

## Report on Corporate Governance

### I. MANDATORY REQUIREMENTS

#### 1. COMPANY'S PHILOSOPHY ON CODE OF GOVERNANCE

The company is committed to conduct business in a manner which would result in enhancing value to all its stakeholders. The company believes that this value enhancement process is possible only by adhering to the principles of Corporate Governance. The company is in the process of establishing systems and practices which enable it to conduct its business in line with the best practices elsewhere in the country and the world. The company believes in the principles of transparency and disclosures to the extent these do not compromise on its competitiveness.

#### 2. BOARD OF DIRECTORS ('the Board')

##### (i) Composition of the Board

The Board of Directors of the Company has an optimum combination of Executive and Non-Executive Directors with 7(seven) Non-Executive Directors out of 10 (ten) Directors being more than 50% of the Board strength. Chairman is an Executive Director, and the number of Independent Directors on the Board being 5 (five) is 50% of the Board strength as required. All Independent Directors comply with the requirements of the Listing Agreement for being "Independent Director".

Name	Category of Directorship	Designation	Number of Memberships in Boards of other Public Companies	Number of Chairmanships in Committees of Boards of other Public Companies	Number of Memberships in Committees of Boards of other Public Companies
Mr. L. Madhusudhan Rao	Executive	Executive Chairman	14	1	2
Mr. G. Bhaskara Rao	Executive	Executive Vice-Chairman	14	3	6
Mr. L. Sridhar	Non-Executive	Vice-Chairman	14	2	1
Mr. G. Venkatesh Babu	Executive	Managing Director	12	NIL	6
Mr. S. C. Duggal	Non-Executive	Director	NIL	NIL	NIL
Dr. P. Kotaiah	Non-Executive Independent	Director	6	2	1
Mr. P. Abraham	Non-Executive Independent	Director	8	1	3
Dr. Uddesh Kumar Kohli	Non-Executive Independent	Director	6	1	2
Mr. H. N. Sinor	Non-Executive Independent	Director	9	1	2
Mr. P. Narasimharamulu*	Non-Executive Independent	Director	3	1	NIL

\*Nominee of Indian Overseas Bank

##### (ii) Meetings and Attendance during the year

Sixteen Board Meetings were held during the year 2006-2007. The dates on which the meetings were held are as follows:

April 15,2006; April 24,2006; May 18,2006; May 20,2006; May 28,2006; June 07,2006; June 14,2006; June 15,2006; June 16,2006; June 24,2006;September 09, 2006; October 18,2006; November 11, 2006; November 21, 2006; January 31, 2007 and March 10, 2007.

The attendance of each Director at Board Meetings during the year 2006-2007 and the last AGM is given below.

Name	Number of Board Meetings attended	Attendance at the last AGM <sup>^</sup>
Mr. L. Madhusudhan Rao	14	Yes
Mr. G. Bhaskara Rao	16	Yes
Mr. L. Sridhar	15	Yes
Mr. G. Venkatesh Babu	16	No
Mr. S. C. Duggal	7	No
Dr. P. Kotaiah *	7	NA
Mr. P. Abraham *	7	NA
Dr. Uddesh Kumar Kohli *	6	NA
Mr. H. N. Sinor *	2	NA
Mr. P. Narasimharamulu *	7	NA

\* Dr. P. Kotaiah, Mr. P. Abraham, Dr. Uddesh Kumar Kohli, Mr. H. N. Sinor and Mr. P. Narasimharamulu were appointed as Additional Directors on 16.06.2006.

<sup>^</sup> Date of last AGM is June 10, 2006.

Agenda papers along with detailed notes were circulated to the Directors in advance for each of these meetings. All relevant information, as recommended by the SEBI Committee on Corporate Governance as well as items required under Clause-49 of the Listing Agreement were placed before the Board from time to time.

None of the Non-Executive Directors has any pecuniary or material relationship or transaction with the Company.

### 3. AUDIT COMMITTEE

#### (i) Brief descriptions of terms of reference

The Audit Committee shall have the following Scope and Responsibilities:

- Oversight of the company's financial reporting process and the disclosure of its financial information to ensure that the financial statement is correct, sufficient and credible.
- Recommending to the Board, the appointment, re-appointment and if required, the replacement or removal of statutory auditor and fixation of audit fees.
- Approval of payment to statutory auditors for any other services rendered by the statutory auditors.
- Reviewing with management, the annual financial statements before submission to the board for approval.
- Reviewing with the management, the quarterly financial statements before submission to the Board for approval.
- Reviewing with the management, performance of Statutory and internal auditors, the adequacy of internal control systems.
- Reviewing the adequacy of internal audit function, if any, including the structure of the internal audit department, staffing and seniority of the official heading the department, reporting structure, coverage and frequency of internal audit.
- Discussion with internal auditors regarding any significant findings and follow up there on.
- Reviewing the findings of any internal investigations by the internal auditors into matters where there is suspected fraud or irregularity or a failure of internal Control systems of a material nature and reporting the matter to the board.
- Discussion with statutory auditors before the audit commences, about nature and scope of audit as well as post-audit discussion to ascertain any area of concern.
- To look into the reasons for substantial defaults in the payment to the depositors, debenture holders, shareholders (in case of non payment of declared dividends) and creditors.
- To review the Risk Assessment and Management measures.
- Any other item considered appropriate or necessary to have effective oversight of financial reporting.

#### (ii) Composition

The Audit Committee comprises of three Non-Executive Independent Directors and One Executive Director.

Dr. P. Kotaiah	Chairman
Dr. Uddesh Kumar Kohli	Member
Mr. P. Narasimharamulu	Member
Mr. G. Bhaskara Rao	Member

#### (iii) Meetings and Attendance during the year

Seven Audit Committee Meetings were held during the year 2006-2007. The dates on which the Meetings were held are as follows:

May 18, 2006; September 09, 2006; October 18, 2006; November 11, 2006; December 18, 2006; January 31, 2007 and March 10, 2007.

The attendance record of the members during the year 2006 - 2007 is given below:

Name	No. of Meetings held during the year	Number of Meetings attended during the year
Dr. P. Kotaiah *	7	6
Dr. Uddesh Kumar Kohli *	7	6
Mr. P. Narasimharamulu *	7	6
Mr. G. Bhaskara Rao *	7	7
Mr. L. Sridhar ^	7	1
Mr. S. C. Duggal ^	7	1

\* Inducted as the members with effect from June 16, 2006 the re-constitution of the Audit Committee.

^ Ceased to be members with effect from June 16, 2006 the re-constitution of the Audit Committee.

The Meetings of the Audit Committee were attended by the Managing Director, Chief Financial Officer, Vice-President (Finance) and by the Statutory Auditors and Internal Auditors as Invitees. The Quarterly and Annual audited financials of the Company were reviewed by the Audit Committee before consideration and approval by the Board of Directors. Among other items, the Committee also reviewed the adequacy of Internal Control Systems and Internal Audit Reports and the various compliances.

### 4. REMUNERATION COMMITTEE

#### Composition and Terms of reference

The Remuneration Committee consists of the following three Non-Executive Independent Directors. Remuneration Committee determines remuneration payable to the Executive Directors.

Mr. P. Narasimharamulu	Chairman
Dr. P. Kotaiah	Member
Mr. H. N. Sinor	Member

During the year, there was no Meeting of the Remuneration Committee.

### 5. DETAILS OF REMUNERATION TO ALL DIRECTORS FOR THE FINANCIAL YEAR 2006-07

Rs. in Lakhs

Name of the Director	Salary & Perquisites	Sitting Fee
Mr. L. Madhusudhan Rao	72.00	NIL
Mr. G. Bhaskara Rao	72.00	NIL
Mr. G. Venkatesh Babu	60.00	NIL
Mr. L. Sridhar	NIL	1.40
Mr. S. C. Duggal	NIL	1.60
Dr. P. Kotaiah	NIL	3.00
Mr. P. Abraham	NIL	1.40
Dr. Uddesh Kumar Kohli	NIL	2.40
Mr. H. N. Sinor	NIL	0.40
Mr. P. Narasimharamulu	NIL	3.00

## 6. SHAREHOLDERS' / INVESTORS' GRIEVANCE COMMITTEE

### (i) The composition of the Shareholders / Investors Grievances Committee is as follows

The Committee is headed by a Non-Executive Director.

Mr. L. Sridhar	Chairman
Mr. S. C. Duggal	Member
Mr. G. Venkatesh Babu	Member

### (ii) The Name and Designation of Compliance Officer

Name of the Compliance Officer	Designation
Mr. C. Krishnakumar	Company Secretary

### (iii) Details of complaints / requests received, resolved and pending during the year 2006-2007.

Total Shareholders' Complaints / Requests

Received	Resolved	Pending
4,994	4,994	NIL

## 7. GENERAL BODY MEETINGS:

### (i) Location and time of last three AGMs held:

Year	Location	Date	Time
2003-04	"Lanco House", 141, Avenue # 8, Road # 2, Banjara Hills, Hyderabad-500 034, Andhra Pradesh, India.	September 30, 2004	11.00 A.M.
2004-05	"Lanco House", 141, Avenue # 8, Road # 2, Banjara Hills, Hyderabad-500 034, Andhra Pradesh, India.	September 27, 2005	12.00 Noon
2005-06	"Lanco House", 141, Avenue # 8, Road # 2, Banjara Hills, Hyderabad-500 034, Andhra Pradesh, India.	June 10, 2006	11.00 A.M.

### (ii) Whether Special Resolutions were passed in the previous 3AGMs: through Post Ballot last year.

No

### (iii) Persons who conducted the Postal Ballot exercise.

Not Applicable.

### (iv) Whether any Special Resolution is proposed to be conducted through postal ballot.

Yes

Being a Pre-IPO ESOP-Scheme, as required under Clause 22.2A(a) of the SEBI (Employee Stock Option Scheme and Employee Stock Purchase Scheme) Guidelines, 1999, the same has been put up to the Members for ratification through Postal Ballot for enabling further Grants of Options to Employees. The result of the Postal Ballot will be announced on 28th June, 2007.

### (v) Procedure for postal ballot.

The procedure is as stipulated under Section 192A of the Companies Act, 1956, read with the Companies (Passing of Resolutions by Postal Ballot) Rules, 2001.

## 8. DISCLOSURES

There are no materially significant related party transactions having potential conflict with the interests of the Company at large.

There has not been any non-compliance by the Company and there are no penalties, strictures imposed on the Company by Stock Exchange or SEBI or any statutory authority on any matter related to capital markets, during the year.

There has been complete compliance with mandatory requirements and in respect of non-mandatory requirements disclosures have been made to the extent of adoption.

In the preparation of the consolidated financial statements the company has adopted certain principle in line with interpretation given by International Financial Reporting Standards. The same has been disclosed in the notes to the consolidated financial statements and have also been explained in the Directors' Report.

## 9. MEANS OF COMMUNICATION

The Company's Quarterly, Half Yearly and Annual financial results are put on the company's website at [www.lancogroup.com](http://www.lancogroup.com).

The same were published in the Businessline, Economic Times, Business Standard and Vartha News Papers.

## 10. GENERAL SHAREHOLDERS INFORMATION

### (i) Annual General Meeting

Date and Time	September 3, 2007 at 3.30 P.M.
Venue	Shilpakala Vedika, Shilparamam, Madhapur, Hyderabad - 500 081, Andhra Pradesh, India

### (ii) Financial Calendar for the Year 2007-08 (tentative)

Tentative Schedule

1	Financial reporting for the quarter ended June 30, 2007	Before end July, 2007
2	Financial reporting for the half year ending September 30, 2007	Before end October, 2007
3	Financial reporting for the quarter ending December 31, 2007	Before end January, 2008
4	Financial reporting for the year ending March 31, 2008	Before end June 2008
5	Annual General Meeting for the year ending March 31, 2008	Before end September, 2008

### (iii) Book Closure Dates : 25.8.2007 to 3.9.2007 (both days inclusive).

### (iv) Dividend Payment Date : Not Applicable

### (v) Listing on Stock Exchanges : National Stock Exchange of India Limited, Mumbai Bombay Stock Exchange Limited, Mumbai.

The Company has paid the listing fee for the period ending 31st March, 2008.

### (vi) Stock Code :

Sl. No.	Exchange	Code
1.	National Stock Exchange of India Limited	Stock Code : LITL
2.	Bombay Stock Exchange Limited	Stock Code : LITL Scrip Code : 532778
3.	Demat ISIN Number - for NSDL / CDSL	INE785C01030

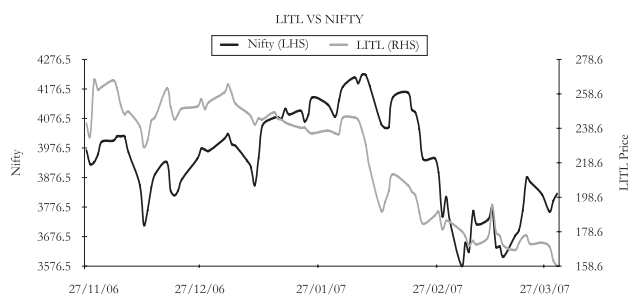
**(vii) Stock Market Price Data relating to Equity Shares listed in National Stock Exchange of India Limited & Bombay Stock Exchange Limited, Mumbai.**

The monthly High & Low stock quotations in respect of the same are furnished below:

(In Rs.)

Month	BSE		NSE	
	HIGH	LOW	HIGH	LOW
November, 2006	276.40	228.45	290.00	224.00
December, 2006	272.00	215.25	271.85	217.00
January, 2007	266.60	234.00	266.50	233.75
February, 2007	251.70	172.30	254.00	162.35
March, 2007	197.00	157.50	196.95	158.00

**Note:** The shares of the Company were listed on 27th November, 2006 and since then have been trading on National Stock Exchange of India Limited & Bombay Stock Exchange Limited, Mumbai.

**(viii) Stock Performance in comparison to NIFTY:****(ix) Registrars & Share Transfer Agents :**

M/s. Intime Spectrum Registry Limited,  
(Unit: Lanco Infratech Limited)  
C-13, Pannalal Silk Mills Compound, LBS Marg, Bhandup,  
Mumbai - 400 078, India.  
Ph: +91-22-2596 3838; 2596 0320/21-28.

**(x) Share Transfer System**

The shareholders are advised to contact the Registrar and Share Transfer Agents at their address for effecting transfer of shares.

**(xi) (a) Distribution of Shareholding by size class as of March 31, 2007:**

Nominal Value of Shareholding (in Rs.)	No. of Shareholders	Per-centage	No. of shares	Percentage of total
Up to 5,000	1,27,844	98.4600	1,00,33,999	4.5120
5,001 - 10,000	1,066	0.8210	8,35,983	0.3760
10,001 - 20,000	449	0.3460	6,57,775	0.2960
20,001 - 30,000	120	0.0920	3,06,875	0.1380
30,001 - 40,000	84	0.0650	2,94,111	0.1320
40,001 - 50,000	35	0.0270	1,60,392	0.0720
50,001 - 1,00,000	90	0.0690	6,50,460	0.2930
1,00,001 and above	156	0.1200	20,94,22,310	94.1810
<b>TOTAL</b>	<b>1,29,844</b>	<b>100.00</b>	<b>22,23,61,905</b>	<b>100.00</b>

**(b) Distribution of Shareholding by Ownership as on March 31, 2007**

Annexed

**(xii) Dematerialization of Shares and Liquidity:**

20% of the paid up capital, being the net issue to the public in the Initial Public Offering in the month of November, 2006, has been in dematerialized form as on March 31, 2007.

**(xiii) Outstanding convertible instruments:**

As of March 31, 2007, there are no outstanding convertible instruments.

**(xiv) Address for Correspondence**

Registered Office: "Lanco House", 141, Avenue # 8,  
Road # 2, Banjara Hills, Hyderabad- 500 034, Andhra Pradesh, India.  
Ph: +91-40-23540695, 701, 4009 0400 Fax: +91-40-23540699  
E-mail: complianceofficer.litl@lancogroup.com  
Website: www.lancogroup.com

### Annual Declaration by CEO Pursuant to Clause 49(I)(D)(ii) of the Listing Agreement

As the Managing Director of Lanco Infratech Limited, as required by Clause-49 (I)(D)(ii) of the Listing Agreement executed with the National Stock Exchange of India Limited and Bombay Stock Exchange Limited, I hereby declare that all the Board Members and Senior Management Personnel of the Company have affirmed compliance with the Company's Code of Conduct and Ethics for the Financial Year 2006-2007.

For Lanco Infratech Limited

Place : Hyderabad  
Date : 01.04.2007

sd/-  
**G.VENKATESH BABU**  
Managing Director

**II. NON-MANDATORY REQUIREMENTS:****CHAIRMAN OF THE BOARD:**

The Chairman of the Company is an Executive Chairman of the Company during the year and hence this provision is not applicable.

**REMUNERATION COMMITTEE:**

All the requirements of the Remuneration Committee have been complied.

**AUDIT QUALIFICATION:**

Management's explanation to Auditors' observations has been given in the Directors' Report under 'Information on Auditors' Observations'.

## Distribution of Shareholding by Ownership as on March 31, 2007

Category Code	Category of Shareholder	Number of Shareholders	Total Number of Shares	Number of Shares held in dematerialized form	Total shareholding as a percentage of total number of shares	
					As a percentage of (A+B)	As a percentage of (A+B+C)
<b>(A)</b>	<b>Shareholding of Promoter and Promoter Group</b>					
<b>(1)</b>	<b>Indian</b>					
(a)	Individuals / Hindu Undivided Family	3	1,66,53,852	Nil	7.4895	7.4895
(b)	Central Government / State Government(s)	Nil	Nil	Nil	Nil	Nil
(c)	Bodies Corporate	1	3,19,11,432	Nil	14.3511	14.3511
(d)	Financial Institutions / Banks	Nil	Nil	Nil	Nil	Nil
(e)	Any Other					
	(i) Relatives / Friends of Promoters	5	64,57,914	Nil	2.9042	2.9042
	<b>Sub-Total (A)(1)</b>	<b>9</b>	<b>5,50,23,198</b>	<b>Nil</b>	<b>24.7449</b>	<b>24.7449</b>
<b>(2)</b>	<b>Foreign</b>					
(a)	Individuals (Non-Resident Individuals / Foreign Individuals)	Nil	Nil	Nil	Nil	Nil
(b)	Bodies Corporate	1	11,17,48,230	Nil	50.2551	50.2551
(c)	Institutions	Nil	Nil	Nil	Nil	Nil
(d)	Any Other	Nil	Nil	Nil	Nil	Nil
	<b>Sub-Total (A)(2)</b>	<b>1</b>	<b>11,17,48,230</b>	<b>Nil</b>	<b>50.2551</b>	<b>50.2551</b>
	<b>Total Shareholding of Promoter and Promoter Group (A)= (A)(1) + (A)(2)</b>	<b>10</b>	<b>16,67,71,428</b>	<b>Nil</b>	<b>75.0000</b>	<b>75.0000</b>
<b>(B)</b>	<b>Public Shareholding</b>					
<b>(1)</b>	<b>Institutions</b>					
(a)	Mutual Funds / UTI	15	30,49,045	30,49,045	1.3712	1.3712
(b)	Financial Institutions / Banks	26	68,44,636	68,44,636	3.0782	3.0782
(c)	Central Government / State Government(s)	Nil	Nil	Nil	Nil	Nil
(d)	Venture Capital Funds	Nil	Nil	Nil	Nil	Nil
(e)	Insurance Companies	Nil	Nil	Nil	Nil	Nil
(f)	Foreign Institutional Investors	39	1,96,48,881	1,96,48,881	8.8364	8.8364
(g)	Foreign Venture Capital Investors	Nil	Nil	Nil	Nil	Nil
(h)	Any Other	Nil	Nil	Nil	Nil	Nil
	<b>Sub-Total (B)(1)</b>	<b>80</b>	<b>2,95,42,562</b>	<b>2,95,42,562</b>	<b>13.2858</b>	<b>13.2858</b>
<b>(2)</b>	<b>Non- Institutions</b>					
(a)	Bodies Corporate	1,257	26,15,252	26,15,252	1.1761	1.1761
(b)	Individuals -					
	(i) Individual Shareholders holding Nominal Share Capital upto Rs.1 Lakh	1,27,945	1,16,41,858	1,16,41,470	5.2355	5.2355
	(ii) Individual Shareholders holding Nominal Share Capital in excess of Rs.1 Lakh	27	5,22,098	5,22,098	0.2348	0.2348
(c)	Any Other					
	(i) Trusts (ESOS)	1	1,11,18,096	Nil	5.0000	5.0000
	(ii) Clearing Member	136	78,602	78,602	0.0353	0.0353
	(iii) Non Resident Indians (Repat)	388	72,009	72,009	0.0324	0.0324
	<b>Sub-Total (B)(2)</b>	<b>1,29,754</b>	<b>2,60,47,915</b>	<b>1,49,29,431</b>	<b>11.7142</b>	<b>11.7142</b>
	<b>Total Public Shareholding (B)= (B)(1) + (B)(2)</b>	<b>1,29,834</b>	<b>5,55,90,477</b>	<b>4,44,71,993</b>	<b>25.0000</b>	<b>25.0000</b>
	<b>TOTAL (A) + (B)</b>	<b>1,29,844</b>	<b>22,23,61,905</b>	<b>4,44,71,993</b>	<b>100.0000</b>	<b>100.0000</b>
<b>(C)</b>	<b>Shares held by Custodians and Against which Depository Receipts have been issued</b>	<b>Nil</b>	<b>Nil</b>	<b>Nil</b>	<b>Nil</b>	<b>Nil</b>
	<b>GRAND TOTAL (A)+(B)+(C)</b>	<b>1,29,844</b>	<b>22,23,61,905</b>	<b>4,44,71,993</b>	<b>100.0000</b>	<b>100.0000</b>

## Certificate of Compliance on Corporate Governance

To the Members of Lanco Infratech Limited

We have examined the compliance of conditions of Corporate Governance by Lanco Infratech Limited (the Company), for the year ended March 31, 2007, as stipulated in Clause 49 of the Listing Agreement(s) of the said Company with stock exchange(s) in India.

The compliance of conditions of Corporate Governance is the responsibility of the Company's management. Our examination was carried out in accordance with the Guidance Note on Certification of Corporate Governance (as stipulated in Clause 49 of the Listing Agreement), issued by the Institute of Chartered Accountants of India and was limited to procedures and implementation thereof, adopted by the Company for ensuring the compliance of the conditions of Corporate Governance. It is neither an audit nor an expression of opinion on the financial statements of the Company.

In our opinion and to the best of our information and according to the explanations given to us, we certify that the Company has complied with the conditions of Corporate Governance as stipulated in the above mentioned Listing Agreement(s).

We state that such compliance is neither an assurance as to the future viability of the Company nor the efficiency or effectiveness with which the management has conducted the affairs of the Company.

Sd/-

**P. Ramakrishna**

Partner

Membership Number 22795

Place : Hyderabad  
Date : June 26, 2007

For and on behalf of  
**Price Waterhouse**  
Chartered Accountants