

Auditors' Report to The Members of Lanco Infratech Limited

1. We have audited the attached Balance Sheet of Lanco Infratech Limited, as at March 31, 2007, and the related Profit and Loss Account and Cash Flow Statement for the year ended on that date annexed thereto, which we have signed under reference to this report. These financial statements are the responsibility of the management of Lanco Infratech Limited. Our responsibility is to express an opinion on these financial statements based on our audit.
2. We conducted our audit in accordance with the auditing standards generally accepted in India. Those Standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.
3. As required by the Companies (Auditor's Report) Order, 2003, as amended by the Companies (Auditor's Report) (Amendment) Order, 2004, issued by the Central Government of India in terms of sub-section (4A) of Section 227 of 'The Companies Act, 1956' of India (the 'Act') and on the basis of such checks of the books and records of the company as we considered appropriate and according to the information and explanations given to us, we give in the Annexure a statement on the matters specified in paragraphs 4 and 5 of the said Order.
4. Further to our comments in the Annexure referred to in paragraph 3 above, we report that:
 - (a) We have obtained all the information and explanations, which to the best of our knowledge and belief were necessary for the purposes of our audit;
 - (b) In our opinion, proper books of account as required by law have been kept by the company so far as appears from our examination of those books;
 - (c) The Balance Sheet, Profit and Loss Account and Cash Flow Statement dealt with by this report are in agreement with the books of account;
 - (d) In our opinion, the Balance Sheet, Profit and Loss Account and Cash Flow Statement dealt with by this report comply with the accounting standards referred to in sub-section (3C) of Section 211 of the Act;
 - (e) On the basis of written representations received from the directors, as on March 31, 2007 and taken on record by the Board of Directors, none of the directors is disqualified as on March 31, 2007 from being appointed as a director in terms of clause (g) of sub-section (1) of Section 274 of the Act;
 - (f) In our opinion and to the best of our information and according to the explanations given to us, the said financial statements together with the notes thereon and attached thereto give in the prescribed manner the information required by the Act and give a true and fair view in conformity with the accounting principles generally accepted in India:
 - (i) in the case of the Balance Sheet, of the state of affairs of the company as at March 31, 2007;
 - (ii) in the case of the Profit and Loss Account, of the profit for the year ended on that date; and
 - (iii) in the case of the Cash Flow Statement, of the cash flows for the year ended on that date.

P. Ramakrishna
Partner
Membership Number 22795

Place : Hyderabad
Date : May 12, 2007

For and on behalf of
Price Waterhouse
Chartered Accountants

Annexure to Auditors' Report

[Referred to in paragraph 3 of the Auditors' Report of even date to the members of Lanco Infratech Limited on the financial statements for the year ended March 31, 2007]

1. (a) The Company is in the process of updating proper records showing full particulars including quantitative details and situation of fixed assets.
- (b) The fixed assets are physically verified by the management according to a phased program designed to cover all the items over a period of three years, which in our opinion, is reasonable having regard to the size of the company and the nature of its assets. Pursuant to the program, a portion of the fixed assets has been physically verified by the management during the year and no material discrepancies between the book records and the physical inventory have been noticed.
- (c) In our opinion and according to the information and explanations given to us, a substantial part of the fixed assets has not been disposed off by the company during the year.
2. (a) The inventory has been physically verified by the management during the year except for certain construction and project related materials issued to subcontractor on receipt. In respect of construction and project work in progress the same has been verified with reference to independent valuer's report.
- (b) In our opinion, the procedures of physical verification of inventory followed by the management are reasonable and adequate in relation to the size of the company and the nature of its business.
- (c) On the basis of our examination of the inventory records, in our opinion, the company is maintaining proper records of inventory. The discrepancies noticed on physical verification of inventory as compared to book records were not material.
3. (a) The company has not granted any loans, secured or unsecured, to companies, firms or other parties covered in the register maintained under Section 301 of the Act.
- (b) The company had taken an unsecured loan, from a company covered in the register maintained under Section 301 of the Act. The maximum amount involved during the year and the year-end balance of such loan aggregate to Rs. 200,000,000.
- (c) In our opinion, the rate of interest and other terms and conditions of such loan are not prima facie prejudicial to the interest of the company.
- (d) In respect of the aforesaid loan, the principal amount has not fallen due for repayment as per the stipulation and the company is regular in payment of interest.
4. In our opinion and according to the information and explanations given to us, there is an internal control system with regard to purchase of inventory, fixed assets and the sale of goods and services, which the company is in the process of further strengthening, to commensurate with the size of the company and the nature of its business. Further, on the basis of our examination of the books and records of the company, and according to the information and explanations given to us, we have neither come across nor have been informed of any continuing failure to correct major weaknesses in the aforesaid internal control system.
5. (a) In our opinion and according to the information and explanations given to us, the particulars of contracts or arrangements referred to in section 301 of the Act have been entered in the register required to be maintained under that section.
- (b) In our opinion and according to the information and explanations given to us, the transactions made in pursuance of such contracts or arrangements and exceeding the value of Rupees Five Lakhs in respect of a party during the year, have been made at prices which are reasonable having regard to the prevailing market prices at the relevant time in respect of a loan and as regards transactions of services, due to the special nature, for which alternative quotations are not possible, commenting on the reasonableness of such prices having regard to the prevailing market prices is not feasible.
6. The company has not accepted any deposits from the public within the meaning of Sections 58A and 58AA of the Act and the rules framed there under.
7. In our opinion, the company has an internal audit system commensurate with its size and nature of its business.
8. We have broadly reviewed the books of account maintained by the company in respect of products where, pursuant to the Rules made by the Central Government of India, the maintenance of cost records has been prescribed under clause (d) of sub-section (1) of Section 209 of the Act and are of the opinion that prima facie, the prescribed accounts and records have been made and maintained. We have not, however, made a detailed examination of the records with a view to determine whether they are accurate or complete.
9. (a) According to the information and explanations given to us and the records of the company examined by us, in our opinion, the company is generally regular in depositing the undisputed statutory dues including provident fund (other than provident fund pertaining to Contract works), investor education and protection fund, employees' state insurance, income tax (other than short fall in the estimation and remittance of advance tax), sales tax, wealth tax, service tax, works contract tax, customs duty, Cess and other material statutory dues as applicable with the appropriate authorities. In respect of a few sub-contractors, in the absence of details and evidence of payments, we are unable to comment on whether the statutory dues pertaining to contract work performed by them, have been deposited regularly or not.
- (b) According to the information and explanations given to us and the records of the company examined by us, the particulars of dues of income-tax and sales-tax as at March 31, 2007 which have not been deposited on account of a dispute, are as follows-

Name of the statute	Nature of dues	Amount in Million of Rs.	Period to which the amount relates	Forum where the dispute is pending
The Income Tax Act, 1961	Income Tax	3.00	Assessment Year 2003-04	Income Tax Appellate Tribunal
The Income Tax Act, 1961	Income Tax	18.24	Assessment Year 2004-05	Commissioner of Income Tax (Appeals)
Andhra Pradesh General Sales Tax Act, 1956	Sales Tax	0.53	Financial year 1999-2000	The Sales Tax Appellate Tribunal, Hyderabad
Andhra Pradesh General Sales Tax Act, 1956	Sales Tax	0.84	Financial year 2000-01	The Sales Tax Appellate Tribunal, Hyderabad
Andhra Pradesh General Sales Tax Act, 1956	Sales Tax	0.06	Financial year 2001-02	The Sales Tax Appellate Tribunal, Hyderabad

10. The company has no accumulated losses as at March 31, 2007 and it has not incurred any cash losses in the financial year ended on that date or in the immediately preceding financial year.
11. According to the records of the company examined by us and the information and explanation given to us, the company has not defaulted in repayment of dues to any financial institution or bank or debenture holders as at the balance sheet date.
12. The company has not granted any loans and advances on the basis of security by way of pledge of shares, debentures and other securities.
13. The provisions of any special statute applicable to chit fund / niche / mutual benefit fund/societies are not applicable to the company.
14. In our opinion, the company is not a dealer or trader in shares, securities, debentures and other investments.
15. In our opinion and according to the information and explanations given to us, the terms and conditions of the guarantees given by the company, for loans taken by others from banks or financial institutions during the year, are not prejudicial to the interest of the company.
16. In our opinion, and according to the information and explanations given to us, on an overall basis, the term loans have been applied for the purposes for which they were obtained.
17. On the basis of an overall examination of the balance sheet of the company, in our opinion and according to the information and explanations given to us, there are no funds raised on a short-term basis which have been used for long-term investment.
18. The company has made preferential allotment of shares to parties and companies covered in the register maintained under Section 301 of the Act during the year. In our opinion and according to the information and explanations given to us, the price at which such shares have been issued is not prejudicial to the interest of the company.
19. The company has not issued any debentures.
20. The management has disclosed the end use of money raised by public issues (Refer Note 2 of Schedule 18) and the same has been verified by us.
21. During the course of our examination of the books and records of the company, carried out in accordance with the generally accepted auditing practices in India, and according to the information and explanations given to us, we have neither come across any instance of fraud on or by the company, noticed or reported during the year, nor have we been informed of such case by the management.
22. The other clauses, (iii) (b), (iii) (c), (iii) (d) of paragraph 4 of the Companies (Auditor's Report) Order 2003 as amended by the Companies (Auditor's Report) (Amendment) Order, 2004 are not applicable in the case of the company for the current year, since in our opinion there is no matter which arises to be reported in the aforesaid order.

P. Ramakrishna
Partner
Membership Number 22795

Place : Hyderabad
Date : May 12, 2007

For and on behalf of
Price Waterhouse
Chartered Accountants

Balance Sheet as at March 31, 2007

Rs.in Million

	Schedule Reference	2007	2006
SOURCES OF FUNDS			
Shareholders' Funds			
Share Capital	1	2,197.93	307.69
Reserves and Surplus	2	11,594.70	567.46
Deferred Tax Liability (Net)		91.79	30.87
(Refer note 17 of Schedule 18)			
Loan Funds			
Secured Loans	3	1,245.13	327.11
Unsecured Loans	4	350.00	200.00
Total		15,479.55	1,433.13
APPLICATION OF FUNDS			
Fixed Assets			
Gross Block	5	908.64	208.43
Less: Depreciation		121.65	85.30
Net Block		786.99	123.13
Capital Work in progress including capital advances		18.98	—
Investments	6	13,426.49	1,262.84
Current Assets, Loans and Advances			
Inventories	7	487.71	121.46
Sundry Debtors	8	1,729.62	651.43
Cash and Bank Balances	9	2,670.66	299.48
Other Current Assets	10	6.91	1.63
Loans and Advances	11	4,625.79	850.23
		9,520.69	1,924.23
Less: Current Liabilities and Provisions	12		
Liabilities		8,260.48	1,875.84
Provisions		13.12	1.23
		8,273.60	1,877.07
Net Current Assets		1,247.09	47.16
Total		15,479.55	1,433.13
Significant Accounting Policies and Notes to the Accounts	18		

The Schedule referred to above form an integral part of the Balance sheet
This is the Balance Sheet
referred to in our report of even date

For and on behalf of the Board

P. Rama Krishna
Partner
For and on behalf of
Price Water House
Chartered Accountants

L.MADHUSUDHAN RAO
Executive Chairman

G.VENKATESH BABU
Managing Director

Place : Hyderabad
Date : May 12,2007

C.KRISHNAKUMAR
Company Secretary

J.SURESH KUMAR
Chief Financial Officer

Profit and Loss account for the year ended March 31, 2007

		Rs.in Million	
	Schedule	2007	2006
Income			
Operating Income	13	5,416.67	1,514.62
Other Income	14	117.32	12.76
Total		5,533.99	1,527.38
Expenditure			
Construction and Operating Expenses	15	3,983.14	1,258.47
Administration and Other Expenses	16	292.70	43.79
Interest and Finance Charges	17	211.73	36.26
Depreciation	5	36.93	18.91
Prior Period Adjustments			38.96
Total		4,524.50	1,396.39
Profit before Taxation		1,009.49	130.99
Provision for Tax			
For the year		215.20	40.00
Relating to previous years		1.15	—
Deferred		60.95	(6.85)
Fringe Benefit		1.58	0.24
Profit after Taxation		730.61	97.60
Balance in Profit and Loss account brought forward		472.77	418.07
Profit carried to Balance Sheet		1,203.38	515.67
Basic and Diluted Earnings per Share (Rs.)		3.83	0.59
Significant Accounting policies and Notes to the Accounts	18		

The Schedule referred to above form an integral part of the Profit and Loss Account
This is the Profit and Loss Account
referred to in our report of even date

For and on behalf of the Board

P. Rama Krishna
Partner
For and on behalf of
Price Water House
Chartered Accountants

L.MADHUSUDHAN RAO
Executive Chairman

G.VENKATESH BABU
Managing Director

Place : Hyderabad
Date : May 12,2007

C.KRISHNAKUMAR
Company Secretary

J.SURESH KUMAR
Chief Financial Officer

Schedules forming part of Balance sheet as at March 31, 2007

SCHEDULE 1		Rs.in Million	
	2007	2006	
SHARE CAPITAL			
AUTHORISED			
"25,00,00,000 Equity Shares (Previous Year 7,50,00,000) of "Rs.10 each "	2,500.00		750.00
ISSUED, SUBSCRIBED AND PAIDUP			
22,23,61,905 Equity Shares (Previous Year 3,07,68,888) of Rs.10 each fully paid	2,223.62		307.69
(Of the above shares 15,70,54,126 (Previous year 2,30,76,666) Equity shares of Rs 10 each have been allotted as fully paid up bonus shares by way of capitalisation of Securities Premium)			
Less: Amount recoverable from LCL Foundation Employees Stock Option Plan (ESOP) Trust	25.69	2,197.93	–
Total		2,197.93	307.69

SCHEDULE 2		Rs.in Million	
	2007	2006	
RESERVES AND SURPLUS			
Capital Reserve			
As at the commencement of the year	42.90		–
Transferred from Profit and Loss Account		42.90	42.90
Securities Premium Account			
As at the commencement of the year	35.24		266.01
Add: Received during the year	12,036.96		–
Add: Premium recognised on account of ESOP	555.91		–
Less: Transferred to Share capital on account of Issue of Bonus Shares	1,339.78		230.77
Less: Share issue expenses	402.05		–
Less: ESOP suspense account	554.41	10,331.87	–
			35.24
General Reserve			
		16.55	16.55
Profit and Loss Account Balance			
Transferred from Profit and Loss account	1,203.38		515.67
Less Transferred to Capital Reserve *	–	1,203.38	42.90
Total		11,594.70	567.46

* On account of amalgamation with Encon Services Ltd. as at April 1, 2001

Schedules forming part of Balance sheet as at March 31, 2007

SCHEDULE 3

Rs. in Million

	2007	2006
SECURED LOANS		
Rupee Term Loans from Banks	1,019.00	275.43
(Rs. 373.09 millions Secured against first charge on mortgage of the specific wind turbine generator and hypothecation of moveable assets present and future of the company pertaining to the wind turbine project and personal guarantees of certain directors of the company and Rs. 645.91 millions secured against charge on other fixed assets and current assets of the company both present and future on pari passu basis and personal guarantees of certain directors of the company)		
Cash Credit and Working Capital Loans from banks	221.29	49.82
(Secured by hypothecation of stocks/Work-in-Progress/ and other Current Assets of the Company both present and future on pari passu basis and personal guarantees of certain directors of the company)		
Vehicle Loans (Secured by Hypothecation of vehicles)	4.84	1.86
Total	1,245.13	327.11

SCHEDULE 4

Rs.in Million

	2007	2006
UNSECURED LOANS		
Short Term - from Banks	150.00	—
Other than short term		
Loans from a Subsidiary *	200.00	350.00
Total	350.00	200.00

* Not a subsidiary during the previous year

SCHEDULE - 5

FIXED ASSETS

Rs. in Million

Asset	GROSS BLOCK			DEPRECIATION				NET BLOCK		
	March 31, 2006	Additions during the year	Deletions during the year	March 31, 2007	March 31, 2006	For the year	Deletions during the year	March 31, 2007	March 31, 2007	March 31, 2006
Freehold Land	—	12.00	—	12.00	—	—	—	—	12.00	—
Buildings	24.51	37.86	—	62.37	7.84	1.46	—	9.30	53.07	16.67
Plant and Machinery	149.01	598.36	—	747.37	61.70	28.39	—	90.09	657.28	87.31
Office Equipment	6.35	13.16	0.20	19.31	2.24	1.87	0.04	4.07	15.24	4.10
Furniture and Fixtures	16.75	3.84	—	20.59	8.46	2.81	—	11.27	9.32	8.30
Vehicles	11.81	35.98	0.79	47.00	5.06	2.40	0.54	6.92	40.08	6.75
Total	208.43	701.20	0.99	908.64	85.30	36.93	0.58	121.65	786.99	123.13
Previous Year	196.06	12.82	0.44	208.43	66.51	18.91	0.12	85.30	123.13	129.56
Capital Work-in-progress	—	18.98	—	18.98	—	—	—	—	18.98	—

Schedules forming part of Balance sheet as at March 31, 2007

SCHEDULE 6		Rs.in Million		
Particulars	No. of Shares 2007	No. of Shares 2006	2007	2006
INVESTMENTS				
Long Term, (at Cost)				
Other than trade				
Unquoted				
In Shares of Subsidiary Companies - Equity Shares of Rs. 10 each fully paid				
Energy Sector				
Lanco Electric Utility Ltd	21,173,620	10,810,000	211.74	108.10
Lanco Kondapalli Power (P) Ltd #	200,600,000	23,800,000	2,742.33	238.00
Lanco Hydro Power Ventures (P) Ltd	28,140,401	24,970,000	281.40	249.70
Lanco Energy (P) Ltd #	23,950,000		239.50	–
Aban Power Company Ltd #	67,248,768	15,471,309	847.49	154.71
Clarion Power Corporation Ltd #	14,426,243	6,915,140	142.73	67.62
Rithwik Energy Systems Ltd #	7,987,212	4,117,770	82.89	41.13
Lanco Amarkantak Power (P) Ltd #	154,398,950	37,565,100	1,543.99	375.65
Lanco Green Power (P) Ltd #	35,400,000		354.00	–
Investment-Mercury Projects Pvt. Ltd #	10,000		0.10	–
Property Development Sector				
Lanco Hills Technology Park (P) Ltd	66,499,900	7,500	665.00	0.08
Coral Agro Estates (P) Ltd #	1,609,580		16.10	–
Diamond Farms (P) Ltd #	281,710		2.82	–
Garnet Agro Estates (P) Ltd #	1,745,740		17.46	–
Neptune Projects (P) Ltd #	878,990		8.79	–
Pearl Farms (P) Ltd #	1,021,950		10.22	–
Ruby Agro Farms (P) Ltd #	2,210,510		22.11	–
Uranus Projects (P) Ltd #	624,410		6.24	–
	(i)		7,194.91	1,234.99
<i># Not a subsidiary during the previous year</i>				
In Shares of Other Companies - Equity Shares of Rs. 10 each fully paid				
Ravindranath GE Medical Associates (P) Ltd (Sold during the year)	–	300,000	–	3.00
	(ii)		–	3.00
Trade				
In shares of Associate Companies				
Equity Shares of Rs. 10 each fully paid up				
- Genting Lanco Power India (P) Ltd	486,702		21.05	–
- Nagarjuna Power Corporation Limited	42,000,000	–	365.91	–
Preference Shares of Rs. 10 each fully paid up				
- Nagarjuna Power Corporation Limited	160,000,000	–	1,600.00	–
	(iii)		1,986.96	

Schedules forming part of Balance sheet as at March 31, 2007

contd.... SCHEDULE 6		Rs.in Million		
Particulars	No. of Shares 2007	No. of Shares 2006	2007	2006
Quoted (other than trade)				
Power Finance Corporation *	2,443	–	0.21	–
Andhra Bank *	31,054	31,054	2.11	2.11
Bank of Baroda *	7,206	7,206	1.66	1.66
Indian Bank *	6,985	–	0.64	–
Lanco Industries Ltd * (Sold during the year)	–	751,791	–	10.18
Lanco Global Systems Ltd * (Sold during the year)	–	1,590,435	–	10.90
* Aggregate Market Value as at Mar 31, 2007 Rs 4.80 Millions				
* Aggregate Market Value as at Mar 31, 2006 Rs 90.85 Millions				
			4.62	24.85
Current Un-Quoted (Other than Trade)				
(At lower of cost and market value)				
LIC Mutual Fund - Liquid Fund Dividend Reinvestment Plan	903,000.989	–	9.91	–
Dsp Merrill Lynch Liquidity Fund - Institutional-Daily Dividend	940,774.955	–	940.97	–
Share Application Money Pending Allotment in				
Nagarjuna Power Corporation Limited **			3,050.02	–
Lanco Green Power (P) Ltd **			5.10	–
Lanco Hills Technology Park (P) Ltd **			95.00	–
Lanco Hydro Power Ventures (P) Ltd **			139.00	–
** out of Share Issue Proceeds				
			4,240.00	–
Aggregate amount of unquoted investments			10,132.76	1,237.99
Total [(i) + (ii) + (iii) + (iv) + (v)]	–	–	13,426.49	1,262.84

SCHEDULE 7		(Rs.in Million)	
	2007	2006	
INVENTORIES			
(At cost or below)			
Construction and Project work-in-progress		316.50	121.46
Construction Materials		171.21	–
Total		487.71	121.46

Schedules forming part of Balance sheet as at March 31, 2007

SCHEDULE 8		Rs.in Million	
	2007	2006	
SUNDRY DEBTORS			
(Unsecured)			
Considered good			
Outstanding for a period exceeding six months #	264.46	170.20	
Other Debts*	1,465.16	481.23	651.43
Considered doubtful			
Outstanding for a period exceeding six months	14.94	4.48	
Less: Provision for doubtful debts	14.94	4.48	–
*[Out of the above Rs.307.99 Millions (Previous year Rs.231.89 Millions) is due by private companies in which directors of the company are directors]			
# Includes Retention money of Rs. 177.17 Millions (Previous year Rs. 104.13 Millions)			
Total	1,729.62	651.43	

SCHEDULE 9		Rs.in Million	
	2007	2006	
CASH AND BANK BALANCES			
Cash on hand	0.88	0.20	
Balance with Scheduled banks			
On Current Accounts	153.40	109.58	
On Deposit Accounts #	2,399.69	160.26	
On Margin Money Accounts *	116.69	29.44	
Total	2,670.66	299.48	
# Includes Rs. 1,894.18 millions out of Share issue Proceeds.			
* The Margin money accounts are towards Letters of Credit and Bank Guarantees given by banks on behalf of the company.			

SCHEDULE 10		Rs.in Million	
	2007	2006	
OTHER CURRENT ASSETS			
(Unsecured and considered good)			
Interest accrued on deposits	6.91	1.63	
Total	6.91	1.63	

Schedules forming part of Balance sheet as at March 31, 2007

SCHEDULE 11		Rs.in Million	
	2007	2006	
LOANS AND ADVANCES			
(Unsecured and Considered Good, unless otherwise stated)			
Loans to employees	1.13		0.34
Advance to subsidiaries	18.57		3.03
Advance towards Share Capital			
Subsidiaries	1,205.11		256.51
Others	30.92		272.46
(Refer Note 8 of schedule 18)			
Advance recoverable in cash or in kind or for value to be received			
Considered Good			
To Sub Contractors and Suppliers #	2,661.26		272.91
To Others (include Rs. 10.93 Millions doubtful)	651.05		19.99
Less: Provision for doubtful advances	10.93	640.12	1.22
Deposits			
Considered Good			
Government Authorities	4.04		2.26
Others	45.14		1.52
Less: Provision	–	45.14	–
Advance tax (Net of Provisions)		19.50	22.43
Total		4,625.79	850.23
# Out of the above Rs.55.71 Millions (Previous year Rs.40.30 Millions) is due from a firm in which directors of the company are Partners.			

SCHEDULE 12		Rs.in Million	
	2007	2006	
CURRENT LIABILITIES AND PROVISIONS			
Liabilities			
Sundry Creditors			
Dues to Small Scale Industrial Undertakings	1.67		0.07
Dues other than Small Scale Industrial Undertakings	2,140.31		414.87
Dues to Subsidiaries	807.80		–
Advance from Customers	5,204.01		1,437.00
Other Liabilities	106.69	8,260.48	23.90
Provisions			
Provision for Fringe Benefit Tax (Net)	0.86		0.18
Provision for Gratuity	3.50		1.05
Provision for Leave Encashment	8.76	13.12	–
Total		8,273.60	1,877.07

Schedules forming Part of Profit and Loss Account for the Year ended March 31, 2007

SCHEDULE 13		Rs.in Million	
	2007	2006	
OPERATING INCOME			
Income from Contract Operations and Project Development	5,269.76	1,160.37	
Income from Trade Investments	61.65	34.08	
Profit / (Loss) on sale of investments (net)	58.80	15.68	
Income from Trade Exports	–	280.46	
Sale of Electrical Energy	26.46	24.03	
Total	5,416.67	1,514.62	

SCHEDULE 14		Rs.in Million	
	2007	2006	
OTHER INCOME			
Interest on Deposits (Gross) [Tax deducted at source Rs.20.34 Millions (Previous year Rs 1.53 Millions)]	111.51	9.25	
Miscellaneous Income	5.81	3.51	
Total	117.32	12.76	

SCHEDULE 15		Rs.in Million	
	2007	2006	
CONSTRUCTION AND OPERATING EXPENSES			
Opening Contract Work in Progress	121.46	115.58	
Construction Material Consumed	1,784.18	266.18	
Less: Closing Contract Work in Progress	316.50	1,589.14	230.85
Subcontract Cost	2,376.33	1,022.43	
Labour Charges	4.60	1.00	
Repairs and Maintenance	7.45	2.27	
Other Site expenses	5.62	1.93	
Total	3,983.14	1,258.48	

Schedules forming part of Profit and Loss Account for the Year ended March 31, 2007

SCHEDULE 16		Rs.in Million	
	2007	2006	
ADMINISTRATION AND OTHER EXPENSES			
Salaries, Allowances and Benefits to Employees	108.77	14.54	
Contribution to Provident Fund and Others	5.77	0.80	
Staff Welfare	2.82	0.90	
Rent	6.54	1.64	
Rates and Taxes	6.47	4.24	
Sales Tax (net of recoveries)	39.56	0.27	
Insurance	7.95	1.90	
Loss on Sale of Asset	0.35	0.21	
Doubtful debts	20.16	-	
Consultancy and other professional charges	19.12	7.20	
Training & Recruitment expenses	1.28	0.07	
Business Promotion	6.20	0.26	
Travelling Expenses	25.96	5.07	
Communication Expenses	6.19	1.01	
Office Maintenance	10.00	0.18	
Managerial remuneration	21.72	2.85	
Remuneration to Auditors			
- Audit Fees	1.07	0.50	
- Others	0.07	-	
Donation	1.48	0.22	
Miscellaneous Expenses	1.22	1.93	
Total	292.70	43.79	

SCHEDULE 17		Rs.in Million	
	2007	2006	
INTEREST AND FINANCE CHARGES			
Interest on Fixed Loans	179.33	22.93	
Interest on others	16.55	5.49	
Bank Guarantee Commission	7.49	3.37	
Bank and Finance Charges	8.36	4.47	
Total	211.73	36.26	

Schedules to the Financial Statements for the year ended March 31, 2007

SCHEDULE 18

NOTES TO THE ACCOUNTS

1. Significant Accounting Policies

Accounting Assumptions

The financial statements have been prepared under the historical cost convention on the basis of a going concern, with revenues recognized and expenses accounted on their accrual and amounts determined as payable or receivable during the year except those with significant uncertainties and in accordance with the applicable Accounting Standards as issued by the Institute of Chartered Accountants of India.

Revenue Recognition

Revenue from Work Contracts is recognized in accordance with the percentage completion method on the basis of work certified.

Dividends declared by the subsidiary companies after the Balance Sheet date, are recognized as income in the year to which they relate if they are declared before the approval of the financial statements by the Board of Directors.

Income from investments is recognized in the year in which it is accrued and stated at gross of tax deducted at source.

Fixed Assets

Fixed Assets are stated at cost of acquisition less depreciation. Cost of acquisition is inclusive of freight, insurance, duties, levies and all incidentals attributable to bringing the asset to its working condition. Assets under installation or under construction as at the Balance Sheet date are shown as Capital Work in Progress. All the fixed assets are assessed for any indication of impairment at the end of the each financial year. On such indication, the impairment (being excess of carrying value over the recoverable value of the asset) is charged to the profit and loss account in the respective financial year. The impairment loss recognized in the prior years is reversed where the recoverable value exceeds the carrying value of the asset upon reassessment in the subsequent years.

Depreciation

Depreciation is provided on straight-line method as per the rates specified in Schedule XIV to the Companies Act, 1956 except for assets of less than Rs.5000, which are fully depreciated in the year of acquisition and for certain project related construction assets which are depreciated over the respective estimated project periods viz., IT Park Project Assets - 5 years, Power Project Assets - 3 years.

Leasehold improvements are amortized over the period of lease or estimated useful life whichever is shorter. In respect of additions/deletions, depreciation charge is restricted to the period of use.

Investments

Long-term investments are valued at cost unless there is a permanent diminution in their value. Current investments are valued at cost or market value whichever is lower. Cost of acquisition is inclusive of expenditure incidental to acquisition.

Inventories

Construction materials, stores and spare parts and project / construction work-in-progress are valued at cost or lower. Cost is determined on first in first out basis.

Retirement Benefits

Retirement benefits are accounted for on accrual basis, with contributions to provident fund charged to profit and loss account each year. Provisions for Gratuity and leave encashment are made based on the actuarial valuation.

Foreign Currency Transactions

All foreign currency transactions are accounted for at the exchange rates prevailing on the date of such transactions. Monetary assets and monetary liabilities are translated at the exchange rate prevailing on the balance sheet date and the resultant gain / loss is recognized in the Profit and Loss account.

Taxes on Income

Current tax is determined based on the amount of tax payable in respect of taxable income for the year. Deferred tax is recognized on timing differences; being the difference between taxable income and accounting income that originate in one year and are capable of reversal in one or more subsequent years. Deferred tax assets and liabilities are computed on the timing differences applying the tax rates enacted or substantively enacted by the Balance Sheet date. Deferred tax assets arising on account of unabsorbed depreciation or carry forward tax losses are recognized only to the extent that there is virtual certainty supported by convincing evidence that sufficient future taxable income will be available against which such deferred tax assets can be realized.

Earnings per Share

The earnings considered in ascertaining the Company's Earnings Per Share (EPS) comprise of the net profit after tax. The number of shares used for computing the basic EPS is the weighted average number of shares outstanding during the year.

Dilutive potential equity shares are deemed converted as of the beginning of the year, unless they have been issued at a later date. The diluted potential equity shares have been adjusted for the proceeds receivable had the shares been actually issued at fair value (i.e. average market value of the outstanding shares). The number of shares and potentially dilutive shares are adjusted for share splits/reverse share splits and bonus shares, as appropriate.

Employee Stock Option Scheme

The company has formulated an Employees Stock Option Scheme to be administered through a Trust. The scheme provides that subject to continued employment with the company or the Group, employees of the company and its subsidiaries are granted an option to acquire equity shares of the company that may be exercised within a specified period. The company follows the intrinsic value method for computing the compensation cost for all options granted which will be amortized over the vesting period.

2. Initial Public Offer

The Company has allotted 44,472,381 Equity Shares of Rs 10 each at a premium of Rs 230 per share by way of an initial public offer (IPO) during the current year. The issue was oversubscribed 10.66 times. The details of funds received towards such allotment, including securities premium thereon, and utilization of such funds are given below.

Schedules to the Financial Statements for the year ended March 31, 2007

Particulars	Rs. in Million
Funds raised from IPO	10,673.37
Utilisation	
1. Payment to Globeleq Holding (Kondapally) Ltd for acquiring shares of Lanco Kondapalli Power Projects 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)	360.60
4. Investment in Nagarjuna Power corporation ltd (including share application money and advance for acquisition of shares)	5345.02
5. Expenses relating to Initial Public Offer	402.41
Total utilized	7839.19
Balance of un utilized funds	2834.18

The above balance of unutilized fund has been temporarily invested in fixed deposits and other short term investments, pending utilization for the objects of the issue.

Expenses incurred in connection with the IPO amounting to Rs 402.41 millions have been adjusted against the securities premium account.

Details of Share Issue Expenses

Particulars	Rs. in Million
Advertisement	129.51
Lead Managers' fees	119.44
Consultancy Charges	54.16
Printing & Stationery	43.18
Regulatory Expenses	31.09
Insurance, B.G. Commission and Travel expenses	14.40
Auditors' Remuneration	10.63
	402.41

3. Contingent Liabilities

- Counter guarantees given to the banks Rs 3220.74 Millions (Previous year Rs 305.85 Millions).
- Corporate guarantees given to Financial Institutions, Banks and other Group Companies Rs 47,563.00 Millions (Previous year Rs 6388.20 Millions).
- Disputed Sales Tax liability for which the company has gone in to appeal Rs 2.46 Millions (Previous year Rs 1.37 Millions).

- Disputed Income Tax liability for which the company preferred an appeal Rs 25.97 Millions (Previous year Rs Nil).
- Prince Stone Investments Limited, the holding company of the Company holds 111,748,230 (Previous year 24,832,940) fully paid up equity shares of Rs. 10 each.
- During the year the equity shares of the company of a face value of Rs. 10 each were subdivided into a face value of Rs. 5 each vide the Extra-ordinary General Meeting of the members held on June 7, 2006. The equity shares were further consolidated into face value of Rs. 10 each vide the Extra-ordinary General Meeting of the members held on July 30, 2006
- The company has been awarded arbitration by a Tribunal for a sum of Rs.18.71 Millions to be paid by ONGC for a contract work executed by the Company. Subsequently ONGC has appealed against the award in a District Court. The management is of the opinion that the said amount included in Sundry Debtors is recoverable; no provision is required at this stage.
- The long-term unquoted investments in equity shares of subsidiary companies and an associate as given hereunder and included in Schedule 6 are pledged as security towards loan facilities sanctioned to the respective investee companies.

Investee Company	Number of Shares Pledged
Aban Power Company Limited	49,748,868 (15,471,309)
Clarion Power Corporation Limited	13,790,303 (6,914,200)
Rithwik Energy Systems Limited	27,038,000 (27,038,000)
Lanco Amarkantak Power Private Limited	1,54,398,950 (Nil)
Lanco Green Power Private Limited	10,621,000 (Nil)
Lanco Kondapalli Power Private Limited	1,15,26,0000 (23,800,000)
Nagarjuna Power Corporation Limited	20,000,000 (Nil)
Nagarjuna Power Corporation Limited - Preference shares	160,000,000 (Nil)

Previous year figures are mentioned in brackets.

- Amounts paid to subsidiary companies and others, towards share application money to the extent not refunded, have been considered as advances pending allotment and will be adjusted on allotment.
- Managerial Remuneration included in Schedule 16

For the year ended	Rs in Million	
	March 31, 2007	March 31, 2006
Salaries	18.60	2.48
Perquisites	1.80	0.65
Contribution to Provident Fund		0.08

Schedules to the Financial Statements for the year ended March 31, 2007

10. Disclosure pursuant to Accounting Standard (AS) 7 (Revised)

Rs in Million

Particulars	March 31, 2007	March 31, 2006
1. Amount of Contract revenue recognized during the year	5,142.72	1,160.37
2. Aggregate amount of costs incurred and recognized profits (less recognized losses) up to the reporting date. [including construction work in progress Rs. 464.40 Millions (Previous year Rs. 121.46 Millions)]	5,595.26	1,281.82
3. Amount of customer advances outstanding for contracts in progress	5,204.01	1,437.00
4. Retention amount due from customers for contracts in progress	614.01	119.43
5. Gross amount due from customers for contract works	1,729.62	651.43

11. Estimated amount of contracts remaining to be executed on capital account and not provided for (net of advances) Rs 34.66 Millions (Previous Year Rs. Nil)

12. Related party transactions

a) Name of Related Parties and description of relationship:

Holding Company	Prince Stone Investments Limited.
Subsidiary Companies	Lanco Kondapalli Power Pvt Limited, (LKPPPL)
	Aban Power Company Limited., (APCL)
	Rithwik Energy Systems Limited., (RESL)
	Clarion Power Corporation Limited., (CPCL)
	Lanco Amarkantak Power Private Limited., (LAPPL)
	Lanco Hills Technology Park Private Limited., (LHTPPPL)
	Lanco Electric Utility Limited., (LEUL)
	Lanco Energy Private Limited., (LEPL)
	Lanco Green Power Private Limited., (LGPPL)
	Lanco Hydro Power Ventures Private Limited., (LHPVPL)
	Coral Agro Estates Private Limited., (CAEPL)
	Garnet Agro Estates Private Limited., (GAEPL)
	Diamond Farms Private Limited., (DFPL)
	Ruby Agro Farms Private Limited., (RAFPL)
	Pearl Farms Private Limited., (PFPL)
	Uranus Projects Private Limited., (UPPL)
	Neptune Projects Private Limited., (NPPL)

	Vamshi Industrial Power Limited., (VIPL)
	Vamshi Hydro Energies Private Limited., (VHEPL)
	Lanco Hydro Energies Private Limited., (LHEPL)
	Mercury Projects Private Limited, (MPPL)
Key Management Personnel and their relatives	
1.	Mr. L. Madhusudhan Rao, Chairman (LMR)
2.	Mr. L. Rajagopal (Brother) (LRG)
3.	Mr. L. Sridhar (Brother) (LS)
4.	Ms. L. Padma (Sister) (LP)
5.	Mr. L. Venkata RamaNaidu (Father) (LVRN)
6.	Ms. L. Ramalakshamma (Mother) (LRM)
7.	Mr. G. Bhaskara Rao, Vice Chairman (GBR)
8.	Ms. G. Padmavathi, (Sister of Chairman) (GP)
9.	Mr. G. Venkatesh Babu, Managing Director (GVB)

a) Name of Related Parties and description of relationship

Enterprises where Key Management personnel have significant influence	Lanco Property Management Private Limited., (LPMPL)
	Lanco Group Limited., (LGL)
	S.V. Contractors., (SVC)
	Lanco Rani., (LR)
	Lanco Usha , (LU)
	LCL Foundation- ESOP Trust., (ESOP Trust)
	Century Investments Limited., (CIL)
	Third Millennium Investments Limited., (TMIL)
	Island Power Ventures Limited., (IPVL)
	Himachal Hydro Electric Private Limited., (HHEPL)
	Ravi Hydro Electric Private Limited., (RHEPL)
	Occidental Power Private Limited., (OPPL)
	Vainateya Power Private Limited., (VPPL)
	Lanco Anpara Power Private Limited, (LAPPL)
	Nagarjuna Power Corporation Limited, (NPCL)
	Lanco Hoskote Highway Private Limited., (LHHPL)
	Saffaire farms Private Limited (SFPL)

Schedules to the Financial Statements for the year ended March 31, 2007

b) Summary of transactions with related parties is as follows:

Rs in million

Nature of Transaction	for the year ended Mar 31, 2007				for the year ended Mar 31, 2006						
	Holding Company		Subsidiary Companies		Enterprises where significant influence exists		Key Management Personnel and their relatives				
	Name of the Party	Amount	Name of the Party	Amount	Name of the Party	Amount	Name of the Party	Amount			
Dividend received		Nil	LKPPPL	23.80		Nil	LKPPPL	33.32		Nil	
				23.80				33.32			
Rent received		Nil	APCL	1.18		Nil	APCL	1.04		Nil	
			RESL	0.16							
			CPCL	0.15							
Civil Contract				1.49				1.04			
Services rendered		Nil	LAPPL	762.60		LRJV	143.94		Nil	Nil	
			LEPL	403.74		NPCL	816.13		LAPPL	300.17	
			LGPPPL	180.90		Others	15.22		Others	30.54	
			Others	357.47							
Contract Service/				1,704.71					330.71		
Shared Service fees		Nil				SVC	35.09		SVC	25.60	Nil
										25.60	
Managerial Remuneration		Nil				LMR	7.20		Nil	3.20	Nil
						GBR	7.20		SC Duggal		
						GYB	6.00				
Purchase of Equity Shares							20.40			3.20	0.05
		PSIL	73.39	LAPPL	770.50	CIL	353.68				
				LHTPPL	664.92	IPVL	375.94				
				LEPL	239.50	TMIL	1,131.38				
				LGPPPL	354.00	NPCL	1,800.00				
				Others	109.72	Others	110.00				
Issue of Equity Shares including premium		73.39		2,138.64		3,771.00					0.05
		Nil		Nil		LGL	1,914.69			Nil	Nil
						Others	25.06				
							1,939.75				

Contd.....

Schedules to the Financial Statements for the year ended March 31, 2007

Nature of Transaction	for the year ended Mar 31, 2007						for the year ended Mar 31, 2006									
	Holding Company		Subsidiary Companies		Enterprises where significant influence exists		Key Management Personnel and their relatives		Holding Company		Subsidiary Companies		Enterprises where significant influence exists		Key Management Personnel and their relatives	
	Name of the Party	Amount	Name of the Party	Amount	Name of the Party	Amount	Name of the Party	Amount	Name of the Party	Amount	Name of the Party	Amount	Name of the Party	Amount	Name of the Party	Amount
Issue of Bonus Shares	PSIL	869.15		Nil	LCL	212.74	GBR	44.38	PSIL	186.25		LCL	6.00	GBR	9.51	
					ESOP	53.06	LRG	42.66						LRG	9.14	
							LMR	42.60						LMR	9.13	
							LS	42.55						LS	9.12	
							Others	7.57						Others	1.62	
		869.15				265.80		179.76		186.25					38.52	
Share application money		Nil	LHTPPL	95.00	LAnPPL	30.92		Nil		Nil	LGPPPL	69.50	CPCL	50.16	Nil	
			LHEPPL	139.00	NPCL	3,050.00					LHTPPL	143.90	LAPPL	10.50		
			Others	5.10									PFPL	36.23		
													Others	18.80		
				239.10		3,080.92					213.40			115.69		
Refund of Share application money		Nil	LHTPPL	124.48	SFPL	7.50		Nil		Nil			LEPL	6.60	Nil	
			LHEPPL	274.70									DFPL	5.30		
			MPPL	284.60												
			Others	272.89												
				956.67		7.50								11.90		
Project Development Fees			APCL	6.00	NPCL	71.28										
			LEPL	17.50												
			LAPPL	21.00												
			Others	11.26												
				55.76		71.28										
Balance payable [recoverable] at the year end			LGPPPL	462.83	NPCL	3,338.25					VHEPPL	12.36	SVC	40.30		
			LKPPL	200.00	Others	0.16					LGPPPL	36.93	LEPL	171.12		
			Others	328.30							Others	17.78	Others	53.47		
			LEPL	[65.25]	LCL	[25.69]							LU	[0.40]		
			LAPPL	[152.19]	Others	[22.02]							Others	[0.12]		
			Others	[356.83]												
				991.13		3338.41					67.07			264.89		
				[571.27]		[47.71]					[0]			[0.52]		

Contd...

Schedules to the Financial Statements for the year ended March 31, 2007

Notes:

- a) The Company has provided securities by way of pledge of investments for loans taken by certain companies.
 - b) Certain Key Management Personnel have extended personnel guarantees as security towards the borrowings of the Company.
 - c) Previous year figures are mentioned in brackets.
 - d) Transactions and outstanding balances in the nature of reimbursement of expenditure incurred by one company on behalf of the other have not been considered above.
13. Investments purchased and sold during the year:

Sl #	Name of the fund	No of Units	Rupees in Million
1	ABN Amro Asset Management - Dividend Plan	30,000,000.000	300.00
2	Birla Sun Life Cash Manager - Dividend Plan	54,936,614.853	550.00
3	Canbank Mutual Fund - Dividend Plan	14,610,626.796	150.00
4	DWS Investments - Dividend Plan	29,975,420.155	300.00
5	Franklin Templeton Investments - Dividend Plan	109,972.507	110.00
6	HDFC Cash Management Fund - Dividend Plan	56,410,063.555	600.00
7	HSBC Cash Management Fund - Dividend Plan	29,993,803.152	300.00
8	Prudential ICICI Mutual Fund - Dividend Plan	60,000,000.000	600.00
9	ING Vysya Liquid Fund - Dividend Plan	59,784,177.225	373.00
10	Principal PNB Asset Management - Dividend Plan	15,998,880.078	160.00
11	State Bank of India Mutual Fund - Dividend Plan	24,437,927.664	250.00
12	DBS Chola Mutual Fund - Dividend Plan	4,984,200.086	50.00
13	Standard Chartered Bank Mutual Fund - Dividend Plan	449,955.004	450.00
14	Sundaram PNB Paribas Mutual - Dividend Plan	14,952,799.818	150.00
15	TATA Mutual Fund - Dividend Plan	4,679,587.132	200.00
16	UTI Mutual Fund - Dividend Plan	264,849.810	270.00
17	DSP Merrill Lynch Mutual Fund - Dividend Plan	599,880.024	600.00
18	LIC Mutual Fund - Dividend Plan	139,425,568	1,530.14
		541,614,326	6,943.14

14. Leases

Operating leases:

- a) The company has taken various residential /commercial premises on cancelable operating lease and these lease agreements are generally renewed on expiry.
- b) Lease payments made under cancelable operating leases amounting to Rs. 6.54 Million (Previous year - Rs.1.64 Million) have been recognized as an expense in the profit and loss account. The company has not entered into any non-cancelable operating leases.

15. Earnings per share (EPS) for the year ended March 31, 2007

Particulars	2007	2006
Net profit available for Equity Share Holders(Rs in Millions)	730.61	97.60
	Nos	Nos
Weighted average number of Equity Shares for Basic EPS	190,645,416	164,746,348
Add: Adjustment for outstanding options under ESOP	31,068	Nil
Weighted Average number of Equity shares for Diluted EPS	190,676,484	164,746,348
Nominal value for share	Rs 10	Rs 10
Basic EPS	Rs 3.83	Rs 0.59
Diluted EPS	Rs 3.83	Rs 0.59

Schedules to the Financial Statements for the year ended March 31, 2007

16. Employee Stock Option Scheme

During the year, 7518096 equity shares of Rs. 10 each were allotted in addition to 3600000 equity shares of Rs. 10 each which were earlier allotted to LCL Foundation (ESOP - Trust) towards the Employee Stock option plan 2006 (The Plan) which was formulated by the company. The plan provides for grant of stock options of equity shares of the company to employees of the company and its subsidiaries subject to continued employment with the company or Group. Upon exercise of options by the employees, shares shall be transferred to them. All the eligible employees are granted options which are vested as follows:

- 20% of total options i.e. 90 shares of a face value of Rs. 10 each at an exercise price as per the plan shall become vested options on June 24, 2007.
- 20% of total options i.e. 90 shares of a face value of Rs. 10 each at an exercise price as per the plan shall become vested options on June 24, 2008.
- 20% of total options i.e. 90 shares of a face value of Rs. 10 each at an exercise price as per the plan shall become vested options on June 24, 2009.
- 20% of total options i.e. 90 shares of a face value of Rs. 10 each at an exercise price as per the plan shall become vested options on June 24, 2010.
- 20% of total options i.e. 90 shares of a face value of Rs. 10 each at an exercise price as per the plan shall become vested options on June 24, 2011.

The Plan is in accordance with the Securities and Exchange Board of India (Employee Stock Option Scheme and Stock Purchase Scheme) Guidelines, 1999.

In terms of the Plan, 149,400 options (Previous year - Nil) were granted to eligible employees and were outstanding as at March 31, 2007.

A summary of the status of the company's plan is given below:

Stock Option activity under the scheme is set out

For the year ended	March 31, 2007	March 31, 2006
Outstanding at the beginning of the year	Nil	Nil
Options Granted during the year	149,400	Nil
Options Forfeited during the year	Nil	Nil
Options Exercised during the year	Nil	Nil
Outstanding at the end of the year	149,400	Nil

17. The Deferred Tax Liability (Net) as at March 31, 2007

Rs. in Million

Particulars	2007	2006
Deferred Tax liability		
On Depreciation	95.76	30.87
Total	95.76	30.87
Deferred Tax Asset		
On Gratuity & Leave encashment	(3.97)	Nil
Total	(3.97)	Nil
Deferred tax (Asset) / Liability - Net	91.79	30.87

18. List of small scale industrial undertakings to whom the company owns any sum of more than thirty days is as follows:

RC Constructions, Power Engineers, S.S. Enterprises and Yogesh Enterprises

19. Expenditure in Foreign currency on cash basis for the year ended March 31, 2007

Rs. in Million

Particulars	2007	2006
Travel and Related expenses	5.41	0.12
Advance paid for supplies	1,674.49	Nil

20. Value of imports on CIF basis for the year ended March 31, 2007

Rs. in Million

Particulars	2007	2006
Trading purchases	Nil	280.18

Schedules to the Financial Statements for the year ended March 31, 2007

21. Earnings in foreign exchange on cash basis for the year ended March 31, 2007

Rs. in Million

	2007	2006
FOB value of Exports	NIL	281.83

22. Details of Construction Materials consumed for the year ended March 31, 2007

Rs. in Million

	Units	2007		2006	
		Quantity	Value	Quantity	Value
Steel	MT	9,704.42	311.51	1,532.68	39.00
Cement	No of bags	183425	25.27	Nil	Nil
Bitumen	MT	569.01	12.25	877.64	11.71
Construction tools and related materials			1435.15		215.47
Total:			1784.18		266.18

23. Information pursuant to paragraphs 3, 4, 4A, 4B, 4C and 4D of Part II of Schedule VI to the Companies Act, 1956 to the extent either Nil or Not Applicable has not been furnished.

24. Previous year figures have been re-grouped and reclassified, wherever necessary, to conform to those of the current year.

Cash Flow Statement for the Year Ended March 31, 2007

Rs. in Million

	2007	2006
A. CASH FLOW FROM OPERATING ACTIVITIES		
Net Profit before Taxation	1,009.49	130.99
Adjustments for:		
Depreciation	36.93	18.91
Interest expenses	195.88	28.42
Profit on sale of Investments	(58.80)	(15.68)
Loss on sale of Fixed Assets	0.35	0.21
Interest income	(111.51)	(9.25)
Cash generated from Operations before Working Capital Changes	1,072.34	153.60
Adjustments for:		
Inventories	(366.25)	(5.25)
Trade and other Receivables	(1,078.20)	(243.81)
Loans and Advances	(3,775.56)	(750.58)
Other Current Assets	(5.28)	0.73
Current Liabilities and Provisions	6,396.52	1,335.36
Cash generated from Operations	2,243.57	490.05
Direct Taxes Paid	(216.35)	(40.00)
Fringe Benefit Taxes Paid	(0.72)	(0.24)
Net Cash Flow From Operating Activities	2,026.50	449.81
B. CASH FLOW FROM / (USED IN) INVESTING ACTIVITIES		
(Purchase) / Sale of Fixed Assets (net)	(720.12)	(12.71)
(Purchase) / Sale of Investments (net)	(14,144.53)	(624.68)
Interest income	111.51	9.25
Net Cash from / (used in) Investing Activities	(14,753.14)	(628.14)
C. CASH FLOW FROM / (USED IN) FINANCING ACTIVITIES		
Proceeds / (Repayments) from Long Term Borrowings (net)	893.56	213.93
Proceeds / (Repayments) from Bank Borrowings (net)	171.48	(24.39)
Proceeds from Share Capital	12,185.99	-
Proceeds / (Repayments) from Hire Purchase Loans (net)	2.99	1.86
Interest Paid	(195.88)	(28.42)
Net Cash from / (used in) Financing Activities	13,058.14	162.98
Net Increase / (Decrease) in Cash and Cash Equivalents (A +B+C)	331.50	(15.35)
Cash and Cash Equivalents as at March 31, 2006	299.48	314.83
Cash and Cash Equivalents as at March 31, 2007	630.98	299.48

Notes:

- "The above Cash Flow Statement has been prepared under the 'Indirect Method' as set out in the Accounting Standard - 3 on 'Cash Flow Statements' issued by the Institute of Chartered Accountants of India."
- "Cash and Cash Equivalents include margin money deposits amounting to Rs.116.69 Millions (Previous Year Rs.29.44 Millions)."
- Cash and Cash Equivalents of Rs.2039.68 Million excludes longterm fixed deposits, are considered as cash used in Investing Activities.

This is the Cashflow statement referred to in our report of even date

For and on behalf of the Board

P. Rama Krishna

Partner

For and on behalf of

Price Water House

Chartered Accountants

L.MADHUSUDHAN RAO

Executive Chairman

G.VENKATESH BABU

Managing Director

Place : Hyderabad

Date : May 12,2007

C.KRISHNAKUMAR

Company Secretary

J.SURESH KUMAR

Chief Financial Officer