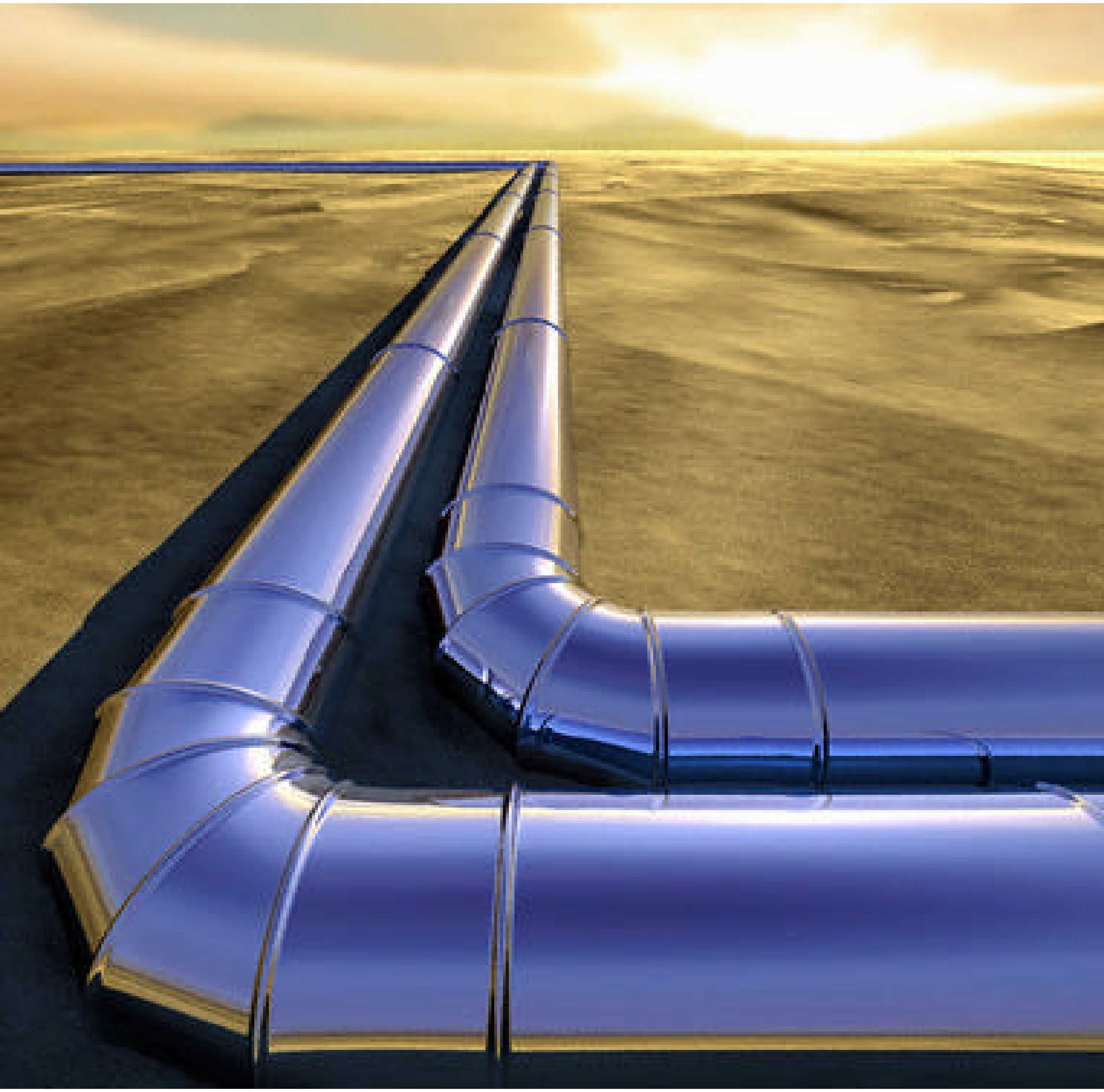
Initiating Coverage
SECTOR: OIL & GAS

Cairn India



Raring to go

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Contents

Cairn India

STOCK INFO.	BLOOMBERG
BSE Sensex: 14,142	CAIR.IN
	REUTERS CODE
S&P CNX: 4,108	CAIL.BO

Y/E DECEMBER	2007E	2008E	2009E	2010E
Net Sales (Rs m)	10,045	10,604	16,686	54,608
EBITDA (Rs m)	7,167	7,473	12,808	46,881
Net Profit (Rs m)	1,119	1,373	3,306	27,741
EPS (Rs)	0.6	0.8	1.9	15.6
EPS Growth (%)		22.7	140.8	739.1
BV/Share (Rs)	223.8	182.5	75.8	9.0
P/E (x)	219.6	179.0	74.3	8.9
P/BV (x)	0.8	0.8	0.8	0.8
EV / EBITDA (x)	33.1	33.5	21.0	5.4
EV / Sales (x)	23.6	23.6	16.1	4.6
RoE (%)	0.4	0.5	1.1	9.1
RoCE (%)	1.6	1.1	2.2	10.6

KEY FINANCIALS	
Shares Outstanding (m)	1,778.4
Market Cap. (Rs b)	245.8
Market Cap. (US$ b)	5.9
Past 3 yrs Sales Growth (%)	N.A.
Past 3 yrs NP Growth (%)	N.A.
Dividend Payout (%)	N.A.
Dividend Yield (%)	N.A.

STOCK DATA	
52-W High/Low Range (Rs)	165/111
Major Shareholders (as of June 2007)	(%)
Promoters	69.0
Domestic Institutions	4.7
Foreign	11.6
Public/Others	14.7
Average Daily Turnover	
Volume ('000 shares)	3,718.5
Value (Rs million)	525.9
1/6/12 Month Rel. Performance (%)	-5/6/-
1/6/12 Month Abs. Performance (%)	-13/5/-

17 August 2007 — **Buy**

Initiating Coverage — Rs138

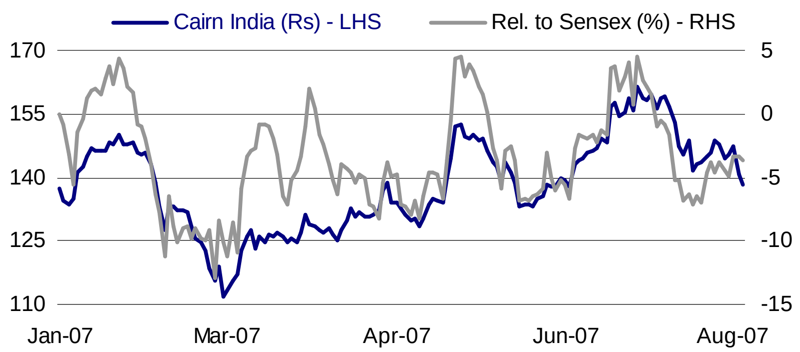
Pipeline concern getting resolved: Resolution of the pipeline issue will enable monetisation of Cairn's largest and most promising asset, Rajasthan block by 2HCY09. Though, there still remain several uncertainties on cess, pricing and crude offtake, we believe these will not hamper the initial oil delivery schedules. Successful development of Rajasthan block, which will catapult Cairn into bigger league, will be the key driver to its performance, in our view.

Rajasthan block; already a world-class oil asset; holds promise for more: The Rajasthan block RJ-ON-90/1, is Cairn's main asset accounting for 80% of its total reserves. Of the total current gross in-place resources of 3.6b boe, 2.2b boe are currently in development phase. There remains upside from area already being developed and more development area is being added.

Large exploration acreage provides upside; two producing assets provide the cash: Cairn also has large exploration acreage of about 94,800sq km in 12 other blocks, including 5 as operator. The most promising of these is ONGC operated (Cairn 10%) deep water block KG-DWN-98/2. Cairn has successfully extended plateaus for both its operating assets at Ravva and Cambay, by successful infill development and further exploration and development drilling.

Valuation and recommendation: We value Cairn's Rajasthan block (including EOR) and its currently producing blocks (Ravva and Cambay) on DCF basis. We also value Cairn’s stake in the KG block based on announced 2P reserves of 2.09TCF. Our SOTP value is Rs163/share. We initiate coverage with a **Buy**.

STOCK PERFORMANCE (FROM 9 JANUARY 2007)



Pipeline concern getting resolved

Concerns with regard to the oil evacuation pipeline to the Rajasthan discovery appears to be getting resolved. We believe this will enable monetization of Cairn's largest and most promising asset by 2HCY09. The proposal of the contractors (Cairn and ONGC) to lay a pipeline (estimated at US$750m) to transport the crude to onshore locations has been cleared by the Government of India in principle. Though the final clearance from Government of India (GoI) is yet to come, we believe this is now a formality and the final approval is only a few weeks away. The pipeline costs will be borne by Cairn and ONGC in the proportion 70:30 and we believe the cost will be recoverable under the production sharing contract (PSC).

Production will likely commence in 2HCY09

We understand that Cairn has already completed the bulk of conceptual engineering and route identification for the pipeline to be laid. As the Rajasthan crude is waxy (pour point 42°-43°C) and heavy (API 27, specific gravity 0.89), it will require a special heated/ insulated transportation pipeline. We believe it will take a minimum of 1.5 years for the pipeline to be functional. We assume that initial production of oil from the Mangala field will commence in October 2009 (2HCY09). We note this timeline is well within Cairn's indicative schedule of the first oil production starting from Mangala in 2009.

Key uncertainty appears to be behind

Pipeline approval to the Rajasthan discovery will remove concerns surrounding development of the Rajasthan block

The pipeline approval would remove the overhang of uncertainty surrounding development of the Rajasthan block. The issue has been in abeyance since MRPL (the government's nominee for lifting crude oil) indicated that pipeline laying is not its responsibility and, additionally, it cannot consume all of the production of 150kbd from the Rajasthan block. MRPL indicated that its current configuration allows it to consume only about 24kbd of Rajasthan crude. To consume the increased amount of crude, it would need to modify its refinery configuration at additional cost.

Several alternatives for crude evacuation and utilization were examined in the interim. These included:

- Constructing a 7.5mmtpa refinery at Barmer (near the Rajasthan block) to consume all of the production of 150kbd;
- Constructing a smaller refinery of 4mmtpa at Barmer and asking Cairn to halve the peak plateau rate to enhance plateau period close to refinery economic life;
- An SPV project structure for pipeline;
- Pipeline as part of the field development plan (FDP) for the Rajasthan project

4mmtpa refinery ruled out, 7.5mmtpa refinery under consideration

ONGC had recently indicated that economic evaluation of the 4mmtpa unit was found unviable. On the other hand, the proposal to construct a 7.5mmtpa refinery, independent of the pipeline proposal, continues to be under consideration. However, even if a decision is taken to set up the 7.5mmtpa refinery (unlikely, in our view), it will take a minimum 4-5 years to build, which will be much after production commences from the Rajasthan block in 2009. In the event the 7.5mmtpa unit is set up, the pipeline direction will be reversed to import the balance crude requirement of the 7.5mmtpa refinery.

Non-approval of the pipleline project or a decision to reduce the plateau production could have been very negative for Cairn.

However, complete clarity on pipeline structure yet to emerge

We assume that the pipeline will be a part of FDP

However, full clarity on whether the pipeline can be part of FDP or whether it should remain under a separate SPV structure, is yet to emerge. We believe that an SPV will lead to further complications as to who will bear transportation tariffs. Cairn claims that it is entitled to the full crude price without adjustment for transportation as per PSC terms. Also, since both Cairn and ONGC are agreeable for inclusion of pipeline in FDP, we believe pipeline costs (US$750m) will be included in FDP, and Cairn and ONGC will bear the costs initially in the ratio 70:30. If the pipeline is included in FDP, the costs would be recoverable as per PSC terms.

Rajasthan block: World class asset; significant reserve upside potential

Cairn is the operator of the Rajasthan block (RJ-ON-90/1) that currently has a total development and appraisal area of 4,743 sq km in the Barmer basin. The Rajasthan block is a pre-NELP (new exploration & licensing policy of GoI) block.

The original PSC for the Rajasthan block was signed in May 1995 between the Government of India (GoI) and a consortium comprising ONGC and Shell India Production and Development Ltd. Cairn acquired the latter's interest in the Rajasthan block PSC in three stages, eventually acquiring a 100% beneficial interest in the assets and liabilities as of May 2002 and the legal title to this 100% interest on 20 June 2003. Exhibit 1 lists the key timelines relating to this block:

Several discoveries over the past few years

Development in progress for early monetization

EXHIBIT 1: RAJASTHAN BLOCK – KEY TIMELINES

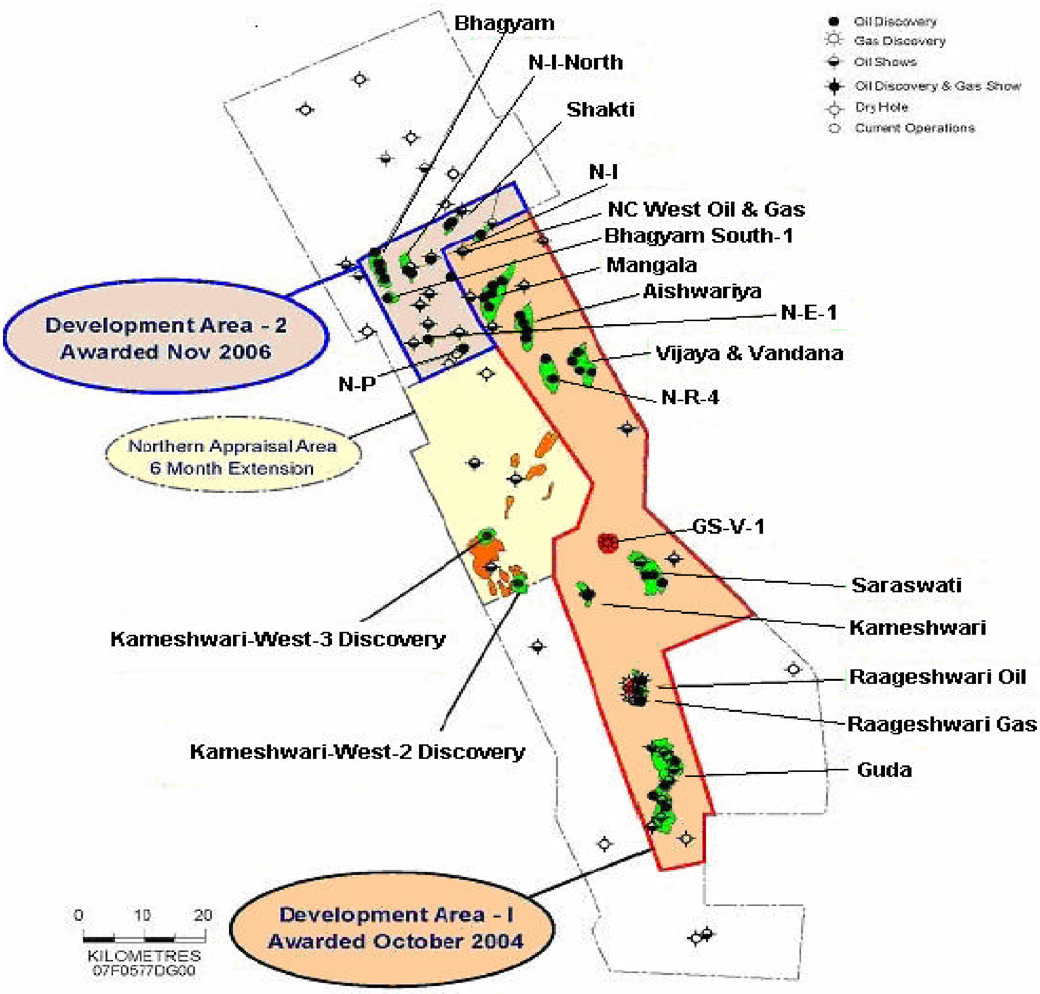
May-95	Original PSC signed between GoI and consortium of ONGC and Shell
Nov-01	Saraswati Oil discovery; Development plan approved in May 2006
By May-02	Cairn acquired 100% beneficial interest in three stages
Feb-03	Raageshwari oil discovery; Development plan approved in May 2006
Jun-03	Cairn acquired legal title to 100% interest
Jan-04	Mangala oil discovery; Development plan approved in May 2006
Mar-04	Aishwarya oil discovery; Development plan approved in May 2006
Apr-04	Shakti oil discovery
Aug-04	Bhagyam oil discovery
Jan-05	GoI (through ONGC) exercised 30% 'Back-in' right in development area; In rest of the block Cairn currently has 100% interest with GoI having its 30% 'back-in' right
May-06	FDP approved for four fields Mangala, Aishwarya, Raageshwari, and Saraswati (MARS) at total cost of US$2.5B
Nov-06	Bhagyam field DoC approved by DGH
2007	Phase-I of development drilling completed on Saraswati & Raageshwari
May-07	GoI granted 6 months extension to Exploration phase of Northern Appraisal Area
May-07	Bhagyam FDP approved by Operating committee, submitted to Management committee for final approval
2008	Development drilling to commence in Mangala

Source: Company/Industry/MOSL

The Rajasthan block has three main areas:

- **Main development area (1,858 sq km)** - This development area was awarded to Cairn in October 2004. The area includes Mangala, Aishwarya, Saraswati, and Raageshwari fields, which are currently under development.
- **Second development area (430 sq km)** - This area includes the Bhagyam and Shakti fields. The development area was approved by the Directorate General of Hydrocarbons (DGH) in November 2006.
- **Northern appraisal area (879 sq km)** - This area is adjacent to the above two development areas. Cairn had two discoveries (Kameshwari West-2 and Kameshwari West-3) in this area at end-2006.

EXHIBIT 2: RAJASTHAN BLOCK (RJ-ON-90/1)



Source: Company/MOSL

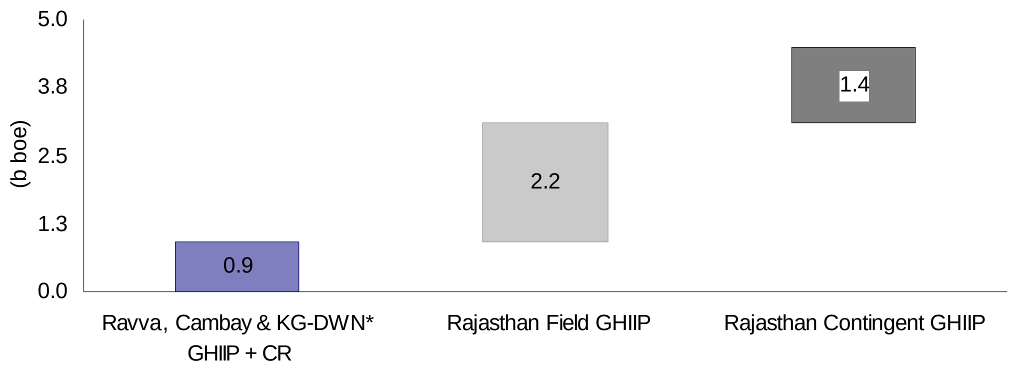
RJ-ON-90/1 - already a substantial resource base; upside remians

The Rajasthan block is already a world-class asset with gross 2P initial in-place hydrocarbon resources of 3.6b boe. Of this, 2.2b boe is currently in a development phase, with estimated 2P reserves of 632mmboe (Cairn's share: 442mmboe) at a recovery rate of 29%.

In addition, there are enhanced oil recovery (EOR) contingent resources of 256mmboe (Cairn's share: 179mmboe). Cairn is already working to establish optimal EOR techniques such as polymer flooding (improves recovery by up to 10%) and alkaline-surfactant-polymer (ASP) flooding (up to 25% additional recovery).

The Rajashthan block accounts for 80% of Cairn's assets

EXHIBIT 3: BULK OF CURRENT RESOURCES FROM RAJASTHAN BLOCK



*a) GHIIP: Gross Hydrocarbons Initially in place; b) CR: Contingent Reserves; c) * Have already recovered 200 mmboe from Ravva and 26 mmboe from CB/OS-2* *Source:Company/MOSL*

EXHIBIT 4: CAIRN - RESOURCE AND RESERVE ESTIMATES (MMBOE)

	GROSS 2P IIP HYDROCARBON	2P RESERVES	CONTINGENT RESOURCES	2P + EOR CONTINGENT
Gross Reserves for Rajasthan Block				
Gross Reserves for Rajsthan Block				
Fields under development				
Mangala	1,202	428	120	548
Bhagyam	468	140	56	196
Aishwariya	249	56	20	76
Saraswati / Raageshwari	298	8	6	14
Sub total	2,217	632	202	834
Other fields - To be develped	1,443	-	54	54
Rajasthan Block Total	**3,660**	**632**	**256**	**888**
CAIRN'S SHARE @70%				
Fields under development				
Mangala	841	300	84	384
Bhagyam	328	98	39	137
Aishwariya	174	39	14	53
Saraswati / Raageshwari	209	5	4	9
Sub total	1,552	442	141	583
Other fields - To be develped	1,010	-	38	38
Cairn's Total Share	**2,562**	**442**	**179**	**621**

Source: Company/MOSL

Upside could arise from the current development area …

Additional exploration efforts in the development area may also lead to further upside in resources and recoverable reserves.

For example, a significant increase in oil in place in the Mangala field has been witnessed since Cairn filed its first DoC (declaration of commerciality) in June 2004 to its IPO prospectus in December 2006. During this period the oil-in-place for Mangala field has increased by 45% from 829mmboe to 1,202mmboe.

EXHIBIT 5: MANGALA - OIP (GROWTH SINCE JUNE 2004)

	P90	P50	P10
DoC June 2004	242	829	
Doc Update Aug 2004	772	956	1,166
FDP Oct 2005	819	1,071	1,336
IPO Prospectus 2006	P50 - 20%	1,202	P50 + 20%

Source: Company/MOSL

Similarly, 2P STOIIP estimates for the Bhagyam field increased by 42% from 330mmboe at the time of DoC filing to 468mmboe at the time of field development plan submission. Cairn has recently submitted the FDP for approval to the Management Committee. The FDP envisages plateau production rate of 40,000bopd. The new plateau rate is much higher than the earlier indicative rate as per DoC filing of 25,200bopd.

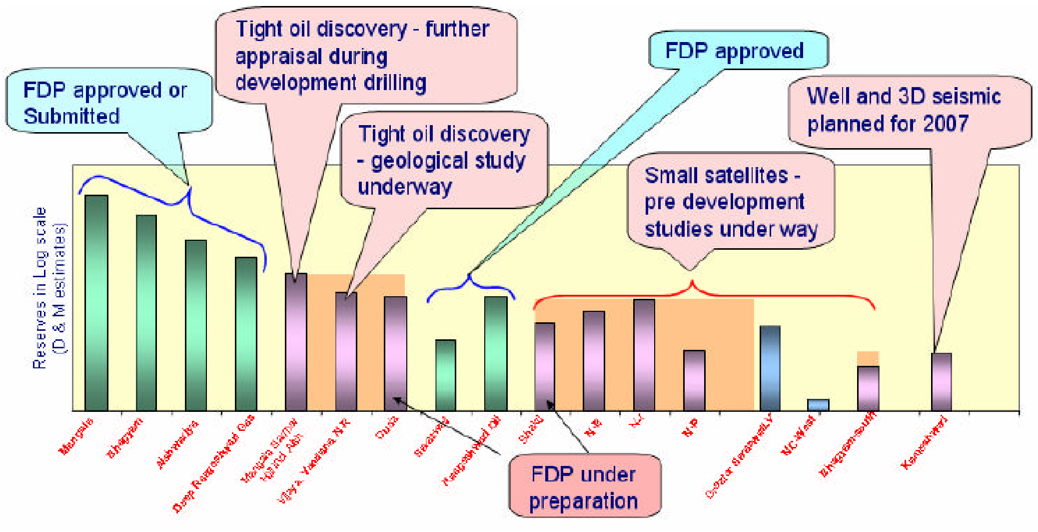
Additional exploration efforts in the development area could lead to reserves upside

We believe, that such upsides to reserves will keep accruing for some time, as the Rajasthan discovery is relatively new. We believe the next public disclosure of its reserve will be in its next annual report for CY07 (in early 2008).

… and by adding smaller fields to the development plan …

These smaller fields are currently estimated to contain 1.4bboe of contingent STOIIP. We believe, these small fields will also be included in the development plan once production commences from the six fields currently planned for development.

EXHIBIT 6: RAJASTHAN BLOCK STATUS



Source: Company/MOSL

… as well as from adding new development area

The most immediate candidate for addition to the development area could be the 879 sq km northern appraisal area (NAA). In May 2007, Cairn has been given a 6-month extension for further appraisal in the area (earlier extension expired in November 2006).

Appraisal drilling could lead to conversion of this area also into the development phase

Appraisal drilling on the two discoveries made in this area in 2006 (Kameshwari West - 2 & 3) has already begun. The company has said that these discoveries have opened a new play in the Barmer Hill/Lower Dharvi Dungar sand on the western margin of the base. The appraisal program currently underway targets further delineation of discoveries and exploration of the full potential of the block. Further appraisal could lead to conversion of this area also into the development phase.

Barmer Basin compares favorably with adjacent Cambay Basin

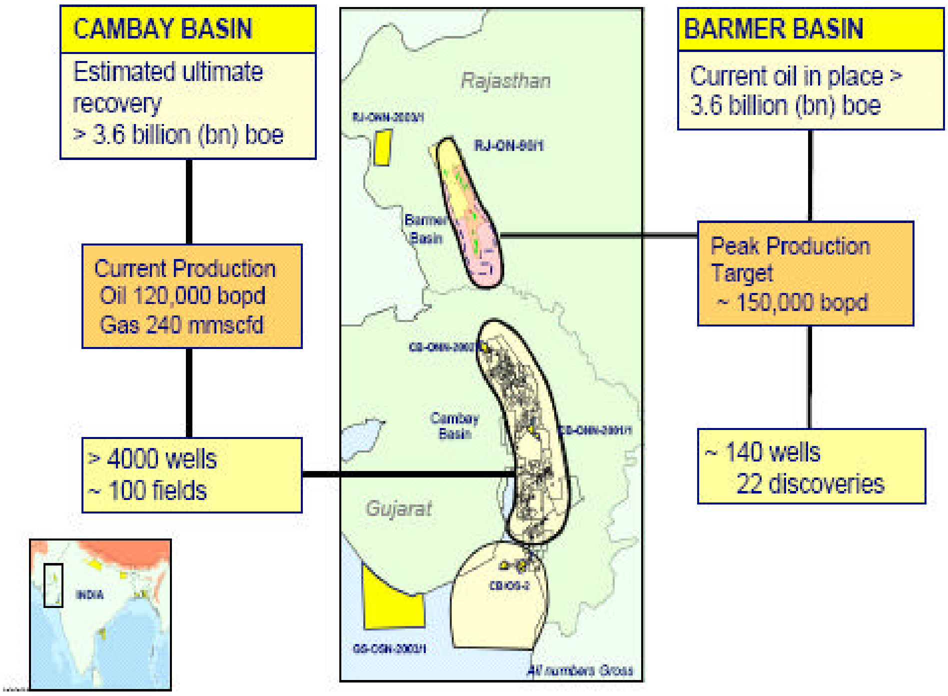
Barmer is comparable with the Cambay basin

The Barmer basin, wherein the Rajasthan block is located, is close to the Cambay basin in Gujarat. The Barmer basin as shown in the figure 7 below is possibly an extension of the larger basin. The Cambay basin has been successfully explored for several years with over 4,000 wells drilled over the past four decades. Presently the Cambay basin, with estimated ultimate recovery of over 3.6bboe, continues to produce over 120,000bpd.

Cairn indicates that, in comparison with Cambay, the Barmer basin has not been explored so extensively; just 140 wells have been drilled so far. Even with such limited exploration, the Rajasthan block has already established oil-in-place resources of 3.6bboe. With further continued exploration, there is possibility of substantial further upside at the Barmer basin.

EXHIBIT 7: BARMER BASIN V/S CAMBAY BASIN

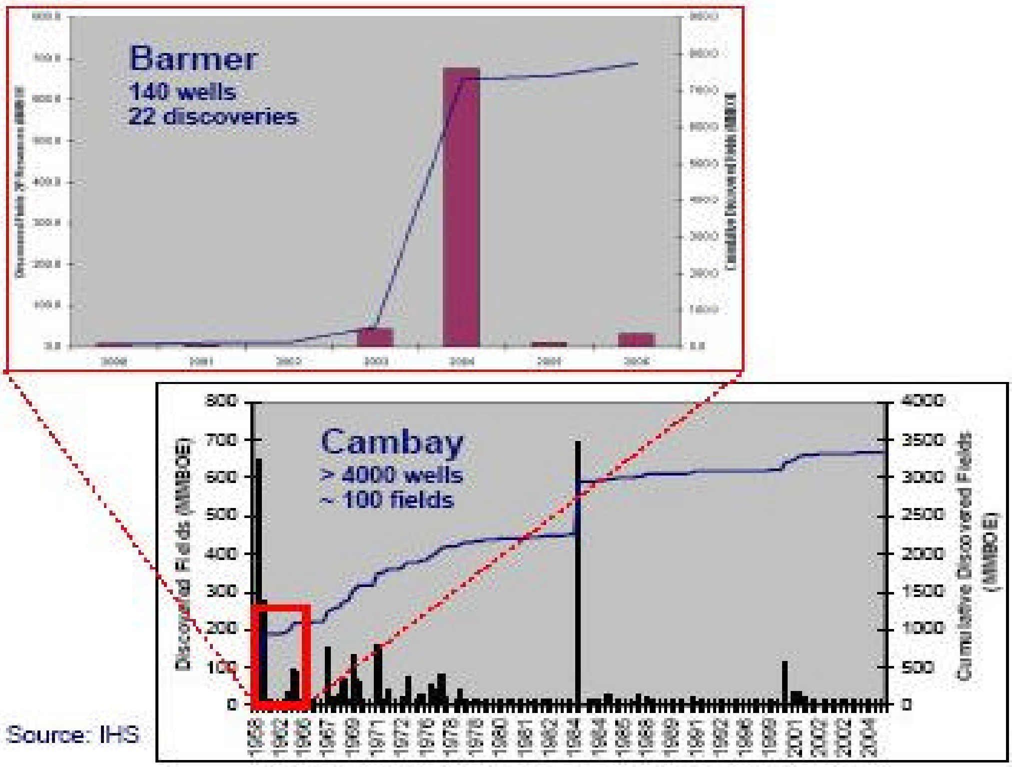
Comparable resources already established, significant upside potential remains



Source: Company/MOSL

EXHIBIT 8: BARMER BASIN IN VERY EARLY STAGE OF DEVELOPMENT V/S CAMBAY

Barmer basin much less explored with 140 wells compared to 4,000 wells in Cambay Basin



Source: Company/MOSL

Proposed new pipeline route provides access to bulk of Indian refining capacity

Cairn and ONGC have jointly agreed to a revised pipeline route for evacuation of Rajasthan crude. The new pipeline route envisages the insulated/heated pipeline to reach SBM/Jetty at Salaya near Jamnagar via IOC's Viramgam terminal. The proposed 585km 20" to 24" insulated pipeline will entail total investment of US$750m, which will be shared by Cairn and ONGC in the ratio 70:30.

New pipeline route will allow Rajasthan crude access to existing inland as well as coastal refineries

The new route will allow Rajasthan crude access to the existing pipeline infrastructure catering to inland refineries (IOC's Mathura, Panipat, and Koyali and HPCL's proposed Bhatinda refinery) as well coastal refineries at Jamnagar (RIL, RPL and Essar). Apart from access to these refineries, the final coastal delivery point will also enable the balance crude to be shipped to other coastal refineries on the western coast like MRPL in Mangalore or BPCL and HPCL in Mumbai.

The previously proposed pipeline route was much shorter (400km) linking Mangala directly to Mundra port. However, this route would not have provided direct access to refineries in the northern and western parts of the country.

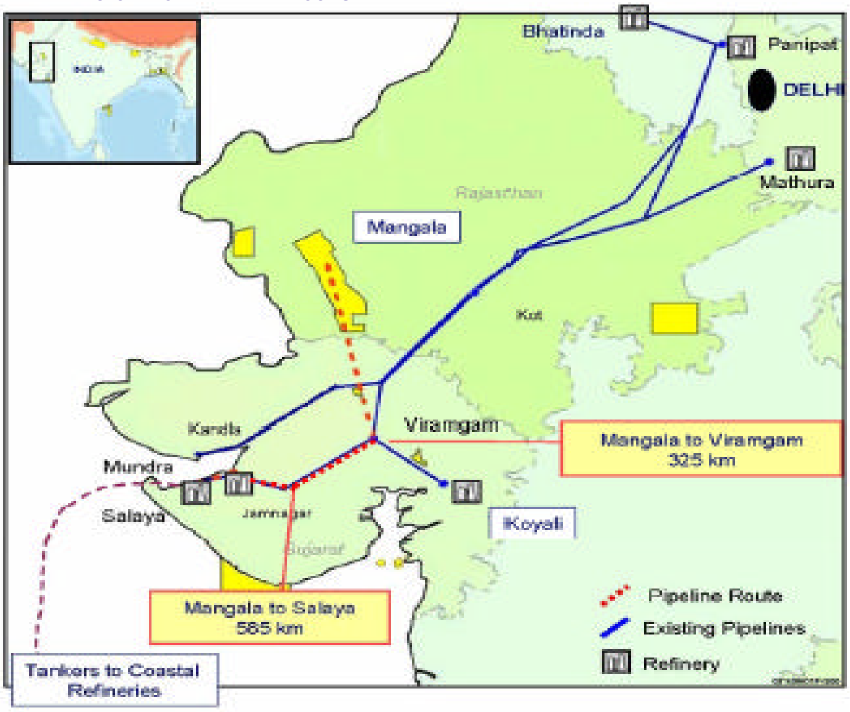
Access to nearly 75% of refining infrastructure would mean that the concern or the previous dependence on a single refinery, MRPL to pick up the entire Rajasthan crude will be eliminated. We believe that all existing refineries can process a significant proportion of Rajasthan crude without having to make any alteration in their current process configurations. Access to large existing refining systems as well as a coastal delivery point, will ensure that Cairn will be able to extract international benchmark prices for similar type of crude, and will not need to sell its product at any significant discount.

EXHIBIT 9: PROPOSED PIPELINE ROUTE - ACCESS TO LARGE REFINING CAPACITY AND THE COASTLINE

REFINERIES	LOCATION	CURRENT CAPACITY (MMTPA)	CAPACITY IN 2009-10 (MMTPA)
PSU	On Land	34	52
	Coastal	55	60
Private Sector	Coastal	41	75
Total		**130**	**187**

Source: Company

The revised pipeline route gives access to 75% of India's refining capacity



Source: Company/MOSL

Rajasthan crude is waxy, heavy; will likely entail discount to Brent

The crude being waxy could entail a discount to Brent

The Rajasthan crude oil is waxy in nature (high pour point), leading to higher viscosity. High viscosity means that the crude has the propensity to solidify at much higher temperatures than is the case commonly. Cairn will be using hot water injection recovery techniques, which will result in higher operating costs compared to conventional on-land fields. In addition, post recovery of oil, and in order to maintain the flow rates and prevent solidification, the evacuation infrastructure will need to be heated/insulated again leading to higher capital and operating costs.

EXHIBIT 10: CRUDE QUALITY AT DIFFERENT BLOCKS IN RAJASTHAN FIELD

FIELD	API GRAVITY	SULPHUR CONTENT	POUR POINT (DEGREE C)	TYPE
Mangala	27.4	Low	42.0	Waxy and Sweet
Bhagyam	21-33	N.A	39-45	Waxy and Sweet
Aishwariya	27-32	Low	40-45	Waxy and Sweet
Raageshwari	35.0	N.A.	N.A.	High wax
Saraswati	40.0	Low	30.0	Light and Sweet

Source: Company

Apart from being waxy, Rajasthan crude is also heavy (specific gravity 0.89) and high in total crude CCR (Conardson Carbon Residue) content of over 10% by weight. This means most simple refiners will find it difficult to process the crude unless they have substantial secondary processing capabilities.

EXHIBIT 11: RAJASTHAN CRUDE IS DIFFICULT COMPARED TO MUMBAI HIGH

	RAJASTHAN	MUMBAI HIGH	NILE
API	27.00	39.00	35.00
Pour Point	45-48	27.00	32.00
Acid Number, mg KOH/gm	0.42	0.08	0.19
Sulphur % wt	0.14	0.15	0.04
Conardon Carbon Residue (CCR) %wt	10.20	1.04	3.28

Source: Industry

The difficult nature of crude will mean that Rajasthan crude will likely trade at some discount to Mumbai High or other similar light and sweet crudes. Cairn has indicated that it has arrived at an alignment with ONGC for the crude pricing formula and has indicated a benchmark of international crude that will be considered for pricing (see table below).

We have considered a basket of Indonesian Duri and Widuri crudes, which have similar properties, as the benchmark indicated by Cairn (again shown in table below).

EXHIBIT 12: A MIX OF DURI-WIDURI COULD POSSIBLY BE BENCHMARK CRUDE FOR RAJASTHAN

			ILLUSTRATIVE	DURI - WIDURI		
	MANGALA	BRENT	BENCHMARK	DURI	WIDURI	52:48 MIX
API	27.4	38.0	26.6	21.0	32.6	26.6
Sulphur	0.14	0.44	0.15	0.14	0.07	0.11
Barrels / tonne	7.1	7.5	7.0	6.8	7.3	7.0
Pour Point	42.0	3.0	31.0	21.0	42.0	31.1

Source: Company *Source: MOSL*

We assume oil prices at delivery point to be at 10% discount to our long term Brent price assumption of US$55bbl

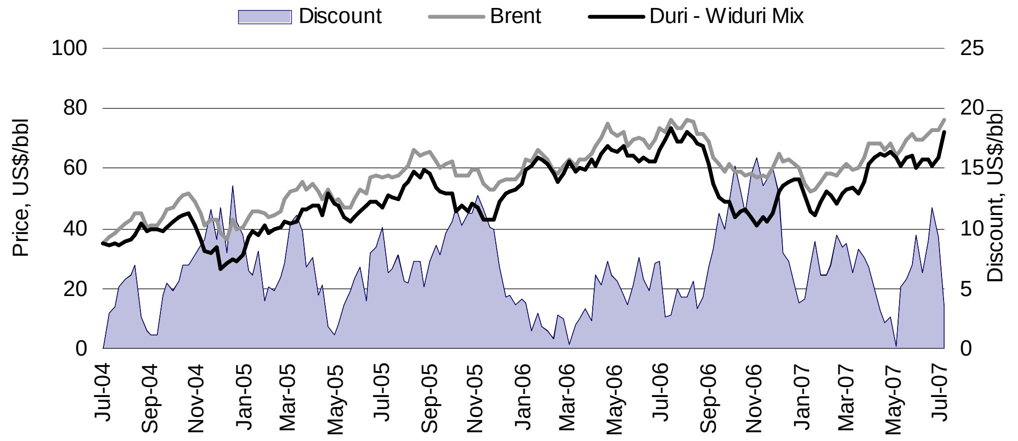
The 52:48 mix of Duri and Widuri crude that we consider, has generally traded at a discount to Brent over the past three years as shown in Figure 13 below. However, the discounts have shown substantial volatility over this period. On an average, the discount has been about US$6.6/bbl or 12% to the Brent price.

We believe that this mix will continue to trade at similar discount going forward. We assume oil prices at the delivery point to be at 10% discount to our long-term Brent price assumption of US$55/bbl.

Duri-Widuri discounts to Brent have been highly volatile

Average discount for past three years at US$6.6/bbl or 12%

EXHIBIT 13: BRENT V/S WIDURI MIX



Source: Bloomberg/MOSL

Production to begin in 2009; Peak production of 150,000bpd by end-2010

Crude production from Rajasthan block to begin from October 2009

Cairn plans commencement of oil production from the Mangala field 2009 (exact timeframe not yet disclosed; we assume commencement from October 2009). The initial production target is at 50,000bpd, to be increased to 96,000bpd in nine months and finally reaching a plateau of about 100,000bpd for three years before decline begins.

Bhagyam is slated to start production 6 months post the Mangala start (we assume April 2010) with targeted plateau now enhanced to 40,000bpd post recent FDP filing from the earlier 25,020bpd. Production from Aishwairya (plateau rate 17,000bpd) is scheduled to commence 6 months after Bhagyam (we assume October 2010). In addition, several other smaller fields are also scheduled to commence production during and after this time frame.

We model the peak plateau rate to be 150,000bpd

Overall, Cairn is still sticking to its earlier target of peak plateau rate from the Rajasthan block, of 150,000 bpd, post the increase in production rate from Bhagyam by 15,000bpd. Rather than increasing overall forecast, the company believes that the increased level from Bhagyam would increase the confidence level to meet earlier target. We also currently model the peak plateau rate at 150,000bpd.

EXHIBIT 14: INCREASING CONFIDENCE TO MEET PLATEAU PRODUCTION OF 150,000BPD

FIELD	PRODUCTION COMMENCEMENT	PEAK PLATEAU (BPD)	REMARKS
Mangala	2009	96,000	Initial production 50,000 bpd, Plateau in 9 months, sustained for 3 years
Bhagyam	1HCY10	40,000	To commence 6 months after Mangala, Plateau rate increased from earlier 25,000 bpd
Aishwariya	2HCY10	17,050	To commence 1 year after Mangla, Production to sustain between 14,340 to 12,450 bpd for 3 years
Raageshwari	2007	1,000	Production slated to commence post GOI approval and finalisation of Oil sale agreement
Saraswati	2007	1,400	
Shakti & Others	2010	0	FDPs yet to be filed
Total		**155,450**	

Source: Company/MOSL

Early implementation of EOR to enhance plateau rates and recoveries

Cairn plans to use the EOR technique early to enhance oil recovery

Cairn plans early implementation of the aqueous-based EOR (enhanced oil recovery) techniques with the aim of increasing ultimate oil recovery as well as extending the production plateau periods of each of its fields. Cairn's early screening studies have concluded that polymer flooding or alkali-surfactant-polymer (ASP) flooding could be preferred EOR options. Exhibit 15 highlights these two techniques:

EXHIBIT 15: POLYMER FLOODING

- Mature and low cost process that could increase recovery by up to10% over water flood
- Not very sensitive to oil price and well spacing
- Does not require extensive field testing before expansion
- Could be applied field-wide as soon as 2012 if facilities and chemicals are available

ALKALINE-SURFACTANT-POLYMER (ASP) FLOODING

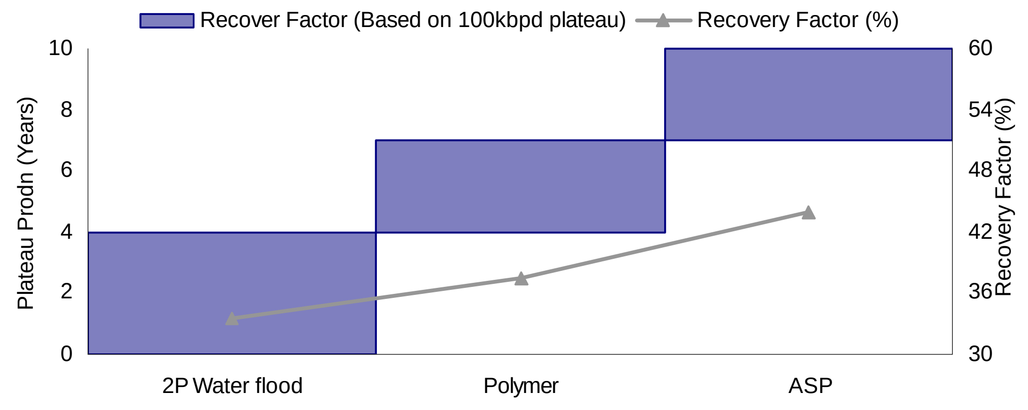
- Could increase up to 25% incremental reserves over Polymer and Water Flood
- Complex process and requires water softening
- High risks and costs but higher rewards
- Highly sensitive to oil price and well spacing
- Requires more extensive field testing and longer to implement
- Would require at-least 2-3 years longer for field implementation

Source: Company

Plateau periods could be increased up to 10 years

Expected additional recovery of 196mmboe

EXHIBIT 16: SIGNIFICANT INCREASE POSSIBLE IN PLATEAU RATE AND RECOVERY RATES



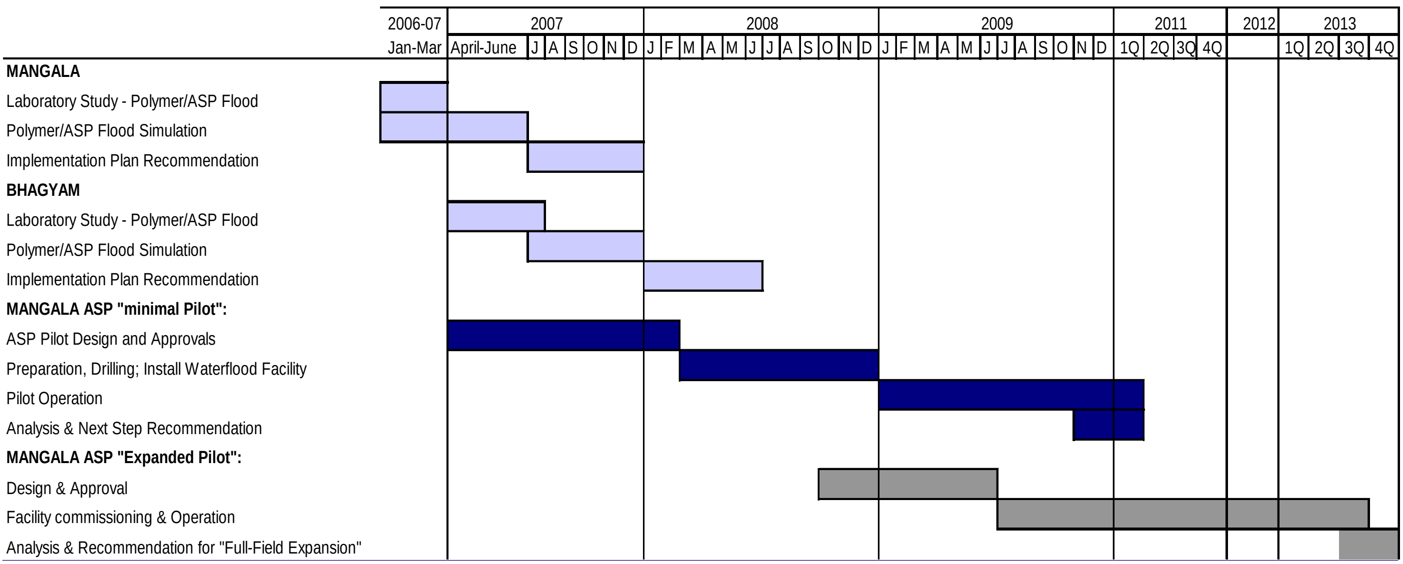
Source: Company

Phase 1 laboratory tests for use of this technique is already complete

The first phase of the third party laboratory test for these techniques have been completed for Mangala. The company is targeting a pilot project by 2009-2010 to demonstrate the field scale applicability of these techniques.

The company has indicated that fieldwide polymer flooding could commence 2-3 years after first oil production (2009-2010) and fieldwise ASP flooding could commence after 5+ years of first oil production.

EXHIBIT 17: INDICATIVE SCHEDULE FOR EOR IMPLEMENTATION



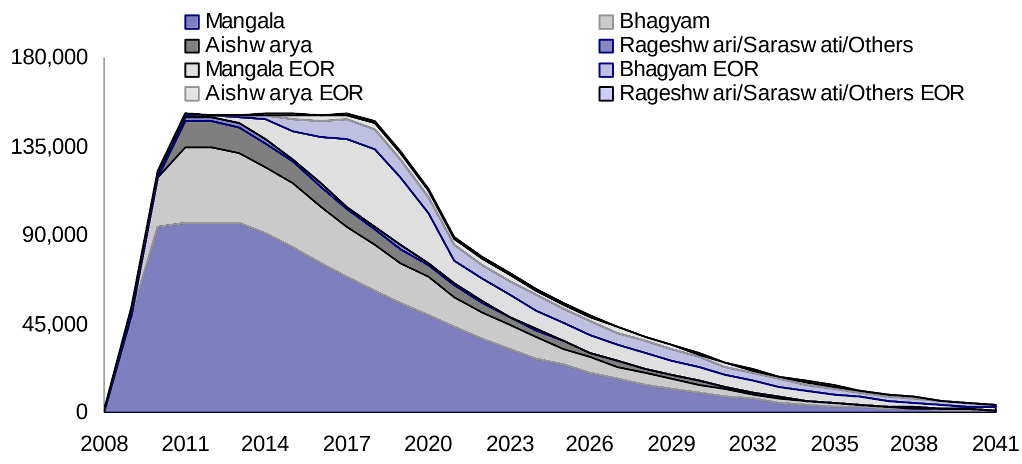
Source: Company/MOSL

In our base case estimation, we assume that Cairn will implement early EOR techniques beginning 2011. We build recovery of 196mmboe (Cairn's share: 138mmboe) through EOR, in addition to the base recovery of 632mmboe (Cairn's share: 442mmboe). This indicates total normal recovery rate of 28.5% and additional recovery of 8.5%, using EOR.

The per share value on DCF is estimated at Rs123 without EOR. The per share value for EOR is estimated at Rs19, translating to total per share value of the Rajasthan block at Rs142.

We built recovery of 632 mmboe of 2P reserves and 196mmboe of contingent resources through EOR

EXHIBIT 18: OUR PRODUCTION BUILD UP FOR RAJASTHAN BLOCK (BOEPD)



Source: Company/MOSL

Favorable PSC terms; Cess issue yet to be resolved

ONGC is the original licensee for the Rajasthan block PSC. As per terms of the PSC, Cairn bears all the exploration risks and costs, as it has 100% rights in the exploration phase. However, in case any field is decided to be developed post successful discoveries, the GoI can exercise its 30% back in rights. ONGC, on behalf of GoI, assumes these back in rights. Hence during the development and production phase, Cairn's share of costs reduces to 70% and ONGC shares the balance 30%. Also, as the licensee, ONGC is required to pay all royalty, annual rent charges and license fee.

Each eligible unit (field) in the block is allowed a 7-year income tax holiday, during which only minimum alternate tax requires to be paid. MAT can be carried forward for a period of 7 years to reduce corporate tax payable in later years.

Up to 100% cost recovery for exploration, development and production costs is allowed before allocation of profit petroleum. The share of profit petroleum to GoI is on an escalating scale with GoI's share at 50% (maximum) as shown in the exhibit 19.

EXHIBIT 19: KEY FEATURES OF RAJASTHAN PSC

PSC TERMS	RAJASTHAN RJ-ON-90/1
Royalty	0% to Cairn
Cess	0% (Under debate)
Cost Petroleum	1
Profit Petroleum	IM achieved in prior year
Tax Holiday	7 years

PROFITS PETROEUM SHARE (%)		
INVESTMENT MULTIPLE	GOI SH.	CAIRN SH.
0 < 1.5	20	80
1.5 < 2.0	30	70
2.0 < 2.5	40	60
> = 2.5	50	50

Source: Company/MOSL

OIDA cess remains contentious

Oil Industry Development Act, 1974 (OIDA) cess is a specific levy on crude oil production in India. The current rate of cess in India is Rs2,575/MT (levy of Rs2,500/MT plus education tax of 3%), which is equivalent to US$8.9/bbl.

The GoI, being of the view that Cairn is liable to pay the cess, had asked payment to be made in August 2004 (at the then rate of Rs1,800/mt), when Cairn started producing oil for testing purposes from the Rajasthan block. Cairn paid the cess amount, but under protest, and lodged a formal challenge seeking a full refund. But after receiving an order confirming Cairn's liability, the company has appealed to the Customs, Excise and Service Tax Appellate Tribunal. The case is pending with the tribunal.

Cairn disputes payment of the cess on the following grounds:

- There is no specific mention of cess in the Rajasthan PSC (the block was one of the two blocks among the 20 blocks signed, that did not mention cess)
- Even if cess is payable, the rate should be Rs900/MT, the rate applicable at the time the Rajasthan PSC, as the PSC has fiscal stability provisions.

GoI will find it tough to resolve the issue of cess proactively in Cairn's favor

Cairn believes that its position on the issue of cess is very strong. However, it is difficult for the government to resolve this issue proactively in Cairn's favor without arbitration. We believe, the issue will remain an overhang until actual commercial production begins from the block (end-2007 or early-2008). If the government's final ruling on the issue goes against Cairn, the latter will opt for arbitration, which could be lengthy.

We foresee three possible scenarios in this case:

1. **Positive:** Cairn has no liability to pay. This will provide an upside of Rs12/share to our base estimate. We are not assuming this scenario.
2. **Base:** Cairn pays Rs900/MT plus education tax of 3% (total liability of US$3.1/bbl). This is our current base case assumption.
3. **Negative:** Cairn is liable to pay at current rate of Rs2,500/MT plus 3% education tax. In this case, it will also be liable to pay additional levy of National Calamity Contingent Duty (NCCD) of Rs50/MT (total liability of US$8.9/bbl). This scenario will provide downside of Rs18/share to our base estimates.

EXHIBIT 20: CESS ISSUSE: SCENARIO

SCENARIO	CESS	EDU. CESS	NCCD	TOTAL		UPSIDE/(DOWNSIDE)	
	RS/MT	RS/MT	RS/MT	LABILITY RS/MT	US$/BBL	RS /SHARE	(%)
Positive	0	0	0	0	0	12	7
Base	900	27	0	927	3.1	0	0
Negative	2,500	75	50	2,625	8.9	-18	-11

Source: Company/MOSL

Rajasthan block: Our DCF summary

We value the Rajasthan block on a DCF basis and arrive at a per share price of Rs142. Our key assumptions and DCF summary are given below.

KEY ASSUMPTIONS

RESERVES CAIRN'S WORKING INTEREST	
Recoverable 2P Reserves (mm bbls)	442
EOR Recovery (mm bbls)	138
Crude price Realisation	
Long term Brent price (US$/bbl)	55
Rajasthan Crude Realisation (10% disc to Brent)	50
Crude price inflation %	0.5
Operating Costs	
Lifting cost (US$/bbl)	4
Lifting cost for EOR (US$/bbl)	11
Government Levies	
Royalty (%)	N.A.
Cess (Rs/MT)	927
Max revenue recovery allowed as per PSC (%)	100

DCF: CAIRN INDIA

	2008E	2009E	2010E	2011E	2012E	2013E	2014E	2015E	2016E	2017E	2018E	2019E	2020E
Gross Production	1,000	52,400	121,600	149,768	149,643	146,693	138,625	128,921	116,029	104,426	93,983	84,585	76,127
Cairn's Share	700	36,680	85,120	104,838	104,750	102,685	97,037	90,245	81,220	73,098	65,788	59,210	53,289
EOR Production (bopd)													
Gross Production	0.0	1,000	1,500	1,500	3,500	12,500	22,200	34,900	47,350	53,870	47,871	37,485	23,110
Cairn's Share	0.0	700.0	700	1,050	1,050	2,450	8,750	15,540	24,430	33,145	37,709	33,510	26,239
Total Production (bopd)													
Gross Production	1,000	53,400	123,100	151,268	153,143	159,193	160,825	163,821	163,379	158,296	141,854	122,070	99,237
Cairn's Share	700	37,380	85,820	105,888	105,800	105,135	105,787	105,785	105,650	106,243	103,497	92,719	79,528
Revenues (Rs m)	**531**	**8,144**	**53,925**	**77,679**	**78,216**	**77,900**	**78,775**	**79,167**	**79,679**	**80,307**	**78,623**	**70,787**	**61,187**
EBITDA	456	6,980	46,148	58,536	53,830	40,402	33,913	33,762	33,553	33,409	32,477	29,336	25,580
Capex	15,603	23,461	1,887	980	980	980	980	980	980	980	980	980	980
Tax	0	0	-3,788	-5,179	-4,783	-3,471	-2,880	-2,948	-3,006	-3,068	-2,999	-2,697	-7,573
Free Cash Flow	-15,147	-16,482	48,049	62,735	57,633	42,893	35,813	35,730	35,578	35,496	34,496	31,053	32,173
Discount Factor	1.00	0.90	0.82	0.74	0.67	0.60	0.54	0.49	0.44	0.40	0.36	0.33	0.30
Dicsounted Cash Flow	**-15,147**	**-14,892**	**39,228**	**46,278**	**38,414**	**25,832**	**19,488**	**17,568**	**15,806**	**14,249**	**12,512**	**10,176**	**9,527**

DCF SUMMARY - CAIRN'S SHARE	
Discount Rate (%)	11
Net Present Value (Rsm)	258,028
Net Present Value (US$m)	6,223
Number of Shares (m)	1,778
Per Share Value (Rs)	**142**

Source: MOSL

Currently producing assets provide cash

Cairn already operates two producing blocks in India at Ravva (KG-Basin) and at CB/OS-2 in the Cambay basin. Apart from providing the experience of operating and developing hydrocarbon resources to make it ready for the much bigger Rajasthan block, these blocks also provide significant cash flows to fund its large exploration & development plan. The two fields currently produce about 77,400bopd (Cairn's share: 19,800bopd), and generate cash flow from operations of about US$200m per year.

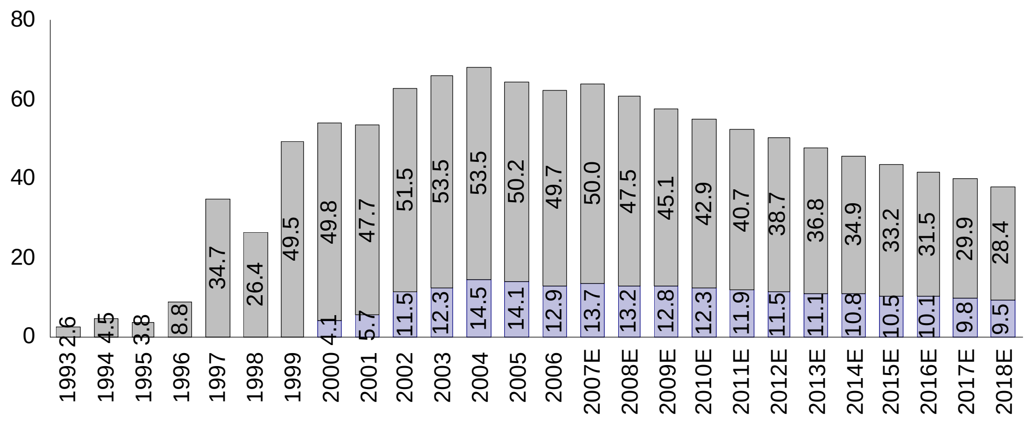
Ravva: In-fill drilling continues to extend plateau

Plateau rates being maintained through in-fill drilling and continued exploration

Ravva is a mature field in block PKGM-1 in the KG-Basin off the coast of Andhra Pradesh. ONGC had discovered the field in 1987 and production commenced in 1993. The PSC for the block was signed with a consortium of ONGC (40%), Videocon Petroleum (25%), Ravva Oil (12.5%) and Command Petroleum (22.5%). In 1996, Cairn Energy Plc. acquired Command Petroleum and became the operator of the block.

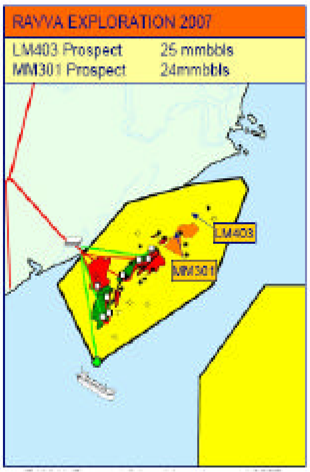
Cairn had significantly increased production levels from Ravva from about 3,700bpd before PSC execution to 35,000bpd in 1997, and to the current plateau rate of about 50,000bopd achieved in 1999. The current gross production rate is about 64,000boepd (51,500bopd of oil and 74mmscfd of gas). With cumulative production of nearly 220mmbbl, the water flooding strategy has already resulted in a high recovery rate of nearly 60%.

EXHIBIT 21: PLATEAU EXTENDED BY IN-FILL DRILLING AND WATER INJECTION ('000 BOEPD)



Source: Company/MOSL

EXHIBIT 22: RAVVA EXPLORATION



Source: Company

More drilling continues to further extend plateau

To further extend the plateau in near term, Cairn is implementing an extensive offshore infill development and exploration-drilling program since October 2006. Production has already commenced from three new in-fill wells and one successful appraisal well. A further three workover wells are planned with the rig.

We assume that despite large in-fill drilling and further exploration being continued, the Ravva field will start to show production decline from 2008. However, we take decline rates at lower 5% per annum v/s the industry average of 7% in view of continued efforts by the operator to stem the decline. We value Cairns stake in the block at Rs10/share on a DCF basis.

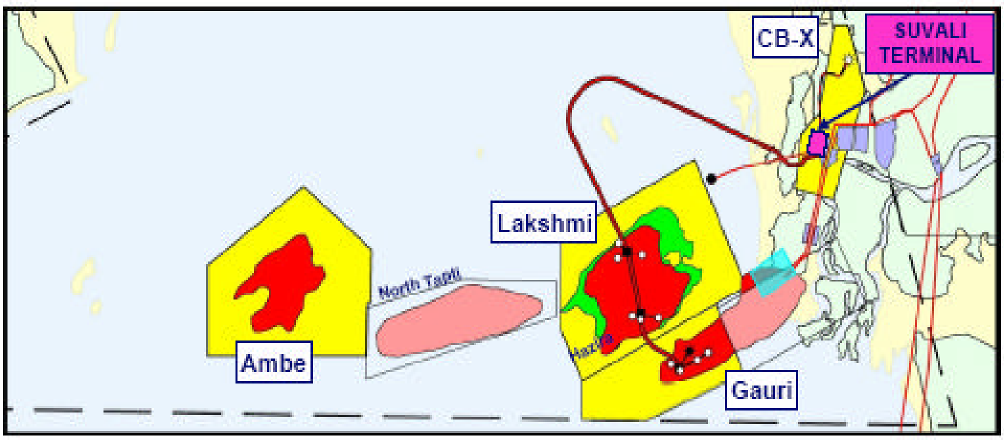
CB/OS-2 - Cambay basin

Cairn is the operator (40% stake) in Block-CB/OS-2, which is mainly offshore with some parts onshore in the Cambay basin. Other partners in the block are ONGC (50%) and Tata Petrodyne (10%).

Fast track development: Laxmi discovery to production in just 28 months

Cairn had reported gas discoveries in Laxmi, Gauri, and Ambe offshore fields in year 2000. Both Laxmi and Gauri fields currently produce gas with Gauri also producing some commingled oil. The current gross production from Laxmi and Gauri is 13,500boepd, comprising 4,250bopd of oil and condensate and 55mmscfd of gas. Commerciality of Ambe was declared in April 2006, and FDP is currently under preparation.

EXHIBIT 23: CAMBAY BASIN - BLOCK - CB/OS - 2



Source: Company/MOSL

In the onshore part of the block, Cairn had natural gas discovery in CB-X field in Feb 2004. The production from this field, which targets rate of 3-5mmscfd, has recently commenced in 2QCY07.

Company is currently focused on further development of the field and has planned offshore four well in-fill development drilling programs in the block; scheduled to commence in 2HCY07. For this it has already contracted a drilling rig, the "Offshore Courageous" from Scorpion Offshore.

We currently value the Cairn's stake in the block at Rs6/share on a DCF basis.

Significant large other exploration acreage provides upside

Cairn has extensive exploration interest in 12 blocks covering an area of 94,800 sq km

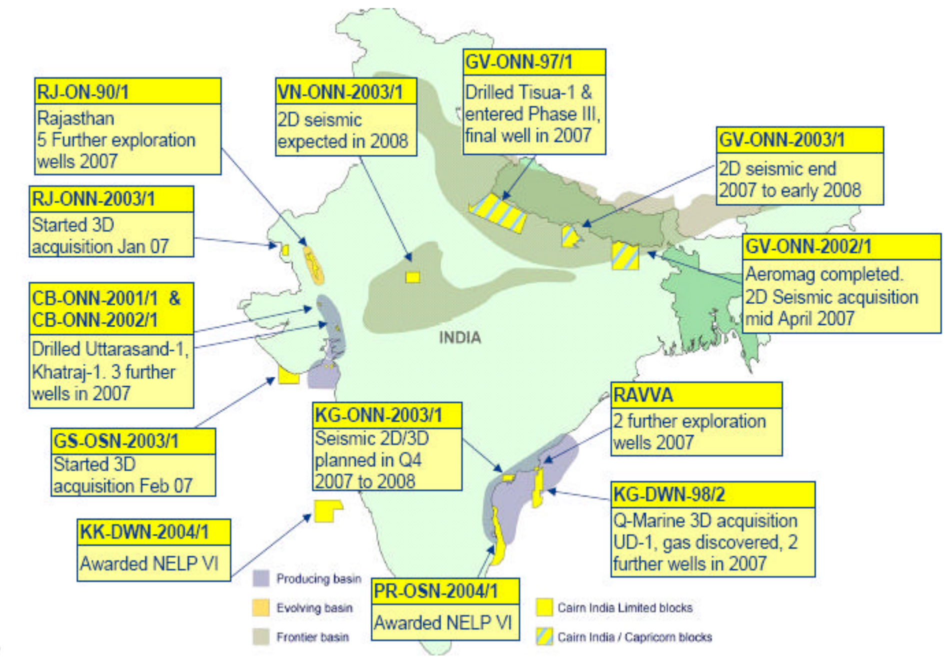
In addition to the Rajasthan block under development, and two producing blocks (Ravva and Cambay), Cairn has large exploration interest in 12 other blocks. In five of these blocks, Cairn is the operator.

EXHIBIT 24: OVERVIEW OF CAIRN'S E&P ASSETS

BLOCK TYPE	BLOCKS	DETAILS
Producing	2	Ravva and CB/OS - 2
Development	1	Rajasthan
Exploration	12	Operatorship in 5 of these blocks
Total blocks in India	15	Including 2 acquired in NELP-VI

Source: Company/MOSL

EXHIBIT 25: CAIRN'S E&P INTERESTS IN INDIA



Source: Company/MOSL

As shown in the figure above, the exploration continues in various stages in all these blocks. We believe, with the focus currently on development of the Rajasthan block, the exploration efforts in other blocks will remain limited to meeting minimum work program commitment in the near term. However, once the cash flows start accruing from Rajasthan block in 2009, we would expect stepped-up exploration efforts.

Cairn has an excellent record in exploration success

Recently Cairn management has increased exploration capex guidance over 2007-09 to US$250m versus the earlier US$150m required as per minimum work commitment. Of this, about US$80m is earmarked for the current year.

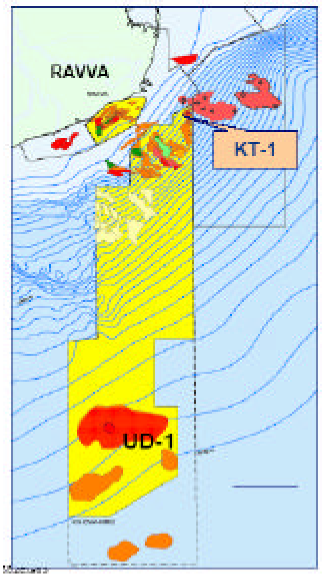
Cairn has had an excellent track record of exploration success, and has announced discoveries in each year since 1998.

EXHIBIT 26: CAIRN HAS OIL OR GAS DISCOVERY EVERY YEAR SINCE 1998

1998	Ravva satellite gas discoveries - RD5, RG & RH
1999	Rajasthan - Guda
2000	Cambay discoveries - Lakshmi, Gauri, Ambe
2001	KG Deepwater discoveries - Annapurna, Padmavati, Kanaka Durga and 'DWN-N'
	& Rajasthan – Saraswati
2002	Rajasthan – Guda extension, Raageshwari,
2003	Rajasthan – Kameshwari, Cambay – CB-X
2004	Rajasthan - Mangala, Aishwariya, Shakti, Bhagyam
2005	Rajasthan - NI, Vijaya & Vandana, NC-West, GSV-1, Bhagyam South and NR4.
	KG Deepwater: U-1, A-1 and D-1
2006	Rajasthan - NE, NI-north, NP, Shakti North East, Kameshwari West-2 & -3, Barmer Hill reservoir in Mangala & Aishwariya. KG Deepwater – W-1, E-1 and ultra-deep water UD-1

Source: Company/MOSL

EXHIBIT 27: KG-DWN-98/2



Source: Company/MOSL

We currently value only KG-DWN-98/2 (Cairn 10%)

Access to large exploration acreage in 12 blocks and continued exploration has the potential to provide some upside going forward. However, we do not currently factor any value to Cairns's exploration acreage in these blocks except in the ONGC-operated (Cairn 10%) KG-DWN-98/2 block in the KG basin. Development plan for this KG-DWN-98/2 block has been recently filed based on one deep water discovery.

We assign a value of Rs5/share, to Cairn's 10% interest in the deep water block. We currently value only the announced 2P results of 2.09 tcf for which ONGC plans to file the development plan. However, ONGC remains optimistic of the much larger potential from the block (up to 14tcf), as more area of the block is drilled further. Thus, we believe that the upside to Cairn could keep accruing as the confidence in reserve potential from this block increases.

EXHIBIT 28: KEY TIMELINES OF KG BLOCK

2000	NELP 1 Block signed: 8 year PSC in 3 phases.
	Initially 100% Cairn equity.
	2,780 line km 2D and 1,500 sq km 3D seismic acquired
2001	6 wells drilled:
	2 gas discoveries: Annapurna, KG-N-1
	2 oil discoveries: Padmavati and Kanaka Durga
2005	90% equity and operatorship farmed out to ONGC;
	3 exploration wells leading to 3 discoveries: D-1, A-1, U-1
2006	3 wells drilled 2 discoveries: W-1, E-1, (G-1, dry).
	Acquired 1,250 km2 3D Q-marine and 2,55km 2D seismic.
	Spudded UD-1 in water depth of 2,846m, significant gas discovery
2007	E-Deep drilled (dry). Expect to complete Pre FEED evaluation by June. KT-1 well expected to spud late May. Further appraisal possible year-end or in 2008. Development plan for 2P reserves based on UD-1 discovery to be filed soon.

Source: Company/MOSL

Complex legacy holding structure: Moving toward restructuring

Cairn India's holding structure is complex - this is a legacy from its parent. Its operating assets in various blocks are held in various subsidiaries.

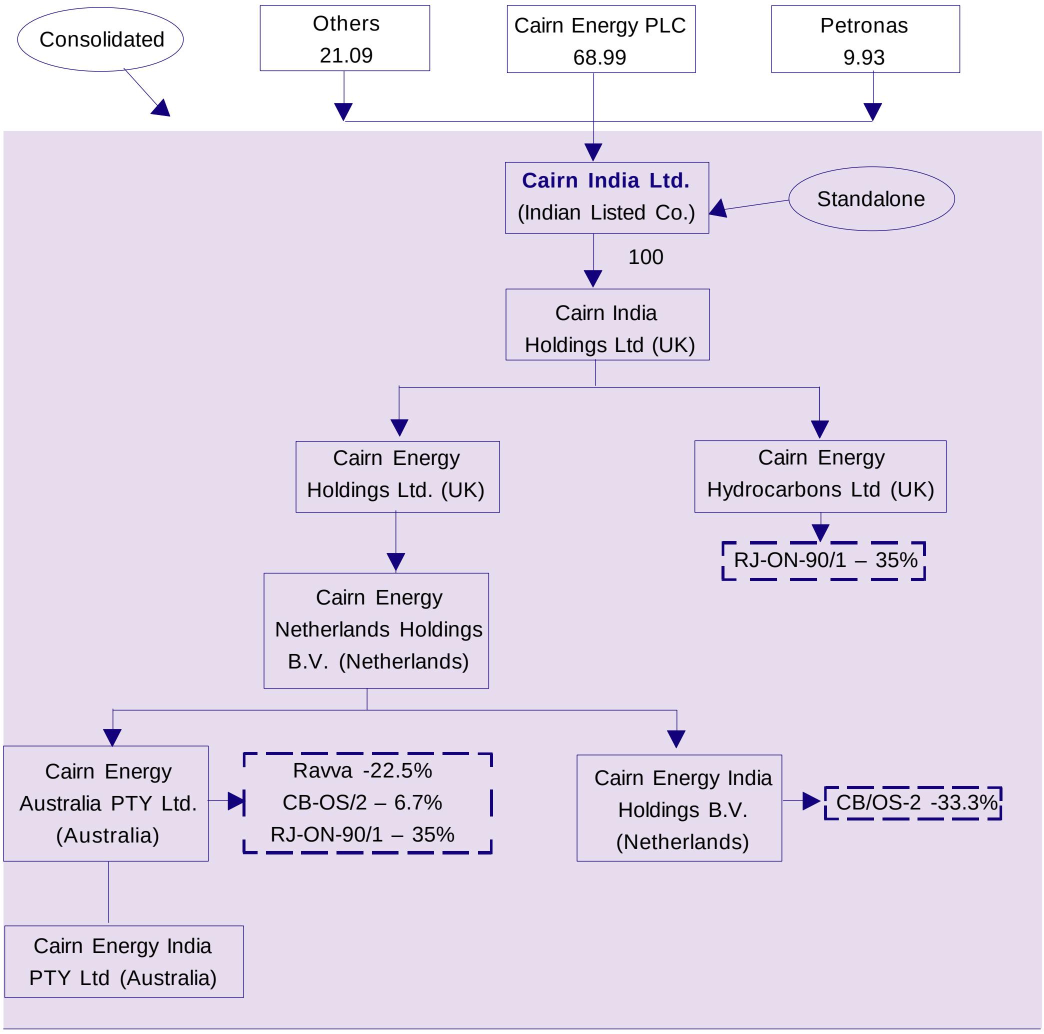
Cairn indicates it is examining restructuring the holding pattern

The complex structure, apart from being difficult to operate and understand, was the reason the company had to pay taxes in 2QCY07 despite reporting accounting losses, in our view. In 2QCY07, company reported loss before taxation of Rs312m, largely due to large depreciation in the value of its dollar deposits by Rs1,400m. However, despite reporting losses, the company had to account for taxes at Rs402m ((including deferred tax of Rs265m).

The reason for this was that the company currently has the bulk of its cash balances (about US$525m) in dollar deposits in separate overseas entity to fund its projected dollar outflows for capital expenditure. However, operating assets are kept in another set of entities. Since dollar deposits are kept in separate entity, loss on account of the revaluation adjustment of these dollar deposits is not allowed to be adjusted against the operating profits of the operating entities. This resulted in company having to pay taxes.

Company has indicated that it is currently examining the process to restructure the holding pattern. Though, exact timelines are not disclosed, we believe that complex structure will soon be replaced by a simpler one.

EXHIBIT 29: CAIRN INDIA GROUP STRUCTURE (%)



Source: Company/MOSL

Valuation and recommendation

We value Cairn's Rajasthan block (including EOR) and its currently producing blocks (Ravva and Cambay) on DCF basis. We also value Cairn's stake in the KG block based on announced 2P reserves of 2.09TCF. Upside potential to valuation comes from these blocks as well as other blocks in its stable. We value Cairn on Sum of Parts basis at Rs163 per share. We initiate coverage with a **Buy**.

We have valued Cairn on a sum-of-the-parts basis and assigned Rs163/share

The Rajasthan block, which is set to commence production in 2009, provides 87% of value of our current value. With the block still in early stage of exploration and development, we believe it continues to have significant upside potential.

We value Cairn's currently producing assets (Ravva and Cambay) at Rs16/share. We assign a value of Rs5/share, to Cairn's 10% interest in the KG-DWN-98/2.

We do not attribute any value to Cairn's other exploration acreage in 9 blocks, as all these blocks are still in early stages of exploration.

EXHIBIT 30: OUR VALUATION FOR CAIRN

	US$M	RS B	RS/SHARE
Rajasthan Block - Base	5,214	219	123
Rajasthan Block - EOR	786	33	19
Ravva	458	18	10
Cambay	266	11	6
KG-DWN-98/2	209	9	5
Other Exploration Assets	0	0	0
Total	**6,934**	**290**	**163**

Source: Company/MOSL

Key risks to our valuation

- **Oil prices:** We believe high oil prices are here to stay, and assume the long-term average Brent oil price at US$55/bbl. We also assume that Cairn's Rajasthan crude will be sold at 10% discount to Brent. A lower oil price environment and/or higher actual discounts for Rajasthan crude pose downside risk to our estimate.
- **Cess:** We assume Cairn will be required to pay cess (levy) of Rs927/MT v/s the current cess rate of Rs2,675/MT (including education tax and NCCD cess). Cairn believes it is not liable to pay any cess and is currently contesting cess payment with the GoI on the issue, and indicates that in case of an adverse decision, Cairn will opt for arbitration. Higher cess payment than our estimate will be negative for Cairn by Rs18/share; similarly if Cairn is required not to pay any cess, it will be positive by Rs12/share.

- **Pipeline:** We assume that GoI will approve Cairn and ONGC's jointly planned pipeline to evacuate Rajasthan crude. We also assume that the pipeline will be included in FDP for the Rajasthan block. Based on these assumptions, we assume Cairn to begin production from the Rajasthan block in October 2009. However, any significant delays in final approval of the pipeline and/or non-inclusion of pipeline cost in FDP will be negative for our estimates.
- **EOR:** The company has indicated that it plans to utilize EOR techniques to enhance production rates and plateau periods. In our estimates we assume recovery of 196mmboe (Cairn share 138mmboe) through EOR. Currently the company is testing EOR techniques at laboratory levels. Non-implementation of EOR, or lower recovery of oil through EOR, will result in downside to our estimates. We currently value EOR recoveries at Rs19/share.

INCOME STATEMENT					(RS MILLION)
Y/E DECEMBER	2007E	2008E	2009E	2010E	2011E
Net Sales	**10,045**	**10,604**	**16,686**	**54,608**	**74,470**
Change (%)		*5.6*	*57.4*	*227.3*	*36.4*
Total Income	10,045	10,604	16,686	54,608	74,470
Employee Costs	1,193	1,312	1,444	1,588	1,747
Other Expenditure	437	481	529	582	640
Operating expenses	1,248	1,338	1,906	5,558	7,407
EBITDA	**7,167**	**7,473**	**12,808**	**46,881**	**64,677**
% of Net Sales	*71.3*	*70.5*	*76.8*	*85.8*	*86.8*
Depreciation & Exploration wrtie-off	4,160	5,084	6,455	10,848	10,261
Interest	70	1,276	3,100	3,287	2,179
Other Income	1,702	1,021	1,021	500	500
Forex Fluctuations	-1,544				
PBT	**3,095**	**2,134**	**4,275**	**33,245**	**52,737**
Tax	1,976	761	969	5,504	8,565
Rate (%)	*63.8*	*35.7*	*22.7*	*16.6*	*16.2*
PAT	**1,119**	**1,373**	**3,306**	**27,741**	**44,171**
Adjusted PAT	**1,119**	**1,373**	**3,306**	**27,741**	**44,171**
Change (%)		*22.7*	*140.8*	*739.1*	*59.2*

E: MOSt Estimates

BALANCE SHEET					(RS MILLION)
Y/E DECEMBER	2007E	2008E	2009E	2010E	2011E
Share Capital	17,784	17,784	17,784	17,784	17,784
Reserves	276,136	277,509	280,437	292,307	311,208
Net Worth	**293,920**	**295,293**	**298,221**	**310,091**	**328,992**
Total Loans	5,920	22,437	46,450	26,602	21,820
Deferred Tax	4,260	4,644	4,858	4,872	6,486
Capital Employed	**304,100**	**322,374**	**349,529**	**341,565**	**357,298**
Gross Fixed Assets	1,292	1,292	22,817	22,817	22,817
Less: Depreciation	936	968	997	2,961	4,748
Net Fixed Assets	**356**	**324**	**21,820**	**19,856**	**18,069**
Capital WIP	23,684	39,287	11,917	11,917	11,917
Producing Properties (net of depletion)	3,698	2,659	29,554	25,056	20,037
Goodwill	256,460	256,460	256,460	256,460	256,460
Investments	4	4	4	4	4
Curr. Assets, L & Adv.					
Inventory	550	581	914	2,992	4,081
Debtors	963	1,017	1,600	5,236	7,141
Cash & Bank Balance	18,817	22,521	28,239	24,139	45,318
Loans & Adv. and Other CA	2,501	2,501	2,501	2,501	2,501
Current Liab. & Prov.					
Liabilities	826	872	1,371	4,488	6,121
Other Liabilities	2,108	2,108	2,108	2,108	2,108
Net Current Assets	**19,898**	**23,640**	**29,775**	**28,272**	**50,811**
Misc. Expenses	0	0	0	0	0
Application of Funds	**304,100**	**322,374**	**349,529**	**341,565**	**357,298**

E: MOSt Estimates

RATIOS

Y/E DECEMBER	2007E	2008E	2009E	2010E	2011E
Basic (Rs)					
EPS	**0.6**	**0.8**	**1.9**	**15.6**	**24.8**
Cash EPS	1.6	2.0	3.8	20.6	29.5
Book Value	165	166	168	174	185
DPS	0.0	0.0	0.2	7.8	12.4
Payout (incl. Div. Tax.)	0.0	0.0	11.4	57.2	57.2
Valuation (x)					
P/E	219.6	179.0	74.3	8.9	5.6
Cash P/E	85.4	69.9	36.0	6.7	4.7
EV / EBITDA	33.1	33.5	21.0	5.4	3.5
EV / Sales	23.6	23.6	16.1	4.6	3.1
Price / Book Value	0.8	0.8	0.8	0.8	0.7
Dividend Yield (%)	0.0	0.0	0.1	5.6	9.0
Profitability Ratios (%)					
RoE	0.4	0.5	1.1	9.1	13.8
RoCE	1.6	1.1	2.2	10.6	15.7
Turnover Ratios					
Debtors (No. of Days)	35	35	35	35	35
Fixed Asset Turnover (x)	7.8	8.2	1.4	2.4	3.3
Leverage Ratio					
Net Debt / Equity (x)	0.0	0.0	0.1	0.0	-0.1

E: MOSt Estimates

CASH FLOW STATEMENT (RS MILLION)

Y/E DECEMBER	2007E	2008E	2009E	2010E	2011E
Profit /(Loss) before Tax	3,095	2,134	4,275	33,245	52,737
Depreciation	1,760	2,144	3,515	8,848	8,261
Direct Taxes Paid	-1,280	-377	-755	-5,490	-6,952
(Inc)/Dec in Wkg. Capital	-2,373	-38	-417	-2,597	-1,360
Other op activities	0	0	0	0	0
CF from Op. Activity	**1,202**	**3,863**	**6,618**	**34,006**	**52,686**
(Inc)/Dec in FA & CWIP	-12,841	-16,676	-24,535	-2,387	-1,455
(Pur)/Sale of Investments	0	0	0	0	0
Loans and Advances	0	0	0	0	0
Other In activities	0	0	0	0	0
CF from Inv. Activity	**-12,841**	**-16,676**	**-24,535**	**-2,387**	**-1,455**
Change in Equity	131	0	0	0	0
Inc / (Dec) in Debt	1,956	16,517	24,014	-19,849	-4,781
Dividends Paid	0	0	-378	-15,871	-25,270
CF from Fin. Activity	**2,087**	**16,517**	**23,635**	**-35,719**	**-30,052**
Inc/(Dec) in Cash	**-9,551**	**3,704**	**5,718**	**-4,100**	**21,179**
Add: Opening Balance	28,368	18,817	22,521	28,239	24,139
Closing Balance	**18,817**	**22,521**	**28,239**	**24,139**	**45,318**

E: MOSt Estimates

Annexures

Annexure I: E&P Blocks held by Cairn India

NO	BLOCKS	BASIN	OPERATOR	INTEREST (%)	JV PARTNERS	OFFSHORE/ONSHORE
Producing Block						
1	PKGM-1 (Ravva)	Krishna Godavari	Cairn India	22.5	ONGC (40%); Videocon (25%); Ravva Oil (12.5%)	Offshore
2	CB/OS-2*	Cambay	Cairn India	40	ONGC (50%); Tata Petrodyne Ltd (10%)	Offshore
Development Blocks						
3	RJ-ON-90/1**	Barmer	Cairn India	70	ONGC (30%)	Onshore
Exploration Blocks						
4	CB-ONN-2001/1	Cambay	ONGC	30	ONGC (70%)	Offshore
5	CB-ONN-2002/1	Cambay	ONGC	30	ONGC (70%)	Offshore
6	KG-DWN-98/2	Krishna Godavari	ONGC	10	ONGC (90%)	Offshore
7	GV-ONN-97/1	Himalayan Foreland	ONGC	15	ONGC (40%); IOC (30%); Cairn Energy (15%)	Onshore
8	GV-ONN-2002/1	Himalayan Foreland	Cairn India	50	Cairn Energy (50%)	Onshore
9	GV-ONN-2003/1		Cairn India	24	ONGC (51%); Cairn Energy (25%)	Onshore
10	GS-OSN-2003/1	Gujarat Saurasthra	ONGC	49	ONGC (51%)	Offshore
11	KG-ONN-2003/1	Krishna Godavari	Cairn India	49	ONGC (51%)	Offshore
12	VN-ONN-2003/1	Chambal valley	Cairn India	49	ONGC (51%)	Onshore
13	RJ-ONN-2003/1	Rajasthan	ENI India Limited	30	ONGC (36%); ENI India Ltd (34%)	Onshore
14	PR-OSN-2004/1	Palar	Cairn India	25	Cairn Energy (25%); ONGC (35%); Tata Petrodyne (30%)	Offshore
15	KK-DWN-2004/1	Kerala Konkan	ONGC	40	ONGC (45%); Tata Petrodyne (15%)	Offshore

**Includes Lakshmi, Gauri, CB-X & Ambe; ** Includes Mangala, Aishwariya, Saraswati Raageshwari; Bhagyam & Shakti.*

Source: Company/Industry/MOSL

Annexure II

GOI'S SHARE IN CAIRN'S VARIOUS BLOCKS

INVESTMENT MULTIPLE	GOI SHARE (%) RAJASTHAN (RJ-ON-90/1)	PTRR (%)	GOI SHARE (%) RAVVA (PKGM-1)	GOI SHARE (%) CAMBAY (CB-OS-2)
0 < 1.5	20	<15	10.0	12.5
1.5 < 2.0	30	<20	15.0	22.5
2.0 < 2.5	40	<25	20.0	45.0
> = 2.5	50	<30	25.0	50.0
		<35	35.0	55.0
		<40	35.0	60.0
		>40	60.0	60.0

PTRR - Post tax rate of return *Source: Company/MOSL*

Annexure III

PSC TERMS FOR CAIRN'S BLOCKS

PSC TERMS	RAVVA (PKGM-1)	CAMBAY CB-OS/2	RAJASTHAN RJ-ON-90/1
Royalty	Rs481/tonne	0% to Cairn, Paid by Licencee	0% to Cairn
Cess	Rs900/tonne, +2% uplift	0% to Cairn, Paid by Licencee	0% (Under debate)
Cost Petroleum	100%	100%	100%
Profit Petroleum	PTRR achieved	PTRR achieved	IM achieved in prior year
Tax Holiday	Does not apply to main field	7 years	7 years

PTRR - Post tax rate of return; IM - Investment multiple *Source: Company/MOSL*

Annexure IV

GLOSSARY OF ACRONYMS

NO.	ACRONYM	DESCRIPTION
1	1P	Proved
2	2P	Proved + Probable
3	3P	Proved + Probable + Possible
4	bbl / bbls	barrel / barrels
5	b boe	billion barrels of oil equivalent
6	boepd	barrels of oil equivalent per day
7	bpd / bopd	barrels per day / barrels of oil per day
8	CBM	Coal bed methane
9	DGH	Directorate General of Hydrocarbons
10	GoI	Government of India
11	kbpd	thousand barrels per day
12	mmb/d	million barrels per day
13	mmbbls	million barrels
14	mmboe	million barrels of oil equivalent
15	mmbtu	million british thermal units
16	mmscmd	million metric standard cubic meters per day
17	NELP	New Exploration Licensing Policy
18	OGIP	Original gas in place
19	tcf	trillion cubic feet
20	STOIIP	Stock Tank Oil Initially in Place

Source: Industry/MOSL

N O T E S

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1. Analyst ownership of the stock	No
2. Group/Directors ownership of the stock	No
3. Broking relationship with company covered	No
4. Investment Banking relationship with company covered	No