



Energy for India

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2010-11

Annual Report &
Financial Statements



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Annual Report 2011

This section provides details on the Board of Directors, and message from the Chairman and the Managing Director & CEO

This section provides a brief overview of the Company's operations; developments in various areas of the business; its achievements and future plans

This section provides the disclosures pursuant to Clause 49 of the Listing Agreement

This section contains the audited financial statements and report for Cairn India Limited – standalone and consolidated



Board of Directors

SIR BILL GAMMELL

Chairman and Non-Executive Director

Sir Bill Gammell, 58, holds a BA in Economics and Accountancy from Stirling University and was awarded a knighthood in 2006 for services to the industry in Scotland. He has more than 30 years of experience in the international oil and gas industry. He founded Cairn Energy PLC and was appointed Chief Executive on its initial listing in 1988. He is the Chairman and Non-Executive Director of Cairn India Limited and is a member of the Asia Task Force and the UK India Business Council. Sir Gammell, who is an ex-Scotland rugby internationalist, is also Chairman of Winning Scotland Foundation and a Director of Glasgow 2014 Limited as well as a member of the British Olympic Advisory Board.

MR RAHUL DHIR

Managing Director and CEO

Mr Rahul Dhir, 45, joined Cairn India as an Additional Director and was appointed as the CEO and Managing Director on 22 August 2006. He has completed his degree in Bachelor of Technology from the Indian Institute of Technology, Delhi. He went on to complete his M.Sc from the University of Texas at Austin and MBA from the Wharton

Business School in Pennsylvania. Mr Dhir started his career as an oil and gas reservoir engineer before moving into investment banking. He has worked at SBC Warburg, Morgan Stanley and Merrill Lynch. Before joining Cairn India, he was the Managing Director and Co-Head of Energy and Power Investment Banking at Merrill Lynch.

MR AMAN MEHTA

Non-Executive and Independent Director

Mr Aman Mehta, 64, is an economics graduate from the Delhi University. He was the Chief Executive Officer of HSBC Asia Pacific until 2003. Mr Mehta is currently an independent Non-Executive Director of several public companies in India as well as overseas. He has also served as a member of the Advisory Council of INSEAD, France, International Advisory Boards of Prudential Inc., USA and CapitaLand Ltd. of Singapore. Besides this, he is a member of Governing Body of Indian School of Business, Hyderabad.

MR NARESH CHANDRA

Non-Executive and Independent Director

Mr Naresh Chandra, 76, holds an MSc in Mathematics from Allahabad University and is a retired IAS officer. Previously,

Mr Chandra was the Chairman of the Committee on Corporate Governance, India's Ambassador to the USA, Advisor to the Prime Minister, Governor of Rajasthan, Cabinet Secretary to the Government of India, and Chief Secretary to the Government of Rajasthan. A reputed administrator and diplomat, Mr Chandra serves as an independent director on the boards of a number of companies.

DR OMKAR GOSWAMI

Non-Executive and Independent Director

Dr Omkar Goswami, 54, holds a MA in Economics from the Delhi School of Economics, and a D.Phil. in Economic History from the Oxford University. He has taught in several academic institutions in India and abroad; edited one of India's best known business magazines; was the Chief Economist of the Confederation of Indian Industry; and is the Executive Chairman of CERG Advisory Private Limited, a consulting and advisory firm. Dr Goswami serves as an independent director on the board of a number of companies, and has authored various books and research papers on economic history, industrial economics, public sector, bankruptcy laws and procedures, corporate governance, public finance, tax enforcement and legal reforms.



From Left to right: Sir Bill Gammell, Mr Rahul Dhir, Mr Aman Mehta, Mr Naresh Chandra, Dr Omkar Goswami, Mr Indrajit Banerjee, Ms Jann Brown, Mr Edward T Story

MR INDRAJIT BANERJEE

Executive Director and CFO

Mr Indrajit Banerjee, 55, was appointed as an Additional Director on 26 February 2007 and as the Executive Director and CFO on 1 March 2007. He graduated from the University of Calcutta with a Bachelor's Degree in Commerce. An associate member of the Institute of Chartered Accountants of India, Mr Banerjee started his career at PricewaterhouseCoopers in Calcutta in 1979. He has held several senior positions throughout his career, including 17 years at the Indian Aluminium Company, formerly part of the Alcan Group, and at Lucent Technologies (India). Before joining Cairn India, he was President-Finance and Planning at Lupin Limited.

MS JANN BROWN

Non-Executive Director

Ms Jann Brown, 56, was appointed Finance Director of Cairn Energy PLC in 2006 and is also a Non-Executive Director of Cairn India Limited. She holds an MA from the Edinburgh University and joined Cairn Energy PLC in 1998 after a career in the accountancy profession, mainly with KPMG. Prior to her appointment as Finance Director, she served on the Group Management

Board for seven years. She is a member of the Institute of Chartered Accountants of Scotland and the Chartered Institute of Taxation. She is also the Senior Non-Executive Director of Hansen Transmissions International NV, a Belgian engineering company, which is listed on the London Stock Exchange.

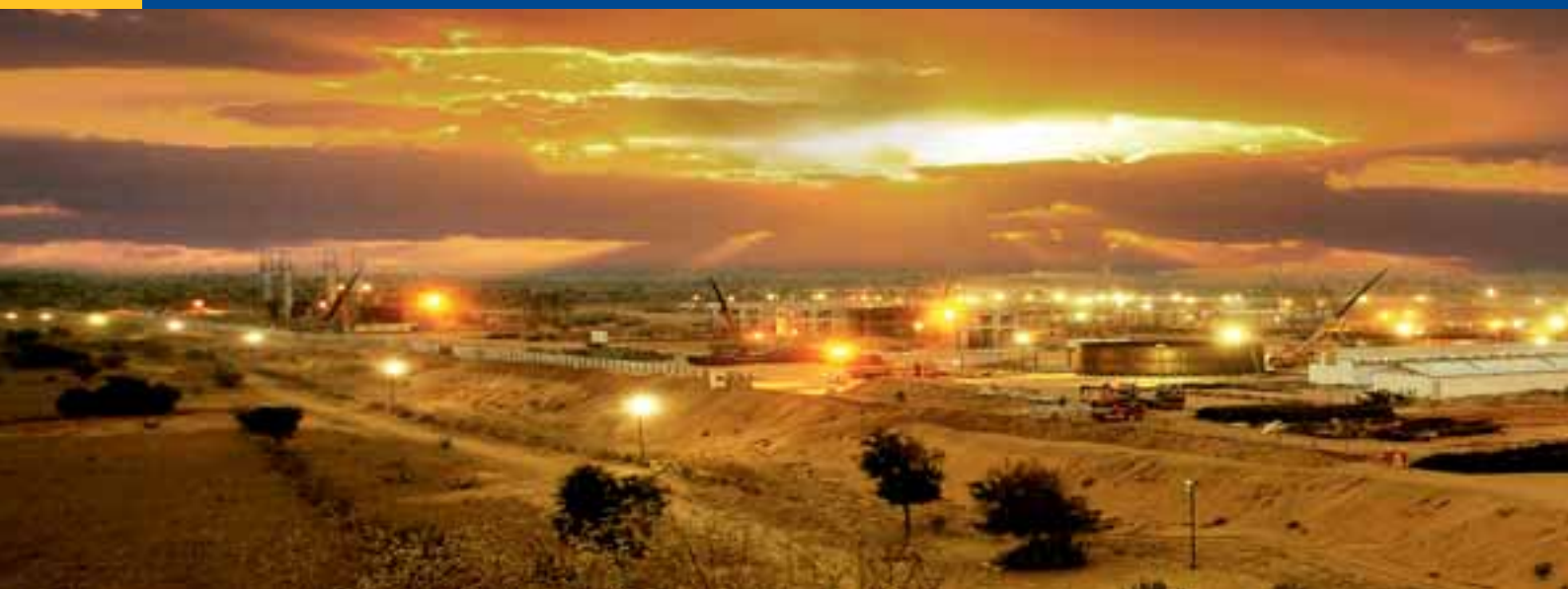
MR EDWARD T STORY

Non-Executive and Independent Director

Mr Edward T Story, 67, is a science graduate from the Trinity University, San Antonio, Texas and holds an MBA from the University of Texas. He has been conferred an honorary doctorate degree by the Institute of Finance and Economics of Mongolia. He is the Chairman of the North America-Mongolia Business Council. Mr Story has more than 40 years of experience in the international oil and gas industry and is the founder, President and Chief Executive Officer of the London Stock Exchange listed SOCO International plc.

Note: Mr Malcolm Shaw Thoms (Deputy Chairman) and Mr Rick Bott (Executive Director and Chief Operating Officer) stepped down from the Board of Directors in June 2011.

Chairman's Letter



Cairn India's experience has shown that it is possible to build world-class developments using the latest and most innovative technologies. It has also demonstrated your Company's ability to operate large scale projects in a safe and efficient manner

Dear Shareholder,

Cairn India is now responsible for the delivery of significant domestic crude production from its operated assets across the country. This has brought significant benefits to the nation, to the states of Rajasthan and Gujarat, our joint venture partner, Oil and Natural Gas Corporation Limited, and to the Company. With Cairn India now accounting for more than a fifth of India's total crude oil output, it has contributed significantly to savings in foreign exchange on account of crude oil imports.

FY2011 has been a year of delivery for your Company. Production from the Rajasthan block reached 125,000 barrels of oil per day with the crude now being transported to a number of Indian refineries by the world's longest continuously heated and insulated pipeline. This pipeline infrastructure is not only a global engineering achievement, but also a strategically important asset because all the remaining fields and discoveries in Rajasthan can be quickly connected to the market.

The successful start-up of piped oil production from the Mangala Processing Terminal has provided a tremendous platform for future growth, and contributed

a record turnover of INR 102.8 billion, or USD 2.26 billion in FY2011; and profit after tax of INR 63.3 billion, which translates to USD 1.39 billion.

The total Rajasthan resource base supports a vision for a potential production of 240,000 bopd, subject to further investment and approvals from the Government of India and the joint venture partner.

I would like to recognise all the hard work and commitment the management, employees and contractor teams working for Cairn India have put in. At the peak of construction, more than 16,000 people were involved in building the Mangala



Vision to develop a world class project in Rajasthan

Processing Terminal, the pipeline and related infrastructure — making it, without doubt, the biggest onshore oil and gas production project in India. The successful completion of Phase-I of the project stands testament to the skills and ingenuity that the Cairn India team has displayed in creating long lasting value to you as a shareholder and to other stakeholders in India.

Cairn India's experience has shown that it is possible to build world-class developments using the latest and most innovative technologies. The Rajasthan development has demonstrated your Company's ability to operate large scale projects in a safe and efficient manner and at a low cost.

The support of the Government of India, the state governments, our joint venture partner Oil and Natural Gas Corporation Limited, local communities and key contractors has been vital to the Company's exciting journey. I would personally like to thank all those who have played their part in developing this key project for India.

With a strong and sustainable cash flow, Cairn India is well positioned for future growth. It is now focused on maximising value from the phased development of the

Rajasthan resource base in the coming years.

In the summer of 2010, Cairn Energy PLC was approached by Vedanta Resources Plc with a proposal to purchase the majority of Cairn's Energy PLC's equity in your Company. The proposed transaction was agreed and announced by the two companies in August 2010, and approved by the shareholders of Cairn Energy PLC and Vedanta Resources Plc in Q4 CY2010. The transaction is currently awaiting approval from the Government of India.

Irrespective of this transaction, I look forward to Cairn India producing more hydrocarbons for the nation, and generating more income and profits for its shareholders.

Sir Bill Gammell
Chairman

Date: 25 June 2011

Managing Director and CEO's Letter



Dear Shareholder,

The first twelve words of Charles Dickens' "A Tale of Two Cities" could possibly describe the affairs of Cairn India Limited in FY2011: "It was the best of times; it was the worst of times". The year saw your Company performing remarkably well across various fronts; yet it faced an uncertain regulatory environment that delayed many activities and created significant anxieties.

Let me begin with the positives, for there are many.

First, the key financial results:

- Your Company's consolidated operating revenue for FY2011 was INR 102,779 million (USD 2,255 million). This was more than six times greater compared to INR 16,230 million (USD 342 million) in FY2010.
- Earnings before interest, depreciation, taxes and amortisation was INR 83,738 million (USD 1,838 million). This was seven times greater compared to INR 11,796 million (USD 249 million) in FY2010.
- Profit after tax was INR 63,344 million (1,390 million). It was six times greater compared to INR 10,511 million (USD 222 million) in FY2010.
- Basic Earnings per share for FY2011 was Rs.33.36, versus Rs.5.54 in FY2010.
- Lower operating costs, higher oil and gas output and firm prices helped your Company to turn cash positive in Q3 FY2011 and at the end of the year had INR 55,792 million (USD 1,249 million) in cash.

Financially, therefore, Cairn India has delivered on its promise. Let me now move on to operational parameters:

- Train One, Train Two and Train Three at the Mangala Processing Terminal (MPT) commissioned, Train Four well underway for delivery in H2 CY2011.
- Rajasthan crude oil production ramped up from 30,000 bopd to 125,000 bopd within less than 60 days of pipeline start-up; the first major step towards transformational, multi-year production and sales growth.
- Sales arrangements for 155,000 bopd are in place for the Rajasthan crude.
- Despite extreme temperatures and extremely difficult working conditions, the Rajasthan operations achieved 99% plant uptime.
- Average daily gross operated production for Rajasthan, Ravva and Cambay, was at 149,103 barrels of oil equivalent.
- 125,000 bopd processed at MPT was

transported to various refineries through the world's longest continuously heated and insulated pipeline

- Phase-I development of Rajasthan Block, including all production facilities and crude transportation pipeline was completed within budget and safely commissioned
- Cairn India continued its exploration efforts and was rewarded with a discovery in the Nagayalanka-1z well in the KG-ONN-2003/1 block.

You would agree that these are major achievements.

What are the activities planned for the future?

- Phase-II of the Rajasthan Project is well underway with the Bhagyam field expected to commence production in H2 CY2011.
- Marine terminal at Bhogat along with allied



View of the Mangala Processing Terminal, Barmer, Rajasthan

facilities is expected to be commissioned by H2 CY2012.

- Work is ongoing to commence production from the Aishwariya field, expected to come onstream in H2 CY2012.
- The Enhanced Oil Recovery (EoR) pilot is under way and the results to date are encouraging.
- Continue to focus on exploration activity in other blocks including Sri Lanka.

The theme of this year's annual report is 'Discover, Deliver, Transform'. Your Company has discovered significant resources in Rajasthan. Developing these resources, subject to approvals from Oil and Natural Gas Corporation Limited - the joint venture partner and the Government, will be important in realising the full production potential of Rajasthan.

We have delivered on our commitment by building an outstanding processing terminal at Mangala, and the world's longest insulated and continuously heated crude oil pipeline that will eventually move the crude from Barmer to Bhogat on the Arabian Sea coast — a distance of approximately 670 km.

By discovering hydrocarbons and delivering the world class facilities, your Company

has significantly contributed to the Indian economy. The Rajasthan block alone will deliver one fifth of India's crude oil requirement in the coming years and therefore deliver enormous value to the nation as well as Cairn India's shareholders.

Why then the second half of Dickens' quote: "it was the worst of times"?

This is because of the delays and uncertainties that have come into play surrounding the prospective deal between your Company's majority shareholder, Cairn Energy PLC and the buyer, Vedanta Resources Plc. What ought to have been a straightforward transaction subject to shareholder approval has now been drawn into the Government's decision-making ambit. As I write this letter to you, we do not know what final decision will be taken by the Cabinet Committee of Economic Affairs, Government of India which has been tasked to give its verdict. The long hiatus starting from mid-August 2010, when the deal was announced, has caused delays and uncertainty in managing a business that necessarily has to deal with the Government and the Rajasthan joint venture partner, Oil and Natural Gas Corporation Limited.

Nevertheless, your Company has enjoyed

"the best of times" instilling confidence in the future of Cairn India — of its ability to consistently discover, deliver, transform and create value for all its stakeholders.

Let me end with my thanks to the Government of India, State Government of Rajasthan and State Government of Gujarat, the Directorate General of Hydrocarbons, our joint venture partners, especially Oil and Natural Gas Corporation Limited, our contractors, our bankers and financial institutions, every fellow employee of Cairn India, and all of you, for your support in making Cairn India what it is today.

We are all proud of this achievement.

Rahul Dhir
Managing Director and CEO

Date: 25 June 2011

