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Here's how much Cairn-Vedanta deal will score on D-Street

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After ten long months of wait, the [Cairn](#) -Vedanta deal has finally made it through. The Cabinet Committee on Economic Affairs (CCEA) **has given a conditional approval** to the USD 9-billion deal, accepting most of the recommendations of the Group of Ministers (GoM).

Expectations have been flying high on the possible imprint of the deal that will be seen on the oil and gas sector. The deal for starters marks the entry of Vedanta Resources into the oil and gas sector. On the street, the deal may bring a possible start to a gradual climb for the Cairn India stock, observes SP Tulsian of sptulsian.com.

"Ultimately, the stock movement will depend on the crude price behavior. However, with respect to the deal of Cairn-Vedanta, there is no justification for Cairn India to fall below Rs 300 per share," Tulsian holds.

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Cairn India

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ONGC is all set to have the last laugh adding Rs 16,800 crore to its kitty, as Cairn will have to shell out the sum as royalty costs on its Barmer fields in Rajasthan and also withdraw cess arbitration. As Oil Minister Jaipal Reddy said the royalty would be treated as a cost recoverable item, Tulsian stays confident that the company will recover its costs.

On the other hand, Gokul Chaudhri, partner of BMR Advisors holds that "on a DCF basis, the royalty costs will mean a Rs 50-60 impact on Cairn's stock and the two parties have agreed upon by having an adjustment to the price of the transaction."

On the far reaching inferences of government's decision to make royalty cost recoverable, Chaudhri said, "I don't see the outcome of this production sharing contract and government's decision to have a widespread impact on the remaining 200 production sharing contracts that exist in this country."

According to Chaudhri, the deal is likely to have far reaching impacts on the dying investor sentiment in the oil and gas space. "Upstream companies are getting reluctant to invest into India's oil and gas sector. You need to have your value realization by exiting successful discoveries at some point of time and there were growing concerns that are we changing the rules of the game," Chaudhri says adding, it is crucial for the government to clear this deal.

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investors from the investment regime perspective. The government should have kept in mind that they have agreed to certain investment treaty arbitrations, under the bi-lateral investment treaties to give fair and equitable treatment to such foreign investors when they come from those jurisdictions," Desai stated.

Tags: [Cairn-Vedanta deal](#), [Cabinet Committee on Economic Affairs \(CCEA\)](#), [Group of Ministers \(GoM\)](#), [SP Tulsian](#), [Gokul Chaudhri](#), [ONGC](#)

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