

NOTES IN RELATION TO THE FINANCIAL RESULTS

1. Lanco Infratech Limited (the Company) is engaged in the business of construction and infrastructure development. The Company is also a holding company with investments mainly in its subsidiaries engaged in the business of Power Generation, Power Trading and Property Development. The main income for the Company is from its construction, infrastructure development and property development activities.
2. Pursuant to the recent amendments to the clause 41 of the listing agreement, the Company opted to publish only the consolidated results of the Company. The Company carries its Business verticals viz., EPC and Construction activities on its own and Power and Property Development through various subsidiaries, being special purpose vehicles exclusively formed to build, own and operate various Infrastructure projects. The consolidated results published above present the full revenues, expenses and the results of the business operations of the Company and its subsidiaries. Investors can view the standalone results of the Company on the Company's website www.lancogroup.com or on the websites of BSE (bseindia.com) or NSE (www.nse-india.com).
3. The above published consolidated results have been extracted from consolidated financial statements prepared in accordance with principles and procedures as set out in the Accounting Standard 21 on "Consolidated Financial Statements" and Accounting Standard 23 on "Accounting for Investments in Associates in Consolidated Financial Statements," issued by the Institute of Chartered Accountants of India (ICAI).
4. Depreciation in respect of power sector subsidiaries has been uniformly considered based on the rates as prescribed under Schedule XIV to the Companies Act 1956, with effect from the date of acquisition of respective subsidiaries. Depreciation on assets of power sector subsidiaries is charged in individual entities on different basis following accounting policies which are considered appropriate in each case and continue to follow the same.
5. As disclosed in the audited financial results of the Company for the year ended March 31, 2007, the Company has made an application to the ICAI seeking expert advisory opinion on the treatment of non-elimination of intra-group revenues and profits arising out of construction of projects under Build Operate Own and Transfer basis in line with the interpretation-12 issued by the International Financial Reporting Interpretation Committee on Service Concession Arrangements. Pending such clarification, the Company has not eliminated revenues amounting to Rs 297.56 Millions and Profits amounting to Rs.29.76 Millions for the quarter ended December 31, 2007 and revenue amounting to Rs. 932.10 millions and profit amounting to 93.21 millions for the nine months ended December 31,2007 arising out of such transactions in these unaudited consolidated financial results, as required by Accounting Standard 21 – "Consolidated Financial Statements" issued by the ICAI (AS-21).
6. As disclosed in the audited financial results of the Company for the year ended March 31, 2007, considering the management structure of Lanco Kondapalli Power Private Limited (LKPPL), the Company has presented its consolidated financial statements considering LKPPL as a subsidiary from April 01, 2006, though technically line by line consolidation should have been carried out from November 15, 2006, the date on which holding subsidiary relationship came in existence, as per the requirements of AS-21. The segment results for the quarter ended December 31, 2007 have been disclosed accordingly.
7. During the year ended March 31, 2007 the Company had consolidated certain group entities engaged in the business of Power, Construction and Property Development under its management. Consequently, these companies have become its subsidiaries/associates. Hence, the consolidated results for the current period are not fully comparable with those of the corresponding period of the previous year.

8. Segment Reporting:

- a) The segment report of the Company and its subsidiaries and associate has been prepared in accordance with Accounting Standard 17, "Segment Reporting" issued by the ICAI.
- b) The business segments of the Company comprise of the following:

Segment	Details of Business
Construction and EPC	Construction of Industrial, Residential and Commercial Buildings and Roads etc and EPC
Property Development	Development of integrated properties comprising of commercial and residential buildings
Power	Generation of Power and Trading of Power
Others	Residual activities

9. Utilisation of funds received through Initial Public Offer(IPO):

During the year ended March 31, 2007 the Company had allotted equity shares of face value of Rs.10 per share by way of IPO. The details of funds received towards such allotment, including share premium thereon, and utilization of such funds are given below.

Particulars	As on December 31,2007 Rs in Millions
Funds raised from IPO	10,673.37
Utilisation of Funds upto December 31, 2007	
1. Payment to Globeleq Holding (Kondapalli) Ltd for acquiring shares of Lanco Kondapalli Power Private Ltd and related cost of acquisition.	1381.16
2. Payment to Aban Ventures Ltd to acquire an additional 13.30% equity stake in Aban Power Company Ltd.	350.00
3. Investments in subsidiary companies (directly / through another subsidiary) including share Application money pending allotment	1628.78
4. Investment in Nagarjuna Power Corporation Ltd including share application money pending allotment	1805.02
5. Investment in Special Purpose Vehicles including share application money pending allotment	3397.66
6. Expenses relating to IPO	410.02
Total utilized	8972.64
Balance of unutilized funds	1700.73

The above balance of unutilized funds has been temporarily invested in fixed deposits and other short term investments, pending utilization for the objects of the issue as modified by the members of the company.

10. As a prudent practice, the Company has made a provision for the entire net foreign exchange fluctuation gain of Rs.249.44 Millions on foreign currency loans taken earlier by some of the subsidiary companies for acquisition of fixed assets, which has been credited to the nine months ended profit and loss account pursuant to the clarification given under the Companies (Accounting Standards) Rules, 2006 notified by the Central Government on December 7, 2006.

11. Pursuant to the requirements of AS 15 (revised 2005) on “ Employee Benefits”, issued by the Institute of Chartered Accountants of India (the standard), which has become effective from April 1 ,2007, the Company provided for employee benefits as per the revised requirements of the standard for the current quarter. In respect of the employee benefits up to March 31, 2007, the actuarial valuation is being carried out by the management and the difference between the transitional liability and the liability existing in the books of account as on March 31, 2007 will be adjusted against the opening reserves, as per the transitional provisions of the standard.
12. Position of Investor complaints for the quarter ended December 31, 2007:
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|--|---|-----|
| Complaints pending at the beginning of the quarter | : | Nil |
| Received during the quarter | : | 45 |
| Resolved during the quarter | : | 45 |
| Pending as on December 31, 2007 | : | Nil |
13. The unaudited financial results for the quarter ended December 31, 2007 have been reviewed by the Audit Committee at their meeting held on January 29, 2008 and taken on record by the Board of Directors at their meeting held on the same date.
14. The statutory Auditors of the Company have carried out a Limited Review of the unaudited financial results for the quarter ended December 31, 2007.
15. Figures pertaining to the previous periods have been regrouped, reclassified and restated, wherever necessary, to conform to the classification adopted in the current quarter.
16. The Order Book of the Company stands at Rs 114,574 Millions as on December 31, 2007

17. Significant Developments during the Quarter :

Construction

- Lanco Infratech Limited bagged the following contracts :
 - a) Rs.853.70 millions for the construction of buildings for Rajiv Gandhi Institute of Medical Sciences (RIMS) at Ongole in Andhra Pradesh
 - b) Rs.1010.30 millions for construction of Road in the state of Madhya Pradesh
 - c) Rs.672.40 millions for establishment of substations in five districts in Andhra Pradesh
 - d) Rs.731.70 millions for the construction of buildings for Rajiv Gandhi Institute of Medical Sciences (RIMS) at Srikakulam in Andhra Pradesh.

Power

- Financial Closure done for 1200 MW Anpara 'C'
- Financial Closure under progress for 600 MW of Amarkantak-III
- Development plans finalized for setting up of a 2640 MW (660MW x 4) coal based power plant in Orissa:
 - a. Allocation of coal mining blocks in the State of Orissa in favour of Lanco to be used for firing power plant with a generating capacity of 1,000 MW.
 - b. Balance coal to come from Coal Linkages
 - c. Long term power take off agreement with Haryana and Madhya Pradesh for 1000 MW secured through competitive bidding process.
- Lanco has submitted bid for setting up of power plant in Indonesia.
- Lanco has taken 5% stake in India Energy Exchange floated by Financial Technologies (India) Ltd and PTC India Ltd.
- Lanco-Genting consortium qualifies to bid for 4000 MW Tilaya Ultra-Mega Power Project located in Jharkhand

Infrastructure

- Lanco qualifies for bidding for port development at Paradip and Vizhanjim (Kerala)
- Lanco shortlisted for bidding for Dharavi Redevelopment Project.

for Lanco Infratech Limited

Place: Hyderabad
Date : January 29, 2008

G. Venkatesh Babu
Managing Director