									<b>5</b>
<b>Core value</b>									<b>184</b>
<b>Add: Exploration upside</b>					<b>110</b>		<b>913</b>	<b>8.3</b>	<b>24</b>
<b>Value per share</b>									<b>207</b>

### Sensitivity of one-year target price (with exploration upside) – Cess of Rs 2,575/mt

	US\$ 40	US\$ 50	US\$ 60	US\$ 70	US\$ 80	US\$ 90	US\$ 100
<b>INR 46.0</b>	108	138	165	194	215	238	264
<b>INR 47.5</b>	112	142	171	200	222	247	273
<b>INR 49.0</b>	116	148	177	207	230	255	283
<b>INR 50.0</b>	119	151	182	212	235	261	289

## Income Statement

Yr end 31 Mar (Rs mn)	FY09(15)	FY10E	FY11E	FY12E
<b>Net sales</b>	<b>14,237</b>	<b>22,651</b>	<b>70,459</b>	<b>115,475</b>
Growth (%)	23.6	81.1	211.1	63.9
Operating expenses	(6,823)	(9,585)	(17,434)	(26,732)
Operating profit	7,414	13,066	53,025	88,743
Other operating income				
<b>EBITDA</b>	<b>7,414</b>	<b>13,066</b>	<b>53,025</b>	<b>88,743</b>
Growth (%)	80.8	58.8	305.8	67.4
Depreciation	(2,698)	(3,686)	(8,238)	(12,455)
Other income	5,072			
<b>EBIT</b>	<b>9,787</b>	<b>9,380</b>	<b>44,786</b>	<b>76,288</b>
Interest paid	(64)			
Pre-tax profit	9,723	9,380	44,786	76,288
(before non-recurring items)				
Non-recurring items	156			
Pre-tax profit	9,879	9,380	44,786	76,288
(after non-recurring items)				
Tax (current + deferred)	(1,844)	(2,437)	(6,378)	(9,645)
<b>Net profit</b>	<b>8,035</b>	<b>6,943</b>	<b>38,408</b>	<b>66,644</b>
<b>Adjusted net profit</b>	<b>8,035</b>	<b>6,943</b>	<b>38,408</b>	<b>66,644</b>
Growth (%)	n/a	(9.7)	453.2	73.5
<b>Net income</b>	<b>8,035</b>	<b>6,943</b>	<b>38,408</b>	<b>66,644</b>

## Balance Sheet

Yr end 31 Mar (Rs mn)	FY09(15)	FY10E	FY11E	FY12E
Current assets	32,691	15,334	36,302	89,570
Investments	7,129	(0)	(0)	(0)
Net fixed assets	310,410	341,024	361,083	376,926
<b>Total assets</b>	<b>350,230</b>	<b>356,358</b>	<b>397,386</b>	<b>466,496</b>
Current liabilities	2,056	1,241	3,861	6,327
Total Debt	15,025	15,025	15,025	15,025
Other non-current liabilities	5,799	5,799	5,799	5,799
<b>Total liabilities</b>	<b>22,881</b>	<b>22,066</b>	<b>24,685</b>	<b>27,152</b>
Share capital	19,861	19,861	19,861	19,861
Reserves & surplus	308,316	315,258	353,667	420,310
Less: Misc. expenditure	(827)	(827)	(827)	(827)
<b>Shareholders' funds</b>	<b>327,349</b>	<b>334,292</b>	<b>372,700</b>	<b>439,344</b>
<b>Total equity &amp; liab.</b>	<b>350,230</b>	<b>356,358</b>	<b>397,386</b>	<b>466,496</b>

## Cash Flow Statement

Yr end 31 Mar (Rs mn)	FY09(15)	FY10E	FY11E	FY12E
Pre-tax profit	9,723	9,380	44,786	76,288
Dep./Exploration w/o	2,698	3,686	8,238	12,455
Chg in working capital	(2,357)	269	(1,965)	(1,850)
Total tax paid	(584)	(2,437)	(6,378)	(9,645)
Non operating items	(3,251)	-	-	-
<b>Cash flow from oper. (a)</b>	<b>6,230</b>	<b>10,898</b>	<b>44,682</b>	<b>77,248</b>
Capital expenditure	(30,660)	(34,300)	(28,298)	(28,298)
Chg in investments	-	7,129	-	-
Investment income	5,072	-	-	-
<b>Cash flow from inv. (b) (25,588)</b>	<b>(27,171)</b>	<b>(28,298)</b>	<b>(28,298)</b>	<b>(28,298)</b>
<b>Free cash flow (a+b)</b>	<b>(19,358)</b>	<b>(16,273)</b>	<b>16,384</b>	<b>48,951</b>
Equity raised/(repaid)	25,346	-	-	-
Debt raised/(repaid)	11,901	-	-	-
<b>Cash flow from fin. (c) 37,247</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Net chg in cash (a+b+c)</b>	<b>17,889</b>	<b>(16,273)</b>	<b>16,384</b>	<b>48,951</b>

## Key Ratios

Yr end 31 Mar (%)	FY09(15)	FY10E	FY11E	FY12E
EPS (Rs)	4.1	3.7	20.3	35.1
EPS growth	n/a	(9.7)	453.2	73.5
EBITDA margin	65.8	57.7	75.3	76.9
EBIT margin	73.6	41.4	63.6	66.1
RoCE	2.8	2.7	12.0	17.9
Net debt/Equity	(4.4)	0.6	(3.9)	(14.4)

## Valuations

Yr end 31 Mar (x)	FY09(15)	FY10E	FY11E	FY12E
PER	64.1	71.0	12.8	7.4
PCE	44.8	46.4	10.6	6.2
Price/Book	9.3	9.1	8.2	6.9
EV/Net sales	31.0	19.5	6.3	3.8
EV/EBITDA	59.5	33.8	8.3	5.0

## Du Pont Analysis – ROE

Yr end 31 Mar (x)	FY09(15)	FY10E	FY11E	FY12E
Net margin (%)	61.5	30.7	54.5	57.7
Asset turnover	0.0	0.1	0.2	0.3
Leverage factor	1.1	1.1	1.1	1.1
Return on equity (%)	2.5	2.1	10.9	16.4

**Aishwarya Deepak**  
**aishwarya.deepak@bksec.com**  
**+91-22-4031 7294**

**Arpit Sikka**  
**arpit.sikka@bksec.com**  
**+91-120-460 5619**

**Analyst Declaration:** We, Aishwarya Deepak & Arpit Sikka, hereby certify that the views expressed in this report accurately reflect our personal views about the subject securities and issuers. We also certify that no part of our compensation was, is, or will be, directly or indirectly, related to the specific recommendation or view expressed in this report.

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  2. **OUTPERFORMER:** 0 to +25%
  3. **UNDERPERFORMER:** 0 to -25%
  4. **SELL:** Potential downside of < -25% (absolute returns)
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**B & K SECURITIES INDIA PRIVATE LTD.**

**Equity Research Division:** City Ice Bldg., 298, Ground/1st Floor, Perin Nariman Street, Behind RBI, Fort, Mumbai - 400 001, India. Tel.: 91-22-4031 7000, Fax: 91-22-2263 5020/30.  
**Registered Office:** Room No. 3/4, 7 Lyons Range, Kolkata - 700 001. Tel.: 91-33-2243 7902.

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