



LANCO
INFRA TECH LIMITED

INSPIRING GROWTH



ANNUAL REPORT
2006-07

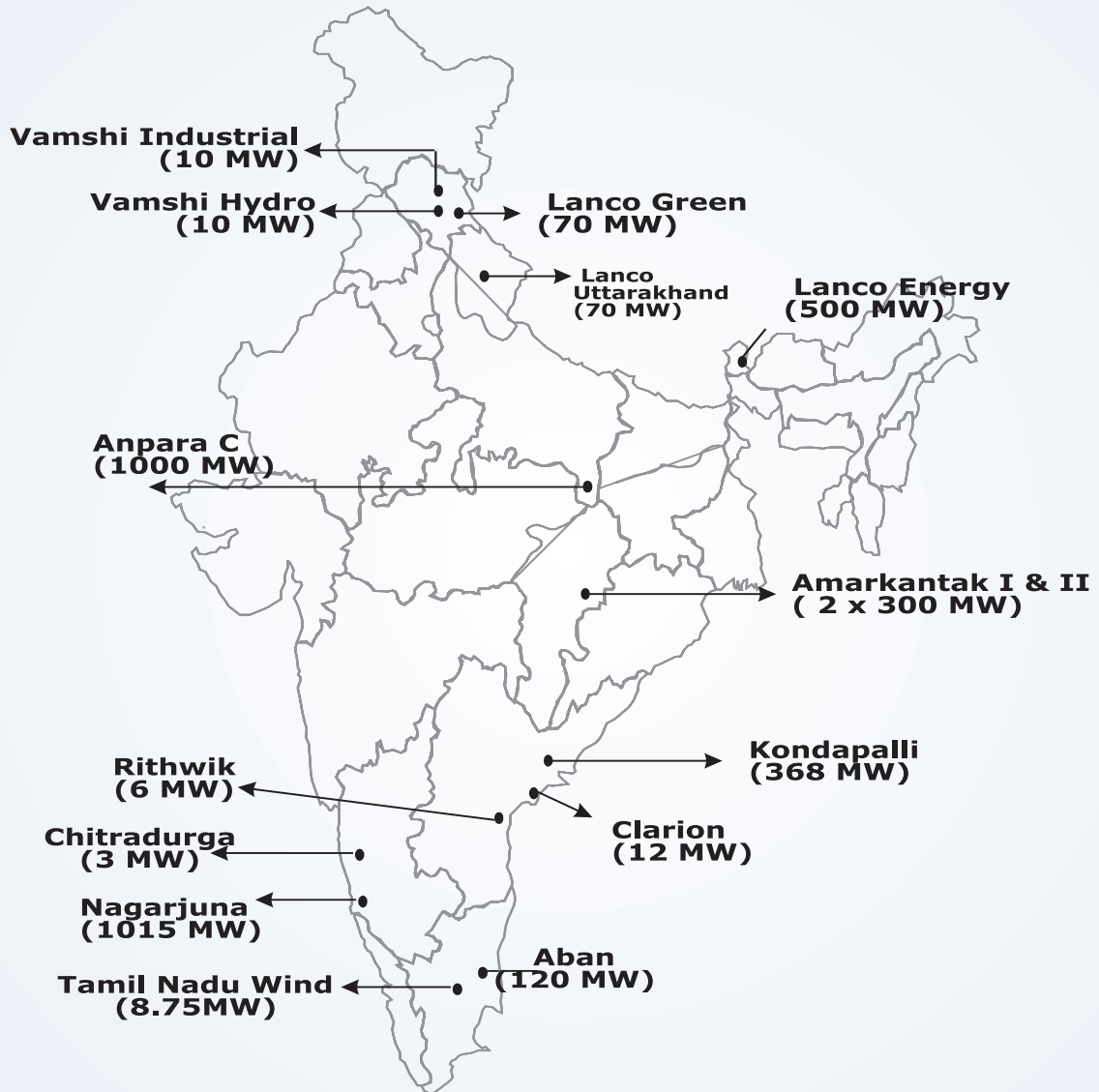


Our Vision

To empower, enable and enrich partners, businesses and associates

To be a chosen vehicle of growth for all stakeholders and a source of inspiration to society

PAN - INDIA PRESENCE



Permitted to post under "Postage Pre-paid in Cash". Permit No. SP/253/Cash Prepaid/ Lanco Infratech Ltd/dated 20-07-07 of C.P.M.G.A.P.Circle, Hyderabad-500 001.Posted at MBC-I, Hyderabad from 26-07-07 to 08-08-07.



LANCO INFRA TECH LIMITED

www.lancogroup.com

Company Information

BOARD OF DIRECTORS

Mr. L. Madhusudhan Rao	-	Executive Chairman
Mr. G. Bhaskara Rao	-	Executive Vice-Chairman
Mr. L. Sridhar	-	Vice-Chairman
Mr. G. Venkatesh Babu	-	Managing Director
Mr. D.V. Rao	-	Joint Managing Director
Dr. P. Kotaiah	-	Director
Mr. P. Abraham	-	Director
Dr. Uddesh Kumar Kohli	-	Director
Mr. P. Narasimharamulu	-	Director
Dr. B. Vasanthan	-	Director

COMPANY SECRETARY

Mr. C. Krishnakumar

CHIEF FINANCIAL OFFICER

Mr. J. Suresh Kumar

AUDITORS

M/s. Price Waterhouse,
Chartered Accountants,
6-3-550, IIInd Floor,
L.B. Bhavan, Somajiguda,
Hyderabad - 500 082, A.P, India.

REGISTERED OFFICE

"Lanco House", 141, Avenue # 8,
Road # 2, Banjara Hills,
Hyderabad - 500 034,
Andhra Pradesh, India.
Ph : +91-40-2354 0695/ 697 / 4009 0400
Fax : +91-40-2354 0696
E-mail : complianceofficer.lit@lancogroup.com

BANKERS TO THE COMPANY

Allahabad Bank
Andhra Bank
Bank of Baroda
Indian Overseas Bank
Indus Ind Bank Limited
The Lakshmi Vilas Bank Limited
Lord Krishna Bank Limited
Oriental Bank of Commerce
Punjab National Bank
State Bank of India
State Bank of Mysore
Syndicate Bank
UCO Bank

REGISTRARS & SHARE TRANSFER AGENTS

M/s. Intime Spectrum Registry Limited
Regd. Office :
C-13, Pannalal Silk Mills Compound,
L.B.S Marg, Bhandup (W),
Mumbai - 400 078, India.
Ph : +91-22-2596 3838
Fax : +91-22-2594 6969
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LANCO Infratech Ltd

LANCO Infratech Ltd (LITL), an infrastructure company is one of the fastest growing corporate entities in India. LANCO has more than two decades of experience operating in the core sectors of Power Generation, Power Trading, Realty and Infrastructure. LANCO has ambitious and aggressive plans to capitalise on the opportunities arising out of a surging economy. The plans include huge capital investments, strategic acquisitions and technical and financial collaborations with businesses in India and outside.

Power

LANCO has promoted a number of Independent Power Projects, of which six are operational and the rest under various stages of development and construction. LANCO currently has an operating capacity of 518 MW. With the addition of 2X500 MW Anpara C Power Project and 2X300 MW LANCO Amarkantak Power Project, Imported Coal-based 1015 MW Nagarjuna Power Project and 800 MW of hydropower capacities, LANCO will have a capacity of 4,000 MW by 2011.



Realty

LANCO is developing LANCO Hills, one of India's largest mixed property development projects on 'Walk-to-Work Concept' spread over 100 acres in Hyderabad. This project, set to become a landmark in India, will redefine the skyline of Hyderabad with its high-rise Residential Towers, Office Towers, Luxury Hotels, Malls and Recreation Zones, adding up to 30 million sq ft. The residential sector will have a 112 level residential tower with more than 200,000 sq ft of Club House facility, including Gym, exclusive Home Theatres, Olympic-size Swimming Pool and other indoor and outdoor sports facilities. The Mall will be one of the biggest in India, with 16 screen multiplexes covering a total of 2.5 million sq ft of space.





Infrastructure

LANCO has executed most demanding projects on schedule in the field of Civil and Construction Engineering, earning repute as a world-class construction company. It has executed major works in Irrigation, Dam Construction, Hydropower, Railways, Industrial Installation, Buildings and Highways. The major projects executed by LITL include the Rs 2930 million Veeranam water supply pipeline work in Tamil Nadu, a Joint Venture with Punchak of Malaysia, completed in a record time of 18 months, the Rs 2560 million Balance of Plant (BoP) of 368 MW LANCO Kondapalli Power Project at Vijayawada in Andhra Pradesh and the first cable stay flyover at Kharghar in Navi Mumbai, a joint venture with Usha Group.

Social responsibility

LANCO Institute of General Humanitarian Trust (LIGHT), established in 2000, is a multi-disciplined Public Charitable Trust in service of society. LIGHT is involved in welfare activities like providing water to rural communities, saving traditional arts that are on the verge of extinction, assisting the differently abled and promotion of sports.



Year at a Glance

Based on the Consolidated Financial Results

	Rs.in Million		
	2006-07	2005-06	Change (Times)
Gross Revenue	16473	1484	11
Earnings Before Depreciation, Interest and Tax	4199	168	25
Depreciation	656	19	35
Earnings Before Interest and Tax	3543	149	24
Interest and Finance Charges	829	36	23
Earnings Before Tax	3130	125	25
Provision for Tax	472	33	14
Profit After Tax (Before Mnority Interest)	2658	92	29
Mminority Interest & Share of Profits in Associates	(778)	79	-10
Profit After Tax (After Mnority Interest)	1880	171	11
Share Capital	2198	308	7
Reserves and Surplus	12907	647	20
Minority Interest	3763	138	27
Net Worth	18868	1093	17
Loan Funds	17099	1397	12
Gross Block	19186	235	82
Cumulative Depreciation	5754	86	67
Net Fixed Assets	13432	149	90
Capital Works in Progress	10958	260	42
Investments	6029	1015	6
Net Current Assets	5640	1097	5

Note : During the financial 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/associate. Hence, the consolidated results for the current period are not fully comparable with those of the corresponding period of the previous year.

Board of Directors



L Madhusudhan Rao - Executive Chairman

L Madhusudhan Rao has 16 years of varied experience in the industrial field. After obtaining his B Tech from Siddhartha Engineering College, Vijayawada and M Tech (Design Engineering) from PSG College of Technology, Coimbatore, he did his MS (Industrial Engineering) from Wayne State University in Detroit, the United States. On his return, he joined the team involved in building up LANCO Industries Ltd near Tirupati, Andhra Pradesh. In 1992, he became its Managing Director. He was mainly engaged in the expansion plans and management of the company, culminating in a tie-up with Electrosteel Castings Ltd, Kolkata in 2002. The year also saw Madhusudhan Rao become Chairman of LANCO Infratech Ltd. Under his able leadership, LANCO has made forays into coal-based and hydro-based power projects, realty to property development. Today his functional strengths range from extensive operational knowledge in Power, Realty and Infrastructure.



G Bhaskara Rao - Executive Vice Chairman

G Bhaskara Rao has more than 25 years of industrial and entrepreneurial experience. He has executed various construction projects, including dams, bridges and roads. He was instrumental in organizing and implementing the ductile iron pipes manufacturing project of LANCO Kalahasthi Castings Ltd. He has done his BE (Production) Degree from SV University, Tirupati and ME (Mechanical Design) Degree from the Indian Institute of Science, Bangalore.



L Sridhar - Vice Chairman

L Sridhar comes with one-and-a-half years of experience at Acon Building Constructions in Sanjose, the United States. He worked as Joint Managing Director of LANCO Infratech Ltd, formerly LANCO Constructions Ltd, from 1997 to 2003. He is Director and Promoter of LANCO Kondapalli Power Pvt Ltd, Rithwik Energy Systems Ltd, Clarion Power Corporation Ltd, ABAN Power Company Ltd, LANCO Industries Ltd, LANCO Infratech Ltd, LANCO Amarkantak Power Pvt Ltd and LANCO Green Power Pvt Ltd. He has done his BE (Civil Engineering) from Siddaganga Institute of Engineering in Tumkur, Karnataka and MS (Construction Management in Civil Engineering) from University of Eastern Michigan in the United States.



G Venkatesh Babu - Managing Director

G Venkatesh Babu has rich experience in Commercial Banking, Corporate Advisory, Merger and Acquisitions, Project Finance and Equity Capital Markets. He currently looks after LANCO Group's finance functions and is a member of LANCO's Strategy Team. He focuses on LANCO's strategic partnership and growth initiatives. He is extensively involved in financing of LANCO Group's projects and overseeing the resources function of all the Group companies. A Bachelor of Commerce from Madras Christian College, he is a Chartered Accountant and Cost Accountant.



DV Rao - Joint Managing Director

DV Rao has done his BE from Mysore. He has 19 years of experience in Project Implementation, Engineering and Consultancy Services and Marketing. After a stint in Coromandal Fertilisers Ltd and later in Tata Korf Engineering Services Ltd, he joined LANCO Kalahasthi Castings Ltd as In Charge of the projects and development division of Tirupati Complex. He was responsible for the implementation of 60,000 TPA Ductile Iron Spun Pipe Project and 40,000 TPA Grey Iron Casting Foundry. Later he was promoted as Deputy General Manager (International Marketing). Thereafter he was elevated as Director and CEO of Clarion Power Corporation Ltd and implemented 12 MW Biomass-based power project at Tanguturu in Andhra Pradesh. Later he became Director and CEO of LANCO Green Power Pvt Ltd and LANCO Energy Pvt Ltd. Subsequently he was elevated as Head - LANCO's Power Business Vertical and also Joint Managing Director.

Dr P Kotaiah - Director

Dr P Kotaiah, a Gold Medalist in MA (Mathematical Economics and Agricultural Economics) from Andhra University, is a member of the Certified Association of Indian Institute of Bankers. He has varied experience in the Banking Sector with specialization in the fields of agriculture and rural development. His past experience includes working with international/multilateral institutions including the International Fund for Agricultural Development, Rome, the Food and Agricultural Organization of the United Nations and the World Bank. He was also awarded the Special Honour Award in 1996 by the World Association of Small and Medium Enterprises in recognition of his special contribution towards the promotion of small and medium enterprises. He was conferred the Doctor of Letters by Andhra University in 1997 in recognition of his special contribution to the areas of rural finance and development.



P Abraham - Director

P Abraham, a retired officer from the Indian Administrative Service, has done his MA from Andhra University and Diploma in Systems Management from Bajaj Institute, Mumbai. He was awarded the United Nations Industrial Development Organisation Fellowship to study the promotion of industries with special emphasis on export-oriented industries in Europe. During his 35 years of service in the Indian Administrative Service, he held a number of executive positions with the Central and State governments such as Chairman of Maharashtra State Electricity Board, Commission of Industries, the Government of Andhra Pradesh, Iron and Steel Controller, Ministry of Steel, Government of India and Chairman and Managing Director, Maharashtra State Textile Corporation. He authored a book on the power sector reforms with focus on distribution in 2003.



Dr Uddesh Kumar Kohli - Director

Dr Uddesh Kumar Kohli has 40 years of experience in the areas of corporate planning and consultancy. He holds an Honours Degree in Engineering from the Indian Institute of Technology, Roorkee, a post-graduate degree in management and a PhD in economics from Delhi School of Economics. He has been associated in an advisory capacity with institutions such as the Asian Development Bank and the United Nations Development Programme for countries such as Papua New Guinea, Tanzania, China and Maldives. He has won awards and has various publications on various aspects of project planning, appraisal, monitoring, information systems, management, power and energy systems, training and development.



P Narasimharamulu - Director

P Narasimharamulu, a Chartered Accountant, is a Nominee Director appointed by Indian Overseas Bank, one of the lenders of LITL. He has done his LLB and post-graduation in commerce. He is a member of Indian Council of Arbitration with over 34 years of experience in the areas of financial management including resource mobilization servicing and corporate governance. He has won various awards, including the India CFO 2004 Award for excellence in finance, top ranker award 2001 for excellence in finance from the Birla Institute of Management and Technology. He was a Director on the Boards of NTPC Electricity Supply Company Ltd, NTPC Hydro Ltd, NTPC Vidyut Vyapar Ltd, NTPC Tamil Nadu Electricity Company Ltd and Utility Powertech Ltd. He is a Director on the Boards of Vijai Electricals Ltd, Jayavenkatrama Industries Ltd and JK Lakshmi Cement Ltd and Chairman Audit Committee of Vijai Electricals Ltd.

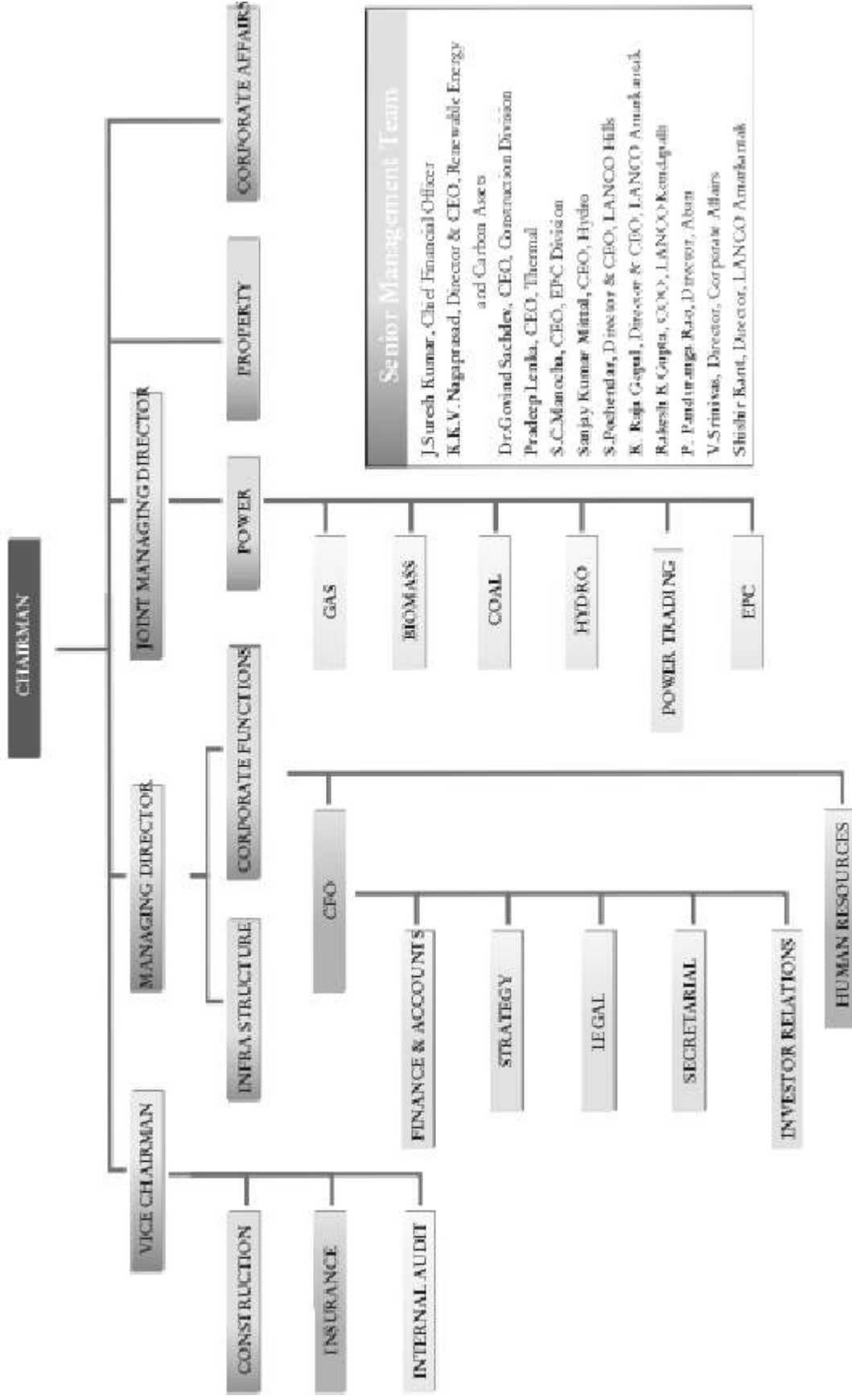


Dr B Vasanthan - Director

Dr B Vasanthan was Chief Executive Officer of National Bank of Oman, SAOG, Muscat, Oman from 2004-05. He joined Andhra Bank as Executive Director in 1998 and became its Chairman and Managing Director in 2000. A Gold Medalist in B Com from Guruvayurappan College, Kozhikode, Kerala, he was conferred an honorary Doctorate by Sri Venkateshwara University, Tirupati in 2003.



ORGANISATION STRUCTURE



Letter to Shareholders



Dear Shareholders,

The financial year 2006-07 has been one of the most memorable years in the history of our company. We are now a listed entity. The company has been re-organised into a consolidated entity. We have positioned ourselves as an integrated infrastructure development company with great ambitions in Power, Roads, Transmission, SEZs, Ports, Airports and other infrastructure projects. We have also started the development work at our flagship property initiative LANCO Hills in Hyderabad. The integration of all our initiatives comes by way of leveraging all our Construction and EPC experience in their development phase.

We are focused on taking up the development of infrastructure projects, as we believe there is a huge potential emerging from the growth unleashed in Indian Economy. We believe that we have competitive advantages for undertaking these projects without compromising on the expectations on returns. We have demonstrated our competitive advantages in the bids for

power and road projects that we won during the last year.

We are currently implementing power projects with a cumulative capacity of 3,200 MW at an estimated cost of Rs 120 billion. These projects are expected to be commissioned in a span of two-three years beginning from next year. We have also undertaken the development of one of the world's largest mixed development properties at LANCO Hills in Hyderabad. The commercial launch of the sale of residential space in this property has evoked an overwhelming response. The response vindicates our understanding that there is a huge demand for quality property initiatives in large Indian cities. We are certainly encouraged by the response and we would be keen on undertaking more of quality property initiatives.

We are aware of the fact that we have set for ourselves aggressive growth targets and our focus is now on achieving these targets within the time limits set. We are reinforcing our human resources pool so that we have the right people for monitoring and implementing these projects. We have re-structured compensation packages to attract and retain the best of the talents in the Industry. We encourage innovation in all spheres of working, as we believe that only innovative organisations can remain competitive in dynamic market conditions.

We are facing a number of challenges - some expected and others not so expected - on our way to achieving growth. We are committed to overcoming these challenges and maintaining our growth. We believe in achieving rapid growth as the best strategy for providing value to all our stakeholders.

I would like to take this opportunity to express my deep gratitude to our Board, Senior Management Team, customers, lenders, banks, shareholders and to each of our employees for the confidence and support they have reposed in us.

With best wishes,
L Madhusudhan Rao
Executive Chairman

Notice

Notice is hereby given that the Fourteenth Annual General Meeting of the Members of Lanco Infratech Limited will be held at 3.30 P.M. on Monday, the 3rd September, 2007, at Shilpakala Vedika, Shilparamam, Madhapur, Hyderabad - 500 081, Andhra Pradesh, India, to transact the following business:

ORDINARY BUSINESS:

1. To receive, consider and adopt the Balance Sheet of the Company as on 31st March, 2007 and the Profit and Loss Account for the year ended on that date along with the Directors' Report and Auditors' Report thereon.
2. To appoint a Director in place of Mr. G. Bhaskara Rao, who retires by rotation, and being eligible, offers himself for re-appointment.
3. To appoint a Director in place of Mr. G. Venkatesh Babu, who retires by rotation, and being eligible, offers himself for re-appointment.
4. To consider and if thought fit, to pass with or without modification(s) the following resolution as an Ordinary Resolution.

"RESOLVED THAT M/s. Price Waterhouse, Chartered Accountants, be and are hereby appointed as the Auditors of the Company from the conclusion of this Annual General Meeting until the conclusion of the next Annual General Meeting at remuneration as may be decided by the Board of Directors of the Company."

SPECIAL BUSINESS:

5. To consider and if thought fit, to pass with or without modification(s) the following resolution as an Ordinary Resolution.

"RESOLVED THAT pursuant to the provisions of Section 257 and other applicable provisions, if any, of the Companies Act, 1956, Dr. P. Kotaiah be and is hereby appointed as a Director of the company, whose period of office shall be liable to retire by rotation."

6. To consider and if thought fit, to pass with or without modification(s) the following resolution as an Ordinary Resolution.

"RESOLVED THAT pursuant to the provisions of Section 257 and other applicable provisions, if any, of the Companies Act, 1956, Mr. P. Abraham be and is hereby appointed as a Director of the Company, whose period of office shall be liable to retire by rotation."

7. To consider and if thought fit, to pass with or without modification(s) the following resolution as an Ordinary Resolution.

"RESOLVED THAT pursuant to the provisions of Section 257 and other applicable provisions, if any, of the Companies Act, 1956, Dr. Uddesh Kumar Kohli be and is hereby appointed as a Director of the company, whose period of office shall be liable to retire by rotation."

8. To consider and if thought fit, to pass with or without modification(s) the following resolution as an Ordinary Resolution.

"RESOLVED THAT pursuant to the provisions of Section 257 and other applicable provisions, if any, of the Companies Act, 1956, Mr. P. Narasimhamulu be and is hereby appointed as a Director of the company, whose period of office shall be liable to retire by rotation."

9. To consider and if thought fit, to pass with or without modification(s) the following resolution as an Ordinary Resolution.

"RESOLVED THAT pursuant to the provisions of Section 257 and other applicable provisions, if any, of the Companies Act, 1956, Dr. B. Vasanthan be and is hereby appointed as a Director of the company, whose period of office shall be liable to retire by rotation."

10. To consider and if thought fit, to pass with or without modification(s) the following resolution as an Ordinary Resolution.

"RESOLVED THAT pursuant to Sections 198, 309, 310 & 311 and other applicable provisions of the Companies Act, 1956 and Schedule

XIII to the Companies Act, 1956 the increase in the remuneration payable to Mr. L. Madhusudhan Rao, Executive Chairman with effect from 01.04.2007 as under be and is hereby approved.

- (i) Salary of Rs.10,00,000/- (Rupees Ten Lakhs) per Month.
- (ii) Perquisites: The Executive Chairman shall be entitled to all the perquisites listed herein below in addition to the salary mentioned above :
 - (a) Gratuity: Gratuity payable shall be in accordance with the provisions of the Payment of Gratuity Act.
 - (b) Use of Car with Driver: The Company shall provide the Executive Chairman a car with driver for business and personal use.
 - (c) Communication Facilities: Telephone at residence and Mobile Phone shall be provided for use by Executive Chairman.
 - (d) Servant: Reimbursement of servant's salary, subject to a maximum of two servants.
 - (e) Gardener: Reimbursement of gardener's salary, subject to a maximum of one gardener.
 - (f) Club Fees: Fees of Clubs, subject to a maximum of three clubs.
- (iii) The total remuneration including allowance and perquisites shall not exceed the limits specified in Section 309 of the Companies Act, 1956 read with Schedule - XIII to the Companies Act, 1956.
- (iv) No Sitting Fees shall be paid to Mr. L. Madhusudhan Rao for attending Meetings of the Board of Directors or any Committee(s) thereof."

11. To consider and if thought fit, to pass with or without modification(s) the following resolution as an Ordinary Resolution.

"RESOLVED THAT pursuant to Sections 198, 309, 310 & 311 and other applicable provisions of the Companies Act, 1956 and Schedule XIII to the Companies Act, 1956 the increase in the remuneration payable to Mr. G. Bhaskara Rao, Executive Vice-Chairman with effect from 01.04.2007 as under be and is hereby approved.

- (i) Salary of Rs.10,00,000/- (Rupees Ten Lakhs) per Month.
- (ii) Perquisites: The Executive Vice-Chairman shall be entitled to all the perquisites listed herein below in addition to the salary mentioned above :
 - (a) Gratuity: Gratuity payable shall be in accordance with the provisions of the Payment of Gratuity Act.
 - (b) Use of Car with Driver: The Company shall provide the Executive Vice-Chairman a car with driver for business and personal use.
 - (c) Communication Facilities: Telephone at residence and Mobile Phone shall be provided for use by Executive Vice-Chairman.
 - (d) Servant: Reimbursement of servant's salary, subject to a maximum of two servants.
 - (e) Gardener: Reimbursement of gardener's salary, subject to a maximum of one gardener.
 - (f) Club Fees: Fees of Clubs, subject to a maximum of three clubs.
- (iii) The total remuneration including allowance and perquisites shall not exceed the limits specified in Section 309 of the Companies Act, 1956 read with Schedule - XIII to the Companies Act, 1956.

- (iv) No Sitting Fees shall be paid to Mr. G. Bhaskara Rao for attending Meetings of the Board of Directors or any Committee(s) thereof."
12. To consider and if thought fit, to pass with or without modification(s) the following resolution as an Ordinary Resolution.
- "RESOLVED THAT pursuant to the provisions of Sections 198, 269, 309, 310 & 311 and other applicable provisions of the Companies Act, 1956 and Schedule XIII to the Companies Act, 1956, the appointment of Mr. G. Venkatesh Babu as Managing Director of the Company for a period of 5 years with effect from 24th June, 2006 and increase in the remuneration payable to him with effect from 01.04.2007 as under be and are hereby approved.
- (i) Salary of Rs.9,16,667/- (Rupees Nine Lakhs Sixteen Thousand Six Hundred and Sixty Seven) per Month.
- (ii) Incentives: In the form of cash or ESOPs as per the Company Policies.
- (iii) The facilities of - Car, Telephone, Other Communication facilities at residence for use on Company's business and Club Membership Fee of a maximum of three clubs.
- (iv) Gratuity: Gratuity payable shall be in accordance with the provisions of the Payment of Gratuity Act.
- (v) The total remuneration including allowance and perquisites shall not exceed the limits specified in Section 309 of the Companies Act, 1956 read with Schedule - XIII to the Companies Act, 1956.
- (vi) No Sitting Fees shall be paid to Mr. G. Venkatesh Babu for attending Meetings of the Board of Directors or any Committee(s) thereof."

13. To consider and if thought fit, to pass with or without modification(s) the following resolution as an Ordinary Resolution.
- "RESOLVED THAT pursuant to the provisions of Sections 257, 198, 269 & 309 and other applicable provisions of the Companies Act, 1956 read with Schedule XIII to the Companies Act, 1956, the appointment of Mr. D.V. Rao as Joint Managing Director of the Company for a period of 5 years with remuneration payable as under with effect from 12.05.2007 be and is hereby approved.
- (i) Salary of Rs. 9,16,667/- (Rupees Nine Lakhs Sixteen Thousand Six Hundred and Sixty Seven) per Month.
- (ii) Location Allowance at New Delhi @ 15% CTC - Rs.1,37,500/- (Rupees One Lakh Thirty Seven Thousand and Five Hundred only) per Month.
- (iii) Incentives: In the form of cash or ESOPs as per the Company Policies.
- (iv) The facilities of - Car, Telephone, Other Communication facilities at residence for use on Company's business and Club Membership Fee of a maximum of three clubs.
- (v) Gratuity: Gratuity payable shall be in accordance with the provisions of the Payment of Gratuity Act.
- (vi) The total remuneration including allowance and perquisites shall not exceed the limits specified in Section 309 of the Companies Act, 1956 read with Schedule - XIII to the Companies Act, 1956.

- (vii) No Sitting Fees shall be paid to Mr. D.V. Rao for attending Meetings of the Board of Directors or any Committee(s) thereof."

14. To consider and if thought fit, to pass with or without modification(s) the following resolution as an Ordinary Resolution.
- "RESOLVED THAT pursuant to the provisions of Clause-49(I)(B) of the Listing Agreement and Sections 198 & 309 and other applicable provisions of the Companies Act, 1956, Grant of 5,00,000 (Five Lakh) Stock Options in the Aggregate, under the Employee Stock Option Plan-2006 of the Company, to the Independent Directors of the Company and subsidiaries present and future, be and is hereby approved and the Board of Directors / Compensation Committee be and are hereby authorized to do all deeds, things and acts as may be required in this regard."

By Order of the Board
For LANCO INFRATECH LIMITED

Place : Hyderabad,
Date : 26.06.2007.

C. KRISHNAKUMAR
COMPANY SECRETARY.

NOTES:

1. A member, entitled to attend and vote at the Annual General Meeting, is entitled to appoint a proxy to attend and vote instead of himself/herself and the proxy need not be a member of the Company.
2. The Proxy form is enclosed, which should be deposited at the Registered Office of the Company duly completed and signed not later than 48 hours before commencement of the meeting.
3. The Register of Members and Share Transfer Books of the Company will be closed from Saturday, the 25th August, 2007 to Monday, the 3rd September, 2007 (both days inclusive).
4. Members holding shares in physical form are requested to notify change of address, if any, to M/s. Intime Spectrum Registry Limited and those who hold shares in dematerialized form are requested to notify to their depository participants their change in address.
5. Shareholders seeking any information with regard to accounts are requested to write to the Company at an early date so as to enable the Management to keep the information ready.
6. An Explanatory Statement pursuant to Section 173(2) of the Companies Act, 1956, in respect of Special Business is annexed hereto.

Annexure to Notice

EXPLANATORY STATEMENT PURSUANT TO SECTION 173(2) OF THE COMPANIES ACT, 1956.

Item No. 5

The Board of Directors at their Meeting held on 16th June, 2006 appointed Dr. P. Kotaiah as an Additional Director of the Company. The said appointment is in accordance with the Provisions of Section 260 of the Companies Act, 1956 and Article No.96 of the Articles of Association of the Company. The said Director holds office up to the date of the 14th Annual General Meeting. In accordance with the requirements of Section 257 of the Companies Act, 1956, the Company has received notice in writing along with the prescribed amount as deposit proposing the candidature of Dr. P. Kotaiah as Director liable to retire by rotation.

Except Dr. P. Kotaiah, none of the Directors is interested or concerned in the resolution.

Item No. 6

The Board of Directors at their Meeting held on 16th June, 2006 appointed Sri P. Abraham as an Additional Director of the Company. The said appointment is in accordance with the Provisions of Section 260 of the Companies Act, 1956 and Article No.96 of the Articles of Association of the Company. The said Director holds office up to the date of the 14th Annual General Meeting. In accordance with the requirements of Section 257 of the Companies Act, 1956, the Company has received notice in writing along with the prescribed amount as deposit proposing the candidature of Mr. P. Abraham as Director liable to retire by rotation.

Except Mr. P. Abraham, none of the Directors is interested or concerned in the resolution.

Item No. 7

The Board of Directors at their Meeting held on 16th June, 2006 appointed Dr. Uddesh Kumar Kohli as an Additional Director of the Company. The said appointment is in accordance with the Provisions of Section 260 of the Companies Act, 1956 and Article No.96 of the Articles of Association of the Company. The said Director holds office up to the date of the 14th Annual General Meeting. In accordance with the requirements of Section 257 of the Companies Act, 1956, the Company has received notice in writing along with the prescribed amount as deposit proposing the candidature of Dr. Uddesh Kumar Kohli as Director liable to retire by rotation.

Except Dr. Uddesh Kumar Kohli, none of the Directors is interested or concerned in the resolution.

Item No. 8

The Board of Directors at their Meeting held on 16th June, 2006 appointed Mr. P. Narasimhamulu, Nominee of Indian Overseas Bank, as an Additional Director of the Company. The said appointment is in accordance with the Provisions of Section 260 of the Companies Act, 1956 and Article No.96 of the Articles of Association of the Company. The said Director holds office up to the date of the 14th Annual General Meeting. In accordance with the requirements of Section 257 of the Companies Act, 1956, the Company has received notice in writing along with the prescribed amount as deposit proposing the candidature of Mr. P. Narasimhamulu as Director liable to retire by rotation.

Except Mr. P. Narasimhamulu, none of the Directors is interested or concerned in the resolution.

Item No. 9

The Board of Directors at their Meeting held on 26th June, 2007 appointed Dr. B. Vasanthan as an Additional Director of the Company. The said appointment is in accordance with the Provisions of Section 260 of the Companies Act, 1956 and Article No.96 of the Articles of Association of the Company. The said Director holds office up to the date of the 14th Annual General Meeting. In accordance with the requirements of Section 257 of the Companies Act, 1956, the Company has received notice in writing

along with the prescribed amount as deposit proposing the candidature of Dr. B. Vasanthan as Director liable to retire by rotation.

Except Dr. B. Vasanthan, none of the Directors is interested or concerned in the resolution.

Item No.10

The Company has recorded quantum growth from the year, 2006 to current year by aggressively bagging big Projects and actively implementing projects as per schedules. This has led to manifold increase in the responsibilities shouldered by the Top Management. Therefore, to compensate Mr. L. Madhusudhan Rao, Executive Chairman, fairly and in consonance with industry standards and as recommended by the Remuneration Committee, the Board approved, subject to approval of Members, enhancement of Remuneration with effect from 1st April, 2007 .

This is to be treated as extract and Memorandum of concern or interest under Section 302 of the Companies Act, 1956.

Except Mr. L. Madhusudhan Rao, Mr. G. Bhaskara Rao and Mr. L. Sridhar, none of the Directors is interested or concerned in the resolution.

Item No.11

The Company has recorded quantum growth from the year, 2006 to current year by aggressively bagging big Projects and actively implementing projects as per schedules. This has led to manifold increase in the responsibilities shouldered by the Top Management. Therefore, to compensate Mr. G. Bhaskara Rao, Executive Vice-Chairman, fairly and in consonance with industry standards and as recommended by the Remuneration Committee, the Board approved, subject to approval of Members, enhancement of Remuneration with effect from 1st April, 2007.

This is to be treated as extract and Memorandum of concern or interest under Section 302 of the Companies Act, 1956.

Except Mr. G. Bhaskara Rao, none of the Directors is interested or concerned in the resolution.

Item No. 12

Mr. G. Venkatesh Babu, who was the Joint Managing Director of the Company was elevated and appointed as Managing Director without any change in the remuneration, for a period of 5 years with effect from 24th June, 2006.

The Company has recorded quantum growth from the year, 2006 to current year by aggressively bagging big Projects and actively implementing projects as per schedules. This has led to manifold increase in the responsibilities shouldered by the Top Management. Therefore, to compensate Mr. G. Venkatesh Babu, Managing Director, fairly and in consonance with industry standards and as recommended by the Remuneration Committee, the Board approved, subject to approval of Members, enhancement of Remuneration with effect from 1st April, 2007.

This is to be treated as extract and Memorandum of concern or interest under Section 302 of the Companies Act, 1956.

Except Mr. G. Venkatesh Babu, none of the Directors is interested or concerned in the resolution

Item No.13

The Board of Directors appointed Mr. D.V. Rao as an Additional Director and as Joint Managing Director of the Company. As such the said Director holds office up to the date of the 14th Annual General Meeting. In accordance with the requirements of Section 257 of the Companies Act, 1956, the Company has received notice in writing along with the prescribed amount as deposit proposing the candidature of Mr. D.V. Rao as Director and his appointment as Joint Managing Director is put up to the Members for approval.

This is to be treated as extract and Memorandum of concern or interest under Section 302 of the Companies Act, 1956.

Except Mr. D.V. Rao, none of the Directors is interested or concerned in the resolution.

Item No.14

The Independent Directors have been contributing significantly by their expert advice and guidance to the growth of the company. To compensate them fairly and in consonance with standard industry practices, it is proposed to earmark 5,00,000 (Five Lakh) Stock Options in the aggregate for grant(s) to Independent Directors present and future, out of the pool of Equity Shares already held by LCL Foundation, the Trust created for the purpose and under the Company's Employee Stock Option Plan-2006.

Except Dr. P. Kotaiah, Mr. P. Abraham, Dr. Uddesh Kumar Kohli, Mr. P. Narasimhamulu and Dr. B. Vasanthan, to the extent of Stock Options that may be granted to them, none of the Directors, is interested or concerned in the resolution.

By Order of the Board
For **LANCO INFRATECH LIMITED**

Place : Hyderabad,
Date : 26.06.2007.

C. KRISHNAKUMAR
COMPANY SECRETARY.

ADDITIONAL INFORMATION ON DIRECTORS RECOMMENDED FOR APPOINTMENT / RE-APPOINTMENT AT THE ENSUING ANNUAL GENERAL MEETING

Mr. G. Bhaskara Rao

Mr. G. Bhaskara Rao, Executive Vice-Chairman has over 25 years of industrial and entrepreneurial experience. He has executed various construction projects including dams, bridges and roads and was instrumental in organizing and implementing the ductile iron pipes manufacturing project by Lanco Kalahasthi Castings Limited. He has a B.E (Production) Degree from S.V. University, Tirupati and an M.E (Machine Design) Degree from the Indian Institute of Science, Bangalore.

He is a Director on the Boards of Nagarjuna Power Corporation Limited, Aban Power Company Limited, Lanco Amarkantak Power Private Limited, Lanco Hills Technology Park Private Limited, Lanco Electric Utility Limited, Lanco Green Power Private Limited, Rithwik Energy Systems Limited, Clarion Power Corporation Limited, Lanco Hydro Energies Private Limited, Lanco Energy Private Limited, Lanco Group Limited, Lanco Global Systems Limited, Lanco Industries Limited, Lanco Kondapalli Power Private Limited, Lanco Property Management Company (P) Limited, Lanfin Ventures Private Limited, Lanfin Trustee Private Limited, Himavat Power Private Limited, Pragdisa Power Private Limited, Occidental Power Private Limited, Chamba Hydro Power Private Limited, Chatari Hydro Power Private Limited, Dharmashala Hydro Power Private Limited, Diyothal Hydro Power Private Limited, Parvat Hydro Power Private Limited, Ravi Hydro Power Private Limited, Himachal Hydro Power Private Limited, Garnet Groves Private Limited, Jupiter Infratech Private Limited, Emerald Orchids Private Limited, Coral Orchids Private Limited, Uranus Infratech Private Limited, Saffire Farms Private Limited, Chobia Hydro Power Private Limited, Lanco Power Transmission Private Limited, Lanco Anpara Power Private Limited, Lanco Bay Technology Park Private Limited, Garnet Infrastructure and Power Ventures Pvt. Limited, Lanco Wind Power Private Limited, and Chairman--Audit Committee of Aban Power Company Limited, Lanco Amarkantak

Power Private Limited and Clarion Power Corporation Limited and Member -- - Audit Committee of Nagarjuna Power Corporation Limited, Rithwik Energy Systems Limited, Lanco Group Limited, Lanco Global Systems Limited and Lanco Industries Limited and Member--Shareholders Grievance Committee of Lanco Industries Limited.

Mr. G. Venkatesh Babu

Mr. G. Venkatesh Babu is the Managing Director of the Company has over 15 years of experience in the Financial Sector including Commercial Banking, Mergers & Acquisitions and Project Finance. Mr. G. Venkatesh Babu is a Chartered Accountant and a Cost Accountant and holds a Bachelor of Commerce Degree.

He is a Director on the Boards of Rithwik Energy Systems Limited, Clarion Power Corporation Limited, Lanfin Ventures Private Limited, Lanco Group Limited, Aban Power Company Limited, Lanco Amarkantak Power Private Limited, Lanco Hills Technology Park Pvt. Limited, Lanco Kondapalli Power Private Limited, Lanco Hydro Power Ventures Private Limited, Vamshi Industrial Power Limited, Lanco Projects Limited, Mercury Projects Private Limited and Nagarjuna Power Corporation Limited and Member--Audit Committee of Rithwik Energy Systems Limited, Clarion Power Corporation Limited, Lanco Group Limited, Lanco Amarkantak Power Private Limited, Lanco Hydro Power Ventures Private Limited and Vamshi Industrial Power Limited.

Dr. P. Kotaiah

Dr. P. Kotaiah, is a gold medalist in M.A from Andhra University in Mathematical Economics and Agricultural Economics. He is a Member of the Certified Association of Indian Institute of Bankers. He has varied experience in the Banking Sector with a specialization in the fields of Agriculture and Rural Development. In his past as the Chairman of the NABARD, he undertook various initiatives and innovative measures for rural development. His past experience includes working with international/multilateral institutions including the International Fund for Agricultural Development, Rome, Food and Agriculture Organization of the United Nations and the World Bank. He was awarded the Doctor of Letters by Andhra University in 1997 in recognition of his special contribution to the areas of rural finance and development. He was also awarded the Special Honour Award in 1996 by the World Association of Small and Medium Enterprises in recognition of his special contribution towards the promotion of small and medium enterprises.

He is a Director on the Boards of Lanco Kondapalli Power Private Limited, The Andhra Sugars Limited, Zen Technologies Limited, Blossom Industries Limited, Krishna Godavari Power Utilities Limited, AVRA Laboratories Private Limited and Chairman--Audit Committee of Lanco Kondapalli Power Private Limited and Zen Technologies Limited and Member-Audit Committee of Andhra Sugars Limited.

Mr. P. Abraham

Mr. P. Abraham, is a retired officer from the Indian Administrative Service. He did his M.A from Andhra University and has also done a Diploma in Systems Management from the Bajaj Institute, Mumbai. He was awarded the United Nations Industrial Development Organization fellowship to study the promotion of industries with a special emphasis on export oriented industries in Europe. During his 35 years of service in the Indian Administrative Services, he held a number of executive positions with the Central and State Governments such as Chairman of Maharashtra State Electricity Board, Commissioner of Industries, GoAP, Iron and Steel Controller, Ministry of Steel, GoI and Chairman and Managing Director, Maharashtra State Textile Corporation. He has also authored a book on the power sector reforms with focus on distribution in 2003.

He is a Director on the Boards of Maharashtra State Power Generation Company, GVK Power and Infrastructure Company Limited, Futura Polyster Limited, FLEX Industries Limited, PTC Limited, JSW Energy Limited, Vijay Electricals Limited, Nagarjuna Construction Company Limited, Himalayan Green Energy Private Limited, and Green Infrastructure Private Limited and Chairman--Investor Grievances Committee of PTC Limited and Member--Audit Committee of GVK Power and Infrastructure Company Limited, JSW Energy Limited and Vijay Electricals Limited.

Mr. P. Abraham holds 100 shares in the Company.

Dr. Uddesh Kumar Kohli

Dr. Uddesh Kumar Kohli, has over 40 years experience in the areas of corporate planning and consultancy. He holds an honors degree in Engineering from Indian Institute of Technology, Roorkee, a post-graduate degree in Management and a Ph. D in Economics from the Delhi School of Economics. He has specialized in various fields including strategic planning, corporate governance, management, development finance, energy and power sectors, project management, infrastructure construction, restructuring, reforms and disinvestment of public sector enterprises and human resource development. Dr. Kohli has been associated in an advisory capacity with institutions such as the Asian Development Bank and the United Nations Development Programme for Countries such as Papua New Guinea, Tanzania, China and Maldives. He has also been associated with the International Federation of Training and Development Organisation, Asian Regional Training and Development Organization, Indian Society for Training and Development, Council of Indian Employers, Standing Conference of Public Enterprises, All India Management Association, Board of Governors of Indian Institute of Management, Bangalore and Institution of Engineers (India). He has won awards and has various publications on various aspects of project planning, appraisal, monitoring, information systems, management, power and energy systems, training and development.

He is a Director on the Boards of National Mineral Development Corporation Limited, Cybiz Call (International) Limited, ICRA Limited, National Research Development Corporation Limited, West Bengal Consultancy Organization Limited, Alstom Projects India Limited, and Chairman--Audit Committee of National Mineral Development Corporation Limited and Member--Audit Committee of ICRA Limited and Alstom Projects India Limited.

Mr. P. Narasimharamulu

Mr. P. Narasimharamulu, is a Chartered Accountant. He is a Nominee Director appointed by Indian Overseas Bank being one of our lenders. He is a graduate of law and has completed his post-graduation in commerce. He is a Member of Indian Council of Arbitration with over 34 years of experience in the areas of financial management including resource mobilization servicing and corporate governance.

He has won various awards in the past including the India CFO 2004 Award for Excellence in Finance, Top Ranker Award 2001 for Excellence in Finance from the Birla Institute of Management and Technology. In the past, he has been a Director on the Boards of NTPC Electric Supply Company Limited, NTPC Hydro Limited, NTPC Vidyut Vyapar Limited, NTPC Tamil Nadu Electricity Company Limited and Utility Powertech Limited.

He is a Director on the Boards of Vijai Electricals Limited, Jayavenktrama Industries Limited and J.K. Lakshmi Cement Limited and Chairman--Audit Committee of Vijai Electricals Limited

Dr. B. Vasanthan

Dr. B. Vasanthan was the Chief Executive Officer of National Bank of Oman, SAOG, Muscat, Oman from 2004-05. He was with Andhra Bank from 1998-2003. Joining as an Executive Director and he was appointed as Chairman & Managing Director in 2000.

He has been a career banker throughout and as Chairman & Managing Director of Andhra Bank was responsible for enhanced level of operations and quantum jump in business.

He is a B.Com., Gold Medalist from Guruvayurappan College, Calicut, Kerala. He was conferred the Honorary Doctorate Degree (Honoris Causa) by Sri Venkateswara University, Tirupathi in 2003.

Mr. D.V. Rao

Mr. D.V. Rao did his B.E. He has 19 Years of experience in Project Implementation, Engineering and Consultancy Services, Marketing etc.

Starting his career with Coromandel Fertilizers Limited as Management Trainee, he became Senior Project Engineer. Subsequently he joined Tata Korf Engineering Services Limited as Assistant Project Manager.

From 1997 to 2002 he was associated with Lanco Kalahasthi Castings Limited - initially as In-charge of Projects & Development Division of Tirupathi Complex and was responsible for implementation of Rs.800 Million 60,000 TPA Ductile Iron Spun Pipe Project, Rs.150 Million 40,000 TPA Grey Iron Casting Foundry and Category I Capital repairs of Mini Blast Furnace. Subsequently, he was promoted as Deputy General Manager (International Marketing).

Thereafter, he was elevated as Director & C.E.O of Clarion Power Corporation Limited of Lanco Group and implemented 12 MW Biomass based Power Project at Tanguturu, Prakasam District, Andhra Pradesh.

Subsequently, he was further elevated as Director & C.E.O of Lanco Green Power Private Limited and Lanco Energy Private Limited and was designated Head Hydro Power SBU of Lanco Group.

Subsequently, he was elevated as Head of Lanco Group's Power Business Vertical & became Joint Managing Director in Lanco Group Limited.

He is a Director on the Boards of Vamshi Industrial Power Limited, Vamshi Hydro Energies Private Limited, Chamba Hydro Power Private Limited, Chatari Hydro Power Private Limited, Diyothal Hydro Power Private Limited, Parvat Hydro Power Private Limited, Jubilee Hydro Power Private Limited, Mehad Hydro Power Private Limited, Chobia Hydro Power Private Limited, Dharamshala Hydro Power Private Limited, Lanco Energy Private Limited, Lanco Hydro Energies Private Limited, Ravi Hydro Electric Private Limited, Himachal Hydro Power Private Limited, Lanco Kondapalli Power Private Limited, Lanco Group Limited, Lanco Electric Utility Limited, Lanco Hoskote Highway Private Limited, Lanco Green Power Private Limited and Lanco Babandh Power Private Limited and Chairman--Audit Committee of Vamshi Industrial Power Limited and Vamshi Hydro Energies Private Limited and Member-- Audit Committee of Lanco Energy Private Limited, Lanco Green Power Private Limited and Lanco Hydro Energies Private Limited.

Directors' Report

To
The Members

Your Directors have pleasure in presenting the Fourteenth Annual Report on the business and operations of the Company together with the Audited Accounts for the year ended 31st March, 2007.

CONSOLIDATED FINANCIAL RESULTS

	Rs. in Million		
	Year ended 2007	31st March 2006	Change (Times)
Operating Income	16,057.69	1,471.01	10.92
Other Income	415.79	12.92	32.18
Gross Revenue	16,473.48	1,483.93	11.10
Operating and Administration Expenses	11,859.65	1,303.77	9.10
Profit before Interest, Depreciation & Tax	4,613.82	180.16	25.61
Less:			
Interest & Finance Charges	828.64	36.28	22.84
Depreciation	655.64	18.91	34.67
Profit Before Tax	3,129.55	124.97	25.04
Provision for Tax	471.83	33.46	14.10
Net Profit after Taxation and before Minority Interest and Share of Profits of Associates	2,657.73	91.51	29.04
Less: Minority Interest	788.22	(0.03)	—
Add: Share of Profits of Associates (Net)	10.46	79.13	—
Net Profit after Taxation, Minority Interest and Share of Profits of Associates	1,879.97	170.67	11.02
Balance Brought forward	551.90	381.23	1.45
Profit available for appropriation	2,431.87	551.90	4.41
Transfer (from) / to Debenture Redemption Reserve	(17.99)	—	—
Transferred to General Reserve	101.41	—	—
Balance Carried to Consolidated Balance Sheet	2,348.45	551.90	4.26

STAND ALONE FINANCIAL RESULTS

	Rs. in Million		
	Year ended 2007	31st March 2006	Change (Times)
Operating Income	5,416.67	1,514.62	3.58
Other Income	117.32	12.76	9.19
Gross Revenue	5,533.99	1,527.38	3.62
Operating and Administration Expenses	4,275.84	1,341.22	3.19
Profit before Interest, Depreciation & Tax	1,258.15	186.16	6.76
Less:			
Interest & Finance Charges	211.73	36.26	5.84
Depreciation	36.93	18.91	1.95
Profit Before Tax	1,009.49	130.99	7.71
Provision for Tax	278.88	33.39	8.35
Profit after Tax	730.61	97.60	7.49
Balance Brought forward	472.77	418.07	1.13
Profit Carried to Balance Sheet	1,203.38	472.77	2.33

PERFORMANCE HIGHLIGHTS

Financial Performance

On a consolidated basis your company has reported gross revenues of Rs.16,473.48 million in comparison to Rs.1,483.93 million and Rs.1,879.97 million as net profit after tax after minority interest as compared to Rs.170.67 million in the previous year. A detailed discussion on the results of the operations and financial condition is included in Managements' Discussion and Analysis section placed at Annexure III to this report.

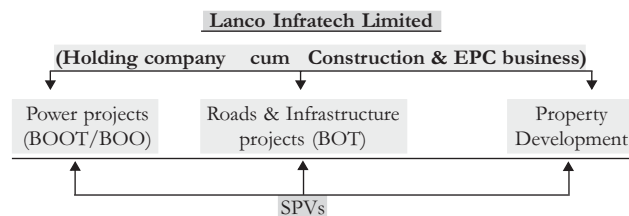
Initial Public Offering

Your company became a listed entity with the Initial Public Offering comprising of 44,472,381 equity shares for a price of Rs.240 per share including a premium of Rs.230. The issue was oversubscribed 10.66 times. It raised an amount of Rs.10,673 million through the issue of which an amount of Rs.7,839 million has been utilized for the purposes listed as the objects to the issue. The share holding pattern as on March 31, 2007 is included in the Report on Corporate Governance annexed to this report.

Re-organisation

During the year, your company has been reorganised. The reorganisation was undertaken in order to consolidate the power, construction and property development assets of the Promoter Group and the Lanco Group under the company. The process included acquisition of the promoters and others partners stakes in various subsidiaries and associates including 25.1% stake in Lanco Kondapalli and 13.3% in Aban Power Company. We have also acquired 74% stake in Nagarjuna Power Company. The reorganisation process is now over and the re-organised structure of the group companies as of March 31, 2007 is given elsewhere in the Annual Report.

After the reorganisation and consolidation your company is now structured as a holding cum operating company focussed in its role as an integrated infrastructure developer with majority investments in various Special Purpose Vehicles (SPVs) which are developing/operating power projects, other infrastructure projects such as roads and property development initiatives. The construction and the EPC division which is operating division of the holding company would play a key role in all infrastructure projects which are undertaken by the group. A schematic view of the company as it exists now is given below:



Some of the key developments in each business vertical during the year were as follows:

Infrastructure Development Business

Power Generation

Presently your company is operating power plants having capacities of 518 MW, of which 488 MW are gas based power plants and the balance are bio-mass based and wind based power projects. The operational performance of the power plants is summarised below:

	Capacity (MW)	Availability (%)	PLF %
Kondapalli Gas Power Plant	368	86.20	56.35
Aban Gas Power Plant	120	96.25	82.38
Rithwik (Bio-Mass)	6	77.33	78.73
Clarion (Bio-Mass)	12	73.81	69.79

The 368 MW gas based power project located at Kondapalli in Andhra Pradesh is operating at a low PLF due to non-availability of gas. However,

the plant can operate by using Naptha as a fuel if the customer requires. Under this power purchase agreement for the plant, the offtaker has agreed to purchase the entire electricity generated by the Kondapalli Power Plant and has guaranteed capacity payments for Cumulative Available Energy up to but not exceeding 80.0% PLF.

During the year, your company won, through a competitive bidding process, the mandate to develop the 1000 MW Anpara 'C' project in the state of Uttar Pradesh. Approvals from various governmental agencies have been obtained for the project and presently the project is being appraised by a financial institution as part of the financial closure process. We believe the financial closure of the project would be achieved soon and construction work would commence for the project during the course of this fiscal 2008.

Your company has acquired a 74% stake in the 1015 MW Nagarjuna Power Project located in the State of Karnataka and has been successful in achieving the financial closure for the project. 90% of the power generated from the project would be off-taken by the distribution companies in Karnataka while 10% of the power would go to Punjab Electricity Board. The power purchase agreement with these entities has a validity for 25 years. The EPC contract for the project has also been awarded for the project and construction work has commenced at the site. The work is progressing as per schedule. The power project is based on imported coal and the fuel supply for import of coal from Indonesia has been tied up.

Lanco Energy Private Limited in which your company will have 74% stake is developing the 500 MW Teesta VI hydro electric power project located in the state of Sikkim. During the year a 35 year Power Purchase Agreement for off take of power from the project was signed with Maharashtra State Electricity Distribution Company Limited (MSEDCL). Further to that loan documents have also been executed with a consortium of lenders and the first drawdown from the loan is likely to happen soon and major project activities would commence at the site thereafter.

Lanco Amarkantak Power Private Limited in which your company has a 75.16% stake is implementing the 2 x 300 MW Amarkantak project located in the state of Chatisgarh. Project activities are going on as per schedule and the first unit is likely to get commissioned in the first quarter of the financial year 2008-09. Recently the International Finance Corporation - the private sector arm of World Bank - had signed the subscription agreement for taking a 5.84% stake in the company. Earlier, DEG - the private sector arm of KfW Germany - had already committed to 9% equity stake in the company. We are happy that these multilateral agencies have reposed their confidence in our group by investing in this power project.

Lanco Green Power Private Limited in which your company will have 90% stake is implementing the 70 MW (2 x 35MW) run of the river hydroelectric power project across the Budhil Nallah in the state of Himachal Pradesh. Project activities are progressing and the units are expected to be commissioned in the financial year 2008-09.

Lanco Hydro Power Ventures Private Limited in which your company holds 91.14% stake is developing 20 MW (4 x 5 MW) in the state of Himachal Pradesh. Project activities at these locations are progressing and these units are expected to be commissioned during the financial year 2008-09. The company is in the process of finalising Detailed Project Report for developing hydro power projects in the state of Uttaranchal with cumulative capacity of 70 MW or more. These projects were awarded to the company through a competitive bidding process.

During the year your company has also signed Memorandum of Understanding with the Governments of Madhya Pradesh, Orissa and Jharkhand for developing power projects having capacities of 1200 MW, 1320 MW and 2640 MW respectively. Your company is in the process of making various assessments and obtaining approvals for undertaking development of these projects.

Power Trading

Lanco Electric Utility Limited - the power trading arm of your company performed well during the year and traded 740 mus of power with a turnover of Rs.321 crore. The trading company has also won a bid through a competitive process for procuring 50 MW of power from Damodar Valley

Corporation with an option to trade upto 200 MW. The trading company also achieved the distinction of operating in all the five power regions of the country, covering 19 utilities spread across 15 States. It has also begun banking of power, the first trader in the private sector to do so. It has so far tied up banking arrangement with Punjab, Andhra Pradesh, Karnataka and Maharashtra, involving a total capacity of 300 MW to help these States to meet their respective load demands.

Clean Development Mechanism

Your company is also committed to development of power projects using non-conventional sources of energy such as bio-mass and wind projects. The projects planned in future also include a number of hydro electric projects which are small to medium size in capacities. We believe that India has a huge potential in the hydro power projects of these sizes which also have minimal displacement rehabilitation and resettlement issues attached to them. The development of these non-conventional energy projects as well as small and medium hydro power projects give us the advantage of earning carbon credits. Recently four of our small hydro projects of 5 MW have been registered as Clean Development Mechanism (CDM) projects with the United Nations Framework Convention on Climate Change (UNFCCC). Also, the 120 MW gas based Aban Power Project located in the state of Tamil Nadu has also been registered with the UNFCCC. This is the first gas based power project to be registered as a CDM project in the world.

Construction and EPC business

The Construction and EPC business of your company has performed well during the year. The EPC contract for the supply, erection and commissioning of the 1015 MW Nagarjuna Power Project located at Mangalore was won by the construction and EPC division. It also won a number of construction contracts from external parties such as the upgradation of public health centres in the state of Karnatka, supply and laying of water pipelines for Chennai Metro Water Supply and Sewerage Board. As of date the Construction and EPC division has an order book worth Rs. 5200 crore. These includes 2 x 300 MW Amarkantak Power Project, 2 x 507.5 MW Nagarjuna Power Project, 4 x 5 MW hydro power projects in the states of Uttaranchal and Himachal Pradesh, 70 MW Budhil Hydro Power Project. Third party contracts which are presently under execution include construction of roads in Bihar, buildings in Rajasthan, Assam and Karnataka. With the possibility of winning more construction and EPC contracts for some of the power, road projects, construction work in the property development which are likely to be awarded in the near future and various other external projects which the division is bidding it is expected that the order book position of the division would be showing an aggressive growth.

Property Development business

Your company is developing through its subsidiary, Lanco Hills Technology Park Private Limited an Information Technology Park in Hyderabad. This is the flagship property development initiative of the group. As per the construction plans, 30 million square feet of usable space would be developed in the 100 acres of land. Out of this 27 acres have been notified by government as a Special Economic Zone (SEZ). The whole area is being developed as an integrated township and would include high-rise residential apartments, commercial space, entertainment space, malls and hotels. Residential space would be sold and the bookings for the same have already commenced. Commercial space would be leased out and we have already appointed marketing agents to undertake the work of tying up with prospective clients. Discussions are also at an advanced stage for tying up with internationally reputed hotel chains for a five star and a four star hotel being planned at the location.

The high rise buildings would be constructed using state-of-the-art technology and it is expected that the overall development of the property should be completed in the next four years.

Recently your company has entered into an agreement for development of 47.58 acres of land located near SIPCOT Industrial Estate, Siruseri on Old Mahabalipuram Road, Chennai, Tamil Nadu. The initiative would be in the form of a joint development model in which we will not be owners of the property but will only develop and the owners will be given a share of the

sales. We plan to develop a built-up space of 4 million square feet in this property initiative.

Your company also owns 22 acres of land in the outskirts of Hyderabad in close proximity to Lanco Hills property and near the Outer Ring Road which is under construction. We are drawing up plans to develop a premium residential project in this land.

Roads

During the year your company participated in a number of bids for development of road projects on BOT basis and has been awarded a 20 year toll concession for developing by National Highways Authority of India (NHAI) in the state of Karnataka for constructing and operating an 80 Km stretch on the Bangalore-Hoskote-Mudbagal highway. The construction is to be completed within a period of 30 months. The cost of the projects is expected to be around Rs. 500 crores. The outcome of the other bids are awaited.

DIRECTORS

Mr. G. Venkatesh Babu was elevated and appointed as Managing Director in the Board Meeting held on 24th June, 2006.

In accordance with the Provisions of the Companies Act, 1956 and the Articles of Association of the Company Mr. G. Bhaskara Rao and Mr. G. Venkatesh Babu, Directors, retire by rotation and being eligible offer themselves for re-Appointment.

Dr. P. Kotaiah, Mr. P. Abraham, Dr. Uddesh Kumar Kohli, Mr. H.N. Sinor and Mr. P. Narasimhamulu were appointed as Additional Directors in the Meeting of Board of Directors held on 16th June, 2006, and Dr. B. Vasanthan was appointed as Additional Director in the Meeting of Board of Directors held on 26th June, 2007, as such the said Directors hold office up to the date of the 14th Annual General Meeting. In accordance with the requirements of Section 257 of the Companies Act, 1956, Notices were received along with prescribed amounts of Deposit proposing the candidatures of the said Directors for appointment as Directors liable to retire by rotation.

Mr. S. C. Duggal and Mr. H. N. Sinor resigned as Directors. The Board of Directors places on record its appreciation of the contributions made by Mr. S.C. Duggal and Mr. H. N. Sinor during their tenure as Directors of the Company.

Mr. D.V. Rao was appointed as Joint Managing Director with effect from 12th May, 2007. Notice was received along with prescribed amount of Deposit proposing the candidature of Mr. D.V. Rao for appointment as Director liable to retire by rotation. Further, the appointment of Mr. D.V. Rao as Joint Managing Director is being put up to the Members for approval.

DEPOSITS

Your Company has not accepted deposits falling within the provisions of Section 58A of the Companies Act, 1956 read with Companies (Acceptance of the Deposits) Rules, 1975 during the year under review.

AUDITORS

M/s. Price Waterhouse, Chartered Accountants, Auditors of the Company will retire at the conclusion of the Annual General Meeting and are eligible for re-appointment. They have conveyed their willingness to accept re-appointment and confirmed their eligibility under Section 224(1-B) of the Companies Act, 1956.

PARTICULARS REGARDING CONSERVATION OF ENERGY, RESEARCH & DEVELOPMENT, TECHNOLOGY ABSORPTION AND FOREIGN EXCHANGE EARNINGS AND OUTGO

Information pursuant to Section 217(1)(e) of the Companies Act, 1956, read with Companies (Disclosure of particulars in the Report of Board of Directors) Rules, 1988, are as follows:

CONSERVATION OF ENERGY

The Company uses electric energy for general lighting, air-conditioning, computer terminals and utilities in the office premises. As an ongoing process measures are undertaken to conserve energy.

RESEARCH & DEVELOPMENT AND TECHNOLOGY ABSORPTION

The Company basically being an infrastructure company, there is no much scope for research & development.

FOREIGN EXCHANGE EARNINGS AND OUTGO

Foreign Exchange Earnings	:	Rs. NIL
Foreign Exchange outgo	:	Rs.1,679.90 Millions

DISCLOSURE ON COMPANY'S EMPLOYEES STOCK OPTION PLAN 2006

The Employee Stock Option Plan-2006 was approved by a Special Resolution passed by the Shareholders in the Extraordinary General Meeting held on 7th June, 2006.

The required information relating to the said scheme pursuant to Clause 12 of the SEBI (ESOS / ESPS) Guidelines 1999 is enclosed as an **Annexure-I**.

Ratification of Employee Stock Option Plan-2006

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.

PARTICULARS OF EMPLOYEES

The information required to be furnished under the provisions of Section 217(2A) of the Companies Act, 1956 read with Companies (Particulars of Employees) Rules, 1975 as amended is enclosed as **Annexure-II**.

MANAGEMENT DISCUSSION AND ANALYSIS

The Management Discussion and Analysis as required under Clause-49 (IV)(F) is enclosed as **Annexure-III**.

CORPORATE GOVERNANCE

The Report on Corporate Governance is given separately in this Annual Report. The Auditors' Certificate on compliance in this regard is annexed to this report.

NOTE ON PARTICULARS REQUIRED AS PER SECTION 212 OF THE COMPANIES ACT, 1956

As per Section 212 of the Companies Act, 1956, we are required to attach the directors' report, balance sheet, and profit and loss account of the subsidiaries. We had applied to the Government of India for an exemption from such attachment as we present the audited consolidated financial statements in the annual report. We believe that the consolidated accounts present a full and fair picture of the state of affairs and the financial condition and is accepted globally. The Government of India has granted exemption from complying with Section 212. Accordingly, the annual report does not contain the financial statements of these subsidiaries. The Annual Accounts of the Subsidiary Companies and the related detailed information will be made available to the Holding and Subsidiary Companies' investors seeking such information at any point of time. The Annual Accounts of the Subsidiary Companies will also be kept for inspection by any investor at our Registered Office and that of Subsidiary Companies concerned.

DIRECTORS' RESPONSIBILITY STATEMENT

As required under Section 217(2AA) of the Companies Act, 1956, the Directors hereby confirm:

- that in preparation of annual accounts containing financial statements for the year ended 31st March, 2007 the applicable accounting standards have been followed except as disclosed in note no.4(xvi) & 4(xvii) in Schedule-19 of the consolidated financial statements.
- that the accounting policies are consistently followed and your Directors have applied them to give a true and fair view of the state of affairs of the Company and the profit/loss for that period.

- iii. that the Directors have taken proper and sufficient care for the maintenance of adequate accounting records in accordance with the provisions of the Companies Act, 1956, for safeguarding the assets of the Company and for preventing and detecting fraud and other irregularities.
- iv. the annual accounts have been prepared on a going concern basis.

INFORMATION ON AUDITORS' OBSERVATIONS

The Auditors have made certain observations, at Item-4 of the Auditors' Report on the Consolidated Financial Statements dated 12th May, 2007, the management's response to the same is given below:

- 4 (a). The Company has made an application to the Institute of Chartered Accountants of India (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 the said revenues and un-realized profits.
- 4 (b). The reorganization process initiated by the Company culminated with the acquisition of additional 25.10% shares of Lanco Kondapalli Power Private Limited (LKPPL) on November 15, 2006, thereby making LKPPL its 59% subsidiary from such date of acquisition. Considering the management structure of LKPPL that is in place and the non declaration of any dividends by LKPPL during the period, the company

has presented its Consolidated Financial Statement considering LKPPL as a Subsidiary from April 01, 2006.

ACKNOWLEDGEMENT AND APPRECIATION:

The Directors take this opportunity to thank the Shareholders, Financial Institutions, Banks, Customers, Suppliers and Regulatory & Governmental Authorities for their continued support to the Company. Further, the Directors wish to place on record their appreciation of Employees at all levels for their hard work, dedication and commitment.

FOR AND ON BEHALF OF THE BOARD

L. Madhusudhan Rao
Executive Chairman

G. Venkatesh Babu
Managing Director

Place : Hyderabad,
Date : 26.06.2007.

Annexure-I to the Directors' Report

Details of Stock Options Pursuant to SEBI Guidelines on Stock Options

S. No.	Description	Plan 2006
1	Number of Options available under the Scheme	1,11,18,096
2	Total Number of Options granted during the year	1,49,400
3	Pricing Formula	The options issued by the ESOP Trust shall be at Par Value subject to the adjustments for corporate actions such as Bonus, Consolidation and Split
4	Options vested during FY 2006-07	Nil
5	Options Exercised during FY 2006-07	Nil
6	The total number of shares arising as a result of exercise of option	1,49,400
7	Options lapsed during FY 2006-07 which are subject to re-issue	24,300
8	Variation of Terms of options	Nil
9	Money realised by exercised of Options	Nil
10	Grant Price (The Grant Price arrived after due consideration of Corporate Actions taken by the company like bonus, split and consolidation of Shares)	2.43
11	Total Number of options in force as on 31st March, 2007	1,25,100
12	Grant details of members of Senior Management Team during the year 2006-07	11,250

Name of the Person	No. of Options Granted
Mr. G. Venkatesh Babu	450
Mr. D.V. Rao	450
Mr. J. Suresh Kumar	450
Mr. K.K.V. Nagaprasad	450
Mr. S. Pochendar	450
Mr. K. Raja Gopal	450
Dr. Govind Sachdev	450
Mr. P. Panduranga Rao	450
Mr. B.K. Sharada	450
Mr. Murali Subramanian	450
Mr. V. Ravindran	450
Mr. Pattabhi Raman A	450
Mr. Shishir kant	450
Mr. Brijendra Sharma	450
Mr. V. Srinivas	450
Mr. M.N. Ravi Shankar	450
Mr. T. Viswanaath	450
Mr. T. Adibabu	450
Mr. R. Parthasarathy	450
Mr. A. Xavier	450
Mr. D.V. Prasad	450
Mr. K.E. Prasad	450
Mr. Ch. Chalapati Roy	450
Mr. C. Krishnakumar	450
Mr. A. Narsimhan	450

S. No.	Description	Plan 2006
13	Number of other employee who receives a grant in any one year of option amounting to 5% or more of option granted during that year.	Nil
14	Number of employees who were granted option, during any one year, equal to or exceeding 1% of the issued capital (excluding outstanding warrants and conversions) of the company at the time of grant	Nil
15	Diluted Earnings Per Share (EPS) pursuant to issue of shares on exercise of option calculated in accordance with Accounting Standard (AS) 20 'Earnings Per Share.	3.28
16 i)	Method of Calculation of Employee Compensation Cost	The company has calculated the employee compensation cost using the Intrinsic Value of the stock options.
ii)	Difference between the employee compensation cost so computed at (i) above and the Employee Compensation Cost that shall have been recognised if it had used the fair value of the options	3,22,248
iii)	The impact of the difference on profits and on EPS of the Company	(Rs. in Million) PAT 730.61 Less: Additional Cost Based on Fair Value 0.32 Adjusted PAT 730.29 Adjusted EPS (Rs.) 3.28
iv)	Weighted average exercise price and fair value of stock options granted : Stock options granted on Weighted Average Exercise Price (in Rs.) Weighted average Fair Value (in Rs.) Closing Market price at BSE on the date of Grant (in Rs.)	24th June 2006 2.43 118.06 Nil (since, the shares were not listed)
v)	Description of the Method and significant assumptions used during the year to estimate the fair value of the options, including the following weighted average information	The Black Scholes option-pricing model was developed for estimating fair value of traded options that have no vesting restrictions and are fully transferable. Since, option-pricing models require use of substantive assumptions; changes therein can materially affect the fair value of options. The option-pricing models do not necessarily provide a reliable measure of the fair value of options.
vi)	The main assumptions used in the Black Scholes option-pricing model during the year were as follows: Risk-free interest rate Expected Life of options from the date (s) of grant Expected volatility Dividend yield	8% 7 years 1.40% Nil

Note:

- The company had established the ESOS Trust in 2001. It was established with the intention of creating an Employee Stock Option Plan. On 7th June 2006, the shareholders approved that the ESOS to be implemented through the ESOP Trust. Consequent to the Corporate Actions the ESOS Trust now holds 11,118,096 equity shares and 1,49,400 option thereof stand granted by the ESOP Trust which entitles the said employees to acquire the Equity Shares. The shares were issued to ESOP Trust at par. The trust re-issued the options to the employees at par, subject to, however to the adjustments made on Corporate Actions like Bonus, Consolidation and split.
- Since, the shares were not listed as on the date of grant date, the value of the shares of the company was taken based on the value given by the independent Valuer.
- For the purpose of calculating Fair Value used in the Black Shoes Option Pricing Model, Volatility was arrived at considering a similar Company's Market Price variation.

Annexure-II to the Directors' Report

Statement of particulars of Employees under the Provisions of Section 217(2A) of the Companies Act, 1956 read with Companies (Particulars of Employees) Rules, 1975 for the Year 2006-07

S. No.	Name of the Employee	Designation	Remuneration (Rs. in lakhs)	Date of Commencement of Employment	Qualifications	Age-years	Last Employment	Total Experience in Years
1	Mr. L. Madhusudhan Rao	Executive Chairman	72.00	1-Apr-06	M.Tech., MS (Industrial Engg)	41		18
2	Mr. G. Bhaskara Rao	Executive Vice-Chairman	72.00	1-Apr-06	M.E.	52		26
3	Mr. JSuresh Kumar	Chief Financial Officer	50.00	1-Apr-06	ACA	38	JM Morgan Stanley	13
4	Mr. T.Adi Babu	Vice President (Finance)	24.60	23-Jun-05	FICWA	48	Fenoplast Limited	20
5	Mr. D.N.Reddy	Director (Operations)	30.00	1-Jul-95	B.Tech(Civil)	47	NDDB	25
6	Mr. S.P.Mathai	Director (Projects)	24.00	1-Aug-06	BE- Electrical	63	Zelan Project Pvt. Limited	32
7	Mr. S.C.Manocha	Chief Executive Officer	10.00	7-Feb-07	BE	56	Reliance Energy Limited	35
8	Mr. Sanjay Divakar Joshi	Executive Director (Infrastructure)	5.87	3-Jan-07	Master in Civil Engg.	41	Reliance Energy Limited	19
9	Mr. CP Sastry	Vice President (Project Finance)	1.44	7-Feb-07	MBA	36	SBI Capital Market Ltd	12
10	Mr. L.Yugandhar Babu	Executive Director (Finance)	19.80	1-Jul-06	ACA	50	Lanco Kondapalli Power (P) Limited	26
11	Dr.Govind Sachdev	Chief Executive Officer	47.66	16-Jun-06	BE, PGDBM, Master in contract Mgmt	59	Essar Group	38

Annexure-III to the Directors' Report

Management's Discussion and Analysis

In this section, any reference to "we", "us" or "our" refers to Lanco Infratech Limited along with its subsidiary companies. The discussion of our financial condition and results of operations included in this section should be read in conjunction with the consolidated financial statements of LITL and its Subsidiaries.

A. Industry Overview, developments and opportunities

Opportunities in the infrastructure sector are being fuelled by the rapid growth of the Indian Economy. According to the latest estimates of GDP released by the Government for the year 2006-07, the economy grew at an estimated rate of 9.4 per cent¹. The government is targeting an average growth rate of 9% during the 11th Plan (2007-2012)². The Government has been emphasizing on the need for adequate and efficient infrastructure services to realize the full potential of the growth impulses surging through the economy. The government estimates that an investment of Rs.14,50,000 crore or about US\$ 360 billion would be required in the infrastructure sector during the Eleventh Five Year Plan i.e. fiscal 2008-2012 and it is targeting to achieve such investments through a combination of public investment, public-private-partnerships (PPPs) and exclusive private investments³.

In order to overcome shortages in the power supplies and to meet the growing demand for power, the government has set very aggressive targets of 78 GW and 85 GW for the 11th Plan (2007-12) and 12th Plan (2012-17) respectively. Increase in generation capacities require a commensurate increase in transmission capacities. The government is targeting an additional inter-regional capacity of 23,600 MW during the 11th Plan. Also an additional 1,00,000 ckt km of transmission system is being targeted for development during this period⁴. A number of these transmission lines are being planned to be constructed by private players on BOT basis. These developments along with the operationalisation of power exchange is expected to play a key role in the exponential growth of power trading.

The government has been giving substantial impetus for the transportation infrastructure segments specifically Roads, Ports and Airports. As far as the road development potential is concerned the government estimates an investment requirement of more than Rs. 2,20,000 crore for modernisation and upgradation of roads. The government has decided that all the sub-projects in National Highways Development Program (Phase-III to Phase-VII) would be taken up on the basis of Public Private Participation (PPP) on Build Operate and Transfer (BOT) mode³. The private sector participation envisaged in Phase-II of NHDP has also been increased. To modernise and build new ports the government estimates an investment requirement of over Rs. 50,000 crore under the National Maritime Development Program which aims at doubling the existing capacity at major ports, increase shipping tonnage, and increase share of coastal and inland waterways in inland transportation of cargo. Depending on the nature of facility/service, private operators can enter into a service contract, a management contract, a concession agreement or a divestiture to operate port services. Areas that have been opened up to the private sector on a BOT basis include construction of cargo handling berths and dry-docks, container terminals and warehousing facilities and ship repair facilities. Policy initiatives of the government in the recent past have had a marked impact upon airline traffic. The government has therefore initiated policies to upgrade and create new airport facilities. Airports Authority of India (AAI) has decided to develop and modernize 35 non-metro airports in the country: State Governments are encouraged to set up green-field airports with private sector participation.

Opportunities in the urban infrastructure space are also opening up. Urban infrastructure consists of drinking water, sanitation, sewage systems, electricity and gas distribution, urban transport, primary health

services and environmental regulation. The process of urbanization has gathered considerable momentum in recent times and this has put urban infrastructure and services under severe strain. Considering the urgency of the development of these facilities governments have been undertaking the route of Public Private Partnership models to invite participation of private sector particularly for creating urban transport facilities in a number of cities.

Requirements of developed property for housing as well as for organized retail and commercial space is continuing to increase at a rapid pace. The National Building Organisation has estimated unmet housing demand for the country at 20 million units. For the 10th plan period the government had estimated shortage of dwelling units at 22 million units. Affordability for houses of the middle class is also increasing with increasing levels of disposable income as well increase in the workforce. The growth in the services sectors and in particular the Information Technology and Information Technology Enabled Services sector and also organized retail trading has fuelled a need for quality commercial space in various cities. Further the influx of business travellers has also been fuelling the demand for more space for hospitality service providers. Government's initiatives on Special Economic Zones have increased the demand for space creation for SEZ manifold. There is also a growing need for developing world class integrated townships which provide space for commercial, entertainment, hospitality and residential space in a single location.

B. Our Strategies for growth

Given the opportunities in the infrastructure projects, we are focused on creating value by investing our cash flows into high return yielding infrastructure projects. The government is targeting an additional power capacity of 78 GW during the 11th Plan Period (2007-2012). Presently we have a cumulative installed generation power capacity of 518 MW. We have already finalized plans to add another 7235 MW by the year 2012. We are also in the process of identifying other power projects which we may take up for development.

The government has identified 14 transmission projects to be developed by the private sector through tariff-based competitive bidding and we are keen in bidding for some of these.

The National Highway Authority of India (NHAI) which is implementing the National Highways Development Project (NHDP) has been allowing private sector participation in development of various phases of the NHDP through BOT mode. We have also been bidding for some of these road projects and have been awarded an 80 Km road project by NHAI in the state of Karnataka.

Given the increasing need for quality residential and commercial space in growing cities, we are keen on developing property at such locations. Construction work has already commenced on our maiden property initiative in Hyderabad which envisages creation of almost 30 million square feet of space for residential, commercial, entertainment, hospitality.

C. Implementation Strategies

Financing Strategy

The projects which we have undertaken for development and the projects we are likely to get, together envisage large capex requirements over the next 5 years. We would finance most of these requirements with a debt to equity mix of 80:20. Debt component for most of these projects have been tied-up as financial closures have already been achieved except Anpara which is under appraisal. We believe that our share of the presently estimated equity requirements would be met from internal accruals and the IPO proceeds.

1. Central Statistical Organisation, Ministry of statistics and Program Implementation, Government of India
 2. An approach paper to Eleventh Five Year Plan - Planning Commission Of India
 3. Economic Survey 2006-07, Ministry of Finance, Government of India
 4. Central Electricity Authority, Ministry of Power, Government of India

Project Implementation Strategy

Infrastructure projects are highly capital intensive and also have a long gestation period. We believe that the key to ensuring competitiveness in the infrastructure space is dependent on reducing project cost and execution periods while at the same time ensuring efficiency in the operation of these infrastructure projects so that operation and maintenance costs are within base case assumptions. To enable this we have established relations with equipment suppliers for power plants which we believe have the technology and the manufacturing capacity for faster delivery at a very competitive price. The company works in close co-ordination with the equipment suppliers to ensure that the design parameters are suited to meet the operational requirements.

In the construction space, the company believes that large-scale mechanisation and adoption of the latest technologies therein can enhance productivity and competitiveness. In the case of property development the company is striving to bring in contractors who have proven abilities of building high rise structures elsewhere in the world with very tight construction schedules.

HR Strategy

We understand that timely execution of all the projects is key to growth of the company. This in turns hinges on superior managerial and technical skills of personnel at all levels. The company has put in place a human resource strategy to attract and retain experienced manpower. The number of employees on the rolls of the group have been strengthened to 1218 at the end of the current year. The company is targeting to double the number of employees in the next 2 years and reach a level of 3500 by the year 2012. The augmentation of human resources have particularly been focussed on Construction, EPC and power divisions which are the key areas for the current growth plans. Compensation packages have been drawn to match the best in the industry. Employee Stock Option Schemes have also been revised to ensure a higher retention level. The human resource strategy also includes increased focus on continuous skill upgradation for all levels of employees through various training interventions.

IT Strategy

The company recognises the need to strengthen the IT infrastructure within the company to match the increased scale of activities. The company is in the process of implementing an ERP package of SAP. With the going live of ERP, initially at the corporate level and subsequently across all locations, and the adoption of best practices in all the processes in finance, human resources, project implementation and operations it is expected that there would be an increased efficiency leading to better productivity.

D. Key Risks and Mitigants

Execution Risks

Non-availability of experienced personnel capable of ensuring implementation of projects as per schedule can result in delays:

Our strategy for growth hinges on efficient operations by our Construction and EPC group in executing the infrastructure projects awarded to it within the time schedules agreed upon and also without cost overruns. It is also critically important that the Special Purpose Vehicle (SPV) which we form for implementing various infrastructure projects commissions and completes those projects within the time period planned. However, we believe that our Construction and EPC division and our execution teams at the projects have the requisite project implementation and monitoring capabilities to execute these projects in time. We have been strengthening and reinforcing our project implementation teams to enable them to meet the targets.

Unexpected events may cause delays in execution of projects:

Infrastructure projects by nature have long gestation periods. While project implementation is planned after taking into consideration all possible factors, unexpected events may still cause delays. For instance in the case of Hydro Power Projects which we are developing there

may be geological surprises during the execution of the project which may cause the projects to be delayed.

Operational Risks

Non-availability of fuel may affect the operations of power plants

A majority of the power projects which we have developed or which are being developed are thermal power plants which depend on either Coal or Gas for their operations. While we have taken care to enter into long term fuel supply contracts for ensuring adequate fuel supplies for these projects, there may be a possibility of these plants not being able to operate to their optimum capacities due to non-availability of fuel. We however take all possible measures to ensure availability of fuel from alternative sources.

Non-performance of plant and machinery as per design specifications may affect the operations of the plants

The Boiler and Turbine equipments which we are procuring for some of the projects which we are presently executing are being supplied by power equipment suppliers from outside the country. We have reasons to believe that the performance of these equipments under Indian conditions should not pose any major problem as we have ensured modifications in design specifications so that these equipments perform satisfactorily in India.

Financing Risks

Non-availability of financial resources may delay project implementation

The projects which we have envisaged for development over the next five years entail large investments. We are planning to execute most of these projects with a debt to equity ratio of 80:20. Delay in achieving financial closures for these projects may affect the execution of these projects. We are planning to meet our equity commitments for these projects from our internal accruals and IPO funds. If our internal resource generation does not accrue as planned affecting our equity investments in these projects it may delay the execution of these projects. However, we believe that we will be able to meet our equity commitments from our internal accruals and IPO funds. The debt component for many of these projects have been tied up while for some the financial closure process is on. We believe debt for these projects would be tied up in due course.

Interest Rate Risks

Increase in interest rates may impact the returns from these projects

We take long term borrowings for our infrastructure projects. In some of the projects the off-take agreements do not provide for pass-through of interest costs. In such projects we are therefore exposed to the risk of reduction in the returns as envisaged at the time of taking up of the project if the interest rate on the loans which we borrow go up. However, it is our strategy to have term loans which have reset / refinancing clauses so that we are not locked into interest rates for the entire life cycle of a project.

Human Resources Risk

We are presently undertaking development of infrastructure projects on a scale which we have not executed in the past. We may not be having experienced personnel to ensure timely implementation of these projects. However, we are in the process of acquiring experienced manpower for execution of these projects and have put in place a human resource strategy to attract suitable personnel and also to retain key managerial personnel. The strategy includes providing an attractive compensation package including Employee Stock Option Scheme. As of March 2007 we had 1,218 employees.

E. Risk Management Framework

In order to regularly assess, evaluate and prioritize risks and to take corrective action wherever required we have put in place a Risk Management Framework. Under the framework a four tier hierarchy

for risk assessment and evaluation has been created with a Group Risk Management Steering Committee at the apex level, a separate Risk Management Steering committee for Power, Infrastructure and Construction, Realty and Corporate Function. For each of the business groups a Risk owner as well as a Risk Champion has also been identified. The apex steering committee would be assisted by a Chief Risk Officer who would facilitate the functioning of the steering committee and ensure quarterly review of the risk reports from the various risk owners. The steering committee would also prepare a Risk Charter and a Risk Policy which would lay down the guidelines for the risk owners and champions in their risk evaluation process.

F. Internal Control Systems and their adequacy

We have a separate Internal Audit Division to undertake audit on a regular basis at all our locations. The Audit Committee of the Board also reviews the adequacy of the internal audit function and also holds discussions with the internal auditors regarding their significant findings. The CEO / CFO certification annexed to this report discusses the adequacy of the internal control systems.

G. Financial Condition

During the financial 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/ associate. Hence, the consolidated results for the current period are not fully comparable with those of the corresponding period of the previous year.

Sources of Funds

1. Share Capital

Our authorised share capital as of March 31, 2007 stood at Rs. 2500 million divided into 250 million equity shares of Rs. 10 each. As of March 31, 2006 the authorised share capital was Rs. 750 million. The authorised share capital was increased with the approval of the shareholders in order to issue fresh equity shares to the public through IPO which was done in November 2006. The issued and subscribed share capital of the company stood at Rs. 2223.62 million comprising of 222,361,905 equity shares of Rs. 10 each. The issued, subscribed and paid-up share capital was Rs. 307.69 million at the end of the previous year. The details of the change in the capital is detailed below:

Particulars	Number of shares
Total No of equity shares outstanding at the beginning of the year	30,768,888
Issued during the year	
1:2 Bonus issue	24-Apr-06 15,384,444
Issued for cash - Lanco Group Ltd	07-Jun-06 10,637,144
Issued for cash - LCL Foundation	16-Jun-06 2,506,032
2:1 Bonus issue	30-Jul-06 118,593,016
Issued for cash - Public Issue	27-Nov-06 44,472,381
No. of Equity Shares at the end of the year	222,361,905

2. Reserves and Surplus

A summary of the reserves and surplus is given below:

Particulars	Rs in Million	
	31-Mar-07	31-Mar-06
Securities Premium	10,337	35
General Reserve	118	17
Capital Reserve	43	43
Debenture Redemption Reserve	60	–
Profit & Loss Account	2349	552
Total	12,907	647

The main reason for the increase in the reserves surplus has been the increase in securities premium on account of issue of shares to the public at a premium of Rs. 230 per share. The increase in the profit and loss account balance has been because of the various subsidiary companies which have now been consolidated pursuant to re-organisation / consolidation.

3. Minority interest

Minority interest in the consolidated balance sheet of the company as on March 31, 2007 was Rs. 3,763 million as against Rs. 138 million in the previous year. The main reason for the change being the restructuring of the group companies resulting in a number of associate companies becoming subsidiaries.

4. Loan Funds

On a consolidated basis the company had a total loan fund of Rs. 17,099 million as against Rs. 1,397 million at the end of the previous year. Of this Rs. 16,949 million were on account of secured loans while Rs. 150 million is by way of unsecured loans. Break-up of the secured loan is tabulated below.

Particulars	Rs in Million	
	31-Mar-07	31-Mar-06
Debentures	241	–
Term Loans		
Rupee Loans		
Financial Institutions	5,207	–
Banks	7,883	725
Foreign Currency Loans		
Financial Institutions	1,141	–
Banks	1,759	–
Short Term Loans	24	3
Vehicle Loans	6	2
Cash Credits and Working Capital Loans	688	50
Total	16,949	781

A broad break-up of the loans as of March 31, 2007 across various companies of the group is as follows:

Particulars	Rs in Million	
	Amount	
Lanco Amarkantak Power Private Limited	5,747	
Lanco Kondapalli Power Private Limited	3,825	
Aban Power Company Limited	2,678	
Lanco Hills Technology Park Private Limited	2,066	
Lanco Infratech Limited	1,245	
Lanco Green Power Private Limited (Developing 70 Mw Hydro Power Project in Himachal Pradesh)	598	
Lanco Hydro Power Ventures Private Limited (Developing 20 Mw hydro electric power projects in Himachal and Uttaranchal)	425	
Clarion Power Corporation Limited	237	
Rithwik Energy Systems Limited	127	
Total	16,949	

Application of Funds

1. Fixed Assets

Details of the fixed assets as on March 31, 2007 in comparison to the previous year is given below:

Particulars	Rs in Million	
	31-Mar-07	31-Mar-06
Gross Block	19,186	235
Less : Depreciation	5,754	86
Net Block	13,432	149
Capital Works in Progress (including capital advances)	9,443	119
Expenses during construction pending allocation (net)	1,515	141
Total	24,390	409

A break up of the gross block with details of changes during the year is given below:

Particulars	Rs in Million				
	As at April 1 2006	Additions	Addition on inclusion of subsidiaries	Withdrawals	As at March 31, 2007
Goodwill	10	675	–	–	685
Leasehold Land	–	–	146	–	146
Freehold Land	–	1,345	286	–	1,631
Buildings	25	38	1,568	–	1,630
Plant and Machinery	150	600	14,126	–	14,876
Office equipment	10	25	31	*	66
Furniture and Fittings	19	18	17	–	54
Vehicles	20	42	35	**	97
Total	235	2,743	16,209	1	19,186

* Rs. 0.18 Million ** Rs. 0.80 Million

2. Investments

On a consolidated basis the investments made amounted to Rs. 6,029 million as against Rs. 1,015 million at the end of the previous year. Out of these Rs. 5,047 million represent investments in shares of associate companies including Rs. 5,016 million in Nagarjuna Power Company Limited. Out of the balance, Rs. 952 million is in current investments and Rs. 30 million is in long term investments.

The investments by Lanco Infratech Limited on a stand alone basis as on March 31, 2007 was Rs. 13,426 million comprising mainly of Rs. 12,471 million invested in various subsidiary and associate companies.

3. Current Assets, Loans and Advances

Current assets including loans and advances amounted to Rs. 17,064 million as on March 31, 2007 as compared to Rs. 2,678 million at the end of the previous year. A break-up of the Current Assets is given below:

Particulars	Rs in Million	
	31-Mar-07	31-Mar-06
Inventories	4,896	164
Sundry Debtors	2,694	381
Cash and Bank	5,050	414
Other Current Assets	12	2
Loans and Advances	4,412	1,718
Total	17,064	2,678

Inventories mainly comprised of construction / development work in progress amounting to Rs. 3,861 million at our Lanco Hills and

other construction sites, input fuel stock used at our operating power plants amounting to Rs. 368 million and stores and spares amounting to Rs. 667 million.

Sundry debtors comprise mainly of the amounts due from the customers - the state electricity boards in the case of the operating power companies and clients for construction and EPC work. Of the total amount of Rs. 2,694 million of sundry debtors, Rs. 780 million has been outstanding for more than 6 months. A major portion of this amount pertains to dues pending from Andhra Pradesh Power Coordination Committee (APPCC) to Kondapalli Power Plant which is the amount APPCC has adjusted unilaterally against certain claims raised by them which have not been accepted by the company. The matter is pending in court.

Cash and Bank balances stood at Rs. 5,050 million as on March 31, 2007 as against Rs. 414 million in the previous year of which Rs. 4,591 million is kept in term deposit accounts with scheduled commercial banks.

Loans and advances mainly comprised of advances to sub-contractors amounting to Rs. 2,658 million, advance for operation and maintenance services amounting to Rs. 343 million, advances for share application money amounting to Rs. 429 million, deposits with clients amounting to Rs. 120 million and various other advances for works and services amounting to Rs. 851 million.

4. Current Liabilities and Provisions

Current Liabilities and provisions as on March 31, 2007 were Rs. 11,424 million as against Rs. 1,581 million at the end of the previous year. This mainly comprised of sundry creditors amounting to Rs. 5,823 million and Rs. 5,204 million received as advance from customers for construction and EPC orders.

H. Results of operations

Rs in Million

Particulars	Financial Year 2006-07	% of Sales	Financial Year 2005-06	% of Sales
Sales and Operating Income	16,058	100%	1,471	100%
Less :				
Construction and Operating Expenses	11,220	69.9%	1,258	85.5%
Administration and other expenses	639	4.0%	45	3.1%
EBITDA	4,198	26.1%	168	11.4%
Depreciation	656	4.1%	19	1.3%
EBIT	3,543	22.1%	149	10.1%
Interest and Finance charges	829	5.2%	36	2.5%
Operating Profit after Interest & Depreciation	2,714	16.9%	113	7.6%
Other Income	416	2.6%	13	0.9%
EBT	3,130	19.5%	126	8.5%
Provision for Taxation	472	2.9%	33	2.3%
Profit after Taxation	2,658	16.6%	92	6.3%
Less : Minority interest	788	4.9%	–	–
Add: Share of profits in associates	10	0.1%	79	5.4%
PAT after Minority Interest	1,880	11.7%	171	11.6%

1. Sales and Operating Income

Presently, our sales and operating income are generated mainly from the sale of power to bulk electricity consumers based on long term power purchase agreements, trading in power and the construction and EPC revenues which we earn from undertaking various construction and EPC contracts mainly of infrastructure projects. The break-up of the consolidated revenues accounted for the current year based on the principles of consolidation adopted is as follows:

Rs in Million		
Particulars	Operating business	Amount
Power Companies		
Kondapalli Power	368 MW Gas Power Project	5,400
Lanco Electric Utility	Power Trading	3,214
Aban Power Company Limited	120 MW Gas based Power Project	1,572
Clarion Power	12 MW Bio Mass Power Project	291
Rithwik Energy Systems	6 MW Bio Mass based power project	192
Sub total		10,669
Lanco Infratech (stand alone)	Construction, EPC and others	5,417
Others		2
Total		16,088
Less: Elimination of Inter company revenues		29
Net		16,058

The operating performance of the power plants and the units of power sold is as follows:

Particulars	Availability (%)	PLF (%)	Electricity Sold (MUs)
Kondapalli Power	86.20%	53.65%	1,644
Aban Power			
Company Limited	96.25%	82.38%	817
Clarion Power	73.81%	69.79%	66
Rithwik Energy Systems	77.33%	78.73%	36

Lanco Electric Utility, the power trading arm traded 741 MUs of power during the year. Of the Rs. 5,417 million revenues generated by Lanco Infratech Limited on a stand alone basis, Rs. 5,270 million was on account of its construction and EPC business while the balance was from wind farms and other investments. The project-wise break-up of the revenues booked by the construction and EPC division is as follows:

Rs in Million	
Particulars	Amount
Projects for the Group	
Coal Power projects (Amrkanthak, Nagarjuna)	3,369
Hydro Power Projects (Himachal, Uttaranchal)	930
Sub-total for internal projects	4,299
Projects for third parties	
Roads, Bihar	144
Buildings, Assam	129
Residential Building, Rajasthan	116
Buildings for Healthcare, Karnatka	103
Others	480
Sub-total for external projects	971
Total	5,270

2. Expenditure

On a consolidated basis the total expenditure incurred for the year amounted to Rs. 11,859 million mainly on account of the expenditure on fuel for the operating power plants, operating and maintenance expenses, employee cost, expenditure incurred on execution of construction orders in the case of the construction division and expenditure on purchase of power by the trading arm. A break-up of the total expenditure incurred is given below:

Rs in Million	
Particulars	Amount
Construction expenditure	
Opening Work in progress	164
Add: Construction material consumed	5,287
Less: Closing work in progress	(3,862)
Add: Sub contracting cost	2,376
	3,965
Cost of purchase of Power for trading (less rebate)	3,169
Fuel for operating power plants	3,523
Consumption of Stores and spares	217
Operations and maintenance cost	294
Repairs and maintenance	60
Employee Cost	236
Insurance	122
Consultancy, Professional Charges, Managerial	
Remuneration	116
Traveling and Conveyance expenses	54
Communication expenses	12
Rent, Hire etc.	97
Office Maintenance, Printing and Stationery	12
Others	60
Total	11,937
Less: Transferred to Development cost	(77)
Net expenditure charged to P&L	11,860

3. Depreciation

Depreciation on a consolidated basis was Rs. 656 million. 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 bases following accounting policies which are considered appropriate in each case and continue to follow the same.

4. Interest and Finance Charges

Interest and finance charges on a consolidated basis amounted to Rs. 829 million. The average cost of borrowings for existing operating assets is around 10%. For the projects which are under implementation, we are aware of the impact rising interest rates may have on our returns. However, we believe the impact would be minimal. In the case of 1015 MW Nagarjuna Power Project the Power Purchase Agreement is so structured that the interest cost is a pass-through in the tariff. In

the case of other projects where we have bid for a tariff based on a certain assumption for interest rates, our strategies are to assume a conservative rate at the time of bidding and then to contract loans with a three year reset clause so that we can have the benefit of a favourable movement in the interest rate. Any foreign exchange rate exposures on such loans are hedged so as to minimise risks on that account.

5. Tax

The tax provided on a consolidated basis amounted to Rs. 472 million. On an earnings before tax of Rs. 3,130 million the effective tax rate works out to 15%. We have been able to achieve a optimum tax rate because of the Section 80IA benefits at the SPV level for the power projects which are under operation and also the wind farms which we have on our portfolio which allow us to enjoy higher depreciation rates for tax purposes. We have not been availing benefits of tax holiday provided under Section 80 IA of Indian Income Tax laws for our construction revenues for the infrastructure projects which we are developing. We would be awaiting for a clarity on the issue before we decide on the matter.

I. Liquidity and Capital Resources

We operate in capital-intensive industries and have to finance the development of our projects and other capital expenditures through a combination of cash generated from operations and borrowings from banks and financial institutions. Our liquidity requirements relate to servicing our debt, funding investments in new projects, funding our working capital requirements. Our funding and treasury activities are conducted within corporate policies designed to enhance investment returns while maintaining appropriate liquidity for our requirements. We currently hold our cash and cash equivalents amounting to Rs. 5,050 million. Besides this we also have liquid current investments amounting to Rs. 952 million.

Our short-term liquidity requirements relate to servicing our debt and funding working capital requirements. Sources of short-term liquidity include cash balances and receipts from our operations.

Our long-term liquidity requirements include funding of our investments in new projects and repayment of long-term debt under our credit facilities. Sources of funding our long-term liquidity requirements include new loans, equity or debt issues.

Anticipated Expenditure

We anticipate that the capital expenditures in the next five years will increase significantly due to our commitment to develop and fund our on-going and further new infrastructure projects such as Amarkantak Power Project, Nagarjuna Power Project, Hydro Power Projects, Hyderabad Property Project, Road (BOT) projects.

Anticipated Sources of Funds

We finance most of our projects with a debt to equity ratio of 80:20. Our equity stake in large infrastructure projects would generally range from a minimum of 51% to 74%. We rely principally on our cash flow from operations and existing cash balances including that of IPO proceeds to finance our share equity requirements.

As far as the borrowings for the project are concerned, we strive to reach financial closure for all our projects before committing any investments. For most of our planned projects in the next five years we have attained financial closures or are close to achieving in the current year. We also believe that raising debt for large infrastructure projects which have well structured off-take agreements with built-in payment security mechanisms and which are based on competitive tariffs is not difficult.

Cash flows

Rs. in Million

Particulars	For the period ended March 31	
	2007	2006
Opening Cash	414	359
Net Cash from Operating Activities	4,046	(125)
Cash Used in Investing Activities	(31,385)	(525)
Cash Flow from Financing Activities	29,936	705
Net Increase in Cash	2,597	54
Closing Cash	3,010	414

Cash Flow from Operating Activities

Net cash used from operating activities for the year March 31, 2007 was Rs. 4,046 million which was primarily due to cash generated from operations amounting to Rs. 4,279 million and adjusted for an increase in current liabilities by Rs. 9,909 million, being offset by an increase in inventories of Rs. 4,732 million, an increase in trade and other receivables of Rs 5,017 million and direct taxes paid of Rs. 393 million.

Cash Flow used in Investing Activities

Net cash used in investing activities for the year ended March 31, 2007 was Rs. 31,385 million, primarily due to purchase of fixed assets (net) of Rs. 24,636 million, purchase of investments (net) of Rs. 7,043 million, profit on sale of investments of Rs. 74 million and interest received of Rs. 221 million.

Cash Flow from Financing Activities

Net cash from financing activities for the year was Rs. 29,895 million. Of this an amount of Rs. 12,186 million was primarily due to proceeds received from inflows on account of issue of equity shares including Rs. 10,673 million received from the Initial Public Offering of equity shares. An amount of Rs. 2,837 million was the cash received from the issue of shares by the subsidiary companies during the year. Net proceeds from borrowings was Rs. 15,701 million which was partially offset by interest payments of Rs. 829 million.

J. Results of operations of some of the subsidiaries

Following is the summarised stand alone Profit & Loss account of our company and those of subsidiaries which have significant operating revenues.

Rs. in Million

Particulars	Lanco Infratech Construction & EPC	Aban 120 MW	Kondapalli 368 MW	Clarion 12 MW	Rithwik 6 MW	Lanco Electric Utility Power Trading
Operating Business						
Net Sales	5417	1848	5385	331	217	3209
Other Income	117	36	293	0	0	7
Total	5534	1884	5677	331	217	3216
Expenditure						
Operating expenses	3983	840	3141	158	111	3169
Administration and other expenses	293	105	167	42	27	16
Interest and Finance charges	212	262	383	28	14	
Depreciation	37	316	843	37	20	1
Total	4525	1523	4534	265	172	3186
EBITDA	1141	903	2076	132	79	24
EBITDA Margin	21.1%	48.9%	38.6%	39.7%	36.3%	0.8%
EBIT	1104	587	1234	95	59	23
EBIT Margin	20.4%	31.8%	22.9%	28.7%	27.1%	0.7%
PBT	1009	361	1143	67	45	30
PBT Margin	18.2%	19.2%	20.1%	20.1%	20.7%	0.9%
PAT	731	320	1014	59	40	20
PAT Margin	13.2%	17.0%	17.9%	17.8%	18.4%	0.6%
Return on Capital Employed*	14.5%	14.2%	17.4%	19.3%	21.3%	13.7%
Return on Net Worth*	10.0%	21.2%	22.6%	23.6%	28.4%	8.8%

* average capital employed and average network for the year

CAUTIONARY STATEMENT

Statements in this Report, particularly those which relate to Managements' Discussion and Analysis, describing the Company's objectives, projections, estimates and expectations may constitute "forward looking statements" within the meaning of applicable laws and regulations. Actual results might differ materially from those either expressed or implied.

**CHIEF EXECUTIVE OFFICER (CEO)
AND CHIEF FINANCIAL OFFICER (CFO) CERTIFICATION**

To
The Board of Directors of
LANCO INFRATECH LIMITED

We, the under signed, in our respective capacities as the Managing Director and Chief Financial Officer of Lanco Infratech Limited ("the company"), to the best of our knowledge and belief certify that:

- (a). We have reviewed Financial Statements and the Cash Flow Statements for the Year Ended on 31st March, 2007 and based on our knowledge and belief:
 - (i). these statements do not contain any materially untrue statements or omit any material fact or contain statements that might be misleading;
 - (ii). these statements together present a true and fair view of the Company's affairs and are in compliance with the existing Accounting Standards except as disclosed in note no.4(xvi) & 4(xvii) in Schedule-19 of the Consolidated Financial Statements and are in compliance with applicable Laws and Regulations.
- (b). We further state that to the best of our knowledge and belief, there are no transactions entered into by the Company during the year which are fraudulent, illegal or violative of the Company's Code of Conduct.
- (c). We are responsible for establishing and maintaining internal controls and for evaluating the effectiveness of the same over the Financial Reporting of the Company and have disclosed to the Auditors and the Audit Committee, deficiencies in the design or operation of such internal controls, if any, of which they are aware and the steps we have taken or propose to take to rectify these deficiencies.
- (d). We have indicated, based on our most recent valuation, wherever applicable, to the Auditors and Audit Committee :
 - (i). significant changes, if any, in internal control over financial reporting during the year;
 - (ii). significant changes, if any, in accounting policies made during the year and that the same have been disclosed in the notes to the financial statements; and
 - (iii). instances of significant fraud of which we have become aware and the involvement therein, if any, of the Management or an Employee having a significant role in the Company's internal control system over financial reporting.

For **LANCO INFRATECH LIMITED**

J. SURESH KUMAR
Chief Financial Officer

G.VENKATESH BABU
Managing Director

Place : Hyderabad
Date : May 12,2007

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 [^]
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.

[^] 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.

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

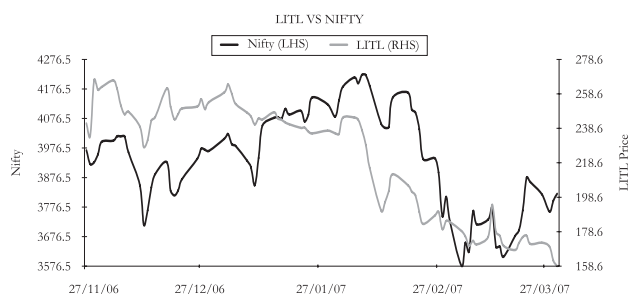
(vii) Stock Market Price Data relating to Equity Shares listed in National Stock Exchange of India Limited & Bombay Stock Exchange Limited, Mumbai.

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
TOTAL	1,29,844	100.00	22,23,61,905	100.00

(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)
(A)	Shareholding of Promoter and Promoter Group					
(1)	Indian					
(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
	Sub-Total (A)(1)	9	5,50,23,198	Nil	24.7449	24.7449
(2)	Foreign					
(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
	Sub-Total (A)(2)	1	11,17,48,230	Nil	50.2551	50.2551
	Total Shareholding of Promoter and Promoter Group (A)= (A)(1) + (A)(2)	10	16,67,71,428	Nil	75.0000	75.0000
(B)	Public Shareholding					
(1)	Institutions					
(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
	Sub-Total (B)(1)	80	2,95,42,562	2,95,42,562	13.2858	13.2858
(2)	Non- Institutions					
(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
	Sub-Total (B)(2)	1,29,754	2,60,47,915	1,49,29,431	11.7142	11.7142
	Total Public Shareholding (B)= (B)(1) + (B)(2)	1,29,834	5,55,90,477	4,44,71,993	25.0000	25.0000
	TOTAL (A) + (B)	1,29,844	22,23,61,905	4,44,71,993	100.0000	100.0000
(C)	Shares held by Custodians and Against which Depository Receipts have been issued	Nil	Nil	Nil	Nil	Nil
	GRAND TOTAL (A)+(B)+(C)	1,29,844	22,23,61,905	4,44,71,993	100.0000	100.0000

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

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
Adminstration 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

Rs in Million

For the year ended	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, (LKPPL)
	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., (LHTPPL)
	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	Holding Company		for the year ended Mar 31, 2007				for the year ended Mar 31, 2006				Key Management Personnel and their relatives					
	Name of the Party	Amount	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
Dividend received		Nil	LKPPPL	23.80	Nil	Nil	Nil	Nil	Nil	LKPPPL	33.32	Nil	LKPPPL	33.32	Nil	Nil
				23.80							33.32			33.32		
Rent received		Nil	APCL	1.18	Nil	Nil	Nil	Nil	Nil	APCL	1.04	Nil	APCL	1.04	Nil	Nil
			RESL	0.16												
			CPCL	0.15												
				1.49							1.04			1.04		
Civil Contract																
Services rendered		Nil	LAPPL	762.60	LRJV	143.94	Nil	Nil	Nil	LGPPL	64.98	Nil	LAPPL	300.17	Nil	Nil
			LEPL	403.74	NPCL	816.13				Others	29.51		Others	30.54		
			LGPPL	180.90	Others	15.22										
			Others	357.47							94.49			330.71		
				1,704.71		975.29								330.71		
Contract Service/ Shared Service fees		Nil		Nil	SVC	35.09	Nil	Nil	Nil	SVC	25.60	Nil	SVC	25.60	Nil	Nil
Managerial Remuneration		Nil		Nil		Nil	LMR	7.20	Nil	LMR	7.20	Nil	SC Duggal	3.20	Nil	Nil
							GBR	7.20		GBR	7.20					
							GYB	6.00		GYB	6.00					
								20.40			20.40			3.20	GBR	0.05
Purchase of Equity Shares	PSIL	73.39	LAPPL	770.50	CIL	353.68	LMR	4.71	Nil	LMR	4.71	Nil				
			LHTPPL	664.92	IPVL	375.94	GBR	5.19		GBR	5.19					
			LEPL	239.50	TMIL	1,131.38	LS	4.67		LS	4.67					
			LGPPL	354.00	NPCL	1,800.00	LRG	3.81		LRG	3.81					
			Others	109.72	Others	110.00	Others	0.27		Others	0.27					
				73.39		3,771.00		18.65			18.65					0.05
Issue of Equity Shares including premium		Nil		Nil	LGL	1,914.69	Nil	Nil	Nil	LGL	1,914.69	Nil			Nil	Nil
					Others	25.06				Others	25.06					
						1,939.75					1,939.75					

Contd.....

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

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		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	LGL	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						6.00		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		
				239.10		3,080.92						213.40	Others	18.80		
														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]					[9]		[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

Particulars	Rs. in Million	
	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

Particulars	Rs. in Million	
	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

Particulars	Rs. in Million	
	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

Auditors' Report on the Consolidated Financial Statements

To

The Board of Directors
Lanco Infratech Limited
Lanco House, 141, Avenue # 8
Banjara Hills
Hyderabad

Dear Sirs,

1. We have audited the Consolidated Balance Sheet of Lanco Infratech Limited ('the Company' or 'LITL') and its subsidiaries and associates (hereinafter together referred to as 'consolidated entities') as at March 31, 2007, the Consolidated Profit and Loss Account for the year ended on that date, and the Consolidated Cash Flow statement for the year ended on that date, which we have signed under reference to this report. These Consolidated Financial Statements are the responsibility of the management of the Company. Our responsibility is to express an opinion on these consolidated financial statements based on our audit.
2. We have conducted our audit in accordance with 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 prepared, in all material respects, in accordance with an identified financial reporting framework and 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. We did not audit the financial statements of certain subsidiaries, whose financial statements reflect total assets of Rs. 10,208.32 millions as at March 31, 2007 and total revenues of Rs. 3,699.11 millions for the year ended on that date. These financial statements have been audited by other auditors whose reports have been furnished to us, and our opinion, insofar as it relates to the amounts included in respect of such subsidiaries, is based solely on the report of the other auditors.
4. Attention is drawn to the following -
 - a) As detailed in note 4(xvi) of Schedule 19, pending clarification from the ICAI on non elimination of intra group transactions and unrealized profits arising out of construction of projects under Build Operate Own and Transfer basis, the Company has not eliminated revenues and unrealized profits in the consolidated financial statements. As a result the consolidated revenue and net profit after minority interest are higher by Rs 1692.97 millions and Rs. 169.29 millions respectively.
 - b) M/s Lanco Kondapalli Power Private Limited (LKPPL) has become a subsidiary of the Company with effect from November 15, 2006. However the consolidated financial statements have been presented considering LKPPL as a subsidiary with effect from April 01, 2006. As a result the consolidated revenue and net profit after minority interest are higher by Rs. 3270.90 millions and Rs. 242.94 millions respectively.
5. We report that except our comments in paragraph 4 above the Consolidated Financial Statements have been prepared by the Company in accordance with the requirements of Accounting Standard 21, 'Consolidated Financial Statements' and Accounting Standard 23, 'Accounting for Investments in Associates in Consolidated Financial Statements' issued by the Institute of Chartered Accountants of India and on the basis of the separate audited financial statements of the Company and its consolidated entities included in the Consolidated Financial Statements.
6. On the basis of information and explanations given to us and on consideration of the separate audit reports on individual audited financial statements of the Company and its aforesaid consolidated entities, subject to paragraph 4 above, in our opinion, the Consolidated Financial Statements give a true and fair view in conformity with the accounting principles generally accepted in India:
 - a) in the case of the Consolidated Balance Sheet, of the consolidated state of affairs of the Company and its consolidated entities as at March 31, 2007.
 - b) in the case of the Consolidated Profit and Loss Account, of the consolidated results of operations of the Company and its consolidated entities for the year ended on March 31, 2007.
 - c) in the case of the Consolidated cash flow statement, of the consolidated cash flows of the Company and its consolidated entities for the year ended March 31, 2007.

P. Ramakrishna
Partner
Membership Number 22795

Place : Hyderabad
Date : May 12, 2007

For and on behalf of
Price Waterhouse
Chartered Accountants

Consolidated Balance Sheet as at March 31, 2007

Rs.in Million

	Schedule Reference	2007	2006
I. Sources of Funds			
1. Shareholders' Funds			
(a) Capital	1	2,197.93	307.69
(b) Reserves and Surplus	2	12,906.90	646.59
Total		15,104.83	954.28
2. Minority Interest		3,762.82	137.80
3. Loan Funds			
(a) Secured Loans	3	16,948.77	780.88
(b) Unsecured Loans	4	150.00	616.92
4. Deferred Tax Liability (Net)		92.76	30.65
(Refer note XXV in schedule 19)			
Total		36,059.18	2,520.53
II. Application of Funds			
1. Fixed Assets			
(a) Gross Block	5	19,185.80	234.66
(b) Less: Depreciation		5,753.81	85.51
(c) Net Block		13,431.99	149.15
(d) Capital Work in Progress (including Capital Advances)		9,442.71	118.65
(e) Expenses during construction period, pending allocation (Net)	6	1,515.27	141.03
		24,389.97	408.83
2. Investments	7	6,029.05	1,014.78
3. Current Assets, Loans and Advances			
(a) Inventories	8	4,896.35	164.12
(b) Sundry Debtors	9	2,694.16	380.52
(c) Cash and Bank	10	5,050.47	413.57
(d) Other Current Assets	11	11.60	1.83
(e) Loans and Advances	12	4,411.84	1,717.67
		17,064.42	2,677.71
Less: Current Liabilities and Provisions	13		
(a) Liabilities		11,330.28	1,579.14
(b) Provisions		93.98	1.65
Net Current Assets		5,640.16	1,096.92
Total		36,059.18	2,520.53
Significant Accounting Policies and Notes to Accounts	19		

The Schedules Referred to above forms an integral part of the Consolidated Balance Sheet.

This is the Consolidated 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

J.SURESH KUMAR
Chief Financial Officer

C.KRISHNAKUMAR
Company Secretary

Consolidated Profit and Loss Account for the Year ended March 31, 2007

Rs.in Million

	Schedule Reference	2007	2006
I. INCOME			
Sales and Operating Income	14	16,057.69	1,471.01
Other Income	15	415.79	12.92
		16,473.48	1,483.93
II. EXPENDITURE			
Construction, Generation and Operating expenses	16	11,220.35	1,258.47
Administrative and Other Expenses	17	639.30	45.30
Interest and Finance Charges	18	828.64	36.28
Depreciation	5	655.64	18.91
		13,343.93	1,358.96
III. Profit Before Taxation and before Minority Interest and Share of Profits of Associates		3,129.55	124.97
Provision for Taxation			
- Current		405.52	40.00
- Relating to Previous Years		1.15	-
- Fringe Benefit		3.04	0.28
- Deferred		62.11	(6.82)
IV. Net Profit after Taxation and before Minority Interest and Share of Profits of Associates		2,657.73	91.51
Less: Minority Interest		788.22	(0.03)
Add: Share of Profits of Associates (net)		10.46	79.13
V. Net Profit after Taxation, Minority Interest and Share of Profits of Associates		1,879.97	170.67
Surplus brought forward		551.90	381.23
VI. Profit Available for Appropriation		2,431.87	551.90
Transfer (from) / to Debenture Redemption Reserve		(17.99)	-
Trnsferred to General Reserve		101.41	-
VII. Balance Carried to Consolidated Balance Sheet		2,348.45	551.90
Earnings Per Share -Equity Share of Rs. 10/- each fully paid			
Basic EPS (Rs.)		9.86	1.04
Diluted EPS (Rs.)		9.86	1.04
(Refer note 4 (xxiii) on schedule 19)			
Significant Accounting Policies and Notes to the Consolidated Accounts	19		

The Schedules Referred to above forms an integral part of the Consolidated Profit and Loss Account.
This is the Consolidated 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

J.SURESH KUMAR
Chief Financial Officer

C.KRISHNAKUMAR
Company Secretary

Schedules forming part of the Consolidated Balance Sheet as at March 31, 2007

SCHEDULE 1	Rs.in Million	
	2007	2006
SHARE CAPITAL		
Authorised		
250,000,000 (Previous year 75000000) Equity Shares of Rs. 10/- each	2,500.00	750.00
Issued, Subscribed and Paid Up		
222,361,905 (Previous year 30,768,888) Equity Shares of Rs.10/- each fully paid up	2,223.62	307.69
[Out of the above 111,74,8230 (Previous year 24832940) equity shares of Rs. 10 fully paid up are held by Prince Stone Investments Ltd., the holding company]		
(Out of the above shares 157,054126 (Previous year 23,076,666) Equity shares of Rs. 10 are allotted as fully paid-up by way of Bonus Shares from capitalisation of Securities Premium Account)		
Less:Amount recoverable from LCL-Foundation ESOP Trust	25.69	-
	2,197.93	307.69

SCHEDULE 2	Rs.in Million	
	2007	2006
RESERVES AND SURPLUS		
Securities Premium Account		
As at the commencement of the year	35.24	266.01
Add:Received during the year	12,042.50	-
Add:Increase during the year on account of Employee Stock Option Plan (ESOP)	555.90	-
Less:Transferred to Share capital on account of Issue of Bonus shares	1,339.77	230.77
Less: Share Issue Expenses	402.07	-
Less:ESOP suspense account	554.42	-
	10,337.38	35.24
General Reserve		
As at the commencement of the year	16.55	16.55
Additions during the year	101.41	
General Reserve	117.96	16.55
Capital Reserve		
As at the commencement of the year	42.90	42.90
Additions during the year		
Capital Reserve	42.90	42.90
Debenture Redemption Reserve		
Debenture Redemption Reserve As at April 1, 2006	78.20	-
Transferred to Profit and Loss Account	(17.99)	-
Debenture Redemption Reserve	60.21	0.00
Consolidated Profit and Loss Account	2,348.45	551.90
	12,906.90	646.59

Schedules forming part of the Consolidated Balance Sheet as at March 31, 2007

SCHEDULE 3	Rs.in Million	
	2007	2006
SECURED LOANS		
Debentures		
3,750,000 Secured Redeemable Non-Convertible Debentures of Rs .100/- each	143.38	–
35 Secured Redeemable Non-Convertible Debentures of Rs. 10,000,000/- each	97.45	–
Term Loans		
Rupee loans		
From financial institutions	5,207.39	–
From Banks	7,882.96	725.43
Foreign Currency loans		
From financial institutions	1,141.09	–
From Banks	1,759.24	–
Interest accrued and due	23.71	3.14
Vehicle Loans (Secured by way of hypothecation of vehicles to banks/financial institutions)	6.01	2.49
Cash credits and working capital demand loan from banks	687.54	49.82
	16,948.77	780.88

SCHEDULE 4	Rs.in Million	
	2007	2006
UNSECURED LOANS		
Short term		
From Banks (Secured by way of personal guarantee of the directors of the company)	150.00	416.92
From Others	–	200.00
	150.00	616.92

Schedules forming part of the Consolidated Balance Sheet as at March 31, 2007

Schedules forming part of the Consolidated Balance Sheet as at March 31, 2007

Schedule 5 - Fixed Assets

Description	GROSS BLOCK				DEPRECIATION				NET BLOCK		
	As at April 1, 2006	Additions	Additions on Inclusion of Subsidiaries	Withdrawals	As at March 31, 2007	As at April 1, 2006	For the year	On account of inclusion of Subsidiaries	On Withdrawals	As at March 31, 2007	As at March 31, 2006
Goodwill	9.67	675.81	—	—	685.48	—	—	—	—	685.48	9.67
Leasehold Land	—	—	145.77	—	145.77	—	—	—	—	145.77	—
Freehold Land	—	1,344.93	286.29	—	1,631.22	—	—	—	—	1,631.22	—
Buildings	24.51	37.86	1,567.78	—	1,630.15	8.03	23.98	202.56	—	1,395.58	16.48
Plant and Machinery	150.30	599.64	14,126.36	—	14,876.30	61.69	618.74	4,791.14	—	9,404.73	88.61
Office Equipment	10.10	25.30	30.50	0.18	65.72	2.25	3.54	5.24	0.05	54.74	7.85
Furniture and Fittings	19.56	17.68	16.84	—	54.08	8.46	5.24	4.10	—	36.28	11.10
Vehicles	20.52	42.26	35.10	0.80	97.08	5.08	4.14	10.23	0.56	78.19	15.44
TOTAL	234.66	2,743.48	16,208.64	0.98	19,185.80	85.51	655.64	5,013.27	0.61	5,753.81	149.15
Previous Period	198.31	22.49	14.86	1.00	234.66	66.70	18.91	—	0.10	149.15	—
Capital Work in Progress including Capital Advances	118.65	18.98	9,305.08	—	9,442.71	—	—	—	—	9,442.71	118.65

Goodwill represents excess of consideration paid over net assets on acquisition of subsidiaries.

* Includes Exchange Fluctuation of Rs.245.41 Millions (including Rs.72.87 deletion in current year) upto March 31, 2007.

Schedules forming part of the Consolidated Balance Sheet as at March 31, 2007

SCHEDULE 6 — Expenses During Construction period pending allocation (net)		Rs.in Million	
	2007	2006	
Salaries, allowances and benefits to employees	121.59	19.80	
Staff Welfare Expenses	5.30	0.92	
Rent	14.21	4.06	
Repairs and Maintenance - Others	17.55	2.99	
Rates and Taxes	27.97	6.21	
Insurance	49.66	0.28	
Consultancy and Professional Charges	340.32	24.35	
Remuneration to Directors	14.85	6.85	
Remuneration to Auditors	0.60	0.13	
Travelling and Conveyance	59.97	5.76	
Communication Expenses	8.96	0.83	
Electricity Charges	4.77		
Bank / other finance charges	214.15	51.03	
Interest on Term Loans	434.94	6.33	
Project Allotment Expenses	162.70		
Depreciation	2.37		
Loss on sale of Assets	0.07		
Miscellaneous Expenses	49.53	11.56	
	1,529.51	141.10	
Less: Other Income			
Dividend from Mutual Funds	11.69		
Interest Received (net of TDS)	2.55	0.07	
(Tax deducted at source - Rs. 0.65 Million (2006 - Rs. 0.01 Millions)			
	1,515.27	141.03	

Schedules forming part of the Consolidated Balance Sheet as at March 31, 2007

SCHEDULE 7	Rs.in Million	
	2007	2006
INVESTMENTS		
Other than Trade (Unquoted)		
In Shares of Associate Companies (At cost plus share of profits/losses based on equity accounting)		
Lanco Amarkantak Power Pvt Ltd@ [154,398,950 (Previous period - 375,65,100) Equity Shares of Rs.10 each fully paid]	–	375.65
Rithwik Energy Systems Ltd@ (7,987,212 (Previous period-4,117,770) equity sharesof Rs 10/- each)		54.73
Lanco Kondapalli Power (P) Ltd@ (200,600,000(Previous Period- 23,800,000 equity sharesof Rs 1/- each)		322.23
Clarion Power Corporation Limited@ (14,426,243 (Previous period-6,915140) equity sharesof Rs 10/- each)		56.67
Aban Power Company Ltd@ (67,248,768 (Previous period-15,471,309) equity sharesof Rs 10/- each)		158.65
Genting Lanco Power India Pvt Ltd [486,702 (Previous period -Nil) Equity Shares of Rs.10 each fully paid]	31.27	–
Nagarjuna Power Corporation Ltd [4,200,000 (Previous period -Nil) Equity Shares of Rs.10 each fully paid]	365.91	–
In Preference Shares		
Nagarjuna Power Corporation Limited [160,000,000 (Previous period -Nil) Preference Shares of Rs.10 each fully paid]	1,600.00	–
In Shares of Other Companies		
Ravindranath GE Medical Associates (P) Ltd (Nil - Previous Peiod -300,000 equity sharesof Rs 10/- each)	–	3.00
Current		
Other than trade - unquoted		
Government securities	0.81	–
In Mutual Funds (at cost)*		
LIC Mutual fund Dividend Reinvestment Plan (903,000.989 (2006 - 1,750,768) units of Rs. 10 per unit)	10.28	19.00
DSP Merrill Lynch Liquidity Fund for Institutional (940,774,955 (2006 - Nil) units of Rs. 10 per unit)	940.96	–
Share Application Money Pending Allotment		
Nagarjuna Power Corporation Limited	3,050.02	–
Long Term		
Other than trade (Quoted)**		
Lanco Global Systems Ltd [500,060 (Previous Period - 1,090,435) Equity Shares of Rs. 10 each fully paid]	25.18	10.90
Power Finance Corporation Ltd [2,443 (Previous Period - Nil) Equity Shares of Rs. 10 each fully paid]	0.21	–
Indian Bank [6,985 (Previous Period - 751,791 equity sharesof Rs 10/- each)]	0.64	10.18
Andhra Bank [31,054 (Previous Period - 31,054) Equity Shares of Rs. 10 each fully paid]	2.11	2.11
Bank of Baroda [7,206 (Previous year - 7,206) Equity Shares of Rs. 10 each fully paid]	1.66	1.66
** Aggregate market value of long term equity shares - Rs.19.55 Millions (2006- Rs.90.85 Millions)		
*Aggregate Net Asset Value of Mutual Funds - Rs. 0.37 Millions. (2006- Rs. 19.18 Millions)		
@ Subsidiary during the year ended March 31, 2007		
	6,029.05	1,014.78

Schedules forming part of the Consolidated Balance Sheet as at March 31, 2007

SCHEDULE 8		Rs.in Million	
	2007	2006	
INVENTORIES			
Raw Materials	367.87	–	
Stores and Spares	666.85	–	
Construction/Development work in progress	3,861.63	164.12	
	4,896.35	164.12	

SCHEDULE 9		Rs.in Million	
	2007	2006	
SUNDRY DEBTORS			
Unsecured			
Considered good			
Outstanding for more than six months	780.42	66.07	
Other debts*	1,913.74	314.45	
	2,694.16	380.52	
Considered doubtful			
Outstanding for more than six months	14.94	4.48	
Less: Provision	14.94	4.48	
* Includes unbilled revenue - Rs. 572.15 Millions (2006- Rs. 3.69 Millions)			
* Out of above Rs. Nil (2006-Rs. 231.89 Millions) is due by private companies in which directors of the Company are directors			
	2,694.16	380.52	

SCHEDULE 10		Rs.in Million	
	2007	2006	
CASH AND BANK BALANCES			
Cash and Cheques on Hand	2.60	0.51	
Balances with Scheduled Banks			
- On Current Accounts	300.52	178.56	
- On Deposit Accounts	4,591.33	190.26	
- On Margin Money Accounts*	156.02	44.24	
* Margin money deposits are towards letters of credit and Bank guarantees given by banks on behalf of the company.	5,050.47	413.57	

SCHEDULE 11		Rs.in Million	
	2007	2006	
OTHER CURRENT ASSETS			
(Unsecured and Considered good)			
Interest accrued but not due	11.60	1.67	
Dividend Receivable	–	0.16	
	11.60	1.83	

Schedules forming part of the Consolidated Balance Sheet as at March 31, 2007

SCHEDULE 12		Rs.in Million	
		2007	2006
LOANS AND ADVANCES			
Loans to Employees		5.33	0.34
Advance towards Share Application Money		428.76	287.05
Advances recoverable in cash or in kind or for value to be received			
Considered Good			
To Sub Contractors #		2,658.14	274.67
To Others		851.44	877.78
		3,509.58	1,152.45
Considered Doubtful			
To Others		11.35	1.23
Less: Provision for Doubtful Advances		11.35	1.23
		-	-
Deposits			
Considered Good			
Government Authorities		44.16	2.34
Others		75.45	253.39
		119.61	255.73
Considered doubtful			
Others		-	3.81
Less: Provision for doubtful security deposits		-	3.81
		-	-
Advance for Operations and Maintenance (Net of Provision)		343.52	-
Advance Tax (Net of Provision)		5.04	22.10
# Out of above Rs. 55.71Millions (2006 - Rs.40.30 Millions) is due from a firm in which directors of the company are partners.			
		4,411.84	1,717.67

SCHEDULE 13		Rs.in Million	
		2007	2006
CURRENT LIABILITIES AND PROVISIONS			
a) Liabilities			
Sundry Creditors			
Due to Small Scale Industrial Undertakings		2.08	0.07
Due to other than Small Scale Industrial Undertakings		5,823.49	436.67
Other Liabilities		281.25	23.64
Advance from customers		5,204.01	851.46
Share Application Money Pending Allotment		(109.44)	267.30
Interest accrued but not due		128.89	-
		11,330.28	1,579.14
b) Provisions			
Provision for Employee Benefits		31.58	1.65
Provision for Fringe Benefit (Net of advance tax)		1.01	-
Provision for Operations and Maintenance (Net of advances)		61.39	-
		93.98	1.65

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

SCHEDULE 14	Rs.in Million	
	2007	2006
SALES AND OPERATING INCOME		
Income from Contract Operations	5,264.19	1,116.76
Income from Trade activities	–	280.46
Income from sale of electrical energy	10,904.68	24.03
Less: Prompt Payment Rebate	225.35	–
Income from Trade Investments	40.13	34.08
Profit/(loss) on sale of Investment	74.04	15.68
	16,057.69	1,471.01

SCHEDULE 15	Rs.in Million	
	2007	2006
OTHER INCOME		
Interest received (gross) on deposits and margin money	220.57	9.25
(Tax Deducted at source Rs. 48.75 Millions (2006-Rs.1.53 Millions))		
Dividend Income	–	0.16
Gain/(loss)on Exchange/Forward Contracts (Net)	33.38	–
Insurance Claims received/receivable	147.41	–
Liabilities no longer required, written back	1.57	–
Miscellaneous income	12.86	3.51
	415.79	12.92

SCHEDULE 16	Rs.in Million	
	2007	2006
CONSTRUCTION, GENERATION AND OPERATING EXPENSES		
Opening Contract Work in Progress	164.12	115.58
Add: Construction material consumed	5,286.65	308.85
Less: Closing Work in Progress	3,861.63	193.58
Construction Cost	1,589.14	230.85
Subcontract cost	2,376.33	742.24
Cost of traded goods exported	–	280.18
Power Purchase	3,225.22	–
Less: Prompt Payment Rebate	56.14	–
Raw materials Consumed	3,522.98	–
Consumption of stores and spares	216.71	–
Operations and Maintenance	293.60	–
Labour charges	4.60	1.00
Repairs and maintenance:		
Plant and machinery	25.24	–
Building	0.56	–
Others	22.11	4.20
	11,220.35	1,258.47

Schedules forming part of the Consolidated Balance Sheet as at March 31, 2007

SCHEDULE 17		Rs.in Million	
	2007	2006	
ADMINISTRATIVE EXPENSES			
Employee Compensation Expenses-ESOPS	0.12	–	
Salaries, allowances and benefits to employees	217.87	27.87	
Contribution to provident fund and others	9.81	0.80	
Recruitment and Training	1.29		
Staff welfare expenses	7.30	0.14	
Hire Charges	1.57		
Rent	16.48	2.36	
Rates and taxes	28.60	4.30	
Sales Tax (net of recoveries)	39.68	0.27	
Donations	11.11	0.22	
Repairs and maintenance:			
Plant and machinery	1.85	–	
Building	3.24	–	
Others	6.53	0.34	
Office Maintenance	10.42		
Insurance	122.31	1.90	
Printing and Stationery	1.42	0.21	
Consultancy and other professional charges	83.37	8.57	
Conference Fee	0.70	–	
Managerial Remuneration	32.19	2.85	
Directors sitting fee	0.20	–	
Electricity charges	2.13	0.18	
Remuneration to Auditors			
Audit Fees	2.91	0.60	
Tax Audit Fees	0.23	–	
Certification	0.15	–	
Other services	0.07	–	
Out of pocket expenses	0.04	–	
Green belt maintenance	0.10	–	
Books and Periodicals	0.10	–	
Travelling and conveyance	53.84	5.39	
Communication expenses	12.23	1.25	
Loss on Sale of Asset (Net)	0.96	0.21	
Provision for advances/claims/debts etc.	20.58	–	
Miscellaneous Expenses	27.29	3.72	
Books and Periodicals	0.10	–	
	716.79	61.18	
Less: Transferred to Development cost	77.49	15.88	
	639.30	45.30	

SCHEDULE 18		Rs.in Million	
	2007	2006	
INTEREST AND FINANCE CHARGES			
Interest on fixed loans	872.14	33.71	
Interest on Debentures	34.20	–	
Interest - Others	44.52	–	
Bank Guarantee Commission	7.79	3.65	
Bank and Other finance charges	33.27	6.24	
	991.92	43.60	
Less: Transferred to Development cost	163.28	7.32	
	828.64	36.28	

Schedules forming part of the Consolidated Financial Statements for the year ended March 31, 2007

Schedule 19

STATEMENT ON SIGNIFICANT ACCOUNTING POLICIES AND NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

1. Description of Business

Lanco Infratech Limited ('LITL' or 'the Company') and its consolidated subsidiaries and associates (hereinafter collectively referred to as Group) are engaged in construction business related activities, development of expressways, generation of power and trading in power.

Construction Business

The Company is involved in development of infrastructure facilities like water supply, mass housing, industrial structures, institutional buildings and expressways. All the contracts are on competitive bid basis.

Property Development Business

Lanco Hills Technology Park Private Limited (LHTPPL) (Formerly Lanco Mantri Technology Park Private Limited) is involved in the development of an integrated IT park named Lanco Hills in 100 acres of land at Manikonda, Hyderabad part of an exclusive "Knowledge Corridor" being promoted by the Government of Andhra Pradesh. The project consists of IT office space, residential buildings, retail and commercial complex.

Power Business

Certain entities of the Group are involved in the generation of power. These are separate special purpose vehicles formed, which have entered into Power Purchase Agreements with electricity distribution companies of the respective state governments and power trading

entities on bid basis. Lanco Electric Utility Limited is involved in power trading activity.

2. Principles of Consolidation

The consolidated financial statements include accounts of Lanco Infratech Limited ('the Company') and its subsidiaries and associates. Subsidiary undertakings are those companies in which LITL, either directly or indirectly, has interest of more than one half of voting power or otherwise has power to exercise control over operations. Subsidiaries are consolidated from the date on which effective control is transferred to the group till the date such control exists. The consolidated financial statements have been prepared in accordance with historical cost convention, the applicable accounting standards issued by the Institute of Chartered Accountants of India and the relevant provisions of the Companies Act, 1956. All inter company transactions, balances and unrealized surpluses and deficits on transactions between group companies are eliminated.

On occasion, a Subsidiary or Associate Company, accounted for by the equity method may issue its share to third parties with respect to such transactions, the resulting gains or losses arising from the dilution of interest are recorded as Capital Reserve / Goodwill.

Investments in the Associates have been accounted in these consolidated financial statements as per Accounting Standard 23 on "Accounting for Investments in Associates in Consolidated Financial Statements". Investments in associate companies, which have been made for temporary purposes, have not been considered for consolidation.

The companies considered in the consolidated financial statements in each of the year are listed below:

S No.	Name of the Company	Relationship	Percentage of Ownership Interest	
			March 31, 2007	March 31, 2006
1	Aban Power Company Limited (APCL)	Subsidiary	51.02%	11.74%
2	Rithwik Energy Systems Limited (RESL)	Subsidiary	88.62%	45.69%
3	Clarion Power Corporation Limited (CPCL)	Subsidiary	97.16%	46.57%
4	Lanco Electric Utility Limited (LEUL)	Subsidiary	99.76%	50.93%
5	Lanco Amarkantak Power Private Limited (LAPPL)	Subsidiary	78.67%	48.01%
6	Lanco Hills Technology Park Private Limited (LHTPPL)	Subsidiary	76.00%	75.00%
7	Lanco Energy Private Limited (LEPL)	Subsidiary	99.96%	
8	Lanco Green Power Private Limited (LGPPL)	Subsidiary	99.97%	
9	Lanco Hydro Power Ventures Private Limited (LHPVPL)	Subsidiary	91.14%	86.85%
10	Coral Agro Estates Private Limited (CAEPL)	Subsidiary	99.98%	
11	Garnet Agro Estates Private Limited (GAEPL)	Subsidiary	99.98%	
12	Diamond Farms Private Limited (DFPL)	Subsidiary	99.93%	
13	Ruby Agro Farms Private Limited (RAFPL)	Subsidiary	99.76%	
14	Pearl Farms Private Limited (PFPL)	Subsidiary	99.97%	
15	Uranus Projects Private Limited (UPPL)	Subsidiary	99.97%	
16	Neptune Projects Private Limited (NPPL)	Subsidiary	99.41%	
17	Lanco Kondapalli Power Private Limited (LKPPL)	Subsidiary	59.00%	7.00%
18	Genting Lanco Power (India) Private Limited (GLPPL)	Associate	26.00%	
19	Mercury Projects Private Limited (MPPL)	Subsidiary	99.99%	
20	Nagarjuna Power Corporation Limited (NPCL)	Associate	48.84%	

Schedules forming part of the Consolidated Financial Statements for the year ended March 31, 2007

Subsidiaries of Lanco Hydro Power Ventures Private Limited

S No.	Name of the Company	Relationship	Percentage of Ownership Interest	
			March 31, 2007	March 31, 2006
1	Lanco Hydro Energies Private Limited (LHEPL)	Subsidiary	99.99 %	
2	Vamshi Hydro Energies Private Limited (VHEPL)	Subsidiary	99.81 %	42.00 %
3	Vamshi Industrial Power Limited (VIPL)	Subsidiary	99.61 %	37.04 %

3. The Significant Accounting Policies are as follows:

i. Revenue Recognition

Revenue from Work Contracts is recognized in accordance with the percentage completion method on the basis of work certified. Claims on the contractors are accounted for in the year of acceptance.

Interest income is recognized on a time proportion basis taking into account the amount outstanding and the rate applicable and stated at gross of TDS.

Revenue from Carbon Credit is recognized upon registration of the project with United Nations Framework Convention on Climate Change (UNFCCC) and upon execution of a firm contract of sale of the eligible credits.

Revenue from sale of energy is recognized on the accrual basis in accordance with the provisions of Power Distribution Agreement and Emission Reduction Purchase Agreement. Claims for delayed payment charges and any other claims, which the company is entitled to under the Power Distribution Agreement, are accounted for in the year of acceptance. Claims on the contractors shall be accounted for in the year of acceptance. PPA provides for payment of fixed tariff based on cumulative availability of the plant and reimbursement of fuel cost at predetermined station heat rate.

Revenue is recognized for development of properties when the property is substantially completed or completed and for related construction services rendered under the proportionate completion method.

ii. Operations and Maintenance

APCL and LKPPL has entered into Long Term Maintenance Agreement (LTMA) for maintenance of the main plant and Long Term Assured Parts Supply Agreement (LTAPSA) for supply of parts for planned and unplanned maintenance over the term of the agreement. Amounts payable under the agreements are charged to Profit and Loss Account based on actual Factored Fired Hours of the Gas Turbines during the year on the basis of average factored hour cost including Customs Duty applicable at the current prevailing rate. Periodical payments are accounted as and when due. Provision for Adder payments under LTAPSA are charged to Profit and Loss Account based on actual Factored Fired Hours including Customs Duty applicable at the prevailing rate and the Customs Duty paid during the year is adjusted against the provision.

iii. 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. Expenditure directly relating to construction activity is capitalized, indirect expenditure incurred during the construction period is capitalized as a part of the indirect construction cost to the extent to which the expenditure is indirectly related or is incidental thereto. Other indirect expenditure

including borrowing cost incurred during the construction period which is neither related to the construction activity nor incidental thereto is charged to profit and loss account. All the fixed assets are assessed for any indication of impairment at the end of 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. In case of LKPPL, LAPPL and APCL, all pre-operative expenditure inclusive of trial run expenditure (net of income during trial run operations) is allocated to fixed assets on pro-rata basis. Interest and other Finance charges incurred during construction period are allocated to Fixed Assets in accordance with the provisions of the Accounting Standard - 16 on "Accounting for Borrowing Costs". In case of APCL, cost of software is charged to profit and loss account in the year in which it is put to use.

iv. Depreciation/ Amortisation:

Depreciation is provided on straight line method as per the rates specified in Schedule XIV to the Companies Act, 1956 or at rates based on estimated useful lives whichever is higher except for assets of less than Rs. 5,000, which are fully depreciated in the year of acquisition. Leasehold improvements are amortized over the period of the lease or estimated useful life whichever is shorter. In respect of additions/deletions, depreciation charge is restricted to the period of use.

Depreciation on adjustments to the historical cost of the assets on account of foreign exchange fluctuations if any is provided prospectively over the residual useful life of the asset.

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 bases following accounting policies which are considered appropriate in each case and continue to follow the same.

In case of LITL 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.

v. 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. Income from investments is recognized in the year in which it is accrued and stated at gross.

Schedules forming part of the Consolidated Financial Statements for the year ended March 31, 2007

vi. Inventories

In case of LITL, 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.

In case of LHTPPL, inventories including Real Estate development are stated at cost or net realizable value whichever is lower. Cost comprises expenditure incurred in the normal course of business in bringing such inventories to their current location and condition and includes, where applicable, appropriate overheads based on normal level of activity. Expenditure during development is accounted for in the following manner:

- a) To allocate direct expenses including interest to individual units based on specific identification.
- b) To allocate common expenses to individual units based on an appropriate basis of allocation.

In case of power generation companies raw materials are valued at cost or net realizable value whichever is lower. Stock of consumables, stores and spares are stated at cost or below. Cost is determined on weighted average basis and includes all applicable costs incurred in bringing goods to their present location and condition

vii. Borrowing Costs

Borrowing costs that are directly attributable to the acquisition or construction of a qualifying asset are capitalised as part of the cost of that asset. Other borrowing costs are recognised as an expense in the year in which they are incurred.

viii. Retirement Benefits

Retirement benefits are accounted for on accrual basis, with contributions to provident fund charged to profit and loss account each year. Provision for Gratuity and Leave Encashment is made on the basis of an actuarial valuation.

ix. 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, denominated in foreign currency are translated at the exchange rate prevailing on the balance sheet date and the resultant gain / loss is recognised in the financial statements.

Exchange fluctuations arising on repayment and reinstatement of outstanding foreign currency loans and current liabilities at the exchange rate prevailing at the date of the Balance Sheet are added to the original cost of Fixed Assets to the extent the liabilities are incurred for the purpose of acquiring fixed assets.

In case of forward exchange contract or any other financial instrument that is in substance a forward exchange contract to hedge the foreign currency risk which is on account of firm commitment and / or is a highly probable forecast transaction, the premium or discount arising at the inception of the contract is amortized as expenses or income over the life of the contract.

x. 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.

xi. 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.

xii. 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 rate 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.

4. Notes to the Consolidated Financials.

i. Debentures of Rs. 240.83 Millions (Previous Year - Nil):

- 3,750,000 Secured Redeemable Non-Convertible Debentures of Rs.100/- each issued by LKPPL bearing interest rate of 3.5% per annum over and above the prime lending rate (12.5% P.A with effect from January 15, 2006). The debentures are redeemable at par in 34 quarterly equal installments commencing on March 15, 2002. Out of the above 21/34, value of debentures amounting to Rs. 231.62 Millions redeemed till date.
- 35 Secured Redeemable Non-Convertible Debentures of Rs. 10,000,000 each were issued by LKPPL bearing interest at the rate of 14.75% per annum (12% P.A with effect from April 15, 2003). The debentures are redeemable at par in 34 quarterly equal installments commencing on April 15, 2002 (reschedule on April 15, 2003 to 30 quarterly equal installments commencing on April 15, 2003). Debentures amounting to Rs.252.55 Millions redeemed till date.
- The above two series of debentures are secured on pari-passu basis with the charges created for securing the term loans and working capital loans by a charge by way of registered mortgage of the Company's freehold property in the State of Maharashtra and assignment of Project contracts, by a first charge on par passu basis with charges created for securing term loans and working capital loans by way of an equitable charge by deposit of title deeds of all the immovable properties of the Company, both present and future situated at Krishna District in the State of Andhra Pradesh and by way of hypothecation of all the movable properties of the Company including its movable plant and machinery, spares, tools, accessories and other movables, both present and future including book debts ranking pari passu with charges created for securing the working capital requirements. Further secured by pledge of a portion of shares held by promoters. Debentures referred in a) above, are further secured by personal guarantees of certain directors / erstwhile director, and corporate guarantee of a company.

ii. Security details of Term Loans and Cash Credits / Overdrafts:

- Rupee Term Loan of Rs. 5,207.39 Millions from Financial Institutions.
- Out of the above Rs. 85.00 Millions relating to APCL are secured by way of first charge on pari passu basis by way of an equitable charge by deposit of title deeds of all the immovable properties of the Company, both present and future situated at Karuppur village, near Kuttalam in Thiruvudaimaruthur Taluk, Tanjore District, Tamil Nadu

Schedules forming part of the Consolidated Financial Statements for the year ended March 31, 2007

and by way of hypothecation of all the movable properties of the Company including its movable plant and machinery, spares, tools, accessories and other movables, both present and future including book debts ranking pari passu with charges created for securing the working capital requirements and further secured by personal guarantees of certain directors of the company.

- Out of the above Rs. 154.22 Millions relating to CPCL is secured by way of hypothecation of all fixed assets (present and future) and guaranteed by the promoter/directors and corporate guarantee of LITL.
- Out of the above Rs. 4,064.35 Millions relating to LAPPL are secured by way of first charge on pari passu basis created by the company on all the immovable properties, present and future, hypothecation of all the movable properties and assets present and future including movable plant and machinery, spares, tools and accessories, furniture, fixtures and vehicles, charge on borrowers operating cash flows, book debts and all the receivable and revenues from the project, all current assets, commissions, and any other revenues of whatsoever nature and wherever arising, present and future, charge of all intangible assets including but not limited to goodwill and uncalled capital, present and future, assignment of/ charge on all the rights, title, interest, benefits, claims and demands whatsoever in the Project Documents, all as amended, varied or supplemented from time to time, all the rights, title, interest, benefits, claims and demands whatsoever in the clearances, all the right, title, interest, benefits, claims and demands whatsoever of the company in any letter of credit, guarantee, performance bond provided by any party to the project documents. All insurance contracts/ insurance proceeds, charge on the letter of credit, retention accounts, DSRA and other reserves and any other bank account wherever maintained, pledge of Promoters Equity Interest representing 26% of the equity.
- Out of the above Rs. 903.82 Millions relating to LKPPL are secured on a pari passu basis, with the charges created for securing the debentures by a charge by way of registered mortgage of the Company's freehold property in the State of Maharashtra and assignment of project contracts; by a first charge on a pari passu basis with the charges created for securing the debentures by way of an equitable mortgage by deposit of title deeds of all the immovable properties of the Company, both present and future situated at Krishna District in the State of Andhra Pradesh and by way of hypothecation of all the movable properties of the Company including its movable plant and machinery, spares, tools, accessories and other movables both present and future including book debts ranking pari passu with charges created for securing the working capital requirements.

Rupee Term Loan of Rs. 7,882.96 Millions from Banks

- Out of the above Rs. 1,019.00 Millions (2006 - Rs. 275.43 Millions) relating to LITL Rs. 373.09 millions is 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 is 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
- Out of the above Rs.1,682.35 Millions relating to LAPPL is secured against floating charge on the existing and floating assets of the company, charge on book debts and receivables and personal guarantee of certain directors of the company.
- Out of the above Rs. 1,666.15 Millions (2006- Rs.Nil) relating to APCL is secured by way of first charge on pari passu basis on the movable and immovable properties both present and future and further secured by way of personal guarantee of directors of the company.
- Out of the above Rs. 2,045.40 Millions (2006 - Rs.450.00 Million) relating to LHTPPL is secured against first charge by way of hypothecation of all fixed assets, current assets and Mortgage of Land,

Building and other immovable assets, present and future, to be constructed/ developed by the company on a certain land.

- Out of the above Rs. 96.93 Millions relating to RESL is secured by way of hypothecation of all fixed assets both present and future and guaranteed by the promoter/directors and corporate guarantee of LITL.
- Out of the above Rs. 60.34 Millions relating to CPCL is secured by way of hypothecation of all fixed assets both present and future and guaranteed by the promoter directors and corporate guarantee of LITL.
- Out of the above Rs.597.60 Millions (2006- Nil) relating to LGPPL is secured by way of first charge on pari passu basis on the land, structure and fixed assets of the company along with other banks and further secured against 30% of the shares in LGPPL.
- Out of the above Rs.424.40 Millions (2006 - Rs. Nil) relating to LHPVL is secured by way of first charge on pari passu basis on the land, structure and fixed assets of the company along with other banks and further secured against 51% of the shares in VIPL and VHEPL.
- Out of the above Rs. 290.78 Millions relating to LKPPL is secured on pari passu basis, with the charges created for securing the debentures by a charge by way of registered mortgage of the Company's freehold property in the State of Maharashtra and assignment of project contracts; by a first charge on a pari passu basis with the charges created for securing the debentures by way of an equitable mortgage by deposit of title deeds of all the immovable properties of the Company, both present and future situated at Krishna District in the State of Andhra Pradesh and by way of hypothecation of all the movable properties of the Company including its movable plant and machinery, spares, tools, accessories and other movables both present and future including book debts ranking pari passu with charges created for securing the working capital requirements.

Foreign currency loans from Financial Institutions and Banks - Rs.2,900.33 Millions.

- Foreign Currency loans from Financial Institutions and Banks amounting to Rs. 789.02 Millions relating to APCL are secured by way of first charge on pari passu basis by way of an equitable charge by deposit of title deeds of all the immovable properties of the Company, both present and future situated at Karuppur village, near Kuttalam in Thiruvudaimaruthur Taluk, Tanjore District, Tamil Nadu and by way of hypothecation of all the movable properties of the Company including its movable plant and machinery, spares, tools, accessories and other movables, both present and future including book debts ranking pari passu with charges created for securing the working capital requirements and further secured by personal guarantees of certain directors of the company.
- Foreign Currency loans from Financial Institutions and Banks amounting to Rs.2111.31 Millions relating to Lanco Kondapalli Power Private Limited is secured on pari passu basis, with the charges created for securing the debentures by a charge by way of registered mortgage of the Company's freehold property in the State of Maharashtra and assignment of project contracts; by a first charge on a pari passu basis with the charges created for securing the debentures by way of an equitable mortgage by deposit of title deeds of all the immovable properties of the Company, both present and future situated at Krishna District in the State of Andhra Pradesh and by way of hypothecation of all the movable properties of the Company including its movable plant and machinery, spares, tools, accessories and other movables both present and future including book debts ranking pari passu with charges created for securing the working capital requirements.

Cash credit and Working capital Demand loan from Banks - Rs. 687.54 Millions.

- Out of the above Rs.221.29 Millions (2006 -Rs.49.82 Millions) relating to LITL is 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

Schedules forming part of the Consolidated Financial Statements for the year ended March 31, 2007

- Out of the above Rs. 19.99 Millions relating to CPCL is secured by way of hypothecation of all current assets and guaranteed by the promoter/directors and Corporate Guarantee of LITL.
 - Out of the above Rs.29.91 Millions relating to RESL is secured by way of hypothecation of all current assets and second charge on Fixed Assets of the company and guaranteed by the promoter/directors and Corporate Guarantee of LITL.
 - Out of the above Rs.138.14 Millions (2006 - Rs. Nil) relating to APCL is secured by way of first charge on the immovable and movable properties both present and future, in favour of the Security Trustee and guaranteed by some of the directors of the company.
 - Out of the above Rs.278.20 Millions relating to LKPPL is secured by way of charge on Company's inventories, consumable stores, book debts and all the movable properties of the Company including its movable plant and machinery, spares, tools, accessories and other movables both present and future and further secured by way of a equitable charge by deposit of title deeds of all the immovable properties of the Company situated at Krishna District in the State of Andhra Pradesh, both present and future ranking pari passu with charges created for securing the debentures and term loans of the Company and secured on a pari passu basis by way of registered mortgage of the company's freehold properties in the State of Maharashtra and assignment of project contracts. Further secured by personal guarantees of certain directors / erstwhile director, pledge of a portion of shares held by promoters and corporate guarantee of a company.
- iii. 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 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:

Particulars	Amount Rs. Million
Funds raised from Initial Public Offer	10,673.37
Utilization	
1. Payment to Globeleq Holding (Kondapalli) Limited for acquiring shares of Lanco Kondapalli Power Private Limited and related cost of acquisition	1,381.16
2. Payment to Aban Ventures Limited to acquire an additional 13.30% equity stake in Aban Power Company Limited	350.00
3. Investment in subsidiary companies (directly/through another subsidiary)	360.60
4. Investment in Nagarjuna Power Project	5,345.02
5. Expenses relating to Initial Public Offer	402.41
Total	7,839.19
Balance of unutilized funds	2,834.18

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 Public Issue Expenses

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

iv. Contingent Liabilities

Particulars	Rs. in million	
	March 31, 2007	March 31, 2006
a) Additional Customs Duty	660.46	
b) Bank Guarantee	3,924.15	435.85
c) Entry Tax Liability	10.35	–
d) Income Tax Liability	25.41	–
e) Letter of Credit	498.30	–
f) Corporate Guarantee	41,358.90	6,388.20
g) Sales Tax Liability	2.46	1.37

v. Capital Commitments

Particulars	Rs. in Million	
	March 31, 2007	March 31, 2006
a) Estimated Value of Contracts remaining to be executed on capital account, not provided for (net of advances)	15,511.27	–

- vi. 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.
- vii. In case of APCL, provision for Adder payments under LTAPSA are charged to profit and loss account based on factored fire hours including customs duty applicable at the prevailing rate and the customs duty during the year is adjusted against the provision.

Particulars	As at April 1, 2006	Provision made during the year	Amount utilized during the year	As at March 31, 2007
Provision for operations and maintenance	20.69	33.07	Nil	53.76

- viii. During the year, LITL has issued 15,384,444 fully paid up equity shares on April 24, 2006 and 118,593,016 fully paid up equity shares on July 30, 2006 as bonus shares by capitalization of securities premium account.

Schedules forming part of the Consolidated Financial Statements for the year ended March 31, 2007

- ix. LITL 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.
- x. In case of LKPPL, APTRANSCO (presently APPCC) has raised certain disputes relating to Installed Capacity, Tariff, which are subjudice at present. The management is of the view that the matters under dispute are not tenable and can be contested and hence no note has been taken of the same. As the matters are technical and interpretational in nature, the management also contends that it is not practicable to estimate their financial effect, if any, at this stage. The company has recognized revenue based on acceptance of bills by APTRANSCO as in previous years.
- xi. APPCC (formerly APTRANSCO) raised claim for liquidated damages towards alleged delay in Scheduled Date of Completion of the Project for Rs. 951.60 Millions after a period of more than five years. APPCC unilaterally adjusted power supply dues to the extent of Rs. 480.70 Millions against the above claim. Company has filed a writ petition before AP High Court and obtained stay order. The APPCC has approached APERC seeking orders in this regard. The Company has filed a special leave petition in the Supreme Court which was not admitted, as the impugned order of the AP High Court Bench was only an interim order and also observed that any objection as to the jurisdiction of APERC could be raised before the same forum. The Company has filed a review petition in Supreme Court of India and the same is pending. The management is of the view that the above claim is not tenable and it can successfully be contested; hence no note of the same has been taken.
- xii. In case of RESL and CPCL, sales invoices are raised from 1.4.2006 to 24.5.2006 at the rate of Rs 3.48 per unit of power exported to APTRANSCO and from 23.5.2006 to 31.03.2007 at the rate of Rs 4.028 per unit of power exported to APTRANSCO as per the Order dated 2nd June 2006 of the Appellate Tribunal for Electricity. Against which the RESL and CPCL are receiving the sale proceeds based on the Hon'ble High Court of Andhra Pradesh interim orders. The impact of difference between the rates on the Sale Invoice raised is Rs. 24.92 Millions and Rs.46.56 Millions respectively for the period from 01.04.2006 to 31.03.2007. The Appellate Tribunal for Electricity vide its Order dated 2nd June 2006, has set aside the impugned proceedings of the Regulatory Commission with a direction to the APTRANSCO, the Transmission Corporation of AP, and its DISSCOMS to continue the Power Purchase and at the same rate at which the power generated by NCE Developers supplied to them are being paid before passing of the impugned order of the Commission dated 20th March 2004 and 7th July 2004 with all differences and arrears thereof, up to date and continue to pay at the same rate, until a new PPA is entered by agreement between them in terms of State Government Policy directions, that may be made hereafter and approved by the Regulatory Commission.
- xiii. In case of LKPPL, in respect of the amounts billed by the company, for sale of electrical energy and for other claims up to June 15, 2003, APTRANSCO has retained certain amounts pending resolution of issues like claim of force majeure, liquidated damages, etc. Recognition of this revenue has been postponed till acceptance by APTRANSCO. The Company has initiated arbitration proceedings for resolution of all such pending issues regarding outstanding amounts with APTRANSCO.
- xiv. In case of LEUL, fixed deposits of Rs.25.40 millions with scheduled banks are taken as margin by the bank towards Letter of Credit Outstanding.
- xv. 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 bases following accounting policies which are considered appropriate in each case and continue to follow the same. The companies in respect of which the depreciation adjustment has been done were not subsidiaries of the Company during the corresponding previous quarters/periods or as at March 31, 2006 and, as such, have not been restated.
- xvi. The Company has made an application to the Institute of Chartered Accountants of India (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. 1692.97 millions and profits amounting to Rs. 169.29 millions arising out of such transactions in this audited consolidated financial results as required by Accounting Standard 21 - Consolidated Financial Statements issued by the ICAI.
- xvii. The reorganization process initiated by the company culminated with the acquisition of additional 25.10% shares of Lanco Kondapalli Power Private Limited (LKPPL) on November 15, 2006, thereby making LKPPL its 59% subsidiary from such date of acquisition. Considering the management structure of LKPPL that is in place and the non declaration of any dividends by LKPPL during the period, the company has presented its consolidated financial statement considering LKPPL as a subsidiary from April 01, 2006 though technically line by line consolidation has to be carried out from November 15, 2006, the date on which holding subsidiary relationship came in existence as per the requirements of accounting standard-21 consolidated financial statements issued by the ICAI. Accordingly, the accounting for investment in LKPPL for the period April 01, 2006 to November 15, 2006 as an associate as per the requirements of accounting standard 23, accounting for investment in associates in consolidated financial statements, issued by ICAI, has also not been considered. The Segment results have been disclosed accordingly. Consequently the consolidated revenue and net profit after minority interest are higher by Rs. 3270.90 million and Rs. 242.94 millions respectively.
- xviii. Loans and Advances:
In case of LHTPPL, it has taken possession of entire land for developmental activities. However the transfer of such land in favour of the LHTPPL is subject to various conditions as stipulated in the Development Agreement. Proportionate cost of land of 29.45 acres amounting to Rs.129.54 crores earmarked for SEZ has been considered as Capital Work in Progress. The balance land has been carried forward as Development work progress as part of the Inventories. All the development related costs have been carried forward as Development work in progress pending allocation between own assets like SEZ and other projects for sale.
- xix. In case of LAPPL, LEPL, LGPPL, LHPVPL, CAEPL, GAEPL, DFPL, RAFPL, PFPL, UPPL, NPPL, LHEPL, VIPL, VHEPL and MPPL Profit and Loss Account is not prepared for the year as the Company is yet to commence commercial operations. All the revenue expenses incurred during the construction stage are grouped and disclosed under Expenditure during Construction period, pending allocation (net).
- xx. The long-term unquoted investments in shares of an associate as given hereunder and included in Schedule 7 are pledged as security towards loan facilities sanctioned to the respective investee companies.

Investee Company	Number of Shares Pledged
Nagarjuna Power Corporation Limited - Preference Shares	160,000,000 (Nil)
Nagarjuna Power Corporation Limited - Equity Shares	20,000,000 (Nil)

Schedules forming part of the Consolidated Financial Statements for the year ended March 31, 2007

Shares pledged on behalf of subsidiaries

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)

Previous year figures are given in brackets

xxi. 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	1729.62	651.43

xxii. Operating Leases

The consolidated entities have entered into certain operating lease agreements. An amount of Rs. 16.48 millions (2006 - Rs. 2.36 millions) paid under such agreements has been disclosed as 'Rent' under Administration and Other Expenses in the Consolidated Profit and Loss Account and Expenditure during construction period, pending allocation respectively. These agreements are cancelable in nature.

xxiii. Calculation of EPS- (Basic and Diluted)

Particulars	Rs. in Million	
	2007	2006
Net profit available for Equity		
Share Holders(Rs in Millions)	1,879.97	170.67
	Nos	Nos
Weighted average number of Equity Shares for Basic EPS	190,645,416	164,746,348
Add: Adjustment for outstanding options under ESOP	34,619	Nil
Weighted Average number of Equity shares for Diluted EPS	190,680,035	164,746,348
Nominal value for share	Rs 10	Rs 10
Basic EPS (Rs.)	9.86	1.04
Diluted EPS (Rs.)	9.86	1.04

xxiv. Employee Stock Option Scheme

During this year, 5012064 equity shares of Rs. 10/- each were allotted in addition to 2400000 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 on 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 option whereby 450 shares are vested with each employee as follows:

- 20% of total options i.e. 90 shares of a face value of Rs. 10 each at an exercise price of Rs.10/- 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 of Rs.10/- 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 of Rs.10/- 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 of Rs.10/- 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 of Rs.10/- 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.

Schedules forming part of the Consolidated Financial Statements for the year ended March 31, 2007

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

Options Outstanding

Particulars	March 31, 2007	March 31, 2006
Outstanding at the beginning of the year	Nil	—
Options Granted during the year	149,400	—
Options Exercised during the year	—	—
Outstanding at the end of the year	149,400	—

xxv. The Deferred Tax Liability - Net is as under:

(Rs. in Million)

Particulars	March 31, 2007	March 31, 2006
Deferred Tax Liability as at the commencement of the year due to		
Fixed Assets Block	30.65	30.65
Add / (Less) Deferred Tax Liability on account of Depreciation	62.11	—
Deferred Tax Liability- Net	92.76	30.65

xxvi. Segment Reporting:

- The segment report of LITL and its consolidated subsidiaries and associates (the Group) has been prepared in accordance with Accounting Standard 17 "Segment Reporting" issued by the Institute of Chartered Accountants of India.
- The Corporate Strategy of the Group aims at creating multiple drivers of growth anchored on its core competencies. The Group is currently focused on four business groups: Construction, Power Generation, Property Development and Others. The group's organizational structure and governance processes are designed to support effective management of multiple businesses while retaining focus on each one of them.
- The Group's activities are restricted within India. The conditions prevailing within India being predominantly uniform, no separate geographical segment disclosure is considered necessary.
- For the purpose of reporting, business segments are primary segments and the geographic segment is a secondary segment.

a) Name of Related Parties and description of relationship:

Sl. No	Segment	Name of the Company
1	Construction	1. Lanco Infratech Limited.
		2. Mercury Projects Private Limited
2	Power	1. Aban Power Company Limited.
		2. Rithwik Energy Systems Limited.
		3. Clarion Power Corporation Limited.
		4. Lanco Amarkantak Power Private Limited.
		5. Lanco Electric Utility Limited.
		6. Lanco Energy Private Limited.
		7. Lanco Green Power Private Limited.
		8. Vamshi Industrial Power Limited.
		9. Vamshi Hydro Energies Private Limited.
		10. Lanco Hydro Energies Private Limited.
		11. Lanco Hydro Power Ventures Private Limited.
		12. Lanco Infratech Limited.
		13. Lanco Kondapalli Power Private Limited
3	Property Development	1. Lanco Hills Technology Park Private Limited
		2. Coral Agro Estates Pvt Ltd.
		3. Garnet Agro Estates Pvt Ltd.
		4. Diamond Farms Pvt Ltd.
		5. Ruby Agro Farms Pvt Ltd.
		6. Pearl Farms Pvt Ltd.
		7. Uranus Projects Pvt Ltd.
		8. Neptune Projects Pvt Ltd.

e) The details of segment information for the year ended March 31, 2007 and March 31, 2006 are given below:

Schedules forming part of the Consolidated Financial Statements for the year ended March 31, 2007

Rs. in million

Business Segments	Construction		Power		Property Developr		Infrastructure Developr		Unallocable		Total	
	2007	2006	2007	2006	2007	2006	2007	2006	2007	2006	2007	2006
Revenue												
Revenue from Customers	5,264.19	1,092.72	10,679.34	24.03						354.26		1,471.01
Total Revenues	5,264.19	1,092.72	10,679.34	24.03	-					354.26		1,471.01
Operating Expenses	3,980.94	976.57	7,239.41	1.72	-					280.18		1,258.47
Depreciation	10.34	3.05	642.67	15.86	2.63							18.91
Segmental Operating Profit/(Loss)	1,272.91	113.10	2,797.26	6.45	(2.63)					74.08		193.63
Interest Income/(expense), net	4.25	(27.00)	(481.86)	(5.68)	(0.26)					68.30		(32.70)
Other income/(expense), net	(294.65)	(37.04)	(325.25)	1.36	(22.68)					-		(35.96)
Profit/(Loss) before tax	982.51	49.06	1,990.15	2.13	(25.57)					68.30		124.97
Taxation -												
Current tax										405.52		405.52
Deferred tax										62.11		(682)
Fringe Benefit tax										3.04		0.28
Relating to Previous Year										1.15		-
Net Profit/(Loss) after taxation	982.51	49.06	1,990.15	2.13	(25.57)					(403.52)		91.51
Net Profit/(Loss) for the year	982.51	49.06	1,990.15	2.13	(25.57)					(403.52)		91.51
Other Information												
Segment Assets	7,543.19	1,901.18	28,484.16	1,328.75	5,274.92					6,029.05		4,101.31
Capital Expenditure	36.25	1.28	17,589.64	16.89	2.48							20.65
Depreciation / Amortisation	33.75	23.67	5,717.27	16.87	0.18							85.51
Segment Liabilities	8,255.43	1,503.23	14,558.93	696.64	4,476.54					5,067.55		3,147.03

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

Schedules forming part of the Consolidated Financial Statements for the year ended March 31, 2007

xxvii. Related party transactions

a) Names of the related parties and description of relationship:

a) Name of Related Parties and description of relationship:

Holding Company	Prince Stone Investments Limited.
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)

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 Hosekot Highway Pvt Ltd (LHHPL)
	Genting Lanco Power (India) Private Limited., (GLPIPL)

Schedules forming part of the Consolidated Financial Statements for the year ended March 31, 2007

Rs. in million

Nature of Transaction	for the year ended Mar 31, 2007				for the year ended Mar 31, 2006				Key Management Personnel and their relatives	
	Holding Company		Enterprises where Key Management personnel have significant influence		Key Management Personnel and their relatives		Holding Company		Enterprises where Key Management personnel have significant influence	
	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
Dividend received		Nil		Nil		Nil		LKPPL	33.32	Nil
Rent received		Nil		Nil		Nil		APCL	33.32	Nil
Civil Contract Services rendered		Nil	LRJV	143.94		Nil		LAPPL	1.04	Nil
			NPCL	816.13				Others	1.04	
			Others	15.22					300.17	
				975.29					30.54	
Contract Service/Shared Service fees		Nil	SVC	37.98		Nil		SVC	330.71	Nil
				37.98					25.60	
			GLPIPL	153.86				GLPIPL	25.60	
				153.86					110.28	
Managerial Remuneration		Nil		Nil		LMR		SC Duggal	110.28	Nil
						GBR			3.20	
						GYB				
Purchase of Equity Shares	PSIL	73.39	CIL	353.68		LMR	4.71			0.05
			IPVL	375.94		GBR	5.19			
			TMIL	1,131.38		LS	4.67			
			NPCL	1,800.00		LRG	3.81			
			Others	110.00		Others	0.27			
				73.39			18.65			0.05
Issue of Equity Shares including premium		Nil	LGL	1,914.69		Nil	Nil		Nil	Nil
			Others	25.06						
				1,939.75						

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

Schedules forming part of the Consolidated 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		Enterprises where Key Management personnel have significant influence		Key Management Personnel and their relatives		Holding Company		Enterprises where Key Management personnel have significant influence		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
Issue of Bonus Shares	PSIL	869.15	LGL	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
Share application money		869.15		265.80		179.76		186.25		6.00		38.52
		Nil	LAPPL	30.92		Nil		Nil	CPCL	50.16		Nil
			NPCL	3,050.00					LAPPL	10.50		
			LGL	7.76					PPPL	36.23		
									Others	18.80		
Refund of Share application money				3,088.68						115.69		
		Nil	SFPL	7.50		Nil		Nil	LEPL	6.60		Nil
									DFPL	5.30		
				7.50						11.90		
Project Development Fees Received			NPCL	71.28								
Project Development Fees Paid			LGL	18.10								
				89.38								
Balance payable [recoverable] at the year end			NPCL	3,338.25					SVC	40.30		
			Others	0.16					LEPL	171.12		
			LCL	[25.69]					LU	[0.40]		
			Others	[22.02]					Others	[0.12]		
				3338.41						264.89		
				[47.71]						[0.52]		

b)

Consolidated Cash Flow for the year ended March 31, 2007

Rs.in Million

	2007	2006
A. CASH FLOW FROM OPERATING ACTIVITIES		
Profit before taxation	3,129.55	124.97
Adjustments for :		
Depreciation	655.64	18.91
Loss on sale of Fixed Assets	0.96	0.21
Interest Income	(220.57)	(9.25)
Interest Expenses	787.58	26.39
Dividend Income		(0.16)
Profit on Sale of Investment	(74.04)	(15.68)
Cash generated from Operations before Working Capital Changes	4,279.12	145.39
Adjustments for :		
Inventories	(4,732.23)	(77.36)
Trade and other receivables / other assets	(5,017.57)	(1,395.54)
Current Liabilities and Provisions	9,909.43	1,249.79
Cash generated from operations	4,438.75	(77.72)
Direct Taxes Paid	(392.65)	(47.66)
Net Cash from Operating Activities	4,046.10	(125.38)
B. CASH FLOW FROM / (USED IN) INVESTING ACTIVITIES		
(Purchase) / Sale of fixed assets (net)	(24,636.17)	(210.90)
(Purchase) / Sale of Investments (net)	(7,043.49)	(339.62)
Profit on Sales of Investment	74.04	15.68
Dividend Income		0.16
Interest received	220.57	9.25
Net Cash from / (used in) Investing Activities	(31,385.05)	(525.43)
C. CASH FLOW FROM / (USED IN) FINANCING ACTIVITIES		
Proceeds from issue of equity shares	12,185.99	
Issue of Common stock in consolidated subsidiary	2,836.79	96.90
Proceeds / (Repayments) from / of Borrowings (Net)	15,700.97	634.76
Interest paid	(787.58)	(26.39)
Net Cash from / (used in) Financing Activities	29,936.17	705.27
Net Increase / (decrease) in Cash and Cash Equivalents	2,597.22	54.46
Cash and Cash Equivalents as at April 1, 2006	413.57	359.11
Cash and Cash Equivalents as at March 31, 2007	3,010.79	413.57

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.156.02 Millions (2006 - Rs.44.24 Millions).
- Cash and Cash Equivalents of Rs.2039.68 Millions excludes longterm fixed deposits and are considered as cash used in Investing Activities.

This is the Consolidated Cash Flow 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

J.SURESH KUMAR
Chief Financial Officer

C.KRISHNAKUMAR
Company Secretary

BALANCE SHEET ABSTRACT AND COMPANY'S GENERAL BUSINESS PROFILE

(as per schedule VI, part IV of the Companies Act, 1956)

I. Registration Details

Registration No: State Code
Balance Sheet Date:

II. Capital Raised during the Year (Amount in Thousands)

Public Issue Rights Issue
Bonus Issue Private Placement

III. Position of Mobilisation and Deployment of Funds (Amount in Thousands)

Total Liabilities Total Assets

Sources of Funds
Paid up Capital Reserves & Surplus
Secured Loans Unsecured Loans
Net Fixed Assets Investments
Net Current Assets Misc. Expenditure
Accumulated Losses

IV. Performance of Company (Amount in Thousands)

Turnover (Gross Revenue) Total Expenditure
Profit Before Tax Profit After Tax
Earnings Per Share in Rs. Dividend Rate %

V. Generic Names of Three Principal Products/Services of Company (As per Monetary terms)

Item Code No. (ITC Code) NOT ALLOTTED

Product Description: 1)
2)

For and on behalf of the Board

L.MADHUSUDHAN RAO
Executive Chairman

G.VENKATESH BABU
Managing Director

C.KRISHNAKUMAR
Company Secretary

J.SURESH KUMAR
Chief Financial Officer

Place : Hyderabad
Date : May 12,2007

Statement pursuant to Section 212 of the Companies Act, 1956, relating to subsidiary companies

Rs. in Million

	Lanco Kondapalli Power Private Limited (LKPPPL)	Aban Power Company Limited (APCL)	Rithwik Energy Systems Limited (RESL)	Clarion Power Corporation Limited (CPCL)	Lanco Electric Utility Limited (LEUL)	Lanco Amarkantak Power Private Limited (LAPPL)	Lanco Hills Technology Park Private Limited (LHTPPL)	Lanco Energy Private Limited (LEPL)	Lanco Green Power Private Limited (LGPPPL)	Lanco Hydro Power Ventures Private Limited (LHPVPL)
	2006-07	2005-06	2006-07	2006-07	2005-06	2006-07	2005-06	2006-07	2005-06	2006-07
Capital	3,400.00	3,400.00	90.13	148.49	212.24	1,962.58	875.00	239.61	354.10	425.60
Reserves	1,597.35	583.26	65.79	35.60	18.84	5.54		0.11		287.49
Total Assets	9,311.03	4,482.84	297.90	525.38	212.90	9,010.91	5,354.68	948.11	1,047.46	830.63
Total Liabilities	4,313.67	5,469.61	141.98	341.29	30.17	7,042.80	4,479.68	708.52	693.35	405.03
Details of Investment (Except investment in subsidiaries)			0.28	0.53	-	-	0.37	-	-	-
Turnover	5,384.61	1,847.88	216.62	331.44	497.8	-	4.49	-	-	-
Profit Before Taxation	1,143.09	360.86	44.75	66.65	30.19	(0.80)	(21.11)	-	-	-
Provision for Taxation	129.00	40.86	5.25	7.55	10.67	(0.12)	0.69	-	-	-
Profit After Taxation	1,014.09	1,067.85	39.50	59.10	19.52	(0.68)	(21.80)	-	-	-
Dividend	-	-	-	-	-	-	-	-	-	-

Rs. in Million

	Coral Agro Estates Private Limited (CAEPL)	Garnet Agro Estates Private Limited (GAEPL)	Diamond Farms Private Limited (DFPL)	Ruby Agro Farms Private Limited (RAEPL)	Pearl Farms Private Limited (PFPL)	Uranus Projects Private Limited (UPPL)	Neptune Projects Private Limited (NPPL)	Mercury Projects Private Limited (MPPL)	Lanco Hydro Energy Private Limited (LHEPL)	Vamshi Hydro Energy Private Limited (VHEPL)	Vamshi Industrial Power Limited (VIPL)
	2006-07	2005-06	2006-07	2006-07	2006-07	2006-07	2006-07	2006-07	2006-07	2006-07	2006-07
Capital	16.10	0.10	2.82	22.16	10.22	6.25	16.85	654.11	180.95	71.03	73.63
Reserves	-	-	-	-	-	-	-	-	-	-	-
Total Assets	16.43	18.51	2.86	22.17	35.44	6.26	16.86	654.13	343.70	158.28	325.20
Total Liabilities	0.32	16.09	0.03	11.61	25.22	0.01	11.27	0.01	162.74	270.25	251.57
Details of Investment (Except investment in subsidiaries)	-	-	-	-	25.17	-	5.35	-	-	-	-
Turnover	-	-	-	-	-	-	-	-	-	-	-
Profit Before Taxation	-	-	-	-	-	-	-	-	-	-	-
Provision for Taxation	-	-	-	-	-	-	-	-	-	-	-
Profit After Taxation	-	-	-	-	-	-	-	-	-	-	-
Dividend	-	-	-	-	-	-	-	-	-	-	-

Persons constituting group as defined under the Monopolies and Restrictive Trade Practices Act, 1969

Lanco Kondapalli Power Private Limited
 Rithwik Energy Systems Limited
 Clarion Power Corporation Limited
 Lanco Electric Utility Limited
 Lanco Hydro Power Ventures Private Limited
 Lanco Hills Technology Park Private Limited
 Aban Power Company Limited
 Lanco Energy Private Limited
 Lanco Green Power Private Limited
 Vamshi Industrial Power Limited
 Vamshi Hydro Energies Private Limited
 Lanco Hydro Energies Private Limited
 Lanco Amarkantak Power Private Limited
 Coral Agro Estates Private Limited
 Garnet Agro Estates Private Limited
 Diamond Farms Private Limited
 Ruby Agro Farms Private Limited
 Pearl Farms Private Limited
 Uranus Projects Private Limited
 Neptune Projects Private Limited
 Mercury Projects Private Limited
 Lanco Global Systems Limited
 Lanco Industries Limited
 Lanco Net Limited
 Lanco Projects Limited
 Lanco Property Management Company Private Limited
 Lanpro Trustee Company Private Limited
 Lanfin Ventures Private Limited
 Lanfin Trustee Private Limited
 Himavat Power Private Limited
 Pragdisa Power Private Limited
 Occidental Power Private Limited
 Vainateya Power Private Limited
 Chamba Hydro Power Private Limited
 Chatari Hydro Power Private Limited
 Dharamshala Hydro Power Private Limited
 Diyothal Hydro Power Private Limited
 Mehad Hydro Power Private Limited
 Parvat Hydro Power Private Limited
 Chobia Hydro Power Private Limited
 Ravi Hydro Electric Private Limited
 Himachal Hydro Power Private Limited
 Jubilee Hydro Power Private Limited
 Garnet Groves Private Limited
 Jupiter Infratech Private Limited
 Mercury Projects Private Limited

Coral Orchids Private Limited
 Emerald Orchids Private Limited
 Uranus Properties Private Limited
 Uranus Infratech Private Limited
 LARSCO Entertainment Private Limited
 D.R.S Resorts Private Limited
 Venu Agro Farms Private Limited
 Bhaskar Biotech Private Limited
 Siri Agrotech Private Limited
 Siri Groves Private Limited
 GVRN Agro Estates Private Limited
 Bhaskar Orchids Private Limited
 Bhaskar Agro Farms Private Limited
 GVRN Groves Private Limited
 GVRN Orchids Private Limited
 GVRN Farms and Real Estates Private Limited
 Saffire Farms Private Limited
 Siri Orchids Private Limited
 Venu Orchids Private Limited
 Century Investments Limited
 Third Millennium Investments Limited
 Island Power Ventures Limited
 Pam Corporation Limited
 Trade Crown Investment Limited
 Vitruval International Limited
 Shore Investments Limited
 Pacific Power Ventures Limited
 Fremont Ventures Limited
 M/s S.V. Contractors
 Lanco Institute of General Humanitarian Trust
 M/s. Larsco Estates
 Lanco Anpara Power Private Limited
 Lanco Power Transmission Private Limited
 Genting Lanco Power (India) Private Limited
 Nagarjuna Power Corporation Limited
 L. Madhusudhan Rao
 G. Bhaskara Rao
 L. Sridhar
 Lanco Group Limited
 L. Rajagopal
 G. Padmavathi
 L.Venkata Ramanaidu
 L. Rama Lakshamma
 L. Padma
 Prince Stone Investments Limited