

## 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. Option to publish consolidated Results:

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](http://www.lancogroup.com) or on the websites of BSE ([bseindia.com](http://bseindia.com)) or NSE ([www.nse-india.com](http://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 461.54 Millions and Profits amounting to Rs.46.15 Millions for the quarter ended September 30, 2007 and revenue amounting to Rs. 634.54 millions and profit amounting to 63.45 millions for the half year ended September 30, 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 September 30, 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	Construction of Industrial and Commercial Buildings and Roads
Property Development	Development of integrated properties comprising of commercial and residential buildings
Power	Generation 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 September 30, 2007 Rs in Millions
<b>Funds raised from IPO</b>	<b>10,673.37</b>
<b>Utilisation of Funds upto September 30, 2007</b>	
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)	1032.84
4. Investment in Nagarjuna Power Corporation Ltd (including share application money and advance for acquisition of shares) pending allotment	4423.35
5. Expenses relating to IPO	410.03
<b>Total utilized</b>	<b>7597.38</b>
<b>Balance of unutilized funds</b>	<b>3075.99</b>

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.

10. As a prudent practice, the Company has made a provision for the entire net foreign exchange fluctuation gain of Rs.230.95 Millions on foreign currency loans taken earlier by some of the subsidiary companies for acquisition of fixed assets, which has been credited to the 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 September 30, 2007: Complaints pending at the beginning of the quarter Nil, received during the quarter 169, resolved during the quarter 169 and pending as on September 30, 2007 –Nil.
13. The unaudited financial results for the quarter ended September 30, 2007 have been reviewed by the Audit Committee at their meeting held on October 26, 2007 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 September 30, 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 76,376 Millions as on September 30, 2007.
17. **Significant Developments during the Quarter :**

#### **Construction**

- Construction Division has bagged a work order of Rs 730 million from Tirupati Tirumala Devasthanams, Tirupati for construction of Sri. Venkateswara Vedic University at Alipiri, Tirupati. The project has to be completed within 24 months.
- Lanco Infratech Limited has been awarded the contract for construction of New Terminal Building at Varanasi Airport by the Airports Authority of India for a value of Rs. 824 million.
- LANCO Infratech has been the lowest bidder in five packages for the works of supply and erection of 33/11 KV sub-stations and 33/11 KV lines in Andhra Pradesh. The contract value is around Rs. 675 Million.

#### **Infrastructure**

- The Company has entered into a Memorandum of Understanding with Gulfainer Company Limited, UAE to co-operate on a variety of port and transportation projects.

#### **Power**

- The Government of Uttar Pradesh has approved the increase in the capacity of Anpara ‘C’ power project from 1,000 MW to 1,200 MW. The same is to be approved by the Uttar Pradesh Regulatory Commission.
- It has been decided that the existing capacity of 368 MW at Kondapalli Gas Power Station be expanded by 375-400 MW and a Request For Qualification and Request For Price for Construction and EPC for the same have been invited under International competitive bidding route.

- It has also been decided that the existing capacity of 2 x 300 MW at Amarkantak Power Station be expanded by 1 x 600 MW unit and a Request For Qualification and Request For Price for Construction and EPC for the same have been invited under International competitive bidding route.
- Lanco Electric Utility Limited – the power trading arm of the Company traded 705.6 Millions Units during the second quarter of FY 2007-08 ranking 2<sup>nd</sup> in order of volumes traded for the quarter, after PTC and ranked No 1 in the private sector.

**Property**

- Based on the pronouncement of the judgment in the open court by the Hon'ble Chief Justice of the High Court of Andhra Pradesh, our Legal Counsel has confirmed that the "Interim Stay" on the development activities undertaken by Lanco Hills Technology Park Pvt Ltd at Lanco Hills in Hyderabad has been vacated on 26.10.2007 with immediate effect and by virtue of this the development work can be re-commenced.

**For Lanco Infratech Limited**

**Place:- Hyderabad**

**G. Venkatesh Babu**

**Date:- October 26, 2007**

**Managing Director**